



## Guernsey Financial Services Commission

### **INSTRUCTION (NUMBER 17) FOR FINANCIAL SERVICES BUSINESSES**

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

30 October 2012

This Instruction is made under section 49(7) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 and repeals Instruction number 16 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 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.

#### **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 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 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.***

*Bolivia*

*Cuba*

*Ecuador*

*Ethiopia*

*Indonesia*

*Kenya*

*Myanmar*

*Nigeria*

*Pakistan*

*São Tomé and Príncipe*

*Sri Lanka*

*Syria*

*Tanzania*

*Thailand*

*Turkey\**

*Vietnam*

*Yemen*

*\* See the below text on Turkey*

### ***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. 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 2013.*

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

*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.*

*The FATF remains prepared to engage directly in assisting the DPRK to address its AML/CFT deficiencies.*

#### ***Bolivia***

*Bolivia has taken steps towards improving its AML/CFT regime, including by enacting new legislation to substantially address the deficiencies in the criminalisation of money laundering and terrorist financing and working towards*

*strengthening the capacity and autonomy of the FIU. However, despite Bolivia's high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies, Bolivia has not made sufficient progress in implementing its action plan within the established timelines. Bolivia should continue to work on addressing the remaining issue of enhancing the legal framework for identifying and freezing terrorist assets. The FATF encourages Bolivia to address its remaining deficiency and continue the process of implementing its action plan.*

### **Cuba**

*In June 2011, the FATF identified Cuba as having strategic AML/CFT deficiencies and it had not engaged with the FATF. Since then, Cuba has significantly enhanced its engagement and co-operation with the FATF and made a request to join GAFISUD. However, the FATF urges Cuba to continue its engagement with the FATF and to work with the FATF to develop and agree on an action plan in order to address its AML/CFT deficiencies.*

### **Ecuador**

*Ecuador has taken steps towards improving its AML/CFT regime, including by tabling CFT legislation in Parliament. Despite Ecuador's 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 with the FATF and GAFISUD on implementing its action plan to address these deficiencies, including by: (1) ensuring adequate criminalisation of 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) continue to enhancing co-ordination of financial sector supervision. The FATF encourages Ecuador to address its remaining deficiencies, including by enacting CFT legislation, and continue the process of implementing its action plan.*

### **Ethiopia**

*Ethiopia has taken steps towards improving its AML/CFT regime, including by building up its Financial Intelligence Unit. 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, and certain strategic AML/CFT deficiencies remain. Ethiopia 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 and procedures to identify and freeze terrorist assets; (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements. 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, and certain strategic AML/CFT deficiencies remain. Indonesia 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; and (3) amending and implementing laws or other instruments to fully implement the Terrorist Financing Convention. The FATF encourages Indonesia to address its remaining deficiencies, particularly by passing adequate CFT legislation, and continue the process of implementing its action plan.*

## **Kenya**

*Kenya has taken significant steps towards improving its AML/CFT regime, including the enactment of the Prevention of Terrorism Act and the Capital Market (Amendment) Bill and the passage by Parliament of the Proceeds of Crime and Anti-Money Laundering (Amendment) Act and the Finance Bill. The FATF has not yet assessed these laws due to their very recent nature, and therefore the FATF could not determine the extent to which they address any of the following issues: (1) adequately criminalising money laundering and terrorist financing; (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (3) establishing and implementing an adequate legal framework for the confiscation of funds related to money laundering, and the identification and freezing of terrorist assets; (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements; (5) implementing an adequate and effective AML/CFT supervisory programme for all financial sectors; (6) enhancing financial transparency; (7) further improving and broadening customer due diligence measures; and (8) establishing adequate record-keeping requirements. 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 may remain. 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, including by removing its reservations to the extradition articles of the Vienna Convention, the Palermo Convention and the Terrorist Financing Convention. 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 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.

