

Statement on Money Laundering controls in Overseas Jurisdictions

This notice constitutes advice issued by HM Treasury about risks posed by unsatisfactory money laundering controls in a number of jurisdictions.

The Money Laundering Regulations 2007 require firms to put in place policies, procedures or systems in order to prevent money laundering or terrorist financing. Regulated businesses are also required to apply enhanced customer due diligence and enhanced ongoing monitoring on a risk-sensitive basis in certain defined situations and in "any other situation which by its nature can present a higher risk of money laundering or terrorist financing".

This advice is in three parts, A, B and C. This advice is especially relevant if you conduct any business with individuals or entities based in any of the jurisdictions referred to in Part A, B or C.

This advice supercedes previous advice issued by HM Treasury in connection with deficiencies in these areas. In particular it supercedes that issued on 26th July 2011

PART A: JURISDICTIONS WITH ONGOING AND SUBSTANTIAL MONEY LAUNDERING AND TERRORIST FINANCING (ML/TF) RISKS

On 28th October 2011 the Financial Action Task Force (FATF) issued a public statement drawing attention to serious deficiencies in the anti-money laundering and counter terrorism financing (AML/CFT) regimes of specific jurisdictions under its review. This list is separated into two sections:

I) Jurisdictions subject to a call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdictions:

- Iran
- The Democratic People's Republic of Korea (DPRK)

II) Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies** The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below

- Bolivia
- Cuba**
- Ethiopia
- Kenya
- Nigeria
- Myanmar
- Sao Tome and Principe
- Sri Lanka
- Syria
- Turkey

The UK fully supports the work of the FATF on these matters and HM Treasury agrees with the FATF's assessments. All UK businesses regulated under the Money Laundering Regulations 2007, whether financial institutions or other regulated persons should treat transactions associated with **Iran** and **Democratic People's Republic of Korea** as situations that by their nature can present a higher risk of money laundering or terrorist financing, and which therefore require increased scrutiny, enhanced due diligence, and ongoing monitoring, particularly in the case of correspondent relationships.

The FATF, with a renewed urgency, is particularly and exceptionally concerned about **Iran's** failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's engagement with the FATF. The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions.

All other persons authorised by the Financial Services Authority should also take this advice into account in respect of their systems and controls to counter financial crime, and take appropriate actions to minimise the associated risks.

This notice should be taken into account in parallel with the Financial Sanctions Notice of 27th October 2010 concerning Iran and EU Regulation 961/2010. That notice can be found here: http://hm-treasury.gov.uk/d/counterillicit_publicnotice_reg961_271010.pdf

This notice should also be considered in parallel with the financial sanctions regime list of 23rd December 2010 concerning North Korea. That notice can be found here: http://www.hm-treasury.gov.uk/d/north_korea.htm

The attention of UK financial institutions and other persons regulated for money-laundering purposes is also drawn to the FATF statement in respect of the **Bolivia, Cuba, Ethiopia, Kenya, Nigeria, Myanmar, Sao Tome and Principe, Sri Lanka, Syria, and Turkey** and the risks that they present. They should take this advice into account in respect of their systems and controls to counter financial crime, and take appropriate actions to minimise the associated risks. UK financial institutions and other persons regulated for money-laundering purposes should consider applying increased scrutiny to transactions associated with these jurisdictions, including by conducting enhanced due diligence and ongoing monitoring.

The substance of the FATF statement is attached as Annex A. The full statement can be found here: http://www.fatf-gafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1,00.html

PART B: JURISDICTIONS WITH STRATEGIC DEFICIENCIES IN THEIR AML/CFT REGIME, WHICH HAVE DEVELOPED AN ACTION PLAN WITH THE FATF

The FATF has reviewed the progress of those jurisdictions on its separate statement regarding the ongoing process to improve global AML/CFT compliance. The FATF has separated this statement into two sections to reflect the FATF's recognition that some jurisdictions have made substantive improvements in their AML/CFT regimes, while others have not made sufficient progress.

III) The FATF recognizes that the following jurisdictions have made improvements in their AML/CFT regimes, however certain strategic AML/CFT deficiencies remain:

Algeria, Angola, Antigua and Barbuda, Argentina, Bangladesh, Brunei Darussalam, Cambodia, Ecuador, Honduras, Kyrgyzstan, Mongolia, Morocco, Namibia, Nepal, Nicaragua, Paraguay, Philippines, Sudan, Tajikistan, Turkmenistan, Trinidad & Tobago, Venezuela, Vietnam, Yemen and Zimbabwe.

