



FIN-2013-A008

December 4, 2013

# Advisory

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

*On October 18, 2013, the Financial Action Task Force (FATF) updated its list of jurisdictions with strategic AML/CFT deficiencies. These 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 the international Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) standards, the FATF identified certain jurisdictions as having strategic deficiencies in their AML/CFT regimes.<sup>1</sup> The FATF updated its lists of jurisdictions that appear in two documents:<sup>2</sup> (I) jurisdictions that are subject to the FATF's call for countermeasures or are

subject to Enhanced Due Diligence (EDD) due to their AML/CFT deficiencies (referred to by the FATF as the '[FATF Public Statement](#)') and (II) jurisdictions identified by the FATF to have AML/CFT deficiencies (referred to by the FATF as '[Improving Global AML/CFT Compliance: On-going Process](#)'). Financial institutions should consider these changes when reviewing their obligations and risk-based approaches with respect to the jurisdictions noted below.

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

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

1. The FATF ([www.fatf-gafi.org](http://www.fatf-gafi.org)) is a 36-member intergovernmental policy making 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) is tasked with leading the process to identify and monitor 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](http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/moreabouttheinternationalco-operationreviewgroupicrg.html).

AML/CFT deficiencies. FinCEN is advising U.S. financial institutions to apply enhanced due diligence for countries in category (B) (for additional details, see the FinCEN Guidance section below). Accordingly, all these jurisdictions are included in the [FATF Public Statement](#).

Please click on each jurisdiction for additional information.

**A. Countermeasures:**

[Iran](#) and [Democratic People’s Republic of Korea \(DPRK\)](#).

**B. Enhanced Due Diligence:**

[Algeria](#), [Ecuador](#), [Ethiopia](#), [Indonesia](#), [Kenya](#), [Myanmar](#), [Pakistan](#), [Syria](#), [Tanzania](#), [Turkey](#), and [Yemen](#).

**Summary of Changes to this List**

- ➔ [Vietnam](#) is now recognized as having made significant progress to address its FATF-identified strategic AML/CFT deficiencies. Consequently, the FATF has now included Vietnam in its [Improving Global AML/CFT Compliance: On-going Process](#) document and removed it from the [FATF Public Statement](#) (see below).
- ➔ While São Tomé and Príncipe has made recent progress, its AML/CFT framework still contains a number of strategic deficiencies. Given the small size of this country’s financial sector and its low impact on the international financial system, however,

the FATF removed São Tomé and Príncipe from its listing and monitoring process. The FATF decided that São Tomé and Príncipe will continue to work closely with its FATF-Style Regional Body to address its remaining AML/CFT deficiencies.

- ➔ Despite [Algeria’s](#) high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, Algeria has not made sufficient progress. Consequently, the FATF has now placed Algeria on the [FATF Public Statement](#) and removed it from its [Improving Global AML/CFT Compliance: On-going Process](#) document.

## II. Jurisdictions identified by the FATF to have AML/CFT deficiencies

The FATF has identified the following jurisdictions as having deficiencies in their AML/CFT regimes, for which they have developed an action plan with the FATF. Consequently, these jurisdictions are included in the following list of jurisdictions with AML/CFT deficiencies (as described in the FATF’s [Improving Global AML/CFT Compliance: On-going Process](#) document).

Please click on each jurisdiction for additional information.

[Afghanistan](#), [Albania](#), [Angola](#), [Antigua and Barbuda](#), [Argentina](#), [Bangladesh](#), [Cambodia](#), [Cuba](#), [Iraq](#), [Kuwait](#), [Kyrgyzstan](#), [Lao PDR](#),

[Mongolia](#), [Namibia](#), [Nepal](#), [Nicaragua](#), [Sudan](#), [Tajikistan](#), [Vietnam](#), and [Zimbabwe](#).

### Summary of Changes to this List

- ➔ Due to their significant progress in addressing all or nearly all of their strategic AML/CFT deficiencies, [Morocco](#) and [Nigeria](#) have been removed from the FATF listing and monitoring process. These jurisdictions will work with their respective FATF-Style Regional Bodies as they continue to address the full range of AML/CFT issues identified as part of the mutual evaluation process.

➔ [Vietnam](#) has made progress in largely addressing its FATF action plan and is now identified on this list, having moved from the FATF Public Statement (see Section I above).
- ➔ [Algeria](#) has not made sufficient progress in addressing its strategic AML/CFT deficiencies; consequently, Algeria was removed from this list and moved to the [FATF Public Statement](#) (see Section I above).

➔ [Iraq](#) has also been identified on this list because of strategic deficiencies in its AML/CFT regime. Iraq has made a high-level political commitment to work with the FATF and the Middle East & North Africa Financial Action Task Force to address its deficiencies.

## FinCEN Guidance regarding jurisdictions listed in Section I of this Advisory

### A. Jurisdictions Subject to Countermeasures

Jurisdictions in this section ([Iran](#) and [DPRK](#)) are subject to the FATF’s call on its members and other countries to apply countermeasures to protect the international financial system from AML/CFT risks. U.S. financial institutions should continue to consult existing FinCEN and U.S. Department of the Treasury (Treasury) guidance on engaging in financial transactions with Iran and DPRK. Previous FinCEN advisories and guidance on Iran<sup>3</sup> and DPRK<sup>4</sup> remain in effect.

