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GENERAL COMPLIANCE CIRCULAR 01 of 2020

FATF: High-Risk Jurisdictions subject to a Call for Action

29 April 2020

FINANCIAL INTELLIGENCE CENTRE (FIC)

Circular No. 01 of 2020

This circular is issued in terms of Section 9(1) (h) of The Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended, and serves as notification to Accountable and Reporting Institutions (AIs and RIs) on high risk jurisdictions identified by the Financial Action Task Force (FATF), to pay special attention to business relations and transactions with persons from or in countries listed in the public statements issued by the Financial Action Task Force (FATF) and to follow guidance contained herein.

High Risk Jurisdictions

The FATF:

a) identifies jurisdictions that have strategic deficiencies in their national measures to combat money laundering, financing of terrorism and financing of proliferation activities;

b) works with these jurisdictions to address identified deficiencies in order to protect the international financial system from money laundering, financing of terrorism and proliferation risks; and

c) encourage greater compliance with its international standards on combating money laundering, financing of terrorism and financing of proliferation activities.

On 21 February 2020[1], the FATF released a public statement drawing attention to the strategic deficiencies to counter money laundering, terrorist financing, and financing of proliferation in the regimes of several identified jurisdictions. It called on and urged member countries to apply enhanced due diligence, and in most serious cases, apply counter measures to protect the international financial system from ongoing money laundering, terrorist financing, and proliferation financing risks emanating from the countries.

It is against this background that Accountable and Reporting institutions are directed to:

a) give special attention to business relationships and transactions with persons in these jurisdictions, including companies, legal arrangements/trusts and financial institutions based in such jurisdictions;
b) conduct enhanced monitoring and due diligence in respect of transactions with persons and entiries from such jurisdictions;

[1] See Annexure A attached hereto

c) examine as far as possible the background and purpose of transactions from such jurisdictions and keep their findings available for competent authorities and company auditors; for at least five years;
d) strengthen systems and controls in managing their exposure to the vulnerabilities identified by the FATF;
e) ensure that correspondent relationships, in particular, are not being used to evade countermeasures and risk mitigation practices, and
f) report any suspicious transactions and/or activities emanating from such jurisdictions to the FIC.

The FATF public statement of high risk jurisdictions is attached hereto as annexure A for ease of reference.

The publication as cited above can also be accessed at: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html

Non-compliance with the provisions of this Circular

Any non-compliance with the directions and specifications contained in this Circular is an offence in terms of section 63 of the FIA.

Further information
Enquiries can be directed to the FIC Help Desk by:
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The information contained in this document is intended only to provide a summary and a general overview on these matters and is not intended to be comprehensive. This document may contain statements of policy which reflect FIC's administration of the legislation in carrying out its statutory functions.

The guidance provided by the Centre in this circular, even though authoritative, is not intended to replace the FIA or PACOTAPAA including Regulations issued thereunder. The information contained herein is current as at the date of this document.

Date issued: 29 April 2020

Director: Financial Intelligence Centre

Annexure A

High-Risk Jurisdictions subject to a Call for Action – 21 February 2020

High-risk jurisdictions have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation. For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the ongoing money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country. This list is often externally referred to as the "black list". *

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 threats they pose to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies. Further, the FATF has serious concerns with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

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, financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/TF/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions.

Iran

In June 2016, Iran committed to address its strategic deficiencies. Iran's action plan expired in January 2018. In February 2020, the FATF noted Iran has not completed the action plan.

In October 2019, the FATF called upon its members and urged all jurisdictions to: require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran; introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

Now, given Iran's failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, the FATF fully lifts the suspension of counter-measures and calls on its members and urges all jurisdictions to apply effective counter-measures, in line with Recommendation 19.

Iran will remain on the FATF statement on [High Risk Jurisdictions Subject to a Call for Action] until the full Action Plan has been completed. If Iran ratifies the Palermo and Terrorist Financing Conventions, in line with the FATF standards, the FATF will decide on next steps, including whether to suspend countermeasures. Until Iran implements the measures required to address the deficiencies identified with respect to countering terrorism-financing in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

[1] In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. Since 2016, Iran established a cash declaration regime, enacted amendments to its Counter-Terrorist Financing Act and its Anti-Money Laundering Act, and adopted an AML by-law.

In February 2020, the FATF noted that there are still items not completed and Iran should fully address: (1) adequately criminalizing terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (5) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; and (6) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

[2] Countries should be able to apply appropriate countermeasures when called upon to do so by the FATF. Countries should also be able to apply countermeasures independently of any call by the FATF to do so. Such countermeasures should be effective and proportionate to the risks.

The Interpretative Note to Recommendation 19 specifies examples of the countermeasures that could be undertaken by countries.

* This statement was previously called "Public Statement"