Circular No. 2 of 2025

Financial Action Task Force ("FATF") statements concerning:

1) Jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures.

2) High-risk jurisdictions subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

3) Jurisdictions under increased monitoring of the FATF.

The Financial Intelligence Unit (FIU) would like to draw attention of all reporting entities to the following statements released by the Financial Action Task Force (FATF) following its plenary meeting of February 2025:

1) **Statement regarding High-Risk Jurisdictions subject to a Call for Action**

These jurisdictions, often referred to as being on the "black list," have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing.

Key points from the statement include:

1) The FATF calls on all members and jurisdictions to apply enhanced due diligence measures to these high-risk countries.

2) In the most serious cases, countries are urged to apply countermeasures to protect the international financial system from the risks emanating from these jurisdictions.

The statement highlights the Democratic People's Republic of Korea (DPRK), Iran and Myanmar as high-risk jurisdictions.

The FATF remains concerned by the DPRK's continued failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threats posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

The FATF has continually reiterated since 2011 the need for all countries to implement the targeted financial sanctions in accordance with UNSC Resolutions and apply the following countermeasures to protect their financial systems from the money laundering, terrorist financing, and proliferation financing threat emanating from DPRK:

- Terminate correspondent relationships with DPRK banks;
- Close any subsidiaries or branches of DPRK banks in their countries; and
- Limit business relationships & financial transactions with DPRK persons.

Despite these calls, DPRK has increased connectivity with the international financial system, which raises proliferation financing (PF) risks. This requires greater vigilance and renewed implementation and enforcement of these countermeasures against the DPRK. As set out in UNSCR 2270, DPRK frequently uses front companies, shell companies, joint ventures and complex, opaque ownership structures for the purpose of violating sanctions. As such, FATF encourages its members and all countries to apply enhanced due diligence to the DPRK and its ability to facilitate transactions on its behalf.

Iran will remain on the FATF statement on High Risk Jurisdictions Subject to a Call for Action until the full Action Plan has been completed. The FATF remains concerned about Iran's failure to ratify and implement the Palermo and Terrorist Financing Conventions and its heightened proliferation financing risks.

The FATF reiterates its call for countries to apply countermeasures to protect the international financial system from the risks emanating from Iran

These measures include enhanced due diligence and limiting business relationships and financial transactions with Iranian entities

Myanmar is the third country in the category of high-risk jurisdictions subject to a call for action, requiring enhanced due diligence proportional to risk exposure. Despite some progress in addressing technical compliance deficiencies regarding targeted financial sanctions related to proliferation financing, the FATF maintains concerns over slow implementation of AML/CFT measures. Unlike DPRK and Iran, FATF has not called for countermeasures against Myanmar. However, reporting entities must continue to apply enhanced due diligence measures to detect and mitigate risks linked to Myanmar-based transactions and entities.

2) **Statement regarding jurisdictions under increased monitoring**

These jurisdictions, often referred to as being on the "grey list," are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing.

Key points from the statement include:

1) Countries on the list have committed to swiftly resolve identified strategic deficiencies within agreed timeframes and are subject to increased monitoring.

2) The FATF does not call for the application of enhanced due diligence measures to be applied to these jurisdictions. The FATF Standards do not envisage de-risking, or cutting-off entire classes of customers, but call for the application of a risk-based approach considering the information presented on the countries on the list.
3) Countries should ensure that flows of funds for humanitarian assistance, legitimate NPO activity, and remittances are neither disrupted nor discouraged.
4) Jurisdictions should consider their international obligations under United Nations Security Council Resolution 2761 (2024) on humanitarian exemptions to asset freeze measures imposed by UN sanctions regimes.

The statement provided updates on the progress of several countries, including Bulgaria, Burkina Faso, Cameroon, Croatia, Democratic Republic of Congo, Kenya, Mali, Mozambique, Namibia, Nigeria, South Africa, South Sudan, Tanzania, Venezuela and Vietnam.

Algeria, Angola, Côte d'Ivoire, Haiti, Lebanon, Monaco, Syria and Yemen chose to defer reporting; thus, the statements issued previously for those jurisdictions are still relevant though they may not necessarily reflect the most recent status of the jurisdictions' AML/CFT regimes.

Following review, the FATF now also identifies Lao PDR and Nepal as jurisdictions under increased monitoring.

In view of the significant progress in improving its AML/CFT regime, the Philippines is no longer subject to increased monitoring by FATF.

OBLIGATION TO APPLY ENHANCED DUE DILIGENCE AND ENHANCED ON-GOING MONITORING

Section 41(3) of the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 ("AML/CFT Act") and Regulation 16 of the Anti-Money and Countering the Financing of Terrorism Regulations, 2020 ("AML/CFT Regulations") call for all reporting entities to apply enhanced due diligence measures and enhanced ongoing monitoring required under section 35 of the AML/CFT Act on a risk-sensitive basis, in any situation which by its nature presents a higher risk of money laundering, terrorist financing activities or other criminal conduct, or in respect of a business relationship with persons from, and transactions in, countries which do not apply or fully apply the FATF Recommendations.

All reporting entities are required to ensure that they remain up to date with the information provided by the FATF in regard to high-risk and other monitored jurisdictions and are aware of any changes or updates made to these two lists published by FATF. The

FIU advises reporting entities to take the information on of each of the abovementioned jurisdictions in the FATF's statements into account when determining the factors relating to any of those jurisdictions that may be indicative of money laundering and terrorist financing risks.

Reporting entities are reminded of the importance of complying with their obligations under Section 41(3) of the AML/CFT Act and Regulation 16 of the AML/CFT Regulations and are further reminded that non-compliance may lead to the FIU taking relevant enforcement actions.

Reporting entities may contact the FIU Compliance Division on Tel: (+248) 4383 431 or email to supervision&compliance@fiu.sc for any further clarification or further information regarding the content of this Circular.

Financial Intelligence Unit

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