IV) The FATF is not yet satisfied that the following jurisdictions have made sufficient progress on their action plan agreed upon with the FATF:

Ghana, Indonesia, Pakistan, Tanzania, Thailand

The attention of UK financial institutions and other persons regulated for money-laundering purposes is drawn to the FATF statements in respect of each of those jurisdictions. They should take this advice into account in respect of their systems and controls to counter financial crime.

The substance of the FATF statement is attached as Annex B. The FATF Statement is available at: http://www.fatf-gafi.org/document/42/0,3746,en_32250379_32236992_48966698_1_1_1_1,00.html

PART C: MUTUAL EVALUATION OF ARGENTINA

On 22nd October 2010 the FATF adopted the Mutual Evaluation Report of Argentina. The FATF Chairman's Summary identified Argentina as a jurisdiction that raises serious concerns due to substantial deficiencies in its AML/CFT regime. On 28th October 2011 the FATF recognised the progress made by Argentina as well as its continued political commitment to strengthen its AML/CFT measures. However, the FATF is still concerned about the large number of AML/CFT deficiencies identified in October 2010 that remain. The FATF will continue to monitor progress made by Argentina and more specifically, will work with Argentina on measures and milestones to assess Argentina's effective implementation of its criminalisation of money laundering.

The attention of UK financial institutions and other persons regulated for money-laundering purposes is drawn to the Mutual Evaluation Report of Argentina and the FATF Chairman's Summary. They should take this into account in respect of their systems and controls to counter financial crime. The Mutual Evaluation Report and Chairman's Summary can be found here: www.fatf-gafi.org.

Notes for Editors

1. The Financial Action Task Force is an inter-governmental body established by the G7 in 1989 and today includes as members 34 countries and territories and two regional organisations.
2. The Government's strategy is to use financial tools to deter crime and terrorism; detect it when it happens; and disrupt those responsible and hold them to account for their actions. The FATF is central to the UK's international objectives within this strategy.
3. The Money Laundering Regulations 2007 require firms to put in place policies, procedures or systems in order to prevent money laundering or terrorist financing. Regulated businesses are also required to apply enhanced customer due diligence and enhanced ongoing monitoring on a risk-sensitive basis in certain defined situations and in "any other situation, which by its nature can present a higher risk of money laundering or terrorist financing".
4. The FSA requires firms to take reasonable care to establish and maintain systems and controls for countering the risk that the firm might be used to further financial crime.

For further information about what the Treasury is doing to combat financial crime, and how to subscribe to financial crime alerts, visit: [Counter Illicit Finance](#).

Annex A: Financial Action Task Force Public Statement, 28th October 2011

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 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.

Jurisdictions subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdictions*.

Iran

Democratic People's Republic of Korea (DPRK)

Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies** The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below.

Bolivia

Cuba**

Ethiopia

Kenya

Nigeria

Myanmar

Sao Tome and Principe

Sri Lanka

Syria

Turkey

* *The FATF has previously issued public statements calling for counter-measures on Iran and DPRK. Those statements are updated below.*

***Cuba has not engaged with the FATF in the process.*

Iran

The FATF, with a renewed urgency, is particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's engagement with the FATF.

The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF reaffirms its 25 February 2009 call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. FATF continues to urge jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures 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 jurisdiction. Due to the continuing terrorist financing threat emanating from Iran, jurisdictions should consider the steps already taken and possible additional safeguards or strengthen existing ones.

The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalising terrorist financing and effectively implementing suspicious transactions reporting (STR) requirements. If Iran fails to take concrete steps to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in February 2012.

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 threat this poses to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies.

The FATF reaffirms its 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 and financial institutions. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from the DPRK. Jurisdictions should also protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and take into account ML/FT risks when considering requests by DPRK financial institutions to open branches and subsidiaries in their jurisdiction. The FATF remains prepared to engage directly in assisting the DPRK to address its AML/CFT deficiencies, including through the FATF Secretariat.

Cuba

Cuba has not committed to the AML/CFT international standards, nor has it constructively engaged with the FATF. The FATF has identified Cuba as having strategic AML/CFT deficiencies that pose a risk to the international financial system. The FATF urges Cuba to develop an AML/CFT regime in line with international standards, and is ready to work with the Cuban authorities to this end.

