

10 November 2023

**Circular to Licensed Corporations, SFC-licensed Virtual Asset Service
Providers 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, 25-27 October 2023

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

Further to our circular issued on 5 July 2023¹, the Financial Action Task Force (FATF) issued a statement on High-Risk Jurisdictions subject to a Call for Action on 27 October 2023, which can be found at <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2023.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 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 2020².

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for Iran³ and the Democratic People's Republic of Korea. The FATF's call to apply countermeasures⁴ on these high-risk jurisdictions remains in effect.

¹ Please refer to our circular issued on 5 July 2023

(<https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/aml/doc?refNo=23EC30>).

² These high-risk jurisdictions are Iran and the Democratic People's Republic of Korea. 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>.

³ Iran reported in July 2023 with no material changes in the status of its action plan.

⁴ The examples of the countermeasures can be found in the Interpretative Note to Recommendation 19

(<https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf#page=87>).

(ii) Jurisdiction subject to a FATF 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 has called on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risk arising from Myanmar since October 2022. Myanmar will remain on the list of countries subject to a call for action until its full action plan is completed.

(2) FATF Statement on Jurisdictions under Increased Monitoring

The FATF has issued an updated statement on Jurisdictions under Increased Monitoring⁵ with the addition of Bulgaria, and removal of Albania, Cayman Islands, Jordan and Panama from the list. The statement can be found at <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2023.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, SFC-licensed virtual asset service providers and associated entities 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, 25-27 October 2023

The FATF also published various outcomes of its recent Plenary which may be of interest to licensed corporations, SFC-licensed virtual asset service providers and associated entities. They include:

- (a) the agreement on the revisions to Recommendation 8 and the update of its *Best Practices Paper on Combating the Abuse of Non-Profit Organisations*. These aim to protect non-profit organisations from potential terrorist financing abuse through the effective implementation of risk-based measures without unduly disrupting or discouraging legitimate charitable activities. The updated Recommendation and the Best Practices Paper will be published in November 2023;
- (b) the agreement on the publication of a report on *Crowdfunding for Terrorism Financing* that analyses how terrorists have exploited fundraising platforms and crowdfunding activities on social media to seek funding for their terrorist cause, and examines the challenges faced in detecting and preventing terrorist financing through the crowdfunding ecosphere. It also highlights good practices and provides a list of risk indicators to help identify potential attempts at terrorist financing activity using crowdfunding. The report⁶ was published on 31 October 2023;

⁵ 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.

⁶ The report can be found at <https://www.fatf-gafi.org/en/publications/Methodsand Trends/crowdfunding-for-terrorism-financing.html>.

- (c) the adoption of a report on *Illicit Financial Flows from Cyber-Enabled Fraud*, which highlights examples of national operational responses and strategies in tackling cyber-enabled fraud, and identifies risk indicators and useful anti-fraud requirements and controls that may help detect and prevent cyber-enabled fraud and related money laundering. The report⁷ was published on 9 November 2023; and
- (d) the agreement on the release of the updated *FATF Risk-Based Guidance on Recommendation 25 on Beneficial Ownership and Transparency of Legal Arrangements* for public consultation. This guidance reflects the February 2023 revisions to Recommendation 25 and complements the existing guidance on Recommendation 24 on legal persons.

Further information on the FATF Plenary's outcomes can be found at <https://www.fatf-gafi.org/en/publications/Fatfgeneral/outcomes-fatf-plenary-october-2023.html>.

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

Intermediaries Supervision Department
Intermediaries Division
Securities and Futures Commission

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⁷ The report can be found at <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Methodsandtrends/illicit-financial-flows-cyber-enabled-fraud.html>.