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Asian Development Bank

Cooperation Fund for Regional Trade and Financial Security Initiative: Progress Report for July 2008 to June 2011

COOPERATION FUND FOR REGIONAL TRADE AND FINANCIAL SECURITY INITIATIVE

Progress Report for July 2008 to June 2011

I. Background

The Asian Development Bank (ADB) approved on 30 June 2004 the proposal to set up the Cooperation Fund for Regional Trade and Financial Security Initiative (Fund). The Fund received contributions from the Governments of Australia (A\$1,500,000), Japan (\$1,000,000) and the United States (\$1,000,000), with a total contribution of approximately \$3,125,675. It is administered by ADB.

The Fund has since supported 6 technical assistance (TA) projects, including 2 regional TAs. Following the last progress report submitted in June 2008, this progress report covers the period from July 2008 to June 2011. It will focus on: (i) TA activities financed by the Fund for this period; (ii) the current financial status of the Fund; and (iii) further implementation of the Fund.

II. TA Activities Financed by the Fund

Between July 2008 and June 2011, implementation of 2 TAs was completed. These TAs are: (i) a regional TA to support strengthening of aviation safety and security; and (ii) a regional TA to support the harmonisation of customs, immigration, quarantine and security measures. Details of these TAs are set forth below.

Regional Technical Assistance – Aviation Legislative and Regulatory Review (RETA 6259)

This regional TA of \$450,000 was approved by ADB (following prior approval of the donors of the Fund) on 22 September 2005. It was to support the establishment of the Pacific Aviation Safety Office (PASO), an international organization founded by countries in the Pacific region to provide aviation regulatory oversight on a regional basis. Members of PASO are Australia, Fiji, Kiribati, New Zealand, Papua New Guinea, Samoa, Solomon Islands and Vanuatu. Consulting services under the TA were expanded on 1 June 2009 through an additional contribution of \$132,000 from New Zealand.

The TA was intended to support the establishment of a harmonised safety and security oversight framework for all PASO members to improve efficiency and effectiveness. This was through: (i) revision of national aviation legislation; (ii) recertification of airlines; and (iii) design and installation of a database to improve information management.

The TA was completed on 31 December 2009 and the ADB TA Completion Report (TCR), which evaluated implementation of the TA, was completed on 30 September 2010 (see Appendix 1).

The TA was rated partially successful by ADB. Owing to parallel efforts of the International Civil Aviation Organisation (ICAO), the revision of national aviation legislation was completed under a separate project supported by ICAO. Recertification of national airlines from PASO members became unnecessary as these airlines switched their registration to Australia and New Zealand, whose civil aviation administrations certified their compliance under the respective Australian and New Zealand legislation. The database was well-designed and duly

installed. Thus only 1 of the 3 TA objectives was implemented, with only \$85,709 utilised (and a remainder of \$496,291 unused).

Regional Technical Assistance – Support for Customs, Immigration, Quarantine and Security Harmonization in the Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth Area (RETA 6408)

This regional TA of \$600,000 was approved by ADB (following prior approval of the donors of the Fund) on 20 August 2007.

The TA was to enhance the integration of these countries through strengthened customs, immigration, quarantine and security (CIQS) operations to facilitate cross-border movement of goods and people. This was through: (i) establishment and strengthening of the subregional and national institutional structures and coordination mechanisms; (ii) examination of existing CIQS processes to identify harmonization issues and priorities for the development of an appropriate strategy to address these issues and priorities; (iii) formulation of a subregional agreement to be signed by these countries; (iv) pilot-testing of the implementation of the subregional agreement in selected land border crossings, airports and sea ports; and (v) capacity development for CIQS staff from these countries.

The TA was completed on 30 September 2010 and the TCR was completed on 29 December 2010 (see Appendix 2).

The TA was rated successful by ADB as it achieved its objectives.

In addition to the above TAs, a \$500,000 bilateral TA (Enhancing Financial Sector Supervision (TA7500)) was approved for Lao PDR by ADB on 5 February 2010. The TA is aimed at: (i) strengthening supervision of commercial banks; (ii) capacity development for the microfinance supervision unit of the central bank of Lao PDR; (iii) capacity development for the financial intelligence unit of Lao PDR. The Fund will provide cofinancing of \$250,000 to support capacity development for this financial intelligence unit. Implementation of the TA is currently ongoing and it is anticipated to be completed in December 2011.

