

FIN-2017-A005

September 15, 2017

Advisory on the FATF-Identified Jurisdictions with AML/CFT Deficiencies

On June 23, 2017, the Financial Action Task Force (FATF) updated its list of jurisdictions with strategic anti-money laundering and combatting the financing of terrorism (AML/CFT) deficiencies. The changes may affect U.S. financial institutions' obligations and risk-based approaches with respect to relevant jurisdictions.

As part of the FATF's listing and monitoring process to ensure compliance with its international AML/CFT standards, the FATF identifies certain jurisdictions as having strategic deficiencies in their AML/CFT regimes.¹ These jurisdictions appear in two documents: (i) the "[FATF Public Statement](#)," which includes jurisdictions that are subject to the FATF's call for countermeasures or are subject to enhanced due diligence (EDD) due to their strategic AML/CFT deficiencies, and (ii) "[Improving Global AML/CFT Compliance: On-going Process](#)," which includes jurisdictions identified by the FATF as having strategic AML/CFT deficiencies.² On June 23, 2017, the FATF updated both documents with the concurrence of the United States. Financial institutions should consider these changes when reviewing their obligations and risk-based policies, procedures, and practices with respect to the jurisdictions noted below.³

FATF "Public Statement":

- [Democratic People's Republic of Korea \(DPRK\)](#) and [Iran](#)

FATF "Improving Global AML/CFT Compliance: On-going Process":

- [Bosnia and Herzegovina](#), [Ethiopia](#), [Iraq](#), [Syria](#), [Uganda](#), [Vanuatu](#), and [Yemen](#)

1. The FATF (www.fatf-gafi.org) is a 37-member intergovernmental body that establishes international standards to combat money laundering and counter the financing of terrorism and proliferation of weapons of mass destruction. The United States is a member of the FATF.
2. The FATF public identification of countries with strategic AML/CFT deficiencies is in response to the G-20 leaders' call for the FATF to reinvigorate its process for assessing countries' compliance with international AML/CFT standards. The G-20 leaders have consistently called for the FATF to issue regular updates on jurisdictions with strategic deficiencies. Specifically within the FATF, the International Cooperation Review Group (ICRG) monitors and identifies countries with AML/CFT deficiencies. For more information on the ICRG procedures, please visit the FATF's website – www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/moreabouttheinternationalco-operationreviewgroupicrg.html.
3. 31 U.S.C. § 5318(h) and (i).

I. Jurisdictions that are subject to the FATF’s call for countermeasures or are subject to EDD due to their strategic AML/CFT deficiencies

The FATF has indicated that the following jurisdictions have strategic deficiencies in their AML/CFT regimes and has called upon its members and urged all jurisdictions to (A) impose countermeasures and/or (B) consider the risk arising from each jurisdiction due to a lack of sufficient progress in addressing AML/CFT deficiencies.

Please click on each jurisdiction for additional information.

A. Countermeasures:

[DPRK](#)

B. Enhanced Due Diligence:

[Iran](#)

Summary of Changes to this List

- [DPRK](#): No changes.
- [Iran](#): No changes.

See the full FATF statements on Iran: <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2017.html> and <http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-june-2017.html>.

Review of Guidance Regarding DPRK and Iran

Democratic People's Republic of Korea (DPRK)

FATF calls on its members and other countries to apply countermeasures against the DPRK to protect the international financial system from money laundering and terrorist financing risks. The FATF Public Statement on the DPRK continues to reflect the high risk of proliferation finance attributable to the DPRK, consistent with United Nations Security Council Resolutions (UNSCRs) 2371, 2270, and 2321. In particular, the FATF reaffirmed its call that jurisdictions terminate correspondent relationships with DPRK banks, where required by relevant UNSCRs. U.S. financial institutions are subject to a broad range of restrictions and prohibitions, including prohibitions on the exportation of services to North Korea, and should continue to consult existing guidance issued by the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Assets Control (OFAC) on engaging in financial transactions with the DPRK.

