HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Supervision Department

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

31 October 2014

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Statements issued by Financial Action Task Force on Money Laundering and the Asia/Pacific Group on Money Laundering

I am writing to inform you that on 24 October 2014 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.

A similar public statement has also recently been issued by the Asia/Pacific Group on Money Laundering (APG) to which your attention is also drawn.

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-oct2014.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, Indonesia 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-oct-2014.html.

Other Outcomes from the FATF Plenary 22–24 October 2014

In addition to the above statements, the FATF has also published various outcomes of the Plenary held between 22–24 October 2014 which may be of interest to your institution. These outcomes include, for example, progress of various jurisdictions in the FATF follow-up process, public statements on de-risking and the risks of financing generated by and provided to the terrorist group the Islamic State of Iraq and the Levant (ISIL). In addition, the risk-based approach guidance for the Banking Sector was published, details of which will be circulated separately. Further information can be obtained from the FATF website: http://www.fatf-gafi.org/documents/news/plenary-outcomes-october-2014.html#rba

APG Public Statement on Vanuatu

The APG has also issued a public statement on 2 October 2014 calling upon Vanuatu to promptly address a number of serious deficiencies in its AML/CFT system. The statement can be found at: http://www.apgml.org/about-us/page.aspx?p=fe4fce1a-2579-49f3-be93-598430e1b08a.

Yours faithfully,

Steve Lau
Acting Executive Director (Banking Supervision)