

Circular No 072/2017
Dated 6 Apr 2017

To Members of the Malaysian Bar

Public Statement by Financial Action Task Force on Money Laundering on 24 Feb 2017

The Financial Action Task Force (“FATF”) issued a public statement on 24 Feb 2017 on jurisdictions that have strategic deficiencies in their anti-money laundering and counter financing of terrorism (“AML/CFT”) regime.

Bank Negara Malaysia (“BNM”) issued a notice on 8 Mar 2017 to inform reporting institutions (“RIs”) of FATF’s public statement.

According to BNM’s notice, FATF has urged its members and other jurisdictions to apply “effective countermeasures and targetted financial sanctions” against the Democratic People’s Republic of Korea (“DPRK”) “arising from on-going and substantial money laundering and terrorist financing risks emanating from and threats posed by DPRK’s illicit activities in relation to proliferation of weapons of mass destruction and its financing”.

BNM’s notice also states the following:

- (1) RIs are “required to conduct enhanced customer due diligence for business relationships and transactions with any person from DPRK including those acting on their behalf”. In addition, RIs are also required to apply “relevant countermeasures proportionate to the risk, including limiting business relationship and financial transactions with DPRK or its person and terminating correspondent relationships with DPRK banks, where necessary”;
- (2) “The FATF continues the suspension on the call for countermeasures on Iran until June 2017, following its commitment to an agreed Action Plan. As such, countermeasures as stipulated under respective AML/CFT Policy Documents will no longer be applicable. However, enhanced due diligence measures which are proportionate to the risk remain applicable to all business relationships and transactions with any person from Iran”; and
- (3) “RIs should also consider other jurisdictions which are being monitored by FATF as having inadequate AML/CFT system for which they have developed an action plan with FATF as part of the RIs’ risk assessment process (see Appendix II)”.

The relevant portion of the BNM notice is reproduced below, while a copy of it, including the public statement by FATF (Appendix I) and Appendix II, is attached for your reference, and is also available [here](#).

Should you have any enquiries relating to the notice from BNM, please contact Amarjit Kaur Paridam Singh, Officer, BNM, by telephone at 03-2698 8044 (ext 8836) or by email at amarjit@bnm.gov.my.

If you would like to contact the Bar Council Secretariat on matters relating to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (“AMLA”), kindly contact Marianna Laureen Tan, Executive Officer, by telephone at 03-2050 2086, or by email at ml.tan@malaysianbar.org.my.

Thank you.

Roger Chan Weng Keng
Secretary
Malaysian Bar

Date: 8 March 2017

To:

All reporting institutions under the
Anti-Money Laundering, Anti-Terrorism Financing
and Proceeds of Unlawful Activities Act 2001 (AMLA)

Recent Statements by the Financial Action Task Force on Money Laundering (FATF)

The purpose of this notice, issued pursuant to section 83 of the AMLA, is to inform the reporting institutions (RIs) of the recent Public Statement issued by the FATF on 24 February 2017 on jurisdictions having strategic deficiencies in their anti-money laundering and counter financing for terrorism (AML/CFT) regime (please see **Appendix I**).

2. In the statement, FATF has called upon its members and other jurisdictions to apply effective countermeasures and targetted financial sanctions in accordance with applicable United Nations Security Council Resolutions against the Democratic People’s Republic of Korea (DPRK) arising from on-going and substantial money laundering and terrorist financing risks emanating from and threats posed by DPRK’s illicit activities in relation to proliferation of weapons of mass destruction and its financing.

3. In accordance with the AML/CFT Policy Documents issued to your sector, please be advised that RIs are required to conduct enhanced customer due diligence for business relationships and transactions with any person from DPRK including those acting on their behalf. In addition to enhanced CDD requirement, the RIs are also required to apply any relevant countermeasures proportionate to the risk, including limiting business relationship and financial transactions with DPRK or its person and terminating correspondent relationships with DPRK banks, where necessary.

