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## Guernsey Financial Services Commission

### **INSTRUCTION (NUMBER 20) FOR FINANCIAL SERVICES BUSINESSES**

#### **BUSINESS FROM SENSITIVE SOURCES**

15 November 2013

This Instruction is made under section 49(7) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 and repeals Instruction number 19 for financial services businesses.

This Instruction is being issued in light of a request from the Financial Action Task Force (FATF) for jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism risks emanating from jurisdictions which have deficiencies in their anti-money laundering and financing of terrorism regimes. In this regard, the FATF has issued two documents, namely "The FATF Public Statement and "Improving Global AML/CFT Compliance: On-Going Process". These documents and the action to be taken by financial services businesses in respect of each document are quoted below.

This Instruction is also being issued to address specific concerns that have been brought to the attention of the Commission in respect of Venezuela and west Africa.

**A. ACTION TO BE TAKEN BY FINANCIAL SERVICES BUSINESSES IN RESPECT OF JURISDICTIONS LISTED IN "THE FATF PUBLIC STATEMENT"**

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

In light of the particular concerns of the FATF regarding Iran and the Democratic People's Republic of Korea ("DPRK"), financial services businesses must, in addition to the requirements of the above paragraph, take appropriate measures to ensure that correspondent relationships are not being used to bypass or evade counter-measures and risk mitigation practices.

The action taken by each financial services business under this part of the Instruction will be reviewed during on-site inspections and by other means as necessary.

## **THE FATF PUBLIC STATEMENT**

*The Financial Action Task Force (FATF) is the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from money laundering and financing of terrorism (ML/FT) risks and to encourage greater compliance with the AML/CFT standards, the FATF identified jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.*

***Jurisdictions subject to a FATF call 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 jurisdictions.***

*Iran\**  
*Democratic People's Republic of Korea (DPRK)*

***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. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below.***

*Algeria*  
*Ecuador*  
*Ethiopia*  
*Indonesia*  
*Kenya*  
*Myanmar*  
*Pakistan*  
*Syria*  
*Tanzania*  
*Turkey*  
*Yemen*

*Vietnam is now identified in the FATF document, "Improving Global AML/CFT Compliance: On-going Process" due to its progress in largely addressing its action plan agreed upon with the FATF.*

*São Tomé and Príncipe was earlier identified in the FATF's Public Statement. While São Tomé and Príncipe has made recent progress, its AML/CFT framework still contains a number of strategic deficiencies. Given the small size of this country's financial sector and its low impact on the international financial system, however, the FATF decided that São Tomé and Príncipe should continue to work closely with GIABA to address its remaining AML/CFT deficiencies.*

### ***Iran***

*The FATF remains particularly and exceptionally 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, despite Iran's previous engagement with the FATF and recent submission of information.

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 reaffirms its 25 February 2009 call 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. The FATF continues to urge jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices and to take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. Due to the continuing terrorist financing threat emanating from Iran, jurisdictions should consider the steps already taken and possible additional safeguards or strengthen existing ones.

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. If Iran fails to take concrete steps to continue to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in February 2014.

#### **Democratic People's Republic of Korea (DPRK)**

Since June 2013, the DPRK has continued to engage directly with the FATF and has engaged further with the APG. The FATF urges the DPRK to enhance its engagement with the FATF to agree on an action plan to address its AML/CFT deficiencies.

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threat this poses to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies.

The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK 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 the DPRK. 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 DPRK financial institutions to open branches and subsidiaries in their jurisdiction.

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## **Algeria**

Despite Algeria's high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Algeria has not made sufficient progress in implementing its action plan within the established timelines, and certain strategic deficiencies remain. Algeria should continue to work with the FATF and MENAFATF on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing; and (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets. The FATF encourages Algeria to address its deficiencies and continue the process of implementing its action plan.

## **Ecuador**

Ecuador has taken important steps towards improving its AML/CFT regime, including the recent adoption by its National Assembly of amendments to the criminal code aimed at addressing deficiencies in Ecuador's criminalisation of money laundering and terrorist financing, and regime for freezing terrorist assets. These amendments have yet to take effect. However, despite Ecuador's important progress and high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies, Ecuador has not made sufficient progress in implementing its action plan within the established timelines, and certain strategic deficiencies remain. Ecuador should continue to work on implementing its action plan to address these deficiencies, including by: (1) ensuring adequate criminalisation of money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) implementing adequate procedures for the confiscation of funds related to money laundering; and (4) continuing to enhance co-ordination of financial sector supervision. In particular, Ecuador should move quickly to bring the recent amendments to the criminal code into force before the February 2014 FATF meetings, or the FATF will consider calling on its members to apply counter-measures proportionate to the risks associated with this jurisdiction at that time.