U.S. sanctions—particularly those under the North Korea Sanctions Regulations and Executive Orders 13466, 13551, 13570, 13687, and 13722—prohibit U.S. persons, including U.S. financial institutions, from engaging in most transactions involving the DPRK. Information about DPRK-

related OFAC sanctions is available on OFAC’s website at <https://www.treasury.gov/resource-center/sanctions/Programs/pages/nkorea.aspx>.⁴ In addition, financial institutions should be familiar with the financial provisions and prohibitions contained in UNSCRs against the DPRK.⁵ Previous FinCEN advisories and guidance on the DPRK’s illicit financial practices also remain in effect.⁶

On November 4, 2016, the Treasury issued a final rule, effective December 9, 2016, imposing the fifth special measure against the DPRK, consistent with the associated notice of finding that the DPRK is a jurisdiction of “primary money laundering concern” under Section 311 of the USA PATRIOT Act.⁷ The final rule prohibits covered financial institutions from opening or maintaining in the United States correspondent accounts for, or on behalf of, North Korean banking institutions and requires covered financial institutions to apply special due diligence to their foreign correspondent accounts that is reasonably designed to guard against the use of such accounts to process transactions involving North Korean financial institutions.

On June 29, 2017, Treasury issued a notice of proposed rulemaking (NPRM) and finding that the China-based Bank of Dandong is a “foreign financial institution of primary money laundering concern” under Section 311 of the USA PATRIOT Act. The notice proposes imposing the fifth special measure against the bank; if finalized, the measure would prohibit covered financial institutions from opening or maintaining in the United States correspondent accounts for, or on behalf of, Bank of Dandong. Further, the measure would be require covered financial institutions to apply special due diligence measures to their foreign correspondent accounts that is reasonably designed to guard against the use of such accounts to process transactions involving the Bank of Dandong.⁸

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4. OFAC most recently took new DPRK-related sanctions actions pursuant to Executive Orders 13382 and 13722 on [August 22, 2017](#). OFAC also took DPRK-related sanctions pursuant to those same authorities on [June 29, 2017](#). See <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20170629.aspx> for more information. OFAC also took DPRK-related sanctions actions pursuant to those same Executive Orders and/or Executive Order 13687 on [June 1, 2017](#), [March 31, 2017](#), [December 2, 2016](#), and [September 26, 2016](#). For the most current listing of all OFAC actions related to the DPRK, see <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx>.
 5. Relevant UNSCRs include [2375](#) (September 2017), [2371](#) (August 2017), [2356](#) (June 2017), [2321](#) (November 2016), [2270](#) (March 2016), [2094](#) (March 2013), [2087](#) (January 2013), [1874](#) (June 2009), and [1718](#) (October 2006). See <http://www.un.org/en/sc/documents/resolutions/> for more information.
 6. FinCEN Advisories pertaining to the DPRK: [FIN-2013-A005](#), [FIN-2009-A002](#), and [FinCEN Advisory – Issue 40](#).
 7. See <https://www.treasury.gov/press-center/press-releases/Pages/jl0603.aspx> and <https://www.fincen.gov/sites/default/files/shared/2016-27049.pdf> [81 FR 78715 (November 9, 2016)]. FinCEN issued the finding and initial notice of proposed rulemaking (NPRM) on June 1, 2016 [81 FR 35441 (June 2, 2016) and 81 FR 35665 (June 3, 2016)], respectively; see [https://www.fincen.gov/sites/default/files/shared/2016-13038\(DPRK_Finding\).pdf](https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf) and [https://www.fincen.gov/sites/default/files/shared/2016-13037\(DPRK_NPRM\).pdf](https://www.fincen.gov/sites/default/files/shared/2016-13037(DPRK_NPRM).pdf).
 8. See <https://www.treasury.gov/press-center/press-releases/Pages/sm0119.aspx>, <https://www.treasury.gov/press-center/press-releases/Pages/sm0118.aspx> and https://www.fincen.gov/sites/default/files/federal_register_notices/2017-07-07/2017-14026.pdf [82 FR 31537 (July 7, 2017)].

