

## **BUSINESS FROM SENSITIVE SOURCES NOTICE (NUMBER 7) FOR FINANCIAL SERVICES BUSINESSES**

18 February 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, São Tomé and Príncipe and the northern part of Cyprus**

The FATF is concerned about the lack of comprehensive AML/CFT systems in Uzbekistan, Iran, Pakistan, Turkmenistan, São Tomé and Príncipe and the northern part of Cyprus 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 recent engagement with the international community on anti-money laundering, notes the initial steps taken towards remedying the deficiencies in this area, and urges Iran to address the remaining weaknesses. The FATF is particularly concerned that the lack of corresponding effort by Iran to address the risk of terrorist financing continues to pose a serious threat to the integrity of the international financial system. Urgent action to address this vulnerability is necessary. The FATF calls on its members, and urges all jurisdictions, to strengthen preventive measures to protect their financial sectors from this risk. The FATF is prepared to engage directly in assisting Iran in decisively addressing the weaknesses in its AML/CFT regime.*

#### ***Uzbekistan***

*The FATF takes note of the action plan prepared by Uzbekistan to address deficiencies in its AML/CFT regime. The FATF is increasingly concerned that the continuing failure by Uzbekistan to restore its AML/CFT regime poses a serious threat to the integrity of the international financial system. Urgent action to address this vulnerability and to meet international standards is necessary. The FATF calls on its members, and urges all jurisdictions, to strengthen preventive measures to protect their financial sectors from this risk. The FATF, along with the Eurasian Group, is prepared to engage directly in assisting Uzbekistan in developing a robust AML/CFT regime.*

#### ***Turkmenistan***

*The FATF notes Turkmenistan's efforts towards adopting AML legislation. However, financial institutions should be aware that the lack of an AML/CFT regime in Turkmenistan constitutes a money laundering/terrorist financing vulnerability in the international financial system. Turkmenistan is urged to continue its efforts to establish a comprehensive AML/CFT regime that meets international AML/CFT standards and to work closely with the Eurasian Group and the International Monetary Fund to achieve this.*

### **Pakistan and Sao Tome and Principe**

*The FATF reaffirms its public statement of 28 February 2008 regarding the money laundering and financing of terrorism risks posed by Pakistan and São Tome and Principe.*

### **AML/CFT improvements in the Northern Part of Cyprus**

*The FATF welcomes the significant progress made in the northern part of Cyprus and notes that the northern part of Cyprus has substantially addressed the AML/CFT deficiencies that the FATF had identified. FATF encourages the northern part of Cyprus to continue to improve its AML/CFT system. Implementation will be monitored through appropriate mechanisms."*

### **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 they are still included in this Business from Sensitive Sources Notice.

### **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.