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## Circular No. 1 of 2026

### **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 2026:

#### **High-Risk Jurisdictions subject to a Call for Action:**

- 1) Statement regarding jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures.**

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. The FATF statement highlights the Democratic People's Republic of Korea (DPRK) and Iran as high-risk jurisdictions and given heightened proliferation financing risks, the FATF has reiterated its call to apply countermeasures on these 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.

Since 2011, the FATF has called on all jurisdictions to implement targeted financial sanctions in accordance with relevant United Nations Security Council Resolutions and to apply strict countermeasures to protect the international financial system. These measures include:

- Terminating correspondent banking relationships with DPRK banks,
- Closing any subsidiaries or branches of DPRK banks operating within their jurisdictions,
- Limiting business relationships and financial transactions with DPRK persons.



Despite these measures, the FATF has noted increased financial connectivity between the DPRK and the international financial system, subsequently heightening proliferation financing risks. The DPRK is known to use front companies, shell companies, joint ventures, and complex ownership structures to evade sanctions. As a result, jurisdictions are strongly encouraged to apply enhanced due diligence measures and remain vigilant in identifying and mitigating risks associated with DPRK-related transactions.

Iran remains subject to the FATF's call for action due to ongoing strategic deficiencies in its AML/CFT regime. In January 2026, Iran provided an update to the FATF on its ratification of the United Nations Convention against Transnational Organized Crime (Palermo Convention) and United Nations Convention for the Suppression of the Financing of Terrorism (TF Convention), however, its action plan remains largely incomplete. The FATF has determined that Iran's reservations to the conventions and domestic implementation do not fully align with FATF standards.

Consequently, since February 2020, the FATF continues to call on all jurisdictions to apply effective countermeasures in line with Recommendation 19 (High-Risk Countries), including enhanced supervision, strengthened reporting requirements, and increased scrutiny of financial institutions and virtual asset service providers with links to Iran.

Jurisdictions are advised to apply risk-based countermeasures, including the following:

- Refusing the establishment of subsidiaries or branches or representative offices of financial institutions and virtual asset service providers from the country concerned or otherwise taking into account the fact that the relevant financial institution or virtual asset service provider is from a country that does not have adequate AML/CFT systems; and
- Prohibiting financial institutions and virtual asset service providers from establishing branches or representative offices in the country concerned or otherwise taking into account the fact that the relevant branch or representative office would be in a country that does not have adequate AML/CFT systems.
- On a risk basis, limiting business relationships or financial transactions, including virtual asset transactions, with the identified country or persons in the country concerned.
- Prohibiting financial institutions and virtual asset service providers from establishing new correspondent relationships and requiring them to undertake a risk-based review of existing correspondent relationships with financial institutions and virtual asset service providers in the country concerned.

When applying countermeasures, countries should ensure that flows of funds involving humanitarian assistance, food and health supplies, diplomatic operating costs, and personal remittances are appropriately handled on a risk basis considering the terrorist financing or proliferation financing risks emanating from Iran, in line with international obligations.



Both the DPRK and Iran remain on the FATF list of High-Risk Jurisdictions subject to a Call for Action. The FATF urges all countries to maintain vigilance, apply enhanced due diligence, and ensure compliance with relevant UNSCRs when engaging in transactions involving these jurisdictions.

## **2) Jurisdiction 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**

*The FATF calls for the application of enhanced due diligence – and not countermeasures – on the below-mentioned jurisdiction.*

The FATF calls on its members and other jurisdictions to apply enhanced due diligence measures, proportionate to the risks arising from Myanmar, due to its failure to complete the majority of its action plan commitments. The FATF requires that as part of enhanced due diligence, financial institutions should increase the degree and nature of monitoring of the business relationship, in order to determine whether those transactions or activities appear unusual or suspicious. If no further progress is made by June 2026, the FATF will consider countermeasures.

When applying enhanced due diligence, countries should ensure that flows of funds for humanitarian assistance, legitimate NPO activity and remittances are neither disrupted nor discouraged. Especially in relation to earthquake relief efforts in Myanmar, the FATF recognizes the importance of ensuring that implementation of its Recommendations does not adversely and disproportionately affect NPOs and further, does not unduly hinder civil society and the delivery of humanitarian assistance. The FATF will also continue to monitor whether Myanmar's AML/CFT activities apply undue scrutiny to legitimate financial flows.

Myanmar will remain on the list of countries subject to a call for action until its full action plan is completed.

## **3) 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 resolving 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 FATF has updated its statements on the progress of the following countries: Algeria, Angola, Bolivia, Bulgaria, Cameroon, Côte d'Ivoire, Democratic Republic of the Congo, Kenya, Lao PDR, Lebanon, Monaco, Namibia, Nepal, South Sudan, Venezuela, Vietnam, the Virgin Islands (UK) and Yemen.

Haiti and Syria chose to defer reporting; thus, the statements issued previously for those jurisdictions may not necessarily reflect the most recent status of the jurisdictions' AML/CFT regimes.

Following review, the FATF now also identified Kuwait and Papua New Guinea.



## **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 the lists published by FATF. The FIU advises reporting entities to consult the FATF website for the full and updated statements and 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](mailto:supervision&compliance@fiu.sc) for any further clarification or further information regarding the content of this Circular.

**Financial Intelligence Unit**

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