## **Ethiopia**

Ethiopia has taken steps towards improving its AML/CFT regime. However, despite Ethiopia's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, Ethiopia has not made sufficient progress in implementing its action plan within the agreed timelines, and certain strategic AML/CFT deficiencies remain. Ethiopia should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing an adequate legal framework and procedures to identify and freeze terrorist assets; and (2) improving customer due diligence measures. The FATF encourages Ethiopia to address its remaining deficiencies and continue the process of implementing its action plan.

## **Indonesia**

Indonesia has taken steps towards improving its AML/CFT regime. However, despite Indonesia's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Indonesia has not made sufficient progress in implementing its action plan within the agreed timelines, and certain key CFT deficiencies remain regarding the establishment and implementation of an adequate legal framework and procedures for identifying and freezing of terrorist assets. The FATF encourages Indonesia to address these remaining issues, in compliance with international standards.

## **Kenya**

Kenya has taken steps towards improving its AML/CFT regime, including by parliamentary approval of the Finance Bill, which amends the FT offence; however, this is still awaiting Presidential assent. Despite Kenya's high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, Kenya has not made sufficient progress in implementing its action plan within the agreed timelines, and certain strategic AML/CFT deficiencies remain. Kenya should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing; (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (3) establishing and implementing an adequate legal framework for the identification and freezing of terrorist assets; and (4) implementing an adequate and effective AML/CFT supervisory programme for all financial sectors. The FATF encourages Kenya to address its remaining deficiencies and continue the process of implementing its action plan.

## **Myanmar**

Myanmar has taken steps towards improving its AML/CFT regime. However, despite Myanmar's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Myanmar has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Myanmar should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) further strengthening the extradition framework in relation to terrorist financing; (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (5) enhancing financial transparency; and (6) strengthening customer due diligence measures. The FATF encourages Myanmar to address the remaining deficiencies and continue the process of implementing its action plan.

## **Pakistan**

Pakistan has taken substantial steps towards improving its AML/CFT regime, including by issuing a Statutory Regulatory Order that addresses the definition of terrorism and an Anti-Terrorism Amendment Ordinance to establish procedures for the identification and freezing of terrorist assets. The FATF commends Pakistan for the issuance of the Anti-Terrorism Amendment Ordinance, which came into force on

12 October 2013 and allows Pakistan to begin implementing its UNSCR 1373 obligations immediately. The FATF encourages Pakistan to begin implementing the ordinance expeditiously. However, the FATF has concerns regarding the temporary character of this ordinance, which will need to be converted into permanent legislation through the parliamentary process. The FATF therefore urges Pakistani authorities to take the necessary steps for swift ratification of the ordinance by its legislature. If Pakistan amends its Anti-Terrorism Act to incorporate the content of the ordinance before the February 2014 meetings, then the FATF will be able to authorise an on-site visit during its February 2014 meetings to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

### **Syria**

Syria has taken steps towards improving its AML/CFT regime, including by promulgating amendments to its AML/CFT Decree in July 2013. The FATF has not yet assessed these amendments to determine the extent to which they address the issue of providing sufficient legal basis for implementing the obligations under UNSCR 1373 and implementing adequate procedures for identifying and freezing terrorist assets. The FATF encourages Syria to address its remaining deficiencies and continue the process of implementing its action plan.

### **Tanzania**

Tanzania has taken steps towards improving its AML/CFT regime. However, despite Tanzania's high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, Tanzania has not made sufficient progress in implementing its action plan within the agreed timelines, and certain strategic CFT deficiencies remain regarding the establishment and implementation of adequate procedures to identify and freeze terrorist assets. The FATF encourages Tanzania to address this remaining deficiency and continue the process of implementing its action plan.

### **Turkey**

Turkey has continued to take steps towards improving its CFT regime, including by issuing a Council of Ministers' Decree implementing UNSCRs 1267, 1988, and 1989. However, certain concerns remain, and Turkey should take further steps to implement an adequate legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373. Turkey should also continue to ensure that terrorist financing has been adequately criminalised. The FATF encourages Turkey to address the remaining strategic deficiencies and continue the process of implementing its action plan.



