



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref.: B10/14C  
B1/15C

9 March 2018

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Statements issued by the Financial Action Task Force**

I am writing to inform you that on 23 February 2018 the Financial Action Task Force (FATF) published two updated statements identifying jurisdictions that may pose a risk to the international financial system and also to draw your attention to a number of outcomes from the FATF Plenary meeting held on 21-23 February 2018.

**FATF Public Statement**

The FATF has issued a public statement identifying jurisdictions that have strategic deficiencies in their anti-money laundering and counter-terrorist financing (AML/CFT) regimes. The statement can be found at: <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2018.html>.

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

***Democratic People's Republic of Korea (DPRK)***

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its AML/CFT regime and the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMD) and its financing.

Authorized institutions (AIs) should give special attention to business relationships and transactions associated with the DPRK, including DPRK companies, financial institutions and those acting on their behalf, and subject them to increased scrutiny and enhanced due diligence. AIs should also

terminate correspondent relationships with DPRK banks, where required by relevant United Nations Security Council (UNSC) Resolutions.

- (2) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures

### ***Iran***

The FATF decided to continue the suspension of counter-measures, and depending upon Iran's progress in completing its action plan, will take further steps in June 2018. The FATF remains concerned with the terrorist financing risk emanating from Iran and the threat it poses to the international financial centre.

AIs should therefore continue to apply enhanced due diligence, proportionate to the risks, to business relationships and transactions with natural and legal persons from Iran.

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

The FATF has also issued an updated statement on jurisdictions that have strategic AML/CFT deficiencies but have developed an action plan and provided a written high level political commitment to address the identified deficiencies. The statement can be found at: <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-february-2018.html>.

### Other Outcomes from the FATF Plenary, Paris, 21-23 February 2018

The FATF has published various outcomes of the Plenary held on 21-23 February 2018, which may be of interest to AIs. Further information can be found at: <http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-february-2018.html>.

### Joint Statement to Welcome Industry Initiative Facilitating Correspondent Banking

The FATF, together with the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the Financial Stability Board (FSB) published a joint press release on 6 March 2018 to welcome the revised correspondent banking due diligence questionnaire published by the Wolfsberg Group on 22 February 2018, as one of the industry initiatives that will help to address the decline in the number of correspondent banking relationships by facilitating due diligence processes. The questionnaire is also part of a cooperative effort by the public and private sectors to recognize Know-Your-Customer utilities as an effective and efficient tool to support due diligence processes. The statement can be found at: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/correspondent-banking-statement-mar-2016.html>.

AIs should read the questionnaire in conjunction with the “Guidelines on Sound Management of Risks Related to Money Laundering and Financing of Terrorism”<sup>1</sup> issued by the BCBS, in particular the revised Annex 2 on *Correspondent banking*, which supplements “Guidance on Correspondent Banking Services”<sup>2</sup> published by the FATF in October 2016.

Yours faithfully,

Carmen Chu  
Executive Director (Enforcement and AML)

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<sup>1</sup> The guidelines, issued in June 2017, can be found at: <https://www.bis.org/bcbs/publ/d405.pdf>.

<sup>2</sup> The guidance can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-Banking-Services.pdf>.