4. The FATF continues the suspension on the call for countermeasures on Iran until June 2017, following its commitment to an agreed Action Plan. As such, countermeasures as stipulated under respective AML/CFT Policy Documents will no longer be applicable. However, enhanced due diligence measures which are proportionate to the risk remain applicable to all business relationships and transactions with any person from Iran.

5. RIs should also consider other jurisdictions being monitored by FATF as having inadequate AML/CFT system for which they have developed an action plan with FATF as part of the RIs’ risk assessment process (please see **Appendix II**).

6. Further information on the abovementioned statements and other monitored jurisdictions is available at FATF’s website at <http://www.fatf-gafi.org>.



Bilangan Kami :

08 March 2017

To:

All reporting institution under the
Anti-Money Laundering, Anti-Terrorism Financing
and Proceeds of Unlawful Activities Act 2001 (AMLA)

**Recent Statements by the Financial Action Task Force on Money Laundering
(FATF)**

The purpose of this notice, issued pursuant to section 83 of the AMLA, is to inform the reporting institutions (RIs) of the recent Public Statement issued by the FATF on 24 February 2017 on jurisdictions having strategic deficiencies in their anti-money laundering and counter financing for terrorism (AML/CFT) regime (please see **Appendix I**).

2. In the statement, FATF has called upon its members and other jurisdictions to apply effective countermeasures and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions against the Democratic People's Republic of Korea (DPRK) arising from on-going and substantial money laundering and terrorist financing risks emanating from and threats posed by DPRK's illicit activities in relation to proliferation of weapons of mass destruction and its financing.

3. In accordance with the AML/CFT Policy Documents issued to your sector, please be advised that RIs are required to conduct enhanced customer due diligence for business relationships and transactions with any person from DPRK including those acting on their behalf. In addition to enhanced CDD requirement, the RIs are also required to apply any relevant countermeasures proportionate to the risk, including limiting business relationship and financial transactions with DPRK or its person and terminating correspondent relationships with DPRK banks, where necessary.

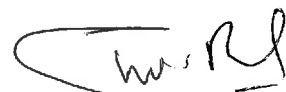
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5. RIs should also consider other jurisdictions being monitored by FATF as having inadequate AML/CFT system for which they have developed an action plan with FATF as part of the RIs' risk assessment process (please see **Appendix II**).

6. Further information on the abovementioned statements and other monitored jurisdictions is available at FATF's website at <http://www.fatf-gafi.org>.

Please be guided accordingly,

Yang Benar,



(Abd. Rahman Abu Bakar)
Pengarah
Jabatan Perisikan Kewangan
dan Penguatkuasaan

Public Statement - 24 February 2017

Paris, France, 24 February 2017- 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/FT) risks emanating from the DPRK.

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. Further, FATF has serious concerns with the threat posed by DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

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, financial institutions and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC Resolutions.

Jurisdictions subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction

Iran

In June 2016, the FATF welcomed Iran's adoption of, and high-level political commitment to, an Action Plan to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. Accordingly, in June 2016, the FATF suspended counter-measures for twelve months in order to monitor Iran's progress in implementing the Action Plan. If the FATF determines that Iran has not demonstrated sufficient progress in implementing the Action Plan at the

end of that period, FATF's call for counter-measures will be re-imposed. If Iran meets its commitments under the Action Plan in that time period, the FATF will consider next steps in this regard.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19. The FATF urges Iran to fully address its AML/CFT deficiencies, in particular those related to terrorist financing.

The FATF will continue to engage with Iran and closely monitor its progress.

