

2 November 2022

Circular to Licensed Corporations and Associated Entities

Anti-Money Laundering / Counter-Financing of Terrorism

(1) FATF Statement on High-Risk Jurisdictions subject to a Call for Action

(2) FATF Statement on Jurisdictions under Increased Monitoring

(3) Outcomes from the FATF Plenary, 20-21 October 2022

(1) FATF Statement on High-Risk Jurisdictions subject to a Call for Action

Further to our circular issued on 5 July 2022^{Note 1}, the Financial Action Task Force (FATF) issued a statement on High-Risk Jurisdictions subject to a Call for Action on 21 October 2022, which can be found at <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-october-2022.html>. For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and, in the most serious cases, apply countermeasures to protect the international financial system from the money laundering, terrorist financing, and proliferation financing risks emanating from those countries.

(i) Jurisdictions subject to a FATF's call for applying countermeasures

The statement continues to refer its members to the list of high-risk jurisdictions subject to the FATF's call for countermeasures adopted in February 2020^{Note 2}.

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for jurisdictions in the list of High-Risk Jurisdictions subject to a Call for Action. While the February 2020 statement may not necessarily reflect the most recent status of Iran and the Democratic People's Republic of Korea's anti-money laundering and counter-financing of terrorism (AML/CFT) regimes, the FATF's call to apply countermeasures^{Note 3} on these high-risk jurisdictions remains in effect.

^{Note 1} Please refer to our circular issued on 5 July 2022

(<https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/aml/doc?refNo=22EC45>).

^{Note 2} The statement can be found at <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html>.

^{Note 3} The examples of the countermeasures can be found in the Interpretative Note to Recommendation 19 (<http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf#page=82>).

- (ii) Jurisdiction subject to a FATF's call for applying enhanced due diligence measures proportionate to the risks arising from the jurisdiction

Given the continued lack of progress and the majority of the action items in relation to Myanmar's strategic deficiencies still not addressed after a year beyond the action plan's deadline, the FATF decided that further action was necessary and called on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risk arising from Myanmar.

(2) FATF Statement on Jurisdictions under Increased Monitoring

The FATF has issued an updated statement on Jurisdictions under Increased Monitoring^{Note 4} with the addition of Democratic Republic of Congo, Mozambique and Tanzania, and removal of Nicaragua and Pakistan from the list. The statement can be found at <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2022.html>.

The FATF will closely monitor and continue to assess the progress made by these jurisdictions in addressing the identified strategic deficiencies in their AML/CFT regimes and encourages its members and all jurisdictions to take into account the information presented in the statement in their risk analysis. Licensed corporations (LCs) and associated entities (AEs) are reminded to browse the website of the FATF for the relevant information, including any updated statements issued by the FATF from time to time.

(3) Outcomes from the FATF Plenary, 20-21 October 2022

The FATF also published various outcomes of its recent Plenary which may be of interest to LCs and AEs. They include:

- (a) the release of a Guidance on Beneficial Ownership for public consultation which provides guidance to countries and the private sectors in implementing the new requirements to prevent the misuse of corporate structures, or legal persons, for money laundering or terrorist financing and to ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons^{Note 5}. The FATF expects finalising the guidance in February 2023; and
- (b) the release of proposed revisions to strengthen the FATF standard on beneficial ownership information for trusts and other legal arrangements for public consultation. The FATF expects finalising these revisions in February 2023.

Further information on the FATF Plenary's outcomes can be found at <https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-october-2022.html>.

^{Note 4} The statement sets out the list of jurisdictions that have committed to resolve swiftly the identified strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing within agreed timeframes and are subject to increased monitoring.

^{Note 5} The amendments to Recommendation 24 and its Interpretive Note were adopted in March 2022. Please refer to our circular issued on 14 March 2022 (<https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/aml/doc?refNo=22EC24>).



Should you have any queries regarding the contents of this circular, please contact Ms Kiki Wong at 2231 1569 who will assist to refer your queries to the relevant officer.

Intermediaries Supervision Department
Intermediaries Division
Securities and Futures Commission

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