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TO : **Cyprus Investment Firms**  
FROM : **Cyprus Securities and Exchange Commission**  
DATE : **12 April 2010**  
CIRCULAR No. : **CI144-2010-02**  
FILE No. : **E.K. 6.1.14**  
SUBJECT : **Public Statement of the Financial Action Task Force (FATF) on countries and jurisdictions which present strategic anti-money laundering and combating financing of terrorism (AML/CFT) deficiencies**

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According to paragraph 7, of the Fourth Appendix of the Directive DI144-2007-08 of the Cyprus Securities and Exchange Commission for the Prevention of Money Laundering and Terrorist Financing ('the Directive'), the Cyprus Investment Firms (the 'CIFs'), are required to apply enhanced due diligence measures for transactions and business relationships originating from countries and jurisdictions which do not adequately apply FATF's 40+9 recommendations.

In this regard, on 18 February 2010, FATF issued a public statement (copy attached) by which it expresses its deep concerns for the serious shortcomings and weaknesses present in the measures taken against money laundering and terrorist financing by: Iran, Pakistan, Turkmenistan, Sao Tome and Principe, Angola, Democratic People's Republic of Korea, Ecuador and Ethiopia.

In view of the above, the CIF's are required to proceed with the immediate implementation of the measures prescribed in paragraph 7, of the Fourth Appendix of the Directive, with regard to transactions and business relationships with persons from the abovementioned jurisdictions.

Furthermore, the CIFs are reminded that they are required to comply, at all times, with the provisions of paragraph 17 of the Directive, as regards to data, information and reports that are published by the relevant international organizations.

Sincerely

Georgios Charalambous  
Chairman, Cyprus Securities and Exchange Commission



## FATF PUBLIC STATEMENT 18

February 2010

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 ML/FT risks and to encourage greater compliance with the AML/CFT standards, the FATF identified jurisdictions that have strategic deficiencies and, along with the FATF-style regional bodies (FSRBs), works with them to address those deficiencies that pose a risk to the international financial system. The FATF and the relevant FSRBs will continue to work with the jurisdictions below and report on their progress in addressing the identified deficiencies.

**1. Jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdiction<sup>1</sup>:**

Iran

***2. Jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address key deficiencies as of February 2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below.***

Angola\*

Democratic People's Republic of Korea (DPRK)\*

Ecuador

Ethiopia\*

\* Despite the FATF's efforts, these jurisdictions have not constructively engaged with the FATF or an FSRB as of February 2010 and have not committed to the international AML/CFT standards.

***3. Jurisdictions previously publicly identified by the FATF as having strategic AML/CFT deficiencies, which remain to be addressed as of February 2010<sup>2</sup>:***

Pakistan

Turkmenistan

São Tomé and Príncipe

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<sup>1</sup> The FATF has previously issued public statements calling for counter-measures on Iran. Those statements are updated below.

<sup>2</sup> The FATF has previously issued public statements on these jurisdictions. These statements are updated below.

**1. *Jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdiction:***

**Iran**

The FATF welcomes the recent steps that Iran has taken to engage with the FATF, but remains concerned by Iran's failure to meaningfully address the ongoing and substantial deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime. The FATF remains particularly concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system. The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalising terrorist financing and effectively implementing suspicious transaction reporting (STR) requirements.

The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF reaffirms its 25 February 2009 call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. FATF continues to urge jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and to take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. If Iran fails to take concrete steps to improve its AML/CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in June 2010.

**2. *Jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address key deficiencies as of February 2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below.***

**Angola\***

Angola has not committed to the AML/CFT international standards, nor has it responded to the FATF's request for engagement on these issues. Angola's lack of a comprehensive AML/CFT regime poses a risk to the international financial system. Angola should work with the FATF to develop a viable AML/CFT regime in line with international standards.

**Democratic People's Republic of Korea (DPRK)\***

The Democratic People's Republic of Korea (DPRK) has not committed to the AML/CFT international standards, nor has it responded to the FATF's request for engagement on these issues. DPRK's lack of a comprehensive AML/CFT regime poses a risk to the international financial system. DPRK should work with the FATF to develop a viable AML/CFT regime in line with international standards.

## **Ecuador**

FATF has identified Ecuador as having strategic AML/CFT deficiencies. Ecuador has engaged with the FATF and GAFISUD but has not delivered a clear high-level political commitment to address these deficiencies. Ecuador should work with the FATF and GAFISUD to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (3) Reinforcing and improving coordination of financial sector supervision (Recommendation 23).

## **Ethiopia\***

Ethiopia has not committed to the AML/CFT international standards, nor has it constructively engaged with the FATF. The FATF has identified Ethiopia as having strategic AML/CFT deficiencies that pose a risk to the international financial system. Ethiopia should work with the FATF to develop a viable AML/CFT regime in line with international standards.

### **3. *Jurisdictions previously publicly identified by the FATF as having strategic AML/CFT deficiencies, which remain to be addressed as of February 2010***

#### **Pakistan**

The FATF welcomes Pakistan's efforts to ensure that its Anti-Money Laundering Ordinance (AMLO) remains in effect and to implement a permanent AML/CFT framework through legislation. However, FATF remains concerned regarding the ML/FT risks posed by Pakistan and reaffirms its public statement of 28 February 2008 regarding these risks. In particular, the FATF expresses concern that Pakistan's Anti-Money Laundering Ordinance (AMLO) will expire on 26 March 2010. The FATF strongly urges Pakistan to implement a permanent AML/CFT framework before the expiration of the AMLO and strongly encourages Pakistan to establish a comprehensive AML/CFT framework.

#### **Turkmenistan**

The FATF welcomes Turkmenistan's continued progress in addressing its AML/CFT deficiencies, including by taking steps towards establishing a Financial Intelligence Unit (FIU). Given that the FIU is not yet operational, the FATF reiterates its 25 February 2009 statement informing financial institutions that these deficiencies constitute an ML/FT vulnerability in the international financial system and that they should take appropriate measures to address this risk. Turkmenistan is urged to continue to take steps to implement an AML/CFT regime that meets international AML/CFT standards and to work closely with the Eurasian Group and the International Monetary Fund to achieve this.

#### **São Tomé and Príncipe**

The FATF remains concerned by São Tomé and Príncipe's failure to meaningfully address the deficiencies in its AML/CFT regime, particularly relating to terrorist financing, and its recent lack of engagement with the *Inter-Governmental Action Group against Money Laundering in West Africa* (GIABA). The FATF urges São Tomé and Príncipe to work with GIABA to address the remaining AML/CFT deficiencies. Failing concrete progress, the FATF will consider taking action in June 2010 to protect the financial system from ML/TF risks emanating from São Tomé and Príncipe.