### **Nigeria**

Nigeria has taken steps towards improving its AML/CFT regime, including by the adoption by Parliament of both the Money Laundering (Prohibition) Amendment Bill and the Terrorism (Prevention) Amendment Bill. The FATF has not yet assessed these laws due to their very recent nature, and therefore the FATF could not determine the extent to which they address Nigeria's two remaining issues regarding criminalisation of money laundering and terrorist financing. The FATF encourages Nigeria to address its remaining deficiencies and continue the process of implementing its action plan.

### **Pakistan**

Pakistan has taken significant steps towards improving its AML/CFT regime, including introducing CFT amendments into Parliament. However, despite Pakistan's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Pakistan has not yet made sufficient progress in fully implementing its action plan, and certain key CFT deficiencies remain. Specifically, Pakistan needs to enact legislation to ensure that it meets the FATF standards regarding the terrorist financing offence and the ability to identify, freeze, and confiscate terrorist assets. The FATF encourages Pakistan to address the remaining deficiencies and continue the process of implementing its action plan.

### **São Tomé and Príncipe**

Despite São Tomé and Príncipe's high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies, São Tomé and Príncipe has not made sufficient progress in implementing its action plan, and certain strategic deficiencies remain. São Tomé and Príncipe 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 a fully operational and effectively functioning Financial Intelligence Unit; (3) ensuring that financial institutions and DNFBPs are subject to adequate AML/CFT regulation and supervision; and (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements. The FATF encourages São Tomé and Príncipe to address its remaining deficiencies and continue the process of implementing its action plan.

### **Sri Lanka**

Sri Lanka has taken significant steps towards improving its AML/CFT regime. However, despite Sri Lanka's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Sri Lanka has not made sufficient progress in implementing its action plan. Sri Lanka should continue to work

*on addressing the remaining issue regarding adequate criminalisation of terrorist financing. The FATF encourages Sri Lanka to address this deficiency and continue the process of implementing its action plan.*

### **Syria**

*Previously, Syria had taken significant steps towards improving its AML/CFT regime. However, despite Syria's high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Syria should continue to work on implementing its action plan to address these deficiencies, including by: (1) providing sufficient legal basis for implementing the obligations under UNSCR 1373 and implementing adequate procedures for identifying and freezing terrorist assets; and (2) ensuring that appropriate laws and procedures are in place to provide mutual legal assistance. The FATF encourages Syria to demonstrate that its remaining deficiencies have been addressed to enable the FATF to properly evaluate Syria's progress.*

### **Tanzania**

*Tanzania has taken steps towards improving its AML/CFT regime, including enactment of amendments to the Anti-Money Laundering Act and the Prevention of Terrorism Act as well as the issuance of implementing regulations which expand on requirements related to customer due diligence and recordkeeping and provide for an operational independent national Financial Intelligence Unit. 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 AML/CFT deficiencies remain. Tanzania should continue to work on implementing its action plan to address these deficiencies, including by: (1) clarifying the remaining issues regarding the predicate offences for money laundering and criminalisation of terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets as well as implementing the UNSCRs 1267 and 1373 through law, regulations or other enforceable means. The FATF encourages Tanzania to address its remaining deficiencies, including ratifying the Terrorist Financing Convention, and continue the process of implementing its action plan.*

### **Thailand**

*Thailand has taken steps towards improving its AML/CFT regime, including by issuing customer due diligence regulations. However, despite Thailand's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Thailand has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain, although Thailand has faced external difficulties from 2009 to 2011 which significantly impacted the legislative process for the necessary laws and regulations. Thailand should continue to work on implementing its action plan to address the remaining deficiencies, including by: (1) adequately criminalising terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; and (3)*

*further strengthening AML/CFT supervision. The FATF encourages Thailand to address its remaining deficiencies and continue the process of implementing its action plan, specifically enacting its draft CFT legislation.*

