FATF Public Statement - 22 June 2012

Rome, 22 June 2012 - The Financial Action Task Force (FATF) is the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from money laundering and financing of terrorism (ML/FT) risks and to encourage greater compliance with the AML/CFT standards, the FATF identified jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdictions subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdictions.
Iran Democratic People's Republic of Korea (DPRK)
Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below.
Bolivia Cuba Ecuador Ethiopia Ghana Indonesia Kenya* Myanmar* Nigeria Pakistan São Tomé and Príncipe Sri Lanka Syria Tanzania Thailand Turkey* Vietnam Yemen

*These jurisdictions have not made sufficient progress since being identified in the Public Statement of June 2011. If these jurisdictions do not take significant actions by October 2012, the FATF will call upon its members to apply countermeasures proportionate to the risks associated with the jurisdiction.

Iran

The FATF remains particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF.

The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF reaffirms its 25 February 2009 call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. FATF continues to urge jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices and to take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. Due to the continuing terrorist financing threat emanating from Iran, jurisdictions should consider the steps already taken and possible additional safeguards or strengthen existing ones.

The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalising terrorist financing and effectively implementing suspicious transaction reporting (STR) requirements. If Iran fails to take concrete steps to continue to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in October 2012.

Democratic People's Republic of Korea (DPRK)

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threat this poses to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies.

The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from the DPRK. Jurisdictions should also protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and take into account ML/FT risks when considering requests by DPRK financial institutions to open branches and subsidiaries in their jurisdiction.

The FATF acknowledges the latest outreach from DPRK to FATF and remains prepared to engage directly in assisting the DPRK to address its AML/CFT deficiencies.

Bolivia

Despite Bolivia's high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies, Bolivia has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Bolivia should continue to work on addressing these deficiencies, including by: (1) ensuring adequate criminalisation of money laundering; (2) adequately criminalising terrorist financing; (3) establishing and implementing an adequate legal framework for identifying and freezing terrorist assets; and (4) establishing a fully operational and effective Financial Intelligence Unit. The FATF encourages Bolivia to address its remaining deficiencies, specifically enactment of the AML/CFT amendments which are currently being considered by Parliament, and continue the process of implementing its action plan.

Cuba

The FATF has identified Cuba as having strategic AML/CFT deficiencies that pose a risk to the international financial system. Since February 2012 Cuba has officially engaged with the FATF and has also attended CFATF and GAFISUD meetings. The FATF urges Cuba to continue its engagement with the FATF, and to work with the FATF to develop and agree on an action plan in order to implement an AML/CFT regime in line with international standards.

Ecuador

Ecuador has taken steps towards improving its AML/CFT regime, including by issuing regulations to financial entities regarding AML supervision. Despite Ecuador's high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies, Ecuador has not made sufficient progress in implementing its action plan within the established timelines, and certain strategic deficiencies remain. Ecuador should continue to work with the FATF and GAFISUD on implementing its action plan to address these deficiencies, including by enacting its recently tabled CFT legislation and by: (1) ensuring adequate criminalisation of terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) implementing adequate procedures for the confiscation of funds related to money laundering; and (4) enhancing co-ordination of financial sector supervision. The FATF encourages Ecuador to address its remaining deficiencies and continue the process of implementing its action plan.

Ethiopia

Despite Ethiopia's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, Ethiopia has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Ethiopia should continue to work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing an adequate legal framework and procedures to identify and freeze terrorist assets; (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements. The FATF encourages Ethiopia to address its remaining deficiencies and continue the process of implementing its action plan.

Ghana

Despite Ghana's high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies, Ghana has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Ghana should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (3) establishing and implementing adequate procedures to identify and freeze terrorist assets. The FATF encourages Ghana to address its remaining deficiencies and continue the process of implementing its action plan.

Indonesia

Indonesia is continuing to improve its AML/CFT regime since the enactment of its AML legislation in 2010 and by introducing CFT legislation in Parliament for committee discussion. However, despite Indonesia's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Indonesia has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Indonesia should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; and (3) amending and implementing laws or other instruments to fully implement the 1999 International Convention for the Suppression of Financing of Terrorism. The FATF encourages Indonesia to address its remaining deficiencies and continue the process of implementing its action plan.

Kenya*

Despite Kenya's high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, Kenya has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Since the original action plan was formulated, Kenya was subject to a mutual evaluation which has highlighted additional strategic deficiencies and these have been included in the revised action plan. Kenya should continue to work on addressing these deficiencies, including by: (1) adequately implementing the Proceeds of Crime and Anti-Money Laundering Act and adequately criminalising terrorist financing; (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (3) establishing and implementing an adequate legal framework for the confiscation of funds related to money laundering, and the identification and freezing of terrorist assets; (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements; (5) implementing an adequate and effective AML/CFT supervisory programme for all financial sectors; (6) enhancing financial transparency; (7) further improving and broadening CDD measures; and (8) establishing adequate record-keeping requirements. Taking into account Kenya's continued lack of progress, in particular in enacting the CFT legislation, if Kenya does not take significant actions by October 2012, the FATF will call upon its members to apply countermeasures proportionate to the risks associated with Kenya.

Myanmar*

Despite Myanmar's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Myanmar has not made sufficient progress in implementing its

action plan, and certain strategic AML/CFT deficiencies remain. Myanmar should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) further strengthening the extradition framework in relation to terrorist financing; (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (5) enhancing financial transparency; and (6) strengthening customer due diligence measures. Given Myanmar's continued lack of progress, if Myanmar does not take significant actions by October 2012, the FATF will call upon its members to apply countermeasures proportionate to the risks associated with Myanmar.