Bolivia

Bolivia has taken steps towards improving its AML/CFT regime, including by enacting new CFT legislation. However, despite Bolivia's high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies, Bolivia has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Bolivia should work on addressing these deficiencies including by: (1) ensuring adequate criminalisation of money laundering (Recommendation 1); (2) adequately criminalising terrorist financing (Special Recommendation II); (3) establishing and implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III); and (4) establishing a fully operational and effective Financial Intelligence Unit (Recommendation 26). The FATF encourages Bolivia to address its remaining deficiencies and continue the process of implementing its action plan.

Ethiopia

Despite Ethiopia's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, Ethiopia has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Ethiopia should work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing an adequate legal framework and procedures to identify and freeze terrorist assets (Special Recommendation III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (4) raising awareness of AML/CFT issues within the law enforcement community (Recommendation 27); and (5) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements (Recommendation 17). The FATF encourages Ethiopia to address its remaining deficiencies and continue the process of implementing its action plan.

Kenya

Despite Kenya's high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, Kenya has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Kenya should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (3) establishing and implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III); (4) raising awareness of AML/CFT issues within the law enforcement community (Recommendation 27); and (5) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements (Recommendation 17). The FATF encourages Kenya to address its remaining deficiencies and continue the process of implementing its action plan, including by implementing the AML legislation and setting up its FIU.

Myanmar

Despite Myanmar's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Myanmar has not made sufficient progress in implementing its

action plan, and certain strategic AML/CFT deficiencies remain. Myanmar should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) further strengthening the extradition framework in relation to terrorist financing (Recommendation 35 and Special Recommendation I); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (5) enhancing financial transparency (Recommendation 4); and (6) strengthening customer due diligence measures (Recommendation 5). The FATF encourages Myanmar to address its remaining deficiencies and continue the process of implementing its action plan.

Nigeria

Nigeria has taken steps towards improving its AML/CFT regime, including by enacting AML/CFT legislation. However, despite Nigeria's high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies, Nigeria has not made sufficient progress in implementing its action plan, and certain strategic deficiencies remain. Nigeria should work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) ensuring that relevant laws or regulations address deficiencies in customer due diligence requirements and that they apply to all financial institutions (Recommendation 5); and (4) continuing to improve the overall supervisory framework for AML/CFT (Recommendation 23). The FATF encourages Nigeria to address its remaining deficiencies and continue the process of implementing its action plan.

São Tomé and Príncipe

Despite São Tomé and Príncipe's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, São Tomé and Príncipe has not made sufficient progress in implementing its action plan, and certain strategic deficiencies remain. São Tomé and Príncipe should work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (3) ensuring that financial institutions and DNFBPs are subject to adequate AML/CFT regulation and supervision, and that a competent authority or competent authorities have been designated to ensure compliance with AML/CFT requirements (Recommendations 23, 24 and 29); (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements (Recommendation 17); and (5) taking the necessary action to gain membership of GIABA. The FATF encourages São Tomé and Príncipe to address its remaining deficiencies and continue the process of implementing its action plan.

Sri Lanka

Sri Lanka has taken steps towards improving its AML/CFT regime, including by enacting AML/CFT amendments. However, despite Sri Lanka's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Sri Lanka has not made sufficient

progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Sri Lanka should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing and addressing the remaining deficiencies with regard to the criminalisation of money laundering (Special Recommendation II and Recommendation 1); and (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III). The FATF encourages Sri Lanka to address its remaining deficiencies and continue the process of implementing its action plan, including by continuing to work on its AML/CFT legislation.

Syria

Syria has taken significant steps towards improving its AML/CFT regime, including by improving the legal arrangements for freezing terrorist assets. However, despite Syria's high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Syria should work on addressing its deficiencies, including by: (1) adopting adequate measures to implement and enforce the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I); (2) implementing adequate procedures for identifying and freezing terrorist assets (Special Recommendation III); (3) ensuring that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML and FT (Recommendation 13 and Special Recommendation IV); and (4) ensuring that appropriate laws and procedures are in place to provide mutual legal assistance (Recommendations 36-38, Special Recommendation V). The FATF encourages Syria to address its remaining deficiencies and continue the process of implementing its action plan.