III. Current Financial Status of the Fund

As discussed above, 6 TAs have been approved for financing by the Fund, of which 5 have been completed and 1 is currently being implemented. As of 30 June 2011, \$1,681,419 has been disbursed, \$192,057.53 has been committed (to be disbursed) under the TA for Lao PDR with \$9,602.88 being set aside for additional ADB administration costs. The remaining uncommitted balance is \$1,386,542.96. The financial statement of June 2011 is attached as Appendix 3.

IV. Further Implementation of the Fund

The current priority for ADB in its AML/CFT efforts in its developing member countries (DMCs) is on DMCs that are regarded by the Financial Action Task Force (FATF) as having strategic deficiencies in their AML/CFT regimes (www.fatf-gafi.org). The current DMCs with strategic deficiencies are Bangladesh, Cambodia, Indonesia, Myanmar, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, Tajikistan, Thailand, Turkmenistan and Vietnam. Attached as Appendix 4 and 5 are the latest FATF statements on countries with strategic deficiencies.

ADB staff will monitor the FATF's scrutiny of countries with strategic deficiencies in their AML/CFT regimes, particularly the DMCs. ADB staff will also engage with representatives from these DMCs, as well as other multilateral and bilateral donors (for donor coordination and to avoid duplication), through participation in the regional meetings of the Asia/Pacific on Money Laundering (www.apgml.org) and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (www.eurasiangroup.org). Proposals may be prepared for the utilisation of the remaining uncommitted balance of the Fund in support of these DMCs as appropriate.

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PARD / PASO

TA No. and Name TA 6259-REG: Aviation Legislative and Regulatory Review		Amount Approved: \$450,000	
		Revised Amount: \$582,000	
Executing Agency: Pacific Aviation Safety Office	Source of Funding: Cooperation Fund for Regional Transportation and Financial Security Initiative / Government of New Zealand	Amount Undisbursed \$ 496,291	Amount Utilized \$ 85,709
Date of Report: September 2005		TA Completion Date	
Approval 22 September 2005	Signing 22 September 2006	Fielding of Consultants 23 January 2008	Original 31 December 2006
		Account Closing Date	Actual 31 December 2009
		Original 31 December 2006	Actual 21 December 2009
Description			
<p>The technical assistance (TA) was intended to establish a consistent safety and security oversight framework for all Pacific Aviation Safety Office (PASO) members to enable organizational efficiency and effectiveness. The TA was included in the Asian Development Bank's (ADB) Pacific Regional Cooperation Strategy and Program 2003–2008.</p>			
Expected Impact, Outcome, and Outputs			
<p>The expected impact of the TA was that aviation safety and security regulatory frameworks would be harmonized in all PASO Pacific developing member countries (PDMCs), lowering costs and improving compliance. The expected outcome was that national aviation legislation and regulations would be revised and used as the basis for recertification of airlines in PASO PDMCs. Expected outputs included (i) recommendations for revisions to national aviation laws and regulations, (ii) recommendations for recertification of airlines, and (iii) completed database design and software installation.</p>			
Delivery of Inputs and Conduct of Activities			
<p>The TA was originally intended to be conducted over a period of 12 months, through 18 person-months of consulting services (12 international and 6 national) provided intermittently. Through a subsequent change in scope enabled by an additional contribution by the Government of New Zealand, consulting services were to be expanded to 24 person-months (18 international and 6 national). Individual consultants were to be selected to conduct the TA.</p>			
<p>Inception of the TA (associated to Loan 2183-REG Establishment of the PASO) was repeatedly delayed due to (i) delays by governments of two guarantors (Kiribati and Papua New Guinea) in meeting one of the loan effectiveness conditions, (ii) lengthy negotiations between PASO and the International Civil Aviation Organization (ICAO) and consequent late inception of preliminary parallel TA to be provided by ICAO, and (iii) slow recruitment and turnover of PASO technical staff. As a result, the PASO Council of Directors requested that PASO defer the legislative and regulatory component of the TA in favor of a focus on development and execution of the technical work program</p>			
<p>The preliminary parallel TA provided by ICAO, which was unexpected at the time of approval, eventually grew to encompass the first component of the original TA. Following two years of negotiation between ICAO, PASO, and ADB, the parallel TA conducted assessments of national laws, regulations, legal reforms, and technical service requirements, and made recommendations for improvement. This component was successfully concluded by ICAO.</p>			
<p>The second component of the TA became unnecessary for two reasons: (i) airlines in PASO member countries switched their remaining international operations to registration in Australia and New Zealand, whose civil aviation administrations certify their compliance under Australian and New Zealand regulations; and (ii) the PASO technical staff quickly became able to certify domestic operations without external assistance.</p>			
<p>The third component of the TA to develop management information and communication systems was conducted throughout 2008, when assessment and provision of specialized hardware and software was completed. A total of 5.45 person months of international consulting services was used for this component. As of closing, \$85,709 (or 19%) of the TA amount was disbursed.</p>			

