**ADVISORY REGARDING FINANCIAL DEALINGS WITH LOCATIONS OF SPECIFIC CONCERN**

3 July 2020

On 30 June 2020 the Financial Action Task Force (FATF) issued a public statement on High-Risk Jurisdictions subject to a Call for Action.[1] The FATF has determined that these jurisdictions have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation.

For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the ongoing money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country

Accordingly, the Ministry of Justice and the Financial Intelligence Unit of the New Zealand Police advise entities[2] 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.

Regarding DPRK, entities are further advised that New Zealand has given effect to a number of UNSC resolutions through the United Nations Sanctions (Democratic People's Republic of Korea) Regulations 2017. These regulations are complex and prohibit a wide range of dealings with DPRK, DPRK citizens, and DPRK companies. This includes (but is not limited to) restrictions on financial services, freezing assets, joint ventures, and banning the import of specific goods.

Refer to the Ministry of Foreign Affairs and Trade website for more detail.

**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.

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1 This list was previously called the "Public Statement". Following the February 2020 Plenary, the statement is now the "High-Risk Jurisdictions subject to a Call for Action". This list is often externally referred to as the 'black list'.

2 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.

Since 2016, Iran established a cash declaration regime, enacted amendments to its Counter-Terrorist Financing Act and its Anti-Money Laundering Act, and adopted an AML by-law.

In February 2020, 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) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (5) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; and (6) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

Given Iran’s failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, in February 2020, the FATF fully lifted the suspension of counter-measures and calls on its members and urges all jurisdictions to apply effective counter-measures, in line with Recommendation 19.

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 and apply relevant counter-measures listed in Recommendation 19. In the New Zealand context, the specific counter-measures are:

- financial institutions and designated non-financial businesses and professions (DNFBPs) should apply specific elements of enhanced due diligence for customers resident or incorporated in Iran;
- systematically reporting financial transactions to and from Iran (existing prescribed transaction reporting obligations are sufficient);
- financial institutions and DNFBPs should consider limiting business relationships or financial transactions with Iran or Iranian natural and legal persons;
- financial institutions and DNFBPs should not rely on third parties located in Iran to conduct elements of the customer due diligence process as Iran should be considered to have insufficient AML/CFT systems and measures in place;
- financial institutions that have correspondent relationships with financial institutions in Iran should review and amend, or if necessary, terminate, those relationships;

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 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 a number of activities involving Iran, Iranian nationals, and any Iranian entities, or people acting on behalf of Iran or Iranian entities. Restrictions include (but are not limited to) certain financial transactions, trade in nuclear-related material, equipment or technology; ballistic missile related technology; and conventional arms.

Refer to the Ministry of Foreign Affairs and Trade website for more detail.

*Other Jurisdictions under Increased Monitoring*

Entities are also advised to take note of an additional document updated by the FATF on 30 June 2020: Jurisdictions under Increased Monitoring.[3]

In this document the FATF has identified a number of jurisdictions that have strategic AML/CFT deficiencies. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring. However, on 28 April 2020, the FATF decided on a general pause in the review process for jurisdictions under increased monitoring with the exception of Iceland and Mongolia.

*Iceland and Mongolia*

The FATF has made the initial determination that Iceland and Mongolia have substantially completed their action plans and warrant an on-site assessment to verify the implementation of their AML/CFT reforms have begun and are being sustained. If the on-site visit confirms that the sustainable implementation has occurred and the necessary political commitment remains in place, it is likely that these jurisdictions will be removed from active monitoring.

New Zealand reporting entities should continue to consider the risks emanating from these countries but note the progress the FATF has recorded.

*All other jurisdictions*

The jurisdictions identified in this document are:

- Albania, The Bahamas, Barbados, Botswana, Cambodia, Ghana, Jamaica, Mauritius, Mongolia, Nicaragua, Pakistan, Panama, Syria, Uganda, Yemen, Zimbabwe.

The FATF does not call for the application of enhanced due diligence to be applied to these jurisdictions but encourages members to take into account the information presented in the document in their risk analysis. Note that the February 2020 statement provides the details concerning each of these jurisdictions but be advised that the statement may not necessarily reflect the most recent status of these jurisdictions' AML/CFT regimes.

New Zealand reporting entities should consider the risks emanating from these countries when conducting their risk assessment or assessing the risk of a specific customer or transaction. This may lead reporting entities to conclude that enhanced measures are required to mitigate the risk.

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[3] Previously called "Improving Global AML/CFT Compliance: On-going Process" and often referred to externally as the 'grey list'.