



**Circular to Money Service Operators
Anti-Money Laundering / Counter-Terrorist Financing
Statements issued by the Financial Action Task Force**

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

Further to our circular issued on 11 November 2024^{Note 1}, this is to inform you that the Financial Action Task Force (“FATF”) issued a statement on High-Risk Jurisdictions subject to a Call for Action on 21 February 2025, which can be found at:

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-february-2025.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

Democratic People's Republic of Korea (DPRK)

The FATF reiterates its concerns over the DPRK’s continued failure to address the significant deficiencies in its anti-money laundering and counter-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 and its financing.

While the FATF has continually reiterated since 2011 the need for all countries to robustly implement the targeted financial sanctions in accordance with United Nations Security Council Resolutions (UNSCR) and apply countermeasures^{Note 2} to protect their financial systems from the ML/TF/PF threat emanating from DPRK, DPRK has increased connectivity with the international financial system which raises proliferation financing risks^{Note 3}. The FATF therefore calls for greater vigilance and renewed implementation and enforcement of countermeasures against the DPRK.

Iran

Given Iran’s failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, the FATF fully lifts the suspension of countermeasures and call on its members and urges all jurisdictions to apply effective countermeasures^{Note 4}.

The FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system until Iran implements the measures required

Note 1 The circular issued on 11 November 2024 can be found on the C&ED’s website at (<https://eservices.customs.gov.hk/MSOS/downloadFile?id=437654>).

Note 2 The countermeasures listed by the FATF include terminating correspondent relationships with DPRK banks, closing any subsidiaries or branches of DPRK banks in their countries, and limiting business relationships and financial transactions with DPRK persons.

Note 3 The FATF highlighted that as set out in UNSCR 2270, DPRK frequently uses front companies, shell companies, joint ventures and complex, opaque ownership structures for the purpose of violating sanctions.

Note 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=90>)



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to address the deficiencies identified with respect to countering terrorism-financing in the Action Plan.

(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 deadline, the FATF has called on its members and other jurisdictions to apply enhanced due diligence measures^{Note 5} proportionate to the risk arising from Myanmar since October 2022. If no further progress is made by June 2025, the FATF will consider countermeasures.

(2) FATF Statement on Jurisdictions under Increased Monitoring

In addition, the FATF has issued an updated statement on Jurisdictions under Increased Monitoring^{Note 6} which can be found at:

<https://www.fatf-gafi.org/content/fatf-gafi/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-february-2025.html>

Money service operators ("MSOs") are reminded that two new jurisdictions were added into the list, namely Lao People's Democratic Republic and Nepal, and one jurisdiction was removed from the list, namely Philippines.

The statement sets out the list of jurisdictions that have committed to resolve swiftly strategic deficiencies in their regime to counter money laundering, terrorist financing, and proliferation financing within agreed timeframes and are subject to increased monitoring. The FATF will closely monitor the progress made by these jurisdictions in addressing the identified strategic deficiencies and encourages its members to take into account the information presented in the statement in their risk analysis. MSOs are reminded to browse the website of the FATF for the latest information, including any updated statements issued by the FATF from time to time.

(3) Outcomes from the FATF Plenary from 19 to 21 February 2025

In addition to the statements in (1) and (2) above, the FATF also published various outcomes of its recent Plenary, which can be found at:

<https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Fatfgeneral/outcomes-fatf-plenary-february-2025.html>

In particular, the FATF has approved changes to Recommendation 1 and its Interpretive Note, with corresponding amendments to Interpretive Notes to Recommendations 10 and 15, to support a risk-based approach and financial inclusion.^{Note 7}

Separately, the FATF has agreed to hold a second round of public consultation on proposed revisions to Recommendation 16 and its Interpretive Note on payment transparency which would improve standardisation and quality of originator and beneficiary information in payment messages.

^{Note 5} 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

^{Note 6} The statement sets out the list of jurisdictions that have committed to resolve swiftly the identified strategic deficiencies in their regimes to counter ML/TF/PF within agreed timeframes and are subject to increased monitoring.

^{Note 7} The details can be found at <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Fatfrecommendations/update-standards-promote-financial-conclusion-feb-2025.html>



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The FATF has also sought input from the private sector on best practices and challenges on identifying, assessing, understanding and mitigating proliferation financing (PF) risks and how the FATF can support them to meet their obligations in countering PF.

Should you have any queries regarding the contents of this circular, please contact us on 3742 7742.

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