ADB's performance in implementing the TA was satisfactory. ADB conducted regular review missions, attended all meetings of the PASO Council of Directors and its technical committee, and was closely involved in coordinating the work of the parallel ICAO TA. Outputs were circulated among participating countries at several stages prior to finalization. Recruitment of consultants took longer than anticipated, complicated by the involvement of ICAO as a major stakeholder, and the TA was eventually closed 3 years later than originally projected.

Evaluation of Outputs and Achievement of Outcome

The third output was delivered successfully, as the information systems are of high quality, and provide a very useful tool to national civil aviation administrations. The first two outputs were not delivered, as they became obsolete.

The outcome was achieved successfully, although ADB's involvement was considerably reduced and its role changed from implementation to coordination. However, it should be recognized that the original TA proposal and ADB support to establish PASO through the associated loan was the catalyst that brought ICAO into the region to deliver its own TA. Promotion of regional cooperation through PASO has since resulted in a major new ICAO policy to provide support to regional air safety oversight organizations, which were previously not recognized at the international level. The collaborative process that was developed generated considerable international engagement and resulted in a high degree of consensus among stakeholders.

Overall Assessment and Rating

The TA is rated partly successful. The TA delivered one of its expected outputs, acted as a catalyst for international cooperation, and contributed to policy reform in PDMCs.

Major Lessons

Implementation of an on-line information system for safety and security oversight and reporting has proven beneficial to national civil aviation administrations. Previously, reporting was done on an ad hoc basis and dissemination was sporadic, resulting in much duplication of effort. With the advent of the system, real-time information is readily available to all regulators in the region at very low cost.

Significant components of the TA design were overtaken by industry developments that were not anticipated as realistic possibilities at the time of approval. When these developments did emerge, taking a more collaborative approach became a prudent readjustment of the plan.

Although ADB could have insisted on pressing ahead with the TA earlier, and tried to convince the PASO Council of Directors and member governments to undertake reforms without the involvement of ICAO, this could have been counterproductive. As a specialized agency of the United Nations charged with international harmonization, ICAO has the most important voice in this area and its support is crucial. Allowing ICAO to take the lead on the reform agenda has resulted in more important reforms to the environment for international cooperation.

Given the elapsed time between approval and eventual completion of recommendations, it was decided that a potential change in scope would be impractical and the TA was closed after four years.

Recommendations and Follow-Up Actions

The TA has generated a detailed and useful set of recommendations that have been implemented by most PASO member countries. Some could still use support in revising their legislation. Given the limited variation in those remaining national legal environments, this could be pursued through a follow-on RETA that was more tightly focused on providing assistance for legal drafting.

Prepared by Robert Guild Designation Principal Transport Specialist

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TECHNICAL ASSISTANCE COMPLETION REPORT

