FINANCIAL MONITORING UNIT

Guidance Note for **HIGH RISK JURISDICTIONS**

Global safeguards to combat money laundering and terrorist financing (AML/CFT) are only as strong as the country with the weakest measures. Terrorists can circumvent weak AML/CFT controls to successfully move assets to finance terrorism through the financial system. A key objective of the FATF is to identify countries with significant weaknesses in their AML/CFT system, and to work with them to address these weaknesses. The FATF's process helps protect the integrity of the international financial system by issuing a public warning about the risks emanating from the identified countries.

Global safeguards to combat money laundering and terrorist financing (AML/CFT) are only as strong as the country with the weakest measures. Criminals can circumvent weak AML/CFT controls to successfully launder money or to move assets to finance terrorism through the financial system and in order to limit and minimize the risk of weak AML / CFT controls; the FATF identifies countries with significant weaknesses in their AML/CFT system, and work with them to address these weaknesses. The FATF's process also helps to protect the integrity of the international financial system by issuing a public warning about the risks emanating from the identified countries. These warnings are issued by the FATF via **two FATF public documents**:

1. The first public document, the *FATF's Public Statement*, identifies:

    - Countries or jurisdictions with such serious strategic deficiencies that the FATF calls on its members and non-members to apply counter-measures.

    - Countries or jurisdictions for which the FATF calls on its members to apply enhanced due diligence measures proportionate to the risks arising from the deficiencies associated with the country.

2. The statement *"Improving Global AML/CFT Compliance: On-going process"* identifies countries or jurisdictions with strategic weaknesses in their AML/CFT measures but that have provided a high-level commitment to an action plan developed with the FATF. The FATF encourages its members to consider the strategic deficiencies identified for these jurisdictions. If a country fails to make sufficient or timely progress, the FATF can decide to increase its pressure on the country to make meaningful progress by moving it to the Public Statement.

The members and non-members of FATF's are required to take necessary actions that commensurate with the risk of these countries posed to the international financial system. FATF also provides instructions and examples of what these measures could be (Recommendation 10 and 19), but each country is required to define its enhanced due diligence measures and counter-measures, in line with the FATF Standards which may include: increase monitoring of business relationships with countries which are subject to enhanced due diligence measures by FATF and for Countries for which FATF's call for counter-measures could be subject to a range of measures, from further enhanced due diligence and reporting measures to a limitation or prohibition of financial transactions with that country.

Considering the aforementioned requirement, it is required that all the reporting entities (as defined under AML Act, 2010) should be aware of concerns about weaknesses in the AML/CFT systems of other countries especially where called for by FATF and should take the necessary counter measures and apply enhanced due diligence measures as per instruction / regulations issued by their respective regulators.

The list of High Risk and Other Monitored Jurisdiction is available at FATF's webpage (link: http://www.fatf-gafi.org/countries/#high-risk).