## Yemen

*Yemen has taken significant steps towards improving its AML/CFT regime, including by adopting and bringing into force amendments to its AML/CFT Law. The FATF has not assessed these amendments due to their very recent nature, and therefore the FATF has not yet determined the extent to which they address any of the following issues: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets. The FATF urges Yemen to address its remaining deficiencies and continue the process of implementing its action plan.*

### **B. ACTION TO BE TAKEN BY FINANCIAL SERVICES BUSINESSES IN RESPECT OF JURISDICTIONS LISTED IN THE DOCUMENT ENTITLED “IMPROVING GLOBAL AML/CFT COMPLIANCE: ON-GOING PROCESS”**

Financial services businesses must consider the risk posed by the jurisdictions listed in this part of the Instruction when undertaking or reviewing the assessment of risk of any business relationship or occasional transaction.

The consideration of risk and of any consequential action taken by each financial services business under this part of the Instruction will be reviewed during on-site inspections and by other means as necessary.

### **IMPROVING GLOBAL AML/CFT COMPLIANCE: ON-GOING PROCESS**

As part of its on-going review of compliance with the AML/CFT standards, the FATF has to date identified the following jurisdictions which 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 large number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an on-going 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 and encourages its members to consider the information presented below.

## Afghanistan

*In June 2012, Afghanistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Afghanistan*

should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (3) implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors; (4) establishing and implementing adequate procedures for the confiscation of assets related to money laundering; (5) establishing a fully operational and effectively functioning Financial Intelligence Unit; and (6) establishing and implementing effective controls for cross-border cash transactions. The FATF encourages Afghanistan to address its deficiencies and continue the process of implementing its action plan.

### **Albania**

In June 2012, Albania made a high-level political commitment to work with the FATF and MONEYVAL to address its strategic AML/CFT deficiencies. Since then, Albania has taken steps towards improving its AML/CFT regime, including by parliamentary approval of new legislation aimed at addressing deficiencies in the regime for freezing terrorist assets. However, the FATF has yet to review the new legislation and certain strategic AML/CFT deficiencies remain. Albania should continue to work on implementing its action plan to address these deficiencies, including by: (1) ensuring that the new legislation establishes and implements an adequate legal framework for identifying, tracing and freezing terrorist assets; and (2) enhancing the framework for international co-operation related to terrorist financing. The FATF encourages Albania to address its remaining deficiencies and continue the process of implementing its action plan.

### **Angola**

In June 2010 and again in February 2013 in view of its revised action plan, Angola made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Angola should continue to work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing an adequate legal framework for the confiscation of funds related to money laundering and the identification and freezing of terrorist assets without delay; (3) ensuring an effectively functioning Financial Intelligence Unit; and (4) ensuring that appropriate laws and procedures are in place to provide mutual legal assistance. The FATF encourages Angola to address its remaining deficiencies and continue the process of implementing its action plan.

### **Antigua and Barbuda**

Since February 2010, when Antigua and Barbuda made a high-level political commitment to work with the FATF and to address its strategic AML/CFT deficiencies, Antigua and Barbuda has made significant progress to improve its AML/CFT regime. Antigua and Barbuda has substantially addressed its action plan, including by: implementing procedures to identify and freeze terrorist assets; addressing secrecy provisions; and improving the overall supervisory framework for AML/CFT. The FATF will conduct an on-site visit to confirm that the process of



*implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.*

### **Argentina**

*In June 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since June 2013, Argentina has taken steps towards improving its AML/CFT regime, including by issuing new regulations strengthening fit and proper tests for insurance and securities entities, and the Central Bank's issuance of a regulation related to sanctions which the FATF will review. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Argentina should continue to work on implementing its action plan to address these deficiencies, including by: (1) addressing the remaining deficiencies with regard to the criminalisation of money laundering and freezing terrorist-related assets; (2) addressing the remaining issues for the Financial Intelligence Unit and suspicious transaction reporting requirements; and (3) further enhancing the AML/CFT supervisory programme for all financial sectors. The FATF encourages Argentina to address its remaining deficiencies and continue the process of implementing its action plan.*

### **Bangladesh**

*Since October 2010, when Bangladesh made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Bangladesh has made significant progress to improve its AML/CFT regime. Bangladesh has largely addressed its action plan, including by: adequately criminalising money laundering and terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; implementing adequate procedures for the confiscation of funds related to money laundering; ensuring a fully operational and effectively functioning Financial Intelligence Unit; improving suspicious transaction reporting requirements; and improving international cooperation. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.*

### **Cambodia**

*In June 2011, Cambodia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2013, Cambodia has taken steps towards improving its AML/CFT regime, including by strengthening operational functions of its Financial Intelligence Unit. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Cambodia should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing adequate procedures to identify and freeze terrorist assets; (2) ensuring an effectively functioning Financial Intelligence Unit; and (3) establishing and implementing effective controls for cross-border cash transactions. The FATF encourages Cambodia to address its remaining deficiencies and continue the process of implementing its action plan.*

