

GENERAL CIRCULAR: 15/2018 [GC 15_2018]

To: All Members of the Institute

Date: 12 July 2018 – Update 19 November 2018

Subject: High-risk third countries

The European Union has the responsibility to ensure an effective protection of the integrity and proper functioning of its financial system and the internal market from money laundering and terrorist financing.

The 4th (EU) AML Directive 2015/849, through article 9(2) provides that the Commission should identify high-risk third countries which present strategic deficiencies in their regimes on anti-money laundering and countering terrorist financing that pose significant threats to the financial system of the Union.

The process of identifying high-risk third countries takes into consideration the recent FATF documents, studies and reports issued in relation to the risks posed by individual third countries.

Conditions taken into consideration to assess whether third-country jurisdictions have strategic deficiencies in their national AML/CFT regimes relate to:

- (a) the legal and institutional AML/CFT framework of the third country, in particular:
 - (i) criminalisation of money laundering and terrorist financing;
 - (ii) measures relating to customer due diligence;
 - (iii) requirements relating to record-keeping; and
 - (iv) requirements to report suspicious transactions;
- (b) the powers and procedures of the third country's competent authorities for the purposes of combating money laundering and terrorist financing;
- (c) the effectiveness of the AML/CFT system in addressing money laundering or terrorist financing risks of the third country.

In light of the above, the European Commission has issued and published in the Official Journal of the European Union the Delegated Regulation (EU) 2016/1675 identifying high-risk third countries with strategic deficiencies on 20/9/2016 and two amending Delegated Regulations on 14/1/2018, on 14/2/2018 and on 2/10/2018 as follows:

1. [COMMISSION DELEGATED REGULATION \(EU\) 2016/1675 of 14 July 2016](#)
2. [COMMISSION DELEGATED REGULATION \(EU\) 2018/105 of 27 October 2017 amending Delegated Regulation \(EU\) 2016/1675](#)
3. [COMMISSION DELEGATED REGULATION \(EU\) 2018/212 of 13 December 2017 amending Delegated Regulation \(EU\) 2016/1675 supplementing Directive \(EU\) 2015/849](#)
4. [COMMISSION DELEGATED REGULATION \(EU\) 2018/1467 of 27 July 2018 amending Delegated Regulation \(EU\) 2016/1675 supplementing Directive \(EU\) 2015/849](#)

Future amendments to the Regulations can be monitored through the page of the Official Journal of the European Union - <https://eur-lex.europa.eu/oj/direct-access.html>.

**Table summary of the high-risk countries
(as at the date of the present circular)**

- I. High-risk third countries which have provided a written high-level political commitment to address the identified deficiencies and have developed an action plan with FATF

	High-risk third country
1	Afghanistan
2	Bosnia and Herzegovina
3	Guyana
4	Iraq
5	Lao PDR
6	Syria
7	Uganda
8	Vanuatu
9	Yemen
10	Ethiopia
11	Sri Lanka
12	Trinidad and Tobago
13	Tunisia
14	Pakistan

- II. High-risk Third countries which have provided a high-level political commitment to address the identified deficiencies and have decided to seek technical assistance in the implementation of the FATF Action Plan, which are identified by FATF Public Statement.

	High-risk third country
1	Iran

- III. High-risk third countries which present ongoing and substantial money-laundering and terrorist-financing risks, having repeatedly failed to address the identified deficiencies and which are identified by the FATF Public Statement.

	High-risk third country
1	Democratic People's Republic of Korea (DPRK)

The obliged entities should take into account the above lists while developing their client acceptance policies and during the monitoring of clients' transactions. The above lists must also be taken into consideration when establishing the entity's risk appetite (willingness to accept the risk) and during the establishment and maintenance of the client Risk assessment processes.

In case the obliged entity decides to cooperate with clients from the countries listed above, they need to apply enhanced due diligence measures on the on boarding stage and apply enhanced monitoring of the client's transactions. Examples of enhanced due diligence measures may include, inter alia, obtaining a reference letter, a second identification document, corroboration of the activities of the client, obtaining approval from a senior managing official prior to accepting the client and of course more frequent review of the economic profile of the client.