

GFSC Newsletter

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**Gibraltar
Financial Services
Commission**

Country Risk Update

This newsletter constitutes advice issued by the GFSC about risks posed by unsatisfactory money laundering controls in a number of jurisdictions.

Requirement 54 of the Guidance Notes on Systems of Control to prevent the financial system from being used for money laundering or terrorist financing activities (“Guidance Notes”) requires firms to “assess and document the risks posed by different countries and territories, or classes of countries and territories, and what additional systems of control it will implement to mitigate these risks”.

Firms are also required to “adopt a risk-based approach to these statements of principle and their requirements - Statement of Principle 2”.

Improving Global AML/CFT Compliance: on-going process – 19 February 2016

Paris, 19 February 2016 - 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.

Jurisdictions with strategic deficiencies	Jurisdictions no longer subject to the FATF's on-going global AML/CFT compliance process
<u>Afghanistan</u> <u>Bosnia and Herzegovina</u> <u>Guyana</u> <u>Iraq</u> <u>Lao PDR</u> <u>Myanmar</u> <u>Papua New Guinea</u> <u>Syria</u> <u>Uganda</u> <u>Vanuatu</u> <u>Yemen</u>	<u>Algeria</u> <u>Angola</u> <u>Panama</u>

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 October 2015, Afghanistan has taken steps towards improving its AML/CFT regime, including by issuing amended cross-border declaration regulations for the physical transportation of cash and bearer negotiable instruments. However, the FATF has determined that certain strategic deficiencies remain. Afghanistan should continue to implement its action plan, including by: (1) further implementing its legal framework for identifying, tracing and freezing terrorist assets; (2) implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors; and (3) 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.

Bosnia and Herzegovina

In June 2015, Bosnia and Herzegovina made a high-level political commitment to work with the FATF and MONEYVAL to address its strategic AML/CFT deficiencies. However, the FATF has determined that certain strategic deficiencies remain. Bosnia and Herzegovina should continue to implement its action plan to address these deficiencies, including by: (1) harmonising criminalisation of terrorist financing in all criminal codes; (2) establishing and implementing an adequate legal framework for freezing terrorist assets under UNSCR 1373; (3) implementing an adequate supervisory framework; (4) implementing adequate AML/CFT measures for the non-profit sector; (5) establishing and implementing adequate cross-border currency controls; (6) harmonising criminalisation of money laundering in all criminal codes; and (7) ensuring adequate procedures for the confiscation of assets. The FATF encourages Bosnia and Herzegovina to address its AML/CFT deficiencies by implementing its action plan.

Guyana

In October 2014, Guyana made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since October 2015, Guyana has taken steps towards improving its AML/CFT regime, including by enacting further amendments to the AML/CFT Act and AML/CFT Regulations, and issuing FIU guidelines on targeted financial sanctions. However, the FATF has determined that certain strategic deficiencies remain. Guyana should continue to implement its action plan, including by ensuring and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets. The FATF

encourages Guyana 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. Since October 2015, Iraq has taken steps towards improving its AML/CFT regime, including by gazetting a new AML/CFT law, which has now entered into force. However, the FATF has determined that certain strategic deficiencies remain. Iraq should continue to implement its action plan to address these deficiencies, including by: (1) addressing remaining issues related to its criminalisation of money laundering and terrorist financing; (2) establishing and implementing an adequate legal framework and appropriate procedures for identifying and freezing terrorist assets; (3) ensuring that all financial institutions are subject to adequate customer due diligence requirements; (4) ensuring that all financial institutions are subject to adequate suspicious transaction reporting requirements; (5) ensuring a fully operational and effectively functioning financial intelligence unit; and (6) establishing and implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors. The FATF encourages Iraq to address its remaining AML/CFT deficiencies and continue the process of implementing its action plan.

Lao PDR

In June 2013, Lao PDR made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since October 2015, Lao PDR has taken steps towards improving its AML/CFT regime, including by issuing a Prime Minister's Order on the freezing of terrorist assets, STR guidance for reporting entities, and regulations on preventive measures and financial sector supervision. However, the FATF has determined that certain strategic deficiencies remain. 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) implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors; and (5) implementing effective controls for cross-border currency transactions. The FATF encourages Lao PDR to address its AML/CFT deficiencies and continue the process of implementing its action plan.

Myanmar

Since February 2010, when Myanmar made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Myanmar has substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) 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 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.

Papua New Guinea

Since February 2014, when Papua New Guinea made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Papua New Guinea has substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing 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 effective controls for cross-border currency transactions. 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.

Syria

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

Uganda

In February 2014, Uganda made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. Since October 2015, Uganda has taken steps towards improving its AML/CFT regime, including by amending the Financial Institutions Act to make the financial intelligence unit the central agency for receiving STRs, issuing and implementing regulations for the freezing of terrorist assets, issuing AML regulations for implementation of AML requirements, and issuing AML/CFT inspection manuals for financial sector supervisors. However, the FATF has determined that strategic deficiencies remain. Uganda should therefore continue to work on addressing the following deficiencies: (1) implementing an adequate legal framework and set of procedures for identifying and freezing terrorist assets; (2) ensuring that all financial institutions are subject to adequate record-keeping requirements; (3) establishing a fully operational and effectively functioning financial intelligence unit; (4) ensuring an adequate and effective AML/CFT supervisory and oversight programme for all financial sectors; and (5) ensuring that appropriate laws and procedures are in place with regard to international co-operation for the financial intelligence unit and supervisory authorities. The FATF encourages Uganda to address its remaining AML/CFT deficiencies, including adequately criminalising terrorist financing, and continue the process of implementing its action plan.

Vanuatu

In February 2016, Vanuatu made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Vanuatu 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 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 and other UNSCR sanctions; (4) ensuring a fully operational and effectively

functioning financial intelligence unit; (5) strengthening preventive measures, including for wire transfers; (6) establishing transparency for the financial sector, and for legal persons and arrangements; (7) implementing an adequate AML/CFT supervisory and oversight programme for the whole financial sector and trust and company service providers; and (8) establishing appropriate channels for international co-operation and domestic coordination policies and actions on identified risks and ensuring effective implementation.

Yemen

Since February 2010, when Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Yemen has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Yemen had substantially addressed its action plan at a technical level, including by adequately criminalising money laundering and terrorist financing; establishing procedures to identify and freeze terrorist assets; improving its customer due diligence and suspicious transaction reporting requirements; issuing guidance; developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and establishing a fully operational and effectively functioning FIU. While the FATF determined that Yemen has completed its action plan agreed upon with the FATF, due to the security situation, the FATF has been unable to conduct an on-site visit to assess whether the process of implementing the required reforms and actions is underway. The FATF will continue to monitor the situation, and conduct an on-site visit at the earliest possible date.

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

Algeria

The FATF welcomes Algeria's significant progress in improving its AML/CFT regime and notes that Algeria 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 October 2011. Algeria is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Algeria will work with MENAFATF as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Angola

The FATF welcomes Angola's significant progress in improving its AML/CFT regime and notes that Angola 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 June 2010 and February 2013. Angola is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Angola will work with ESAAMLG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Panama

The FATF welcomes Panama's significant progress in improving its AML/CFT regime and notes that Panama 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 June 2014. Panama is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Panama will work with GAFILAT as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

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