## Cuba

In February 2013, Cuba made a high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies. Since June 2013, Cuba has taken steps towards improving its AML/CFT regime, including by issuing regulations which improve provisions for customer due diligence and suspicious transaction reporting. Cuba has recently issued instruction 31/2013, aimed at further detailing the procedures for freezing of terrorist assets. Due to the recent nature of this instruction, the FATF is currently reviewing it. Cuba has also constructively engaged with GAFISUD. However, the FATF has determined that certain AML/CFT deficiencies remain. Cuba should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) ensuring comprehensive customer due diligence measures and suspicious transaction reporting requirements; (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (5) ensuring that appropriate laws and procedures are in place with regard to international cooperation and mutual legal assistance. The FATF encourages Cuba to address its remaining deficiencies and continue the process of implementing its action plan.

## Iraq

In October 2013, Iraq made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Iraq will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (3) establishing effective customer due diligence measures; (4) establishing a fully operational and effectively functioning Financial Intelligence Unit; (5) establishing suspicious transaction reporting requirements; and (6) establishing and implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors. The FATF encourages Iraq to address its AML/CFT deficiencies by implementing its action plan.

## Kuwait

In June 2012, Kuwait made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since June 2013, Kuwait has taken steps towards improving its AML/CFT regime, including by issuing implementing regulations to the new AML/CFT law, and CDD Instructions by the Central Bank. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Kuwait should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing adequate procedures to identify and freeze terrorist assets; (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit (FIU), in particular addressing the operational autonomy of the FIU; and (3) ensuring an effective regime where the financial institutions file suspicious transaction reports to the FIU. The FATF encourages Kuwait to address its remaining deficiencies and continue the process of implementing its action plan.

## **Kyrgyzstan**

*In October 2011, Kyrgyzstan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. Since then, Kyrgyzstan has taken steps towards improving its AML/CFT regime. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Kyrgyzstan should continue to work on implementing its action plan to address these deficiencies, including by addressing the remaining issues in: (1) the criminalisation of money laundering; (2) the framework for freezing terrorist assets; and (3) the AML/CFT supervisory programme. The FATF encourages Kyrgyzstan to address its remaining deficiencies and continue the process of implementing its action plan.*

## **Lao PDR**

*In June 2013, the Lao PDR made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. The Lao PDR should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures for the confiscation of assets related to money laundering; (3) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (4) establishing a fully operational and effectively functioning Financial Intelligence Unit; (5) establishing suspicious transaction reporting requirements; (6) implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors; and (7) establishing and implementing effective controls for cross-border currency transactions. The FATF encourages the Lao PDR to address its AML/CFT deficiencies continue the process of implementing its action plan.*

## **Namibia**

*In June 2011, Namibia made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. However, the FATF has determined that strategic AML/CFT deficiencies remain. Namibia should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing; and (2) establishing and implementing adequate procedures to identify and freeze terrorist assets. The FATF encourages Namibia to address its remaining deficiencies and continue the process of implementing its action plan.*

## **Nepal**

Since February 2010, when Nepal made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Nepal has made significant progress to improve its AML/CFT regime. Nepal has largely addressed its action plan, including by: adequately criminalising money laundering and terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; implementing adequate procedures for the confiscation of funds related to money laundering; enacting and implementing appropriate mutual legal assistance legislation; ensuring a fully operational and effectively functioning Financial Intelligence Unit; and establishing adequate suspicious transaction reporting obligations for money laundering and terrorist financing. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

## **Nicaragua**

In June 2011, Nicaragua made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since then, Nicaragua has taken steps towards improving its AML/CFT regime, including by issuing Decree 21-2013 regarding the freezing of terrorist assets and beginning issuing regulations for reporting parties to the FIU. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Nicaragua should work with the FATF and CFATF on implementing its action plan to address these deficiencies, including by: (1) ensuring effective customer due diligence measures and record-keeping requirements, in particular entities not currently regulated by the supervisory authority; (2) establishing adequate suspicious transaction reporting obligations for money laundering and terrorist financing; (3) implementing an adequate AML/CFT supervisory programme for all financial sectors; (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (5) ensuring adequate procedures for identifying and freezing terrorist assets. The FATF encourages Nicaragua to address its remaining deficiencies and continue the process of implementing its action plan.

