FATF UPDATES AML RISK LIST

At the Financial Action Task Force (FATF) Plenary just concluded in Paris, among the issues dealt with was the identification of countries continuing to be found “strategically deficient” in addressing anti-money laundering (AML) and combating the financing of terrorism (CFT) compliance standards. Such deficiencies pose a risk to global financial stability and security, and accordingly, FATF member jurisdictions were alerted as to the risks inherent in dealing with such countries.

FATF’S Statement
At the closing of the Paris meeting, FATF issued its general statement regarding those jurisdictions with “strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies” as follows:

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.

Different Levels of Deficiency
 The worst offenders are those countries against whom FATF members are counseled to take “countermeasures” and implement risk-mitigation practices in order to protect the international financial system from significant money laundering and terrorist financing risks. In 2013, FATF identified the countries of Iran, Democratic People’s Republic of Korea (DPRK) and Guyana as such risk-emanating jurisdictions. However, in FATF’s latest (2014) report, only Iran and DPRK remained in that category.

As to Iran, FATF continued to urge jurisdictions to protect against correspondent relationships being used to bypass or evade countermeasures 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 jurisdictions. Due to the continuing terrorist financing threat from Iran, jurisdictions were also urged to consider possible additional safeguards or to strengthen existing ones.

Similarly with regard to DPRK, FATF called upon its members to utilize effective countermeasures to protect their financial sectors from AML/CFT risks emanating from the DPRK, and to protect against financial relationships being exploited to defeat members’ countermeasures and risk-mitigation practices, including regarding DPRK financial institution requests to open branches and subsidiaries in member jurisdictions.

FATF “Honor Roll”
Not all FATF rankings, however, were in the negative; among those countries cited for making progress as to their AML/CFT efforts were Algeria, Ecuador and Indonesia. Algeria was lauded for taking steps toward improving its AML/CFT regime — including penal code reform — but criticized for not making sufficient progress in implementing its action plan within the established timelines, while the other two remain on FATF’s watch list despite “making progress.”