Nigeria

Despite Nigeria's high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies, Nigeria has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Nigeria should continue to work on addressing these deficiencies, including by addressing remaining issues regarding criminalisation of money laundering and terrorist financing. The FATF encourages Nigeria to address its remaining deficiencies and continue the process of implementing its action plan.

Pakistan

Pakistan has taken significant steps towards improving its AML/CFT regime, including by enhancing the capacity of its FIU, issuing the UNSC (Enforcement) Order 2012, AML/CFT guidelines for exchange companies and a currency declaration notification for the implementation of its cash border controls. However, despite Pakistan's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Pakistan has not yet made the necessary progress in fully implementing its action plan, and certain key CFT deficiencies remain. Specifically, Pakistan needs to enact legislation to ensure that it meets the FATF standards regarding the terrorist financing offence and the ability to identify, freeze, and confiscate terrorist assets. The FATF encourages Pakistan to address the remaining deficiencies and continue the process of implementing its action plan.

São Tomé and Príncipe

Despite São Tomé and Príncipe's high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies, São Tomé and Príncipe has not made sufficient progress in implementing its action plan, and certain strategic deficiencies remain. São Tomé and Príncipe should continue to work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing a fully operational and effectively functioning Financial Intelligence Unit; (3) ensuring that financial institutions and DNFBPs are subject to adequate AML/CFT regulation and supervision; and (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements. The FATF encourages São Tomé and Príncipe to address its remaining deficiencies and continue the process of implementing its action plan.

Sri Lanka

Sri Lanka has taken significant steps towards improving its AML/CFT regime, including by issuing regulations to establish freezing procedures to implement UNSCRs 1267 and 1373. However, despite Sri Lanka's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Sri Lanka has not made sufficient progress in implementing its action plan. Sri Lanka should continue to work on addressing the remaining issue regarding adequate criminalisation of terrorist financing. The FATF encourages Sri Lanka to address this deficiency and continue the process of implementing its action plan.

Syria

Previously, Syria had taken significant steps towards improving its AML/CFT regime. However, despite Syria's high-level political commitment to work with the FATF and MENAFATF, further engagement with Syria is needed to clarify whether the remaining deficiencies have been addressed, including by: (1) implementing adequate procedures for identifying and freezing terrorist assets; (2) ensuring that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to money laundering and terrorist financing; and (3) ensuring that appropriate laws and procedures are in place to provide mutual legal assistance. The FATF encourages Syria to demonstrate that its remaining deficiencies have been addressed to enable the FATF to properly evaluate Syria's progress.

Tanzania

Tanzania has taken steps towards improving its AML/CFT regime. However, despite Tanzania's high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, Tanzania has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Tanzania should continue to work on implementing its action plan to address these deficiencies, including by: (1) addressing predicate offences for money laundering; (2) adequately criminalising terrorist financing; (3) establishing and implementing adequate procedures to identify and freeze terrorist assets as well as implementing the UNSCRs 1267 and 1373 through law, regulations or other enforceable means; (4) establishing effective customer due diligence measures; (5) ensuring adequate record-keeping requirements; (6) establishing a fully operational and effectively functioning Financial Intelligence Unit. The FATF encourages Tanzania to address its remaining deficiencies and continue the process of implementing its action plan.

Thailand

Despite Thailand's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Thailand has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain, although Thailand has faced external difficulties from 2009 to 2011 which significantly impacted the legislative process for the necessary laws and regulations. Thailand has taken steps towards improving its AML/CFT regime, including by substantially completing an AML/CFT risk assessment for its financial sector. Thailand should continue to work on implementing its action plan to address the remaining deficiencies, including by: (1) adequately criminalising terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; and (3) further strengthening AML/CFT

supervision. The FATF encourages Thailand to address its remaining deficiencies and continue the process of implementing its action plan, specifically enacting its draft CFT legislation.

Turkey*

Despite Turkey's high-level political commitment to work with the FATF to address its strategic CFT deficiencies, Turkey has not made sufficient progress in implementing its action plan, and certain strategic CFT deficiencies remain. Turkey should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing; and (2) implementing an adequate legal framework for identifying and freezing terrorist assets. Given Turkey's continued lack of progress in these two areas, if Turkey does not take significant actions by October 2012, the FATF will call upon its members to apply countermeasures proportionate to the risks associated with Turkey.

Vietnam

Vietnam has taken steps towards improving its AML/CFT regime, including by issuing an Inter-Ministerial Circular on terrorist financing and amended its AML legislation. However, despite Vietnam's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Vietnam has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Vietnam should continue to work with the FATF and APG on implementing its action plan to address these deficiencies, including by: (1) address the remaining issues regarding adequate criminalisation of terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) making legal persons subject to criminal liability in line with FATF Standards or demonstrating that there is a constitutional prohibition to prevent this; (4) improving the overall supervisory framework); (5) improving and broadening customer due diligence measures and reporting requirements; and (6) strengthening international co-operation. The FATF encourages Vietnam to address its remaining deficiencies and continue the process of implementing its action plan.

Yemen

Despite Yemen's high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Yemen has not made sufficient progress in implementing its action plan and certain strategic AML/CFT deficiencies remain. Yemen should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalizing money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the Financial Intelligence Unit (FIU) to ensure compliance by financial institutions with their suspicious transaction reporting (STR) obligations, especially in relation to the financing of terrorism; and (4) ensuring a fully operational and effectively functioning FIU. The FATF encourages Yemen to address its remaining deficiencies and continue the process of implementing its action plan.