

## **Improving Global AML/CFT Compliance: On-going Process - 18 October 2019**

*Paris, France, 18 October 2019 - As part of its ongoing review of compliance with the AML/CFT standards, the FATF identifies the following jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF welcomes these commitments.*

A number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an ongoing basis, that pose a risk to the international financial system.

The FATF and the FATF-style regional bodies (FSRBs) will continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans. The FATF does not call for the application of enhanced due diligence to be applied to these jurisdictions, but encourages its members to take into account the information presented below in its risk analysis.

<b>Jurisdictions with strategic deficiencies</b>	<b>Jurisdictions no longer subject to monitoring</b>
<b>The Bahamas Botswana Cambodia Ghana Iceland Mongolia Pakistan Panama Syria Trinidad and Tobago Yemen Zimbabwe</b>	<b>Ethiopia Sri Lanka Tunisia</b>

### **The Bahamas**

Since October 2018, when The Bahamas made a high-level political commitment to work with the FATF and CFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, The Bahamas has taken steps towards improving its AML/CFT regime. These include instituting a protocol and case management system to further enhance international cooperation; initiating

risk-based supervision of non-bank financial institutions; and further implementing the recent Beneficial Ownership Law to ensure the timely access to adequate, accurate, and current basic and beneficial ownership information. The Bahamas should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) demonstrating that authorities are investigating and prosecuting all types of money laundering, including complex ML cases, stand-alone money laundering, and cases involving proceeds of foreign offences, including foreign tax crimes; and (2) increasing the identification, tracing and freezing or restraining of assets and to present cases linked with foreign offences and stand-alone ML cases.

## **Botswana**

Since October 2018, when Botswana made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Botswana has taken steps towards improving its AML/CFT regime, including by adopting risk-based AML/CFT supervisory manuals for financial sector supervisors and implementing an electronic STR filing system among FIs and certain types of DNFBPs. Botswana should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) assessing the risks associated with legal persons, legal arrangements, and NPOs, and developing and implementing a risk-based comprehensive national AML/CFT strategy; (2) developing and implementing risk-based AML/CFT supervisory manuals; (3) improving its analysis and dissemination of financial intelligence by the FIU, and enhancing the use of financial intelligence among the relevant law enforcement agencies; (4) developing and implementing CFT strategy, and ensuring the TF investigation capacity of the law enforcement agencies; (5) ensuring the implementation without delay of targeted financial sanctions measures related to terrorist financing and proliferation financing, and (6) applying a risk-based approach to monitoring non-profit organisations..

## **Cambodia**

Since February 2019, when Cambodia made a high-level political commitment to work with the FATF and APG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Cambodia has taken steps towards improving its AML/CFT regime, including by initiating off-site and on-site supervision of the real estate and casino sectors. Cambodia should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) providing a broad legal basis for MLA and conducting relevant training to LEAs; (2) implementing risk-based supervision for real estate and casinos; (3) implementing the risk-based supervision to banks, including through prompt, proportionate and dissuasive enforcement actions, as appropriate; (4) amending the

AML/CFT Law to address the remaining technical compliance deficiencies; (5) conducting sector-specific outreach to casinos, real-estate and MVTs providers; (6) increasing its FIU resources; enhancing its analysis of STRs; and increasing disseminations to LEAs; (7) increasing domestic coordination and cooperation to enhance ML investigations; (8) demonstrating an increase in ML investigations and prosecutions; and providing targeted proceeds of crime confiscation training to all LEAs; (9) demonstrating an increase in the freezing and confiscation of criminal proceeds, instrumentalities, and property of equivalent value; (10) establishing the legal framework to implement UN sanctions related to PF TFS, demonstrating that implementation is occurring and enhancing the understanding of sanctions evasion.

## **Ghana**

Since October 2018, when Ghana made a high-level political commitment to work with the FATF and GIABA to strengthen the effectiveness of its AML/CFT regime, Ghana has taken steps towards improving its AML/CFT regime, including by conducting a risk assessment on legal persons, and developing a framework for adequate and effective investigation and prosecution of TF. Ghana should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) implementing a comprehensive national AML/CFT Policy based on the risks identified in the NRA, including measures to mitigate ML/TF risks associated with the legal persons; (2) improving risk-based supervision, by enhancing the capacity of the regulators and the awareness of the private sector; (3) ensuring the timely access to adequate, accurate and current basic and beneficial ownership information; (4) ensuring that the FIU is focusing its activities the risks identified in the NRA, and adequately resourced; and (5) applying a risk-based approach for monitoring non-profit organisations.