### **Turkey\***

*Despite Turkey's high-level political commitment to work with the FATF to address its strategic CFT deficiencies, Turkey has not made sufficient progress in implementing its action plan, and certain strategic CFT deficiencies remain. Turkey should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing; and (2) implementing an adequate legal framework for identifying and freezing terrorist assets. Given Turkey's continued lack of progress in these two areas, as a counter-measure, the FATF has decided to suspend Turkey's membership on 22 February 2013 unless the following conditions are met before that date: (1) Turkey adopts legislation to adequately remedy deficiencies in its terrorist financing offence; and (2) Turkey establishes an adequate legal framework for identifying and freezing terrorist assets consistent with the FATF Recommendations. FATF calls upon countries to take additional steps as necessary proportionate to the risks arising from the deficiencies associated with Turkey.*

### **Vietnam**

*Vietnam has taken steps towards improving its AML/CFT regime. However, despite Vietnam's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Vietnam has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Vietnam should continue to work with the FATF and APG on implementing its action plan to address these deficiencies, including by: (1) address the remaining issues regarding adequate criminalisation of terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) making legal persons subject to criminal liability in line with FATF Standards or demonstrating that there is a constitutional prohibition that prevents this; (4) improving the overall supervisory framework); (5) improving and broadening customer due diligence measures and reporting requirements; and (6) strengthening international co-operation. The FATF encourages Vietnam to address its remaining deficiencies and continue the process of implementing its action plan.*

### **Yemen**

*Despite Yemen's high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Yemen has not made sufficient progress in implementing its action plan and certain strategic AML/CFT deficiencies remain. Yemen should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalizing money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the Financial Intelligence Unit (FIU) to ensure compliance by financial institutions with their suspicious transaction reporting obligations, especially in relation to the financing of terrorism; and (4) ensuring a fully operational and effectively functioning FIU. The*



*FATF encourages Yemen to address its remaining deficiencies and continue the process of implementing its action plan.*

## **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. Since then, Afghanistan has taken steps towards improving its AML/CFT regime, including by establishing high level AML/CFT coordination mechanisms. 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 remaining 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 enacting legislation to implement adequate customer due diligence provisions. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Albania should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing 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.*

### **Algeria**

*In October 2011, Algeria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since then, Algeria has taken steps towards improving its AML/CFT regime, including expanding the financial entities subject to reporting requirements, providing for the legal autonomy of the Financial Intelligence Unit and expanding its powers to request information and share information with other competent authorities. However, the FATF has concerns that strategic AML/CFT deficiencies remain and, therefore, further engagement with Algeria is needed to clarify whether these deficiencies have been addressed. Algeria should continue to work on implementing its action plan, including by: (1) adequately criminalising terrorist financing; (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (3) improving and broadening customer due diligence measures; and (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit. The FATF encourages Algeria to address its deficiencies and continue the process of implementing its action plan.*

### **Angola**

*In June 2010, Angola made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since June 2012, Angola has taken steps towards improving its AML/CFT regime. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Angola should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (3) establishing and implementing an adequate legal framework to identify and freeze terrorist assets without delay. The FATF encourages Angola to address its remaining deficiencies and continue the process of implementing its action plan.*

### **Antigua and Barbuda**

*In February 2010, Antigua and Barbuda made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since June 2012, Antigua and Barbuda has taken steps towards improving its AML/CFT regime, including by enacting amendments to its Banking Act. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Antigua and Barbuda should continue to work on implementing its action plan to address these deficiencies, including by continuing to improve the overall supervisory framework. The FATF encourages Antigua and Barbuda to address its remaining deficiencies and continue the process of implementing its action plan.*

