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HM Treasury advisory notice on money laundering and terrorist financing controls in high-risk jurisdictions

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Overview

HM Treasury published an updated advisory notice on money laundering and terrorist financing controls on 26 February 2019, identifying risk ratings and measures to be adopted by the UK regulated sector when dealing with high-risk countries.

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 require the UK regulated sector to apply enhanced customer due diligence measures and enhanced ongoing monitoring to any business relationship or transaction with persons in high risk countries. The 2017 Regulations mandate the UK regulated sector to take into account "geographical risk factors" when assessing risk and the extent of measures that should be taken to manage and mitigate that risk.

Guidance published by the Financial Action Task Force (FATF) is relevant when considering the geographical risk factors under the 2017 Regulations.

The HM Treasury advisory notice was issued in line with the 2017 Regulations to draw attention to two statements published by the FATF on 22 February 2019, which identify jurisdictions with strategic deficiencies in their anti-money laundering and counter-terrorist financing regimes. The two statements published by the FATF are annexed to the advisory notice.

HM Treasury Advice

In response to the two FATF statements, HM Treasury advises firms dealing with identified jurisdictions that:

- Any business relationship or transaction involving persons from the Democratic People's Republic of Korea is to be considered as high risk and **counter measures and enhanced due diligence measures are to be applied** in accordance with the risks.
- Any business relationship or transaction involving persons from Iran is to be considered as **high risk and enhanced due diligence measure are to be applied** in accordance with the risks.
- In any business relationship or transaction involving persons from the Bahamas, Botswana, Cambodia, Ethiopia, Ghana, Pakistan, Serbia, Sri Lanka, Syria, Trinidad and Tobago, Tunisia and Yemen, appropriate actions are to be adopted to minimise the associated risks, which **may include enhanced due diligence**measure in high risk situations.

Details regarding each jurisdiction identified in the FATF guidance can be found in Annex A and Annex B to the HM Treasury advisory notice.

It should be noted that the Democratic People's Republic of Korea, Iran, Syria, Tunisia and Yemen are subject to financial sanctions measures imposed in the UK.