## **Sudan**

In February 2010 and again in June 2013 in view of its revised action plan, Sudan made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Sudan should continue to work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) implementing adequate procedures for identifying and freezing terrorist assets; (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (4) ensuring an effective supervisory programme for AML/CFT compliance; (5) improving customer due diligence measures; (6) ensuring that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to money laundering and terrorist financing; and (7) ensuring that appropriate laws and procedures are in place with regard to international cooperation and mutual legal

assistance. The FATF encourages Sudan to address its remaining deficiencies and continue the process of implementing its action plan.

### **Tajikistan**

In June 2011, Tajikistan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. Since June 2013, Tajikistan has taken steps towards improving its AML/CFT regime, including by issuing a new regulation on the freezing of terrorist assets. Due to the recent nature of this regulation, the FATF has not yet reviewed it, and certain strategic AML/CFT deficiencies remain. Tajikistan should continue to work with the FATF and EAG on implementing its action plan to address these deficiencies, including by: (1) ensuring adequate procedures for freezing terrorist assets; (2) implementing adequate procedures for the confiscation of funds related to the full range of money laundering predicate offences; and (3) addressing the remaining issues relating to customer due diligence measures. The FATF encourages Tajikistan to address its remaining deficiencies and continue the process of implementing its action plan.

### **Vietnam**

Since October 2010, when Vietnam made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Vietnam has made significant progress to improve its AML/CFT regime. Vietnam has largely addressed its action plan, including by: adequately criminalising money laundering and terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; improving the overall supervisory framework; improving and broadening customer due diligence measures and reporting requirements; and strengthening international co-operation. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

### **Zimbabwe**

In June 2011, Zimbabwe made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. Since June 2013, Zimbabwe has taken steps towards improving its AML/CFT regime, including by issuing new regulations aiming to implement obligations under UNCSRs 1267 and 1373. The FATF has not yet finalised the review of these regulations. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Zimbabwe should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (4) ensuring that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to money laundering and the financing of terrorism; and (5) enacting and implementing appropriate mutual legal assistance legislation. The FATF encourages Zimbabwe to address its remaining deficiencies and continue the process of implementing its action plan.



### ***Jurisdictions no longer subject to the FATF's on-going global AML/CFT compliance process***

#### ***Morocco***

*The FATF welcomes Morocco's significant progress in improving its AML/CFT regime and notes that Morocco has established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Morocco is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Morocco will work with MENAFATF as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report.*

#### ***Nigeria***

*The FATF welcomes Nigeria's significant progress in improving its AML/CFT regime and notes that Nigeria has established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Nigeria is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Nigeria will work with GIABA as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report*

### ***Jurisdictions not making sufficient progress***

*The FATF is not yet satisfied that the following jurisdiction has made sufficient progress on its action plan agreed upon with the FATF. The most significant action plan items and/or the majority of the action plan items have not been addressed. If this jurisdiction does not take sufficient action to implement significant components of its action plan by February 2014, then the FATF will identify this jurisdiction as being out of compliance with its agreed action plan and will take the additional step of calling upon its members to consider the risks arising from the deficiencies associated with the jurisdiction.*

#### ***Mongolia***

*The FATF takes note that Mongolia has taken steps towards improving its AML/CFT regime, including by issuing regulations to establish and implement adequate procedures to identify and freeze terrorist assets. Despite Mongolia's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Mongolia has made sufficient progress in improving its AML/CFT regime, and certain strategic AML/CFT deficiencies remain. Mongolia should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing adequate procedures for the confiscation of funds related to money laundering; and (3) demonstrating effective regulation of money service providers. The FATF encourages Mongolia to address its remaining deficiencies and continue the process of implementing its action plan*

**C. ACTION TO BE TAKEN BY FINANCIAL SERVICES BUSINESSES IN RESPECT OF JURISDICTIONS WHICH ARE OF CONCERN TO THE GUERNSEY FINANCIAL SERVICES COMMISSION**

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

The action taken by each financial services business under this part of the Instruction will be reviewed during on-site inspections and by other means as necessary.

**CONCERNS OF THE GUERNSEY FINANCIAL SERVICES COMMISSION REGARDING LIBYA, VENEZUELA AND WEST AFRICA**

**Libya**

Financial services businesses must be alert to the potential for the increased movement of assets related to events in Libya. When assessing risks related to particular business relationships and occasional transactions, financial services businesses must consider that events in Libya may have a possible impact on patterns of financial activity. Assets could potentially represent misappropriated or diverted state assets, proceeds of bribery, public corruption or other illegal payments.

**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 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

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