## **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 2012, Argentina has taken substantial steps towards improving its AML/CFT regime, including by applying in practice Presidential Decree 918/2012 to freeze terrorist-related assets. 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, confiscation of funds related to money laundering, and freezing terrorist-related assets; (2) continuing to enhance financial transparency; (3) addressing the remaining issues for the Financial Intelligence Unit and suspicious transaction reporting requirements; (4) further enhancing the AML/CFT supervisory programme for all financial sectors; (5) further improving and broadening customer due diligence measures; and (6) enhancing the appropriate channels for international co-operation and ensuring effective implementation. The FATF encourages Argentina to address its remaining deficiencies and continue the process of implementing its action plan.*

## **Bangladesh**

*In October 2010, Bangladesh made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2012, Bangladesh has taken steps towards improving its AML/CFT regime. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Bangladesh 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) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (4) improving international co-operation; and (5) issuing guidance to capital markets intermediaries to ensure their AML/CFT obligations are complied with. The FATF encourages Bangladesh to address its remaining deficiencies and continue the process of implementing its action plan.*

## **Brunei Darussalam**

*In June 2011, Brunei Darussalam made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2012, Brunei Darussalam has taken steps towards improving its AML/CFT regime, including by enacting appropriate mutual legal assistance legislation. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Brunei Darussalam 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; and (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit. The FATF encourages Brunei Darussalam to address its remaining deficiencies and continue the process of implementing its action plan.*

## **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. 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) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) establishing and implementing adequate procedures for the confiscation of funds related to money laundering; (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (5) 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.*

## **Ghana**

*Pursuant to Ghana's progress in largely addressing its action plan agreed upon with the FATF, Ghana has been removed from the FATF's Public Statement and identified in this document. Since October 2010 when Ghana made a high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies, Ghana has taken important steps towards improving its AML/CFT regime, including by enacting legislation to criminalize money laundering, establishing and implementing adequate measures for the confiscation of funds related to money laundering, improving customer due diligence measures and enhancing the effectiveness of the Financial Intelligence Unit. 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.*

## **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. 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) adequately criminalising terrorist financing; (2) implementing the Terrorist Financing Convention; (3) establishing and implementing adequate procedures to identify and freeze terrorist assets; (4) ensuring that appropriate laws and procedures are in place to provide mutual legal assistance; (5) establishing effective customer due diligence measures; (6) ensuring a fully operational and effectively functioning Financial Intelligence Unit (FIU), in particular addressing the operational autonomy of the FIU; and (7) 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. 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 June 2012, Kyrgyzstan has taken steps towards improving its AML/CFT regime, including by enacting AML amendments. 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: (1) addressing the remaining issue regarding criminalisation of money laundering; (2) adequately criminalising terrorist financing; (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (3) addressing remaining issues regarding the implementation of adequate measures for the confiscation of funds related to money laundering; (4) establishing effective customer due diligence measures for all financial institutions; and (5) implementing an adequate and effective AML/CFT supervisory programme for all financial sectors. The FATF encourages Kyrgyzstan to address its deficiencies and continue the process of implementing its action plan, in particular swiftly enacting adequate CFT amendments.*

## **Mongolia**

*In June 2011, Mongolia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2012, Mongolia has taken steps towards improving its AML/CFT regime, including by establishing a dedicated AML unit within its police department. However, the FATF has determined that 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 and implementing adequate procedures to identify and freeze terrorist assets; (3) establishing adequate procedures for the confiscation of funds related to money laundering; (4) establishing suspicious transaction reporting requirements; and (5) 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.*

## **Morocco**

*In February 2010, Morocco made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since then, Morocco has demonstrated progress in improving its AML/CFT regime, including by adopting amendments to extend the scope of the money laundering and terrorist financing offences, to broaden customer due diligence requirements and taking steps to operationalise the Financial Intelligence Unit. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Morocco should continue to work on implementing its action plan to address these deficiencies, including by enacting legislation to adequately criminalize terrorist financing.*

## **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 certain 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; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) implementing an adequate AML/CFT supervisory programme with sufficient powers; (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (FIU), in particular addressing the operational autonomy of the FIU; and (5) implementing effective, proportionate and dissuasive sanctions in order to deal with non-compliance with the national AML/CFT requirements. The FATF encourages Namibia to address its remaining deficiencies and continue the process of implementing its action plan.*