Iran

The FATF's decision to continue the suspension of its call for countermeasures against Iran does not remove or alter any obligations U.S. financial institutions may have with respect to Iran under U.S. law and regulation. U.S. financial institutions are still subject to a broad range of restrictions and prohibitions on engaging in transactions with or involving Iran due to a number of illicit finance risks, including money laundering, terrorist financing, and the financing of Iran's ballistic missile program. U.S. financial institutions must continue to comply with existing U.S. sanctions on Iran. These sanctions include general prohibitions on engaging in transactions or dealings with or involving Iran, the Government of Iran, Iranian financial institutions, and certain designated persons. Designated persons include individuals and entities appearing on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List), including those linked to Iran's ballistic missile program and support to terrorism. Since February 2017, OFAC has issued five new rounds of designations relating to Iran.⁹ Information about these sanctions is publicly available on OFAC's [Iran Sanctions web page](#) and the [OFAC Recent Actions web page](#).

Further, on November 28, 2011, Treasury issued a NPRM to impose a special measure against Iran based on its finding that Iran is a jurisdiction of "primary money laundering concern" under Section 311 of the USA PATRIOT Act.¹⁰ In addition, financial institutions should be familiar with the financial provisions and prohibitions contained in UNSCR 2231 related to Iran.¹¹

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9. On September 14, 2017, OFAC issued new Iran-related designations. See <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20170914.aspx>. OFAC previously issued Iran-related designations associated with Iran's ballistic missile program on [July 28, 2017](#). On [July 18, 2017](#), OFAC also issued Iran-related designations in conjunction with those issued by the U.S. Department of State and in coordination with the U.S. Department of Justice's release of information involving a related criminal enforcement action. OFAC issued other Iran-related designations on [May 17, 2017](#), [April 13, 2017](#), and [February 3, 2017](#).
 10. 76 FR 72756 (Nov. 25, 2011). See FinCEN, [Finding that the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern](#). FinCEN continues to assess the appropriateness of finalizing the rule.
 11. UNSCR 2231 (July 2015) relating to implementation of the Joint Comprehensive Plan of Action of July 14, 2015 (JCPOA) provides that, when the International Atomic Energy Agency (IAEA) verified that Iran completed certain nuclear commitments under the JCPOA: (1) prior Iran-related UNSCRs (including UNSCRs 1929 (June 2010), 1803 (March 2008), 1747 (March 2007), and 1737 (December 2006)) would be terminated and (2) states would simultaneously comply with certain provisions of Annex B to UNSCR 2231, including paragraph 6 relating to financial provisions and restrictions for listed individuals and entities. On January 16, 2016, the IAEA issued its report verifying that Iran had completed certain nuclear commitments under the JCPOA; as a result, UNSCRs 1929, 1803, 1747, and 1737 were terminated, and the measures described in Annex B of UNSCR 2231 came into effect. See <http://www.un.org/en/sc/2231/> for more information.

Review of Guidance on Section 312 Obligations to the DPRK and Iran

FinCEN advises U.S. financial institutions to apply enhanced due diligence when maintaining correspondent accounts for foreign banks operating under a banking license issued by a designated country.¹² However, financial institutions must also comply with the extensive U.S. restrictions and prohibitions against opening or maintaining any correspondent accounts, directly or indirectly, with foreign banks licensed by the DPRK or Iran.

As required by the regulations implementing the Bank Secrecy Act, covered financial institutions should ensure that their enhanced due diligence programs include, at a minimum, steps to:

- Conduct enhanced scrutiny of correspondent accounts to guard against money laundering and to identify and report any suspicious transactions in accordance with applicable law and regulation;
- Determine whether the foreign bank for which the correspondent account is established or maintained in turn maintains correspondent accounts for other foreign banks that use the foreign correspondent account established or maintained by the covered financial institution and, if so, take reasonable steps to obtain information relevant to assess and mitigate money laundering risks associated with the foreign bank's correspondent accounts for other foreign banks, including, as appropriate, the identity of those foreign banks; and
- Determine, for any correspondent account established or maintained for a foreign bank whose shares are not publicly traded, the identity of each owner of the foreign bank and the nature and extent of each owner's ownership interest.¹³

II. Jurisdictions identified by the FATF as having strategic AML/CFT deficiencies

The FATF publicly identifies jurisdictions with strategic AML/CFT regime deficiencies for which the jurisdictions have developed an action plan with the FATF. Consequently, these jurisdictions are included in the following list of jurisdictions with strategic AML/CFT deficiencies, as described in the FATF's ["Improving Global AML/CFT Compliance: On-going Process"](#).