Turkey

Turkey has taken steps towards improving its AML/CFT regime, including by submitting CFT legislation to Parliament. Despite Turkey's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, Turkey has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Turkey should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); and (2) implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III). The FATF encourages Turkey to address its remaining deficiencies and continue the process of implementing its action plan.

Annex B: FATF: Improving Global AML/CFT Compliance: on-going process - 28 October 2011

Paris, 28 October 2011 - As part of its on-going review of compliance with the AML/CFT standards, the FATF has to date identified the following jurisdictions which have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF welcomes these commitments.

A large number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an on-going basis, that pose a risk to the international financial system. The FATF has additionally begun initial reviews of a number of other jurisdictions as part of this process and will present its findings next year.

The FATF and the FSRBs will continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans and encourages its members to consider the information presented below.

Algeria

In October 2011, Algeria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Algeria has taken steps towards improving its AML/CFT regime. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Algeria will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendations I and II); (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets (Special Recommendation III), (3) improving and broadening CDD measures and ensuring that they apply to all financial institutions (Recommendation 5); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit, in particular addressing the operational autonomy of the FIU and the authority of the FIU to request and access information (Recommendation 26); and (5) enacting and implementing appropriate mutual legal assistance legislation (Special Recommendation V). The FATF encourages Algeria to address its deficiencies and continue the process of implementing its action plan.

Angola

In June 2010, Angola made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since June 2011, Angola has taken steps towards improving its AML/CFT regime, including by issuing CDD regulations to banks. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Angola should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (3) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets (Special Recommendation III). The

FATF encourages Angola to address its remaining deficiencies and continue the process of implementing its action plan.

Antigua and Barbuda

In February 2010, Antigua and Barbuda made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since June 2011, Antigua and Barbuda has taken steps towards improving its AML/CFT regime, including by commencing off-site inspections of its financial institutions. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Antigua and Barbuda should continue to work on implementing its action plan to address these deficiencies, including by: (1) implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III); and (2) continuing to improve the overall supervisory framework (Recommendation 23). The FATF encourages Antigua and Barbuda to address its remaining deficiencies and continue the process of implementing its action plan.

Argentina

In June 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since then, Argentina has taken steps towards improving its AML/CFT regime, including by addressing some of the concerns the FATF expressed regarding its June 2011 amendments to its AML legislation, submitting draft CFT legislation to National Congress, issuing a decree dealing with evaluating effectiveness of its AML/CFT measures; and issuing an FIU Resolution enhancing CDD measures for the financial and foreign exchange sectors. The FATF has determined that strategic AML/CFT deficiencies remain. Argentina will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing and addressing the remaining deficiencies with regard to the criminalisation of money laundering (Special Recommendation II and Recommendation 1); (2) establishing and implementing adequate procedures for the confiscation of funds related to money laundering and identifying and freezing terrorist assets (Recommendation 3 and Special Recommendation III); (3) enhancing financial transparency (Recommendation 4); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit and improving suspicious transaction reporting requirements (Recommendation 13, Special Recommendation IV and Recommendation 26); (5) implementing an adequate AML/CFT supervisory programme for all financial sectors (Recommendations 17, 23 and 29); (6) improving and broadening CDD measures for the non-banking or non-foreign exchange sectors (Recommendation 5); and (7) establishing appropriate channels for international co-operation and ensuring effective implementation (Recommendation 36, Recommendation 40 and Special Recommendation V). The FATF encourages Argentina to address its remaining deficiencies and continue the process of implementing its action plan.

Bangladesh

In October 2010, Bangladesh made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2011, Bangladesh has taken steps towards improving its AML/CFT regime, including by issuing AML/CFT guidance notes for the insurance sector. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Bangladesh should continue to work on implementing its action plan to address these

deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (5) improving suspicious transaction reporting requirements (Recommendation 13 and Special Recommendation IV); and (6) improving international co-operation (Recommendations 36 and 39 and Special Recommendation V). The FATF encourages Bangladesh to address its remaining deficiencies and continue the process of implementing its action plan.

Brunei Darussalam

In June 2011, Brunei Darussalam made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since then, Brunei Darussalam has taken steps towards improving its AML/CFT regime, including by enacting an Anti-Terrorism Order in July 2011. However, the FATF has determined that strategic AML/CFT deficiencies remain. Brunei Darussalam should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) establishing and implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) improving suspicious transaction reporting requirements (Recommendation 13 and Special Recommendation IV); (5) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (6) enacting and implementing appropriate mutual legal assistance legislation (Recommendation 36 and Special Recommendation V). The FATF encourages Brunei Darussalam to address its remaining deficiencies and continue the process of implementing its action plan.