Division : SEOD-RCIG/SERD

TA No., Country and Name		Amount Approved: US\$ 600,000.00	
RETA 6408: Support for Customs, Immigration, Quarantine, and Security Harmonization in the Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth Area		Revised Amount: N/A	
Executing Agency: ADB	Source of Funding: Cooperation Fund for Regional Trade and Financial Security Initiatives (RTFSI)	Amount Undisbursed: US\$ 44,803.80	Amount Utilized: US\$ 555,196.20
TA Approval Date: 20 August 2007	TA Signing Date: N/A	Fielding of First Consultants: 28 January 2008	
		TA Completion Date Original: 31 Dec 2008 Actual: 30 Sept 2010	
		Account Closing Date Original: 31 Dec 2008 Actual: 29 Oct 2010	
Description:			
<p>The Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA) areas are geographically closer to each other than to the national capitals and economic centers and therefore offer opportunities to trade more efficiently with one another or directly with outside markets. However, weak subregional multi-modal transport systems and cumbersome cross-border procedures are among key constraints keeping the trade and tourism potentials from full materialization. Along with physical infrastructure improvement, countries have also focused on minimizing cross-border transaction costs by improving border control efficiency to facilitate trade and travel in the subregion in a phased approach with ADB's support in this TA.</p>			
Expected Impact, Outcome and Outputs			
<p>The TA was to enhance the integration of EAGA economies through strengthened Customs, Immigration, Quarantine, and Security (CIQS) operations to facilitate cross-border movement of goods and people. The project was designed with five major outputs, namely i) establish and strengthen the subregional and national institutional structures and coordination mechanisms; ii) map existing CIQS processes to identify harmonization issues and priorities for the development of appropriate strategy to address priority issues; iii) formulate a subregional agreement to be signed by member countries; iv) initiate the pilot-test implementation of the agreement in selected land border crossings, airports and sea ports; and v) upgrade the capacity and skills of CIQS staff to implement harmonized Rules, Regulations and Procedures (RRPs).</p>			
Delivery of Inputs and Conduct of Activities			
<p>The project inception was significantly delayed due to the difficulty in getting appropriate consultants in these highly specialized fields of CIQS. However, once the consultants were recruited, project activities were delivered in an efficient and timely manner, notwithstanding a number of changes of the TA Supervising Unit (TASU) Officers. ADB performance as Executive Agency is therefore rated satisfactory.</p> <p>The project also engaged with the World Customs Organization (WCO) Regional Office for Capacity Building (ROCB) in Bangkok in providing relevant trainings and technical support to Customs officials in data collection and analyses using the WCO's Time Release Studies (TRS).</p> <p>Member countries shouldered most of their participation costs and were appropriately represented at all national, regional/sub-national and local/entry-point levels, which contributed positively to the quality and relevance of their inputs to as well as ensured the broad base of beneficiaries from the project interventions.</p> <p>Due to the delayed inception and signing of the BIMP-EAGA MOU for Simplification, Streamlining and Harmonizing CIQS Procedures, the project was extended twice to 30 September 2010 to accommodate better delivery of outputs as well as continuity of assistance with its successor R-PATA 7552.</p>			
Evaluation of Outputs and Achievement of Outcome			
<p>Overall, the project has delivered the designed outputs but at varying extent. The CIQS Task Force and Heads of Sector Meetings are held annually with representation at the decision making level and can be sustained beyond the project lifespan. ADB's assistance in the form of technical advice to their meetings on up-to-date international standards and best practices are highlighted as the most important added value. The directory of the BIMP-EAGA CIQS contacts has been compiled and regularly updated. The mapping of actual practice in eight priority entry points was conducted, validated and incorporated into the MOU. This document aimed at improving practical facilitating measures in compliance with relevant international standards and best practices with clear coordination across various government agencies and therefore</p>			

being considered a landmark achievement and the first among peer trade facilitation programs.

However, the MOU signing was delayed by the unexpected renewal of the Philippines' Sabah claim, which disallowed the signing of a number of BIMP-EAGA documents, including the MOU. The project team had close consultation with the CIQS Task Force, resulting in the latter's decision to proceed with pilot implementation of the terms of the finalized MOU while awaiting the formal signing.

Due to the TA's limited resources, pilot implementation was not initiated fully as designed. Instead, a number of preparatory activities was conducted, eg. collection of baseline data on actual clearing time with the TRS and the gap analyses of actual practice against the benchmarks derived from agreed international standards and best practices. The TRS has been endorsed as one of the monitoring tools to be conducted every two years at the priority entry points and extended to other entry points in the BIMP-EAGA subregion. The gap analysis was also adopted for the action planning – implementation – monitoring – review cycle. The set of outputs - the validated mapping, the TRS results and the gap analyses outcomes - altogether presented a consistent image of implementation shortfalls at the entry point level to be addressed to effectively facilitate cross-border movement of goods and people.

The project adopted a coaching approach to capacity building by providing trainings and workshops for local CIQS officials under close supervision and quality control of international experts to ensure they can implement effectively the required tasks. In collaboration with the WCO ROCB in Bangkok, the project provided trainings and technical support for local officials to conduct on their own data collection and analyses using the WCO's TRS. About 50 officials also received training on gap analysis techniques where they employed the acquired knowledge to conduct self-assessment of their respective entry points against the preset benchmarks and identify preliminary actions to address the gaps identified.

The outputs of this project provided a strong case for continued support for next phase pilot implementation of trade facilitation in BIMP-EAGA, resulting in the approved follow-on R-PATA 7552 titled "Support for Trade Facilitation in BIMP-EAGA". They also demonstrated a practical model for a subregional program on trade facilitation, which was adopted by the IMT-GT CIQ Task Force for their subregion.

Overall Assessment and Rating: Based on the evaluation of outputs and the achievement of outcomes in accordance with the Operations Evaluation Department guidelines, the TA is rated overall as successful.