With respect to Iran, U.S. financial institutions are subject to a broad range of restrictions and prohibitions due to a number of illicit financing risks, including money laundering, terrorist financing, and weapons of mass destruction (WMD) proliferation financing. Financial institutions are reminded of the existing U.S. sanctions that are administered by the Department of the Treasury’s Office of Foreign Assets Control (OFAC), including but not limited to Iranian Government-owned banks and other entities, as well as Iranian entities that have been linked to terrorist activity and the proliferation of WMDs. Information about these sanctions is available on OFAC’s website [www.treasury.gov/offices/enforcement/ofac](http://www.treasury.gov/offices/enforcement/ofac). Furthermore, on November 21, 2011, Treasury issued a notice of proposed rulemaking 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.<sup>5</sup>

3. FinCEN Advisories concerning Iran: [FIN-2010-A010](#), [FIN-2010-A008](#), [FIN-2010-A002](#), [FIN-2009-A007](#), [FIN-2008-A002](#), and [FIN-2007-A001](#).

4. FinCEN Advisories pertaining to DPRK: [FIN-2013-A005](#), [FIN-2009-A002](#), and [FinCEN Advisory – Issue 40](#).

5. 76 FR 72756 (Nov. 25, 2011). See FinCEN, [Finding that the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern](#).

In addition, financial institutions should be familiar with the financial provisions and prohibitions contained in United Nations Security Council Resolutions (UNSCRs) against Iran<sup>6</sup> and DPRK<sup>7</sup>. In particular, UNSCRs 1929 and 1803 call on all states to exercise vigilance over activities of financial institutions in their territories with all banks domiciled in Iran and their branches and subsidiaries abroad.

Existing U.S. sanctions – in particular, those under the North Korea Sanctions Regulations<sup>8</sup> and Executive Orders 13570 and 13551 – create a legal framework that limits U.S. financial institutions’ direct exposure to the types of North Korean financial or commercial transactions contributing to DPRK’s proliferation activities that are the focus of UNSCRs 2087 and 2094, as well as UNSCR 1718.

In June 2013, the FATF issued updated guidance to assist States in implementing their financial obligations for targeted financial sanctions and activity-based prohibitions pursuant to UNSCRs to address proliferation finance risks associated with Iran and DPRK.<sup>9</sup>

## **B. Jurisdictions Subject to Enhanced Due Diligence**

Jurisdictions in this section (see below) have strategic AML/CFT deficiencies and have not made sufficient progress in addressing the deficiencies. In concurrence with the FATF’s decision, FinCEN is advising U.S. financial institutions of their increased obligations under Section 312 of the USA PATRIOT ACT, 31 USC § 5318(i). Accordingly, U.S. financial institutions should apply enhanced due diligence, as described under implementing regulations 31 CFR § 1010.610(b) and (c) when maintaining correspondent accounts for foreign banks operating under a banking license issued by [Algeria](#), [Ecuador](#), [Ethiopia](#), [Indonesia](#), [Kenya](#), [Myanmar](#), [Pakistan](#), [Syria](#),<sup>10</sup> [Tanzania](#), [Turkey](#), and [Yemen](#).

As required by the regulations implementing the Bank Secrecy Act (BSA),<sup>11</sup> 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;

6. UNSCRs 1929 (June 2010), 1803 (March 2008), 1747 (March 2007), and 1737 (December 2006). See [www.un.org/en/documents/](http://www.un.org/en/documents/) for more information.

7. UNSCRs 2094 (March 2013), 2087 (January 2013), 1874 (June 2009), and 1718 (October 2006). See [www.un.org/en/documents/](http://www.un.org/en/documents/) for more information.

8. 31 CFR part 510.

9. See [www.fatf-gafi.org/topics/fatfrecommendations/documents/unscr-proliferation-wmd.html](http://www.fatf-gafi.org/topics/fatfrecommendations/documents/unscr-proliferation-wmd.html) for further information.

10. Previous FinCEN guidance on Syria remains in effect. This includes [FIN-2013-A002](#) and [FIN-2011-A010](#). Also, FinCEN’s guidance on the Commercial Bank of Syria remains in effect; see [FIN-2011-A013](#).

11. 31 CFR § 1010.610(b): Enhanced Due Diligence for correspondent accounts established, maintained, administered or managed in the United States for foreign banks.

- ▶ 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.

### **FinCEN Guidance regarding jurisdictions listed in Section II of this Advisory**

U.S. financial institutions should consider the risks associated with the AML/CFT deficiencies of the countries identified under this section ([Afghanistan](#), [Albania](#), [Angola](#), [Antigua and Barbuda](#), [Argentina](#), [Bangladesh](#), [Cambodia](#), [Cuba](#), [Iraq](#), [Kuwait](#), [Kyrgyzstan](#), [Lao PDR](#), [Mongolia](#), [Namibia](#), [Nepal](#), [Nicaragua](#), [Sudan](#), [Tajikistan](#), [Vietnam](#), and [Zimbabwe](#)). 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). 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.

### **FinCEN General Guidance**

For jurisdictions that have been recently removed from the FATF listing and monitoring process, financial institutions should take the FATF’s decisions and the reasons behind the delisting into consideration when assessing risk.

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 shall then file a Suspicious Activity Report.<sup>12</sup>

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

Additional questions or comments regarding the contents of this Advisory should be addressed to the FinCEN Resource Center at 703-905-3591. *Financial institutions wanting to report suspicious transactions that may 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.