## **Iceland**

In October 2019, Iceland made a high-level political commitment to work with the FATF to strengthen the effectiveness of its AML/CFT regime. Since the completion of its MER in 2017, Iceland has made progress on a number of recommended actions to improve technical compliance and effectiveness, including carrying out a second national risk assessment, comprehensive outreach to deepen the understanding of relevant risks across sectors, enhancing risk based supervision in both the financial and DNFBP sector and significantly strengthening the capacities of investigation and law enforcement authorities. Iceland will work to implement its action plan, by: (1) ensuring the access to accurate basic and beneficial ownership information for legal persons by competent authorities in a timely manner; (2) introducing an automated system for STR filing and enhancing the FIU's capacity in its strategic and operational analysis; (3) ensuring implementation of the TFS requirements among FIs and DNFBPs through effective supervision, and enabling effective oversight and monitoring of NPOs with adequate resources and in line with the

identified TF risks. FATF noted that Iceland had already pro-actively taken steps to address these issues before the Action Plan's formal adoption by FATF. However, the FATF could not yet fully review these due to their very recent nature.

## **Mongolia**

In October 2019, Mongolia made a high-level political commitment to work with the FATF and APG to strengthen the effectiveness of its AML/CFT regime. Since the completion of its MER in 2017, Mongolia has made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including by enhancing its ML and TF risk understanding, and introducing a comprehensive institutional framework to give effect to PF TFS obligations, and enhancing its TF TFS legal framework through legislative measures and guidance. Mongolia will work to implement its action plan, including by: (1) improving sectoral ML/TF risk understanding by DNFBP supervisors, applying a risk-based approach to supervision and applying proportionate and dissuasive sanctions for breaches of AML/CFT obligations; (2) demonstrating increased investigations and prosecutions of different types of ML activity in line with identified risks; (3) demonstrating further seizure and confiscation of falsely/non-declared currency and applying effective, proportionate and dissuasive sanctions; (4) demonstrating cooperation and coordination between authorities to prevent sanctions evasion; and monitoring compliance by FIs and DNFbps with their PF-related TFS obligations, including the application of proportionate and dissuasive sanctions.

## **Pakistan**

Since June 2018, when Pakistan made a high-level political commitment to work with the FATF and APG to strengthen its AML/CFT regime and to address its strategic counter-terrorist financing-related deficiencies, Pakistan has made progress towards improving its AML/CFT regime, including the recent development of its ML/TF risk assessment. At the October 2019 plenary, Pakistan reiterated its political commitment to completing its action plan and implementing AML/CFT reforms. Pakistan should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) adequately demonstrating its proper understanding of the TF risks posed by the terrorist groups, and conducting supervision on a risk-sensitive basis; (2) demonstrating that remedial actions and sanctions are applied in cases of AML/CFT violations, and that these actions have an effect on AML/CFT compliance by financial institutions; (3) demonstrating that competent authorities are cooperating and taking action to identify and take enforcement action against illegal money or value transfer services (MVTs); (4) demonstrating that authorities are identifying cash couriers and enforcing controls on illicit movement of currency; (5) improving inter-agency coordination including between provincial and federal authorities on combating TF risks; (6) demonstrating that law enforcement agencies (LEAs) are identifying and investigating the widest

range of TF activity and that TF investigations and prosecutions target designated persons and entities, and those acting on behalf or at the direction of the designated persons or entities; (7) demonstrating that TF prosecutions result in effective, proportionate and dissuasive sanctions and enhancing the capacity and support for prosecutors and the judiciary; and (8) demonstrating effective implementation of targeted financial sanctions (supported by a comprehensive legal obligation) against all 1267 and 1373 designated terrorists and those acting for or on their behalf, including preventing the raising and moving of funds, identifying and freezing assets (movable and immovable), and prohibiting access to funds and financial services; (9) demonstrating enforcement against TFS violations including administrative and criminal penalties and provincial and federal authorities cooperating on enforcement cases; (10) demonstrating that facilities and services owned or controlled by designated person are deprived of their resources and the usage of the resources.

All deadlines in the action plan have now expired. While noting recent improvements, the FATF again expresses serious concerns with the overall lack of progress by Pakistan to address its TF risks, including remaining deficiencies in demonstrating a sufficient understanding of Pakistan's transnational TF risks, and more broadly, Pakistan's failure to complete its action plan in line with the agreed timelines and in light of the TF risks emanating from the jurisdiction. To date, Pakistan has only largely addressed five of 27 action items, with varying levels of progress made on the rest of the action plan. The FATF strongly urges Pakistan to swiftly complete its full action plan by February 2020. Otherwise, should significant and sustainable progress not be made across the full range of its action plan by the next Plenary, the FATF will take action, which could include the FATF calling on its members and urging all jurisdictions to advise their FIIs to give special attention to business relations and transactions with Pakistan.

