HONG KONG MONETARY AUTHORITY
香港金融管理局

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

8 July 2015

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Statements issued by the Financial Action Task Force on Money Laundering

I am writing to inform you that on 26 June 2015 the Financial Action Task Force on Money Laundering (FATF) published two updated statements identifying jurisdictions that may pose a risk to the international financial system and also provided details of a number of outcomes from the FATF Plenary meeting held on 24-26 June 2015 in Brisbane, Australia.

FATF Public Statement

The FATF has issued a public statement identifying a number of jurisdictions that have strategic deficiencies in their anti-money laundering and counter-terrorist financing (AML/CFT) regimes. The statement has been separated into two sections and can be found at: http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-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 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: 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/topics/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2015.html.

Other Outcomes from the FATF Plenary, Brisbane, 24-26 June 2015

The FATF has published various outcomes of the Plenary held between 24-26 June 2015 which may be of interest to AIs and include, for example, (i) a revised best practices paper on combating the abuse of non-profit organisations; (ii) guidance for a risk-based approach to virtual currencies; and (iii) a typologies report on ML/TF risks and vulnerabilities associated with gold. Further information can be obtained from the FATF website: http://www.fatf-gafi.org/documents/news/outcomes-plenary-june2015.html.

Statement on De-risking

In addition, the FATF has issued a statement setting out the intention to continue its work around drivers for 'de-risking' which the FATF says go beyond anti-money laundering and terrorist financing.

AIs' particular attention is drawn to comments regarding due diligence for correspondent banks as required by the FATF Recommendations:

> *"When establishing correspondent banking relationships, banks are required to perform normal customer due diligence on the respondent bank. Additionally, banks are required to gather sufficient information about the respondent bank to understand the respondent bank's business, reputation and the quality of its supervision, including whether it has been subject to a money laundering or terrorist financing investigation or regulatory action, and to assess the respondent bank's AML/CFT controls. Although there will be exceptions in high risk scenarios, the FATF Recommendations do not require banks to perform, as a matter of course, normal customer due diligence on the customers of their respondent banks when establishing and maintaining correspondent banking relationships."*

For avoidance of doubt, the requirements for correspondent banking under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and Chapter 11 of the Guideline on Anti-Money Laundering and Counter-Terrorist Financing are consistent with this statement regarding the FATF Recommendations. The HKMA supports the ongoing work of the FATF on de-risking drivers and will update AIs on the outcome in due course.

The full statement can be found at: http://www.fatf-gafi.org/documents/news/derisking-goes-beyond-amlcft.html.

Yours faithfully,

Henry Cheng
Executive Director (Banking Supervision)