MINISTRY OF JUSTICE
Tāhū o te Ture

FINANCIAL INTELLIGENCE UNIT
New Zealand Police

ADVISORY REGARDING FINANCIAL DEALINGS WITH LOCATIONS OF SPECIFIC CONCERN

18 May 2011

On 25 February 2011 the Financial Action Task Force (FATF) issued a Public Statement with respect to the jurisdictions of **Iran** and the **Democratic People's Republic of Korea.** Accordingly, the Ministry of Justice and the Financial Intelligence Unit of the New Zealand Police advise financial institutions[1]:

1. to continue giving special attention to business relationships and transactions with **Iran**, including Iranian companies and financial institutions. Financial institutions should also continue to play close attention to correspondent relationships that they may have with Iranian financial institutions. Financial institutions should take steps to protect against correspondent relationships being used to bypass or evade counter measures or risk mitigation practices and take into account money laundering and terrorism financing risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction.

2. to give special attention to business relationships and transactions with the **Democratic People's Republic of Korea**, including Democratic Republic of Korea companies and financial institutions. Financial institutions should also continue to play close attention to correspondent relationships that they may have with financial institutions from the Democratic Republic of Korea. Financial institutions should take steps to protect against correspondent relationships being used to bypass or evade counter measures or risk mitigation practices and take into account money laundering and terrorism financing risks when considering requests by financial institutions from the Democratic people's Republic of Korea to open branches and subsidiaries in their jurisdiction.

For more details concerning the specific deficiencies and risks associated with the jurisdictions listed above, financial institutions are advised to refer to the 25 February 2011 FATF Public Statement.

Regarding Iran, financial institutions are further advised to have regard to the UN Sanctions (Iran) Amendment Regulations which came into force on 23 December 2010.

The regulations now require all New Zealanders and persons in New Zealand doing business with Iran to be registered with the Ministry of Foreign Affairs and Trade. In order to register, applicants must provide details of the due diligence they have undertaken and sign a declaration that the applicant believes on reasonable grounds that the business to be done with the Iranian business partner could not contribute to Iran's proliferation-sensitive nuclear activities, or to the development by or on behalf of Iran of nuclear weapon delivery systems, or to violations of resolutions 1737, 1747, 1803, or 1929 of the Security Council of the United Nations.

In addition financial institutions are also advised to take note of an additional document updated by FATF on 25 February 2011: Improving Global AML/CFT Compliance: On-going Process

In this document the FATF has identified a number of jurisdictions that have strategic AML/CFT deficiencies. The jurisdictions identified in this document are:

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[1] As defined in section 3 of the Financial Transactions Reporting Act 1996.

Antigua and Barbuda, Bangladesh, Ecuador, Ghana, Greece, Honduras, Indonesia, Morocco, Pakistan, Paraguay, Philippines, São Tomé and Príncipe, Sudan, Tanzania, Thailand, Turkmenistan, Ukraine, Venezuela, Vietnam, Yemen.

Each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF will continue to monitor the progress of these jurisdictions.

In addition the FATF has identified a number of jurisdictions that The FATF considers are not making sufficient progress towards remedying strategic AML/CFT deficiencies through the action plan that has been agreed with the FATF. The jurisdictions identified in this document are:

Angola, Bolivia, Ethiopia, Kenya, Myanmar, Nepal, Nigeria, Sri Lanka, Syria, Trinidad and Tobago, Turkey.

If these jurisdictions do not take sufficient action to implement significant components of their action plan by June 2011, then the FATF may take the additional step of calling upon its members to consider the risks arising from the deficiencies associated with the jurisdiction.