

THIS DOCUMENT IS ARCHIVED

It is retained for reference only and may no longer reflect current requirements.

BUSINESS FROM SENSITIVE SOURCES NOTICE (NUMBER 8) FOR FINANCIAL SERVICES BUSINESSES

13 March 2009

The Financial Action Task Force (FATF)

The Forty Recommendations and Nine Special Recommendations of the Financial Action Task Force (FATF) are the international standard for effective anti-money laundering and terrorist financing measures. Through periodic mutual evaluations, the FATF reviews its members' compliance with these Forty Recommendations, as well as the Nine Special Recommendations on Terrorist Financing, and suggests areas for improvement as necessary.

The Non-Cooperative Countries and Territories (NCCTs) exercise began in 1998 at a time when many countries around the world did not have adequate AML measures in place. The goal of the initiative was to secure the adoption by all financial centres of international standards to prevent, detect and punish money laundering, and thereby effectively co-operate internationally in the global fight against money laundering. Financial services businesses will be aware that no countries or territories are listed by the FATF as non-cooperative.

To ensure continued effective implementation of the reforms enacted, the FATF adopted a monitoring mechanism. This mechanism included the submission of regular implementation reports and a possible follow-up visit to assess progress in implementing reforms and to ensure that stated goals had been fully achieved.

Myanmar

Myanmar, which was formerly listed as non-cooperative, is listed by the FATF as a country subject to its monitoring mechanism.

Uzbekistan, Iran, Pakistan, Turkmenistan and São Tomé and Príncipe

The FATF remains concerned about the lack of comprehensive AML/CFT systems in Uzbekistan, Iran, Pakistan, Turkmenistan and São Tomé and Príncipe and has taken further steps to protect the international financial system from abuse, by putting the following notice on its website.

"Iran

The FATF welcomes Iran's initial engagement with the international community on money laundering. However, the FATF remains concerned by Iran's failure to meaningfully address the ongoing and substantial deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime. The FATF remains particularly concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system. The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalising terrorist financing and effectively implementing suspicious transaction reporting (STR) requirements. The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. Jurisdictions should also protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. The FATF remains prepared to engage directly in assisting Iran to address its AML/CFT deficiencies, including through the FATF Secretariat.

Uzbekistan

The FATF welcomes the process undertaken by Uzbekistan to adopt comprehensive AML/CFT

measures within a specific timeframe. Nevertheless, given that concrete measures to address the identified deficiencies have not yet been implemented, the FATF reiterates its statement of 16 October 2008, calling on its members and urging all jurisdictions to strengthen preventive measures to protect their financial sectors from the ML/FT risk emanating from Uzbekistan.

Turkmenistan

Despite a prolonged dialogue with the FATF and other international institutions, Turkmenistan has not yet made progress in adopting AML legislation. Financial institutions should remain aware that the lack of an AML/CFT regime in Turkmenistan constitutes an ML/FT vulnerability in the international financial system and should take appropriate measures to address this risk. Turkmenistan is urged to adopt without further delay a comprehensive AML/CFT regime that meets international AML/CFT standards. Turkmenistan is encouraged to continue to work closely with the Eurasian Group and the International Monetary Fund to achieve this.

Pakistan

The FATF reaffirms its public statement of 28 February 2008 regarding the ML/FT risks posed by Pakistan. The FATF welcomes the process underway in Pakistan to improve its AML/CFT regime. The FATF encourages Pakistan to continue to fully co-operate with the World Bank and the Asia Pacific Group on Money Laundering (APG) on its mutual evaluation process.

São Tomé and Príncipe

The FATF welcomes São Tomé and Príncipe's recent steps toward addressing identified AML deficiencies, in particular, through the adoption of an AML law in November 2008. The FATF urges São Tomé and Príncipe to address the remaining AML/CFT deficiencies, particularly relating to terrorist financing."

Recognition by the Commission

The Commission wishes to recognise that as identified in the FATF statement, steps have been taken by a number of jurisdictions in order to remedy the deficiencies in their AML/CFT regimes. Albeit that, at this time they are still on our Business from Sensitive Sources Notices.

The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)

MONEYVAL under Step VI of its Compliance Enhancing Procedures has issued the following public statement in respect of Azerbaijan.

"The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) has been concerned since 2006 with deficiencies in the anti money laundering/combating the financing of terrorism (AML/CFT) regime in Azerbaijan.

At its 28th plenary meeting in Strasbourg, between 8-12 December, MONEYVAL noted that a draft AML/CFT law had passed a second reading on 31 October 2008. This draft law does not comply in a comprehensive manner with key international standards. MONEYVAL calls upon Azerbaijan to further revise this draft law in accordance with those standards before completing the legislative process, and urgently to implement satisfactory and comprehensive AML/CFT legislation.

MONEYVAL also calls on its member States and other countries to advise their financial institutions to pay special attention by applying enhanced due diligence to transactions with persons and financial institutions from or in Azerbaijan in order to address the ML/FT risks."

Concerns of the Commission regarding Venezuela and West Africa

Venezuela

It has come to the attention of the Commission that there may be doubts over the validity of some

identity documents issued in Venezuela. In light of widespread corruption in that country, it has been suggested that corrupt officials have been issuing national identity cards and passports to criminals and to individuals with suspected links to terrorist organisations.

It should also be noted that, due to its proximity to the major drug producing country of Colombia, Venezuela has become an important hub for the transport of drugs for consumption in the United States and western Europe.

West Africa

The Commission notes that there has recently been a significant increase in trafficking between South America and west Africa of drugs that are ultimately destined for use in western Europe. A number of the same countries have also been traditionally used as transit points for heroin from south west and south east Asia. Furthermore, it should be noted that people trafficking continues to take place in the more northerly group of west African countries.

The concerns of the Commission relate to the west African countries of:

Morocco
Mauritania
Senegal
Cape Verde Islands
Guinea-Bissau
Guinea
Sierra Leone
Liberia
Ivory Coast
Ghana

Action to be taken by Financial Services Businesses

Financial services businesses must exercise a greater degree of caution when taking on business from the countries or territories specified in this Business From Sensitive Sources Notice. Additionally, financial services businesses must ensure enhanced customer due diligence measures are undertaken and special attention given to all business relationships and transactions connected with such countries or territories.

The Commission would be pleased to provide further advice if you have any queries arising from this Notice.