## **Panama**

Since June 2019, when Panama made a high-level political commitment to work with the FATF and GAFILAT to strengthen the effectiveness of its AML/CFT regime, Panama has taken initial steps towards improving its AML/CFT regime, including by drafting sectoral risk assessments for the corporate and DNFBP sectors and free trade zones. Panama should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) strengthening its understanding of the national and sectoral ML/TF risk and informing findings to its national policies to mitigate the identified risks; (2) proactively taking action to identify unlicensed money remitters, applying a risk-based approach to supervision of the DNFBP sector and ensuring effective, proportionate, and dissuasive sanctions against AML/CFT violations; (3); ensuring adequate verification and update of beneficial ownership information by obliged entities, establishing an effective mechanisms to monitor the activities of offshore entities, assessing the existing risks

of misuse of legal persons and arrangements to define and implement specific measures to prevent the misuse of nominee shareholders and directors, and ensuring timely access to adequate and accurate beneficial ownership information; and (4) ensuring effective use of FIU products for ML investigations, demonstrating its ability to investigate and prosecute ML involving foreign tax crimes and to provide constructive and timely international cooperation with such offence, and continuing to focus on ML investigations in relation to high-risk areas identified in the NRA and MER.

## **Syria**

Since February 2010, when Syria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Syria had substantially addressed its action plan at a technical level, including by criminalising terrorist financing and establishing procedures for freezing terrorist assets. While the FATF determined that Syria has completed its agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and will conduct an on-site visit at the earliest possible date.

## **Trinidad and Tobago**

In November 2017, Trinidad and Tobago made a high-level political commitment to work with the FATF and CFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. The FATF has made the initial determination that Trinidad and Tobago has substantially completed its action plan and warrants an on-site assessment to verify that the implementation of Trinidad and Tobago's AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to sustain implementation in the future. Specifically, Trinidad and Tobago has made the following key reforms: (1) adopting and implementing the relevant measures to enhance international cooperation; (2) addressing measures for transparency and beneficial ownership; (3) completing the legislative efforts to enhance the processing of ML charges before the courts; (4) taking measures to enhance tracing and confiscation of criminal assets; (5) enforcing TF measures and adopting appropriate measures for NPOs; (6) enacting the necessary amendments related to targeted financial sanctions; and (7) developing, adopting, and implementing the necessary framework to counter proliferation financing.

## **Yemen**

Since February 2010, when Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies,

Yemen has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Yemen had substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing procedures to identify and freeze terrorist assets; (3) improving its customer due diligence and suspicious transaction reporting requirements; (4) issuing guidance; (5) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and (6) establishing a fully operational and effectively functioning financial intelligence unit. While the FATF determined that Yemen has completed its agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and conduct an on-site visit at the earliest possible date.

## **Zimbabwe**

In October 2019, Zimbabwe made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime. Since the completion of its MER in 2016, Zimbabwe has made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including establishing a national coordination and cooperation structure on AML/CFT issues, amending the AML/CFT legal framework to apply a risk-based approach to supervision of FIs and DNFBPs, widening the scope of disseminating financial intelligence, and establishing an asset forfeiture unit within the National Prosecuting Authority. Zimbabwe will work to implement its action plan, including by: (1) improving understanding of the key ML/TF risks among the relevant stakeholders and implementing the national AML/CFT policy base on the identified risks; (2) implementing risk-based supervision for FIs and DNFBPs including through capacity building among the supervisory authority; (3) ensuring development of adequate risk mitigation measures among FIs and DNFBPs, including by applying proportionate and dissuasive sanctions to breaches; (4) developing a comprehensive legal framework and mechanism to collect and maintain accurate and updated beneficial ownership information for legal persons and arrangements, and ensure timely assess by the competent authorities; and (5) addressing remaining gaps in the TF- and PF-related TFS frameworks and demonstrating implementation.

## **Jurisdictions No Longer Subject to the FATF's On-Going Global AML/CFT Compliance Process**

### **Ethiopia**

The FATF welcomes Ethiopia's significant progress in improving its AML/CFT regime and notes that Ethiopia has strengthened the effectiveness of its AML/CFT

regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in February 2017. Ethiopia is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Ethiopia will continue to work with ESAAMLG to improve further its AML/CFT regime.

### **Sri Lanka**

The FATF welcomes Sri Lanka's significant progress in improving its AML/CFT regime and notes that Sri Lanka has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in November 2017. Sri Lanka is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Sri Lanka will continue to work with APG to improve further its AML/CFT regime.

### **Tunisia**

The FATF welcomes Tunisia's significant progress in improving its AML/CFT regime and notes that Tunisia has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in November 2017. Tunisia is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Tunisia will continue to work with MENAFATF to improve further its AML/CFT regime.