Improving Global AML/CFT Compliance: On-going Process - 24 February 2017

Paris, France, 24 February 2017 - As part of its on-going review of compliance with the AML/CFT standards, the FATF identifies the following jurisdictions that 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 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
Afghanistan Bosnia and Herzegovina Ethiopia Iraq Lao PDR Syria Uganda Vanuatu Yemen

Afghanistan

Since June 2012, when Afghanistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Afghanistan has substantially addressed its action plan at a technical level, including by: (1) introducing mechanisms for policy and operational level coordination on AML/CFT; (2) adequately criminalising money laundering and terrorist financing; (3) establishing adequate provisions for freezing and asset confiscation; (4) establishing a targeted financial sanctions framework; (5) establishing an adequate supervisory and oversight system; (6) improving the legal status and resources of the FIU; (7) and developing a cross-border currency declaration system. 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.

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. Since October 2016, Bosnia and Herzegovina established a legal framework for freezing terrorist assets under UNSCR 1373 and made progress in adopting several insurance laws. Bosnia and Herzegovina should continue to implement its action plan to address its deficiencies, including by: (1) harmonising criminalisation of terrorist financing and money laundering in the remaining criminal code; (2) implementing an adequate supervisory framework; (3) implementing adequate AML/CFT measures for the non-profit sector; (4) establishing and implementing adequate cross-border

currency controls; and (5) ensuring adequate procedures for the confiscation of assets. The FATF encourages Bosnia and Herzegovina to continue implementing its action plan to address its AML/CFT deficiencies.

Ethiopia

The 4th round mutual evaluation report of Ethiopia was adopted in March 2015. This report detailed some progress towards the development of an adequate AML/CFT legal framework, in line with the FATF standards. However, there is a lack of effective implementation in the country, including with regard to the recommendations provided in that report. Therefore, in February 2017, Ethiopia made a high-level political commitment to work with the FATF and ESAAMLG to strengthen its effectiveness and address any related technical deficiencies. Ethiopia will work to implement its action plan to accomplish these objectives, including by: (1) implementing the results of its national risk assessment; (2) fully integrating designated non-financial businesses and professions into its AML/CFT regime; (3) ensuring that the proceeds and instrumentalities of crime are confiscated; (4) consistently implementing terrorism-related targeted financial sanctions and proportionately regulating non-profit organizations in line with a risk-based approach; and (5) establishing and implementing WMD-related targeted financial sanctions.

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 2016, Iraq has taken steps towards improving its AML/CFT regime. Iraq should continue to implement its action plan to address its remaining deficiencies, including by: (1) continue implementing the legal framework and appropriate procedures for identifying and freezing terrorist assets; (2) ensuring that all financial institutions are subject to adequate customer due diligence requirements; (3) ensuring that all financial institutions are subject to adequate suspicious transaction reporting requirements; and (4) establishing and implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors. The FATF encourages Iraq to continue implementing its action plan to address its remaining AML/CFT deficiencies.

Lao PDR

Since June 2013, when Lao PDR made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Lao PDR has substantially addressed its action plan at a technical level, including by: (1) establishing mechanisms for domestic AML cooperation; (2) adequately criminalising money laundering and terrorism financing; (3) establishing a legal framework for the confiscation, freezing, and seizing of the proceeds of crime; (4) establishing a targeted financial sanctions framework; (5) improving the legal status and resources of the FIU; (6) strengthening its STR legal framework and financial sector supervision; (7) and developing a cross-border declaration system. 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. Uganda should continue to work on addressing the following deficiencies: (1) adequately criminalise terrorist financing; (2) implement adequate procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373, and their successor resolutions; (3) ensure that all financial institutions are subject to adequate record-keeping requirements; (4) establish a fully operational and effectively functioning financial intelligence unit; (5) introduce and implement an appropriate legal basis to permit the competent authorities to provide a wide range of mutual legal assistance; and (6) ensure 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 continue implementing its action plan to address its AML/CFT deficiencies.

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. Since October 2016, Vanuatu has enhanced the resources and capacity of its FIU. Vanuatu should continue to work on implementing its action plan to address its 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 all the 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. The FATF encourages Vanuatu to continue implementing its action plan to address its AML/CFT deficiencies.

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.