HONG KONG MONETARY AUTHORITY
香港金融管理局

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

15 November 2016

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

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

I am writing to inform you that on 21 October 2016 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 19-21 October 2016.

The Asia/Pacific Group on Money Laundering (APG) has also recently issued a public statement, which we would like to draw your attention to.

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-october-2016.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 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 the DPRK banks, where required by relevant United Nations Security Council resolutions.

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

***Iran***

Iran has adopted and committed to an action plan to address its strategic AML/CFT deficiencies and therefore in June 2016, the FATF has suspended counter-measures for twelve months to monitor its progress. However, the FATF remains concerned with the terrorist financing risk emanating from Iran.

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-october-2016.html.

Other Outcomes from the FATF Plenary, Paris, 19-21 October 2016

The FATF has published various outcomes of the Plenary held on 19-21 October 2016, which may be of interest to AIs. Further information can be found at: http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2016.html.

In particular, the FATF published the Guidance on Correspondent Banking Services which addresses the issue of de-risking and clarifies how money laundering and terrorist financing risks should be managed, customer-by-customer, in the context of correspondent banking relationships and money or value transfer services that provide similar services. The guidance can be found at:

http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-Banking-Services.pdf. To ensure consistency with this FATF guidance, the Basel Committee on Banking Supervision ("BCBS") is in parallel reviewing relevant sections in its paper "Sound management of risks related to money laundering and financing of terrorism" [1]. The HKMA will continue to monitor developments and will make relevant changes to the existing AML/CFT regulatory requirements of correspondent banking, if necessary, after the amended BCBS guidance is published.

APG Public Statement on Vanuatu

The APG has also updated a public statement in September 2016 calling upon Vanuatu to expeditiously address the remaining deficiencies that have not yet been adequately addressed in its AML/CFT system and to enhance the effectiveness of 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,

Meena Datwani
Executive Director (Enforcement and AML)

[1] This guidance was published in January 2014 and revised in February 2016.