



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Supervision Department

Our Ref.: B10/1C
B1/15C

13 March 2015

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Statements issued by Financial Action Task Force on Money Laundering

I am writing to inform you that on 27 February 2015 the Financial Action Task Force on Money Laundering (FATF) issued two updated statements on a number of jurisdictions identified by the FATF as having unsatisfactory anti-money laundering and counter-terrorist financing (AML/CFT) regimes.

FATF Public Statement

The FATF has issued a public statement identifying a number of jurisdictions that have strategic deficiencies in their AML/CFT regimes. The statement has been separated into two sections and can be found at:
<http://www.fatf-gafi.org/documents/documents/public-statement-february-2015.html>.

- (1) Jurisdictions subject to a call on its members and other jurisdictions to apply counter-measures

Iran

Iran was listed as a jurisdiction subject to a call by the FATF 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 jurisdiction.

AIs should continue to apply the measures specified in the HKMA's circular letter of 13 March 2009 when handling transactions related to Iran.

Democratic People's Republic of Korea (DPRK)

DPRK was listed as a jurisdiction subject to a call by the FATF on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial ML/TF risks emanating from the jurisdiction.

AIs should treat transactions associated with DPRK as posing a higher ML/TF risk and subject them to increased scrutiny and enhanced due diligence.

- (2) 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

Algeria, Ecuador and Myanmar

The FATF called on its members to consider the risks arising from the deficiencies associated with these jurisdictions.

AIs should therefore consider applying increased scrutiny to transactions associated with these jurisdictions, including enhanced due diligence and ongoing monitoring.

Improving Global AML/CFT Compliance: Update On-going Process

The FATF has also issued an updated statement identifying jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF and provided a written high level political commitment to address the identified deficiencies. The statement can be found at: <http://www.fatf-gafi.org/documents/documents/fatf-compliance-february-2015.html>.

FATF Action on Terrorist Financing

The FATF has issued a public statement highlighting that terrorism is an increasingly global problem that requires concerted global action by a united international community. The statement can be found at: <http://www.fatf-gafi.org/topics/fatfgeneral/documents/fatf-action-on-terrorist-finance.html>. In particular, attention is drawn to the Islamic State in Iraq and the Levant (ISIL) phenomenon which shows a new type of terrorist organisation with unique funding streams to finance its activities. AIs should note that the FATF has published a report on the ***Financing of the Terrorist Organisation Islamic State in Iraq and the Levant*** which can be found at: <http://www.fatf-gafi.org/topics/methodsandtrends/documents/financing-of-terrorist-organisation-isil.html>.

Notwithstanding the efforts Hong Kong has made to implement a robust counter-terrorist framework¹, it should be recognized that Hong Kong is an international financial centre handling a large volume of financial transactions on a daily basis. AIs therefore need to keep up with and consistently apply the highest standards in identifying suspicious accounts / transactions².

In view of these developments, the HKMA would like to remind AIs that to ensure their counter-terrorist financing system and controls are effective, they must be aware of the scope and focus of relevant financial sanctions regimes, keep abreast of the related developments locally and internationally, and maintain a comprehensive and up-to-date watch list database for effective identification of names that may trigger suspicion.

AIs should pay attention to relevant United Nations Security Council Resolutions, such as the recently adopted resolution 2199 on ISIL and other terrorist organisations. Reference should be made to relevant local legislations, such as the United Nations (Anti-Terrorism Measures) Ordinance – Cap.575, and Chapter 6 and 7 of the Guideline on Anti-Money Laundering and Counter-Terrorist Financing.

Other Outcomes from the FATF Plenary 25-27 February 2015

In addition to the above statements and report, the FATF has also published various outcomes of the Plenary held between 25-27 February 2015, which may be of interest to your institution. Further information can be obtained from the FATF website: <http://www.fatf-gafi.org/documents/documents/plenary-outcomes-february-2015.html>.

Yours faithfully,

Sunny Yung
Acting Executive Director (Banking Supervision)

¹ Actions have been taken to implement in Hong Kong the various United Nations resolutions against terrorism. These measures include, in particular the enactment of the United Nations (Anti-Terrorism Measures) Ordinance, which makes financing of terrorists a criminal offence and requires the reporting of knowledge or suspicion of terrorist financing to the relevant authorities.

² Reference should be made to the HKMA's Guidance Paper on Transaction Screening, Transaction Monitoring and Suspicious Transaction Reporting (December 2013).