## **Nepal**

*In February 2010, Nepal made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2012, Nepal has taken steps to improve its AML/CFT system, including by ensuring that information held by the FIU is securely protected. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Nepal 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) implementing adequate procedures for the confiscation of funds related to money laundering; (4) enacting and implementing appropriate mutual legal assistance legislation; (5) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (6) establishing adequate suspicious transaction reporting obligations for ML and FT. The FATF encourages Nepal to address its remaining deficiencies and continue the process of implementing its action plan.*

## **Philippines**

*In October 2010, the Philippines made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since June 2012, the Philippines has taken steps to improve its AML/CFT system, including by issuing the implementing rules and regulations for the recently enacted CFT law. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. The Philippines should continue to work on implementing its action plan to address these deficiencies, including by: (1) taking additional measures to adequately criminalise money laundering; and (2) extending coverage of reporting entities to include designated non-financial businesses and professions. The FATF encourages the Philippines to address its remaining deficiencies and continue the process of implementing its action plan. In particular, the FATF strongly encourages the Philippines to enact the pending legislative amendment on AML.*

## **Sudan**

*In February 2010, 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 implementing its action plan to address these deficiencies, including by: (1) implementing adequate procedures for identifying and freezing terrorist assets; (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit; and (3) ensuring an effective supervisory programme for AML/CFT compliance. 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 2012, Tajikistan has taken steps towards improving its AML/CFT regime. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Tajikistan should continue to work on implementing its action plan to address these deficiencies, including by: (1) addressing remaining issues regarding criminalisation of money laundering and terrorist financing; (2) establishing and implementing adequate procedures for the confiscation of funds related to money laundering and identifying and freezing terrorist assets; (3) addressing the remaining issues relating to the Financial Intelligence Unit and improving suspicious transaction reporting requirements; and (4) improving and broadening customer due diligence measures. The FATF encourages Tajikistan to address its remaining deficiencies and continue the process of implementing its action plan.*

## **Venezuela**

*In October 2010, Venezuela made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since then, Venezuela has taken steps towards improving its AML/CFT regime, including by enacting AML/CFT legislation that criminalises terrorist financing and establishes suspicious transaction reporting (STR) obligations for money laundering and financing of terrorism, and issuing new resolutions aimed at establishing and implementing adequate procedures to identify and freeze terrorist assets. 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.*

## **Trinidad and Tobago**

*The FATF welcomes Trinidad and Tobago's significant progress in improving its AML/CFT regime and notes that Trinidad and Tobago 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. Trinidad and*

*Tobago is therefore no longer subject to FATF's monitoring process under its ongoing global AML/CFT compliance process. Trinidad and Tobago will work with CFATF as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report, particularly implementation of the new legislative and regulatory reform in order to more effectively combat illicit finance in Trinidad and Tobago.*

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

*The FATF is not yet satisfied that the following jurisdictions have made sufficient progress on their 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 these jurisdictions do not take sufficient action to implement significant components of their action plan by February 2013, then the FATF will identify these jurisdictions as being out of compliance with their agreed action plans and will take the additional step of calling upon its members to consider the risks arising from the deficiencies associated with the jurisdiction.*

#### ***Nicaragua***

*Despite Nicaragua's high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Nicaragua has made sufficient progress in implementing its action plan, and 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) establishing 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 ML and FT; (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) establishing 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.*

#### ***Zimbabwe***

*Despite Zimbabwe's high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Zimbabwe has made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Zimbabwe should work with the FATF and ESAAMLG 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; (5) enacting and implementing appropriate mutual legal assistance legislation; and (6) ratifying the*



*Terrorist Financing Convention. The FATF encourages Zimbabwe to address its remaining deficiencies and continue the process of implementing its action plan.*

## **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