



HONG KONG MONETARY AUTHORITY
香港金融管理局

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

7 November 2022

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Statements issued by the Financial Action Task Force

I am writing to update you on the statements published by the Financial Action Task Force (FATF) identifying jurisdictions that have strategic deficiencies in their anti-money laundering and counter-financing of terrorism (AML/CFT) and counter proliferation financing regimes, and also draw your attention to a number of outcomes from the FATF Plenary meeting held between 20 and 21 October 2022.

Statements on “High-Risk Jurisdictions subject to a Call for Action” and “Jurisdictions under Increased Monitoring”

- (1) **Jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures**

Iran and Democratic People’s Republic of Korea (DPRK)

In light of the COVID-19 pandemic, the FATF has paused the review process for Iran and DPRK since February 2020, given that they are already subject to the FATF’s call for countermeasures. Authorized Institutions (AIs) should therefore continue to refer to the HKMA circular on “Statements issued by the Financial Action Task Force” dated 11 March 2020, in particular, applying the enhanced due diligence measures and other countermeasures in relation to Iran and DPRK.

- (2) **Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction**

Myanmar

The FATF decided to call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risk arising from Myanmar given the continued lack of progress and the majority of action items

still not addressed after a year beyond the action plan deadline. The FATF also reminded that when applying enhanced due diligence measures, jurisdictions should ensure that flows of funds for humanitarian assistance, legitimate non-profit organisations' activity and remittances are not disrupted. The statement can be found at: <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-october-2022.html>.

AIs should therefore apply enhanced due diligence measures¹, proportionate to the risks involved, to business relationships and transactions with natural and legal persons from Myanmar. AIs are also reminded to refer to the guiding principles for the implementation of the risk-based approach in the circular on De-risking and Financial Inclusion issued on 8 September 2016² and not to adopt one-size-fits-all approach to business relationships and transactions.

(3) Jurisdictions under Increased Monitoring

The FATF has issued an updated statement on “Jurisdictions under Increased Monitoring”. The statement can be found at: <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2022.html>.

FATF Plenary meeting, 20-21 October 2022

The outcomes of the FATF Plenary meeting were published on the FATF website and can be found at: <https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-october-2022.html>. In particular, the FATF has launched two public consultations on improving access to beneficial ownership information on 25 October 2022: (1) draft guidance on Recommendation 24³ and (2) proposed revisions to Recommendation 25 and its Interpretive Note on the transparency and beneficial ownership of legal arrangements⁴. The FATF expects finalising these guidance and revisions in February 2023.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

¹ See paragraph 4.15.1 of Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Authorized Institutions) revised in October 2018.

² The circular can be found at: <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160908e1.pdf>.

³ The draft guidance can be found at: <https://www.fatf-gafi.org/publications/fatfrecommendations/documents/r24-public-consultation-oct-2022.html>.

⁴ The draft amendments can be found at: <https://www.fatf-gafi.org/publications/fatfrecommendations/documents/r25-public-consultation-oct22.html>.