Cambodia

In June 2011, Cambodia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. The FATF has determined that strategic AML/CFT deficiencies remain. Cambodia should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) establishing and implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (5) establishing and implementing effective controls for cross-border cash transactions (Special Recommendation IX). The FATF encourages Cambodia to address its remaining deficiencies and continue the process of implementing its action plan.

Ecuador

In June 2010, Ecuador made a high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies. The FATF has determined that certain

strategic AML/CFT deficiencies remain. Ecuador should continue to work on implementing its action plan to address these deficiencies, including by: (1) ensuring adequate criminalisation of terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); and (4) reinforcing and improving co-ordination of financial sector supervision (Recommendation 23). The FATF encourages Ecuador to address its remaining deficiencies and continue the process of implementing its action plan.

Honduras

In October 2010, Honduras made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since that time, Honduras has demonstrated progress in improving its AML/CFT regime, including by adopting legislation that aims to address issues relating to criminalisation of terrorist financing and freezing of terrorist assets and implementing resolutions that aim to improve CDD measures. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

Kyrgyzstan

In October 2011, Kyrgyzstan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. Kyrgyzstan has taken steps towards improving its AML/CFT regime. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Kyrgyzstan will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets (Special Recommendation III) (3) establishing and implementing adequate measures for the confiscation of funds related to money laundering (Recommendation 3); (4) establishing effective CDD measures for all financial institutions (Recommendation 5); and (5) implementing an adequate and effective AML/CFT supervisory programme for all financial sectors (Recommendation 23). The FATF encourages Kyrgyzstan to address its deficiencies and continue the process of implementing its action plan.

Mongolia

In June 2011, Mongolia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. The FATF has determined that strategic AML/CFT deficiencies remain. Mongolia should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) establishing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) establishing suspicious transaction reporting requirements (Recommendation 13 and Special Recommendation IV); (5) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (6)

demonstrating effective regulation of money service providers. The FATF encourages Mongolia to address its remaining deficiencies and continue the process of implementing its action plan.

Morocco

In February 2010, Morocco made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since then, Morocco has demonstrated progress in improving its AML/CFT regime, including by adopting amendments to extend the scope of the money laundering and terrorist financing offences; to broaden customer due diligence requirements and taking steps to operationalise the Financial Intelligence Unit. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Morocco should continue to work on implementing its action plan to address these deficiencies, including by adequately criminalising terrorist financing (Special Recommendation II).

Namibia

In June 2011, Namibia made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. Namibia has taken steps towards improving its AML/CFT regime, including by securing the information held in the FIU. However, the FATF has determined that strategic AML/CFT deficiencies remain. Namibia should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing an adequate AML/CFT supervisory programme with sufficient powers (Recommendation 23 and 29); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit, in particular addressing the operational autonomy of the FIU (Recommendation 26); (5) implementing effective, proportionate and dissuasive sanctions in order to deal with non-compliance with the national AML/CFT requirements (Recommendation 17); and (6) implementing the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I). The FATF encourages Namibia to address its remaining deficiencies and continue the process of implementing its action plan.

Nepal

In February 2010, Nepal made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2011, Nepal has taken steps towards improving its AML/CFT regime, including by approving an AML/CFT National Strategy. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Nepal should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); and (4) enacting and implementing appropriate mutual legal assistance legislation (Recommendation 36). The FATF encourages Nepal to address its remaining deficiencies and continue the process of implementing its action plan.

Nicaragua

In June 2011, Nicaragua made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since then, Nicaragua has taken steps towards improving its AML/CFT regime, including by establishing an agency responsible for regulating and supervising the microfinance industry. However, the FATF has determined that strategic AML/CFT deficiencies remain. Nicaragua should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing effective CDD measures and record-keeping requirements, in particular entities not currently regulated by the supervisory authority (Recommendation 5 and Recommendation 10); (2) establishing adequate STR reporting obligations for ML and FT (Recommendation 13 and Special Recommendation IV); (3) implementing an adequate AML/CFT supervisory programme for all financial sectors (Recommendation 23); (4) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (5) establishing adequate procedures for identifying and freezing terrorist assets (Special Recommendation III). The FATF encourages Nicaragua to address its remaining deficiencies and continue the process of implementing its action plan.