12. See 31 U.S.C. § 5318(i); 31 CFR § 1010.610(b) and (c) (Enhanced Due Diligence obligations for correspondent accounts established, maintained, administered or managed in the United States for foreign banks). The obligations under Section 312 of the USA PATRIOT Act are consistent with FATF's statements on the DPRK and Iran.

13. 31 CFR § 1010.610(b): Enhanced Due Diligence for correspondent accounts established, maintained, administered or managed in the United States for foreign banks.

Please click on each jurisdiction for additional information.

[Bosnia and Herzegovina](#), [Ethiopia](#), [Iraq](#), [Syria](#), [Uganda](#), [Vanuatu](#), and [Yemen](#).

Summary of changes to this list

- [Afghanistan](#) is no longer subject to the FATF’s on-going global AML/CFT compliance process. The FATF has found that Afghanistan has made significant technical progress in improving its AML/CFT regime and has established the legal and regulatory framework to meet its commitments in its action plan. Afghanistan will work with its FATF-style regional body, the Asia Pacific Group (APG), to continue to address the full range of AML/CFT issues identified in its mutual evaluation report, in particular, fully implementing the cross-border regulations at its official land border crossing points, which is an area of risk.
- [Lao PDR](#) is no longer subject to the FATF’s on-going global AML/CFT compliance process. The FATF has found that Lao PDR has made significant technical progress in improving its AML/CFT regime and has established the legal and regulatory framework to meet its commitments in its action plan. Lao PDR will work with APG to continue to address the full range of AML/CFT issues identified in its mutual evaluation report.

Review of Guidance Regarding Jurisdictions Having Strategic AML/CFT deficiencies

U.S. financial institutions also should consider the risks associated with the AML/CFT deficiencies of the countries identified under this section ([Bosnia and Herzegovina](#), [Ethiopia](#), [Iraq](#), [Syria](#), [Uganda](#), [Vanuatu](#), and [Yemen](#)).¹⁴ With respect to these jurisdictions, U.S. financial institutions are reminded of their obligations to comply with the general due diligence obligations under 31 CFR § 1010.610(a) in addition to their general obligations under 31 U.S.C. § 5318(h) and its implementing regulations.¹⁵ As required under 31 CFR § 1010.610(a), covered financial institutions should ensure that their due diligence programs, which address correspondent accounts maintained for foreign financial institutions, include appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to detect and report known or suspected money laundering activity conducted through or involving any correspondent account established, maintained, administered, or managed in the United States.

14. This Advisory updates previous FATF-related guidance on identified jurisdictions with AML/CFT deficiencies. Additional FinCEN guidance on Syria includes [FIN-2013-A002](#) and [FIN-2011-A010](#) as well as FinCEN’s guidance on the Commercial Bank of Syria; see [FIN-2011-A013](#).

15. 31 CFR § 1010.210: Anti-money laundering programs.

Review of General Guidance

AML Program Risk Assessment: For jurisdictions that are removed from the FATF listing and monitoring process ([Afghanistan](#) and [Lao PDR](#)), financial institutions should take the FATF's decisions and the reasons behind the delisting into consideration when assessing risk consistent with their obligations under 31 CFR § 1010.210.

Suspicious Activity Reports (SARs): If a financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing, or other violation of federal law or regulation, the financial institution must file a SAR.¹⁶

For Further Information

Additional questions or comments regarding the contents of this advisory should be addressed to the FinCEN Resource Center at FRC@fincen.gov. *Financial institutions wanting to report suspicious transactions that may potentially relate to terrorist activity should call the Financial Institutions Toll-Free Hotline at (866) 556-3974 (7 days a week, 24 hours a day).* The purpose of the hotline is to expedite the delivery of this information to law enforcement. Financial institutions should immediately report any imminent threat to local-area law enforcement officials.

FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

16. Required under 31 CFR § 1020.320, 1021.320, 1022.320, 1023.320, 1024.320, 1025.320 and 1026.320.