

## ADVISORY REGARDING FINANCIAL DEALINGS WITH LOCATIONS OF SPECIFIC CONCERN

16 December 2019

On 18 October 2019 the Financial Action Task Force (FATF) issued a public statement concerning countries identified as posing international money laundering and terrorism financing risks, due to them having deficient Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) measures.

Accordingly, the Ministry of Justice and the Financial Intelligence Unit of the New Zealand Police advise entities<sup>1</sup> to give special attention to business relationships and transactions with:

**Democratic People's Republic of Korea (DPRK)**, including DPRK companies and financial institutions.

In addition to enhanced scrutiny, jurisdictions are advised to apply effective counter-measures and targeted financial sanctions in accordance with applicable United Nations Security Council (UNSC) Resolutions to protect their financial sectors from risks related to money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction 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.

**Iran** In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan.

In November 2017, Iran established a cash declaration regime. In August 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and in January 2019, Iran has also enacted amendments to its Anti-Money Laundering Act. The FATF recognises the progress of these legislative efforts. The bills to ratify the Palermo and Terrorist Financing Conventions have passed Parliament, but are not yet in force. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation comes fully into force, the FATF will review this alongside the enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards.

Iran's action plan expired in January 2018. In October 2019, the FATF noted that there are still items not completed and Iran should fully address: (1) adequately criminalizing terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) clarifying that the submission of STRs for attempted TF-related transactions are covered under Iran's legal framework; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions

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<sup>1</sup> Entities include 'reporting entities' as defined in section 5 of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and 'financial institutions' as defined in section 3 of the Financial Transactions Reporting Act 1996.

and clarifying the capability to provide mutual legal assistance; and (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

The FATF decided in June 2019 to call upon its members and urge all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. In line with the June 2019 Public Statement, the FATF decided this week to call upon its members and urge all jurisdictions to introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

If before February 2020, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, then the FATF will fully lift the suspension of counter-measures and call on its members and urge all jurisdictions to apply effective counter-measures, in line with recommendation 19 ([The Interpretative Note to Recommendation 19](#) specifies examples of the countermeasures that could be undertaken by countries).

While acknowledging that Iran has recently adopted the AML-CFT bylaw, which the FATF has not yet reviewed, the FATF expresses its disappointment that the Action Plan remains outstanding. The FATF expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items by completing and implementing the necessary AML/CFT reforms.

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 with respect to countering terrorism-financing 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 with respect to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19, including: (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

The Ministry of Justice and the Financial Intelligence Unit of the New Zealand Police recommend that entities remain aware of the ML/FT risks posed by Iran. Entities are advised to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19.

Regarding specific measures detailed in the October public statement, New Zealand reporting entities are not required to take any further actions. Provided entities are compliant with Prescribed Transaction Reporting obligations (in-so-far as they relate to international wire transfers to/from Iran) they already conduct systematic reporting of relevant transactions. As New Zealand reporting entities do not have branches or subsidiaries located in Iran no action is required in relation to external audits.

Regarding Iran, entities are further advised that UNSC Resolution 2231 (2015) provides for the termination of provisions of previous UNSC Resolutions regarding Iran and establishes new specific restrictions that apply to all States without exception. New Zealand has given effect to this resolution through the United Nations (Iran-Joint Comprehensive Plan of Action) Regulations 2016, which came into force on 19 February 2016.

The regulations have removed the requirement for all New Zealanders, persons in New Zealand, and New Zealand entities doing business with Iran to be registered with the Ministry of Foreign Affairs and Trade. However, restrictions remain on the following: trade in nuclear-related material, equipment or technology; ballistic missile related technology; and conventional arms.

Entities are also advised to take note of an additional document updated by the FATF on 18 October 2019: [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:

- The Bahamas, Botswana, Cambodia, Ghana, Iceland, Mongolia, Pakistan, Panama, Syria, Trinidad and Tobago, Yemen, Zimbabwe.