



Republic of Namibia

Financial Intelligence Centre

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## **FINANCIAL INTELLIGENCE CENTRE (FIC)**

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### **GENERAL COMPLIANCE CIRCULAR 03 of 2019**

**High Risk and Non-Cooperative Jurisdictions**

**30 October 2019**

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# **FINANCIAL INTELLIGENCE CENTRE (FIC)**

## **Circular No. 03 of 2019**

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 and non-cooperative 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 and non-cooperative 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 18 October 2019<sup>1</sup>, the FATF released a public statement drawing attention to the money laundering, terrorism financing and proliferation financing risks emanating from Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation deficiencies in national systems of several identified jurisdictions.

The FATF reaffirmed its call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money-laundering, financing of terrorism and proliferation risks emanating from these jurisdictions.

The deficiencies referred to in the FATF's statement in respect of these jurisdictions pose a risk to the integrity of the international financial system and exposes financial institutions engaging with counter-parts in these jurisdictions, to the risk of involvement in transactions that may relate to money laundering, financing of terrorism or proliferation.

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

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<sup>1</sup> See Annexure A attached hereto

- 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) strengthen systems and controls in managing their exposure to the vulnerabilities identified by the FATF; and
- c) ensure that correspondent relationships, in particular, are not being used to evade countermeasures and risk mitigation practices.

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

The publication as cited above can also be accessed at: <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-october-2019.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.

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### **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: 30 October 2019**

**Director: Financial Intelligence Centre**

# Annexure A

## Public Statement - October 2019

*Paris, 18 October 2019* - 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 identifies jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and financing of terrorism (ML/FT) risks.

### **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/FT/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.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply, in line with Recommendation 19: 1) increased supervisory examination for branches and subsidiaries of financial institutions based in Iran; 2) enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and 3) increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

### **Iran**

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.

In November 2017, Iran established a cash declaration regime. In August 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and in January 2019, Iran has also enacted amendments to its Anti-Money Laundering Act. The FATF recognises the progress of these legislative efforts. The bills to ratify the Palermo and Terrorist Financing Conventions have passed Parliament but are not yet in force. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation comes fully into force, the FATF will review this alongside the enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards.

Iran's action plan expired in January 2018. In October 2019, 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) clarifying that the submission of STRs for attempted TF-related transactions are covered under Iran's legal framework; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; and (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

The FATF decided in June 2019 to call upon its members and urge all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. In line with the June 2019 Public Statement, the FATF decided this week to call upon its members and urge all jurisdictions to 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.

If before February 2020, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, then the FATF will fully lift the suspension of counter-measures and call on its members and urge all jurisdictions to apply effective counter-measures, in line with recommendation 19<sup>1</sup>.

While acknowledging that Iran has recently adopted the AML-CFT bylaw, which the FATF has not yet reviewed, the FATF expresses its disappointment that the Action Plan remains outstanding. The FATF expects Iran to proceed swiftly in the reform path to ensure that it addresses all the remaining items by completing and implementing the necessary AML/CFT reforms.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. 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. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence with respect to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19, including: (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.