Major Lessons

Four major lessons could be drawn from this project:

- i) BIMP-EAGA member countries, being middle income or higher level of development, can shoulder certain costs for their participation but in return demand stronger ownership over the reforms being implemented. Their ownership in this project resulted in strong commitment and practical decisions to implement the terms of the MOU even before its signing. Coordination with competent authorities/agencies is therefore key to effective engagement with countries at the operational level.
- ii) The project implementation delays could be significantly reduced by building adequate team of technical staff and sector experts who can be mobilized relatively quickly to provide expertise support.
- iii) This project adopted a sequencing of bottom-up issue identification and top-down reform implementation at the local level. It is observed that although CIQS are national issues and therefore often being addressed at the policy level, this project demonstrated an alternative practical approach to address operational issues at the local level in a given policy environment, which helped address relevant and practical problems and in turn fed operational information to the national policy level.
- iv) The coaching approach to capacity building demonstrated good potential for competency sustainability beyond the project lifespan. This also helped boost their ownership and participatory engagement in improving their capacity to deliver the project outputs as their own tasks.

Recommendations and Follow-Up Actions

- The MOU signing should be followed up under the R-PATA 7552 as a priority issue.
- Future support in similar areas (for the IMT-GT CIQ TF, for example) should i) provide ample time for MOU formulation and signing, with possible pilot implementation similar to BIMP-EAGA arrangements; and ii) build on acquired pool of experts from the previous project to accelerate the delivery of outputs.

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Designation: Regional Cooperation Specialist, SEOD-RCIG

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ASIAN DEVELOPMENT BANK
ADMINISTRATOR FOR
COOPERATION FUND FOR REGIONAL TRADE AND FINANCIAL SECURITY INITIATIVE

STATUS OF GRANT (CONTRIBUTION)

As of 30 June 2011
(Amounts in US dollar)

	<u>JAPAN</u>	<u>AUSTRALIA</u> (AUD 1,500,000)	<u>USA</u>	<u>TOTAL</u>
TOTAL CONTRIBUTION COMMITTED	1,000,000.00	1,031,775.24	1,000,000.00	3,031,775.24 ^{a/}
Gain (loss) arising from change in value of currency	-	93,899.76	-	93,899.76
NET CONTRIBUTION AVAILABLE	1,000,000.00	1,125,675.00	1,000,000.00	3,125,675.00
Add: Income from investments:	92,219.45	69,865.41	-	162,084.86
Interest income	46,808.33	48,618.66	(29,736.57) ^{d/}	65,690.42
Gain/(loss) on foreign exchange transaction	576.83	576.86	(140.50)	1,013.19
TOTAL AMOUNT AVAILABLE	1,139,604.61	1,244,735.93	970,122.93	3,354,463.47
Less amounts utilized for				
Project expenditures (Statement 2)	(603,539.49)	(603,539.49)	(474,340.16)	(1,681,419.14)
ADB administration cos	(30,176.98)	(30,176.98)	(23,717.00)	(84,070.96)
Financial expense - bank charge:	(268.11)	(268.11)	(233.78)	(770.00)
UNTILIZED BALANCE	<u>505,620.03</u>	<u>610,751.35</u>	<u>471,831.99</u>	<u>1,588,203.37</u> ^{b/}
Less: Outstanding commitments				(192,057.53)
Reserve for ADB Administration Cost				<u>(9,602.88)</u> ^{c/}
UNCOMMITTED BALANCE				<u>1,386,542.96</u>

^{a/} Represents the sum of utilized and unutilized contributions expressed in US\$ equivalents.

^{b/} Represented by:

Cash in bank	<u>505,620.03</u>	<u>610,751.35</u>	<u>471,831.99</u>	<u>1,588,203.37</u>
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^{c/} Represents 5% of the outstanding commitments.

^{d/} Negative balance in interest income is due to the excess amount returned to US Government.