Paraguay

In February 2010, Paraguay made a high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies. Since that time, Paraguay has taken steps towards improving its AML/CFT regime, including enacting CFT legislation and issuing regulations prohibiting anonymous accounts. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

Philippines

In October 2010, the Philippines made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2011, the Philippines has taken steps towards improving its AML/CFT regime, including by capacity building in the areas of supervision and regulation. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. The Philippines should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) implementing adequate procedures to identify and freeze terrorist assets and confiscate funds related to money laundering (Special Recommendation III and Recommendation 3); (3) enhancing financial transparency (Recommendation 4); and (4) extending coverage of reporting entities (Recommendations 12 and 16). The FATF encourages the Philippines to address its remaining deficiencies and continue the process of implementing its action plan.

Sudan

In February 2010, Sudan made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since June 2011, Sudan has taken steps towards improving its AML/CFT regime, including by improving the overall infrastructure of the FIU and the supervisory framework. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Sudan should continue to work on implementing its action plan to address these deficiencies, including by: (1) implementing adequate procedures for identifying and freezing terrorist assets (Special Recommendation III); (2) ensuring a fully operational and

effectively functioning Financial Intelligence Unit (Recommendation 26); (3) ensuring that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML and FT (Recommendation 13 and Special Recommendation IV); and (4) implementing a supervisory programme for the regulators to ensure compliance with the provisions of the new law and regulations (Recommendation 23). The FATF encourages Sudan to address its remaining deficiencies and continue the process of implementing its action plan.

Tajikistan

In June 2011, Tajikistan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. The FATF has determined that strategic AML/CFT deficiencies remain. Tajikistan should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures for the confiscation of funds related to money laundering and identifying and freezing terrorist assets (Recommendation 3 and Special Recommendation III); (3) enhancing financial transparency (Recommendation 4); (4) ensuring a fully operational, and effectively functioning Financial Intelligence Unit and improving suspicious transaction reporting requirements (Recommendation 13, Special Recommendation IV, and Recommendation 26); and (5) improving and broadening CDD measures (Recommendation 5). The FATF encourages Tajikistan to address its remaining deficiencies and continue the process of implementing its action plan.

Turkmenistan

In June 2010, Turkmenistan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. Since June 2011, Turkmenistan has taken steps towards improving its AML/CFT regime, including by establishing a legal framework to freeze terrorist assets. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Turkmenistan should continue to work on implementing its action plan to address these deficiencies, including by: (1) developing collaboration between the FIU and domestic counterparts, including supervisory authorities; and (2) strengthening international co-operation in the areas of investigation and confiscation/repatriation of funds. The FATF encourages Turkmenistan to address its remaining deficiencies and continue the process of implementing its action plan.

Trinidad and Tobago

In February 2010, Trinidad and Tobago made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since June 2011, Trinidad and Tobago has taken steps towards improving its AML/CFT regime, including by completing the registration process of the listed businesses and initiating the supervision of the listed entities. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Trinidad and Tobago should continue to work on implementing its action plan to address these deficiencies, including by (1) implementing adequate procedures to identify and freeze terrorist assets without delay (Special Recommendation III); and (2) establishing a fully operational and effectively functioning Financial Intelligence Unit, including supervisory powers

(Recommendation 26). The FATF encourages Trinidad and Tobago to address its remaining deficiencies and continue the process of implementing its action plan.

Venezuela

In October 2010, Venezuela made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since then, Venezuela has taken steps towards improving its AML/CFT regime, including by improving the independence of the FIU and the regulations for the banking and securities sectors. However, the FATF has determined that certain strategic deficiencies remain. Venezuela should continue to work with the FATF and CFATF on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendations I and III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (4) implementing adequate CDD guidelines for all sectors (Recommendation 5); and (5) establishing adequate STR reporting obligations for ML and FT (Recommendation 13 and Special Recommendation IV). The FATF encourages Venezuela to address its remaining deficiencies and continue the process of implementing its action plan.

Vietnam

In October 2010, Vietnam made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. Vietnam should continue to work with the FATF and APG on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) making legal persons subject to criminal liability in line with FATF Recommendation 2 or demonstrating that there is a constitutional prohibition to prevent this; (4) improving the overall supervisory framework (Recommendation 23); (5) improving and broadening customer due diligence measures and reporting requirements (Recommendation 5, 13, and Special Recommendation IV); and (6) strengthening international co-operation (Recommendations 36, 40). The FATF encourages Vietnam to address its remaining deficiencies and continue the process of implementing its action plan.

Yemen

In February 2010, Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic deficiencies remain. Yemen should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (2) conducting outreach to sensitise reporting institutions of their AML/CFT obligations (Recommendation 25); (3) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the FIU, to ensure compliance by financial institutions with their STR obligations, especially in relation to FT (Recommendation 23); and (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26). The FATF encourages Yemen to address its remaining deficiencies and continue the process of implementing its action plan.

Zimbabwe

In June 2011, Zimbabwe made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. The FATF has determined that strategic AML/CFT deficiencies remain. Zimbabwe should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation I and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (4) ensuring that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML and FT (Recommendation 13 and Special Recommendation IV); (5) enacting and implementing appropriate mutual legal assistance legislation (Special Recommendation V); and (6) implementing the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I). The FATF encourages Zimbabwe to address its remaining deficiencies and continue the process of implementing its action plan.

Ukraine

The FATF welcomes Ukraine's significant progress in improving its AML/CFT regime and notes that Ukraine has largely met its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Ukraine is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Ukraine will work with MONEYVAL as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report, and further strengthen its AML/CFT regime.

Jurisdiction not making sufficient progress

The FATF is not yet satisfied that the following jurisdictions have made sufficient progress on their action plan agreed upon with the FATF. The most significant action plan items and/or the majority of the action plan items have not been addressed. If these jurisdictions do not take sufficient action to implement significant components of their action plan by February 2012, then the FATF will identify these jurisdictions as being out of compliance with their agreed action plans and will take the additional step of calling upon its members to consider the risks arising from the deficiencies associated with the jurisdiction.

Ghana

Despite Ghana's high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Ghana has made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Ghana should work with the FATF and GIABA on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate measures for the confiscation of funds related to money laundering (Recommendation 3); (3) establishing effective CDD measures (Recommendation 5); (4) establishing a fully operational and effectively functioning Financial Intelligence Unit

(Recommendation 26); and (5) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III). The FATF encourages Ghana to address its remaining deficiencies and continue the process of implementing its action plan.

Indonesia

Despite Indonesia's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Indonesia has made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Indonesia should work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); and (3) amending and implementing laws or other instruments to fully implement the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I). The FATF encourages Indonesia to address its remaining deficiencies and continue the process of implementing its action plan.

Pakistan

Despite Pakistan's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Pakistan has made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Pakistan failed to provide a satisfactory response to the FATF's particular concern about the lack of implementation regarding Pakistan's terrorist financing offence expressed in June 2011 and its calls upon Pakistan to demonstrate specific action in this regard. Pakistan should work on implementing its action plan to address these deficiencies, including by (1) demonstrating adequate criminalisation of terrorist financing and addressing the remaining deficiencies with regard to the criminalisation of money laundering (Special Recommendation II and Recommendation 1); (2) demonstrating adequate procedures to identify, freeze and confiscate terrorist assets (Special Recommendation III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (4) demonstrating effective regulation of money service providers, including an appropriate sanctions regime, and increasing the range of ML/FT preventive measures for these services (Special Recommendation VI); and (5) improving and implementing effective controls for cross-border cash transactions (Special Recommendation IX). The FATF encourages Pakistan to address its remaining deficiencies and continue the process of implementing its action plan.

Tanzania

Despite Tanzania's high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Tanzania has made sufficient progress in implementing its action plan, and certain strategic deficiencies remain. Tanzania should work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets as well as implementing the UNSCR 1267 and 1373 through law, regulations or other enforceable means (Special Recommendation III); (3) establishing effective CDD measures (Recommendation 5); (4) establishing adequate record-keeping

requirements (Recommendation 10); (5) establishing a fully operational and effectively functioning national Financial Intelligence Unit (Recommendation 26); and (6) designating competent authorities to ensure compliance with AML/CFT requirements (Recommendation 23). The FATF encourages Tanzania to address its remaining deficiencies and continue the process of implementing its action plan.

Thailand

Despite Thailand's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Thailand has made sufficient progress in implementing its action plan, and certain strategic deficiencies remain. Thailand should work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); and (3) further strengthening AML/CFT supervision (Recommendation 23). The FATF encourages Thailand to address its remaining deficiencies and continue the process of implementing its action plan.