ASIAN DEVELOPMENT BANK
Statement of TA Expenditures - Cooperation Fund for Regional Trade and Financial Security Initiative
As of 30 June 2011
(Expressed in US dollars)

TA Title	TA No./Type ^{5/}	Date of Approval	TA Amount ^{1/}	Amount Received	Project Expenditures ^{2/}			Outstanding Commitments	Expected TA Completion Date	Completed TAs	
					Cumulative up to 31/12/10	Transactions 01/01-30/06/11	Cumulative up to 30/06/11			Unutilized Commitment (Savings)	Financial Completion Date
			(A)	(B)	(C)	(D)	(E) = (C) + (D)	(F) = (A) - (E)	(G)	(H) = (A) - (E)	(I)
INDONESIA											
Development of an Anti- Money Laundering Regime II	4550/AO	23-Dec-04	500,000.00		383,054.54	-	383,054.54			116,945.46	28-Feb-07
PHILIPPINES											
Strengthening the Anti-Money Laundering Regime (Phase II)	4601/AO	24-Jun-05	400,000.00		341,118.34	-	341,118.34			58,881.66	24-Apr-08
THAILAND											
Promoting Intl. Coop. on Anti-Money Laundering and Combating Financing of Terrorism	4597/AO	10-Jun-05	300,000.00		258,398.52	-	258,398.52			41,601.48	30-Nov-07
REGIONAL											
Aviation Safety Legislative & Regulatory Review	6259/REG	22-Sep-05	450,000.00		85,709.07	-	85,709.07			364,290.93	21-Dec-09
Support for CIQS Harmonization in the BIMP-EAGA	6408/REG	20-Aug-07	600,000.00		555,196.20	-	555,196.20			44,803.80	29-Oct-10
LAOS											
Enhancing Financial Sector Supervision	7500/CD	05-Feb-10	250,000.00		57,942.47	-	57,942.47	192,057.53	31-Dec-11		
Total Approved and Effective TAs			<u>2,500,000.00</u>	<u>3,125,675.00</u> ^{3/}	<u>1,681,419.14</u>	<u>-</u>	<u>1,681,419.14</u> ^{4/}	<u>192,057.53</u>		<u>626,523.33</u>	
				<i>AUD</i> 1,500,000.00							
	Australian Government			USD 1,125,675.00	560,607.70	42,931.79	603,539.49				
	US Government			USD 1,000,000.00	431,408.43	42,931.73	474,340.16				
	Government of Japan			USD 1,000,000.00	560,607.70	42,931.79	603,539.49				
Total					<u>3,125,675.00</u> ^{3/}	<u>1,552,623.83</u>	<u>128,795.31</u>	<u>1,681,419.14</u>			

^{1/} US\$ equivalent of TA Grant at the time of TA approval.

^{2/} Actual disbursements.

^{3/} Represents the actual US\$ equivalent of contributions received.

^{4/} Disbursements were allocated equally among the three donors, except for disbursements under TA4597/THA, which are being shared by Japan and Australia or

^{5/} TA Types: AO= Advisory; REG = Regional; CD= Capacity Development



FATF Public Statement - 24 June 2011

24 June 2011 - The Financial Action Task Force (FATF) is the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from ML/FT risks and to encourage greater compliance with the AML/CFT standards, the FATF identified jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdictions subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdictions*.

Iran

Democratic People's Republic of Korea (DPRK)

Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies** The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below.

Bolivia

Cuba**

Ethiopia

Kenya

Myanmar

Sri Lanka

Syria

Turkey

* The FATF has previously issued public statements calling for counter-measures on Iran and DPRK. Those statements are updated below.

**Cuba has not engaged with the FATF in the process.

Iran

The FATF remains concerned by Iran's failure to meaningfully address the on-going and substantial deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime. The FATF remains particularly concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system. The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalising terrorist financing and effectively implementing suspicious transaction reporting (STR) requirements.

The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF reaffirms its 25 February 2009 call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. FATF continues to urge jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices and to take into account ML/FT risks when considering requests by Iranian financial institutions to open

branches and subsidiaries in their jurisdiction. If Iran fails to take concrete steps to improve its AML/CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in October 2011.

Democratic People's Republic of Korea (DPRK)

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threat this poses to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies.

The FATF calls on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from the DPRK. Jurisdictions should also protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and take into account ML/FT risks when considering requests by DPRK financial institutions to open branches and subsidiaries in their jurisdiction.

The FATF remains prepared to engage directly in assisting the DPRK to address its AML/CFT deficiencies, including through the FATF Secretariat.

Cuba

Cuba has not committed to the AML/CFT international standards, nor has it constructively engaged with the FATF. The FATF has identified Cuba as having strategic AML/CFT deficiencies that pose a risk to the international financial system. The FATF urges Cuba to develop an AML/CFT regime in line with international standards, and is ready to work with the Cuban authorities to this end.

Bolivia

Despite Bolivia's high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies, Bolivia has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Bolivia should work on addressing these deficiencies including by: (1) ensuring adequate criminalisation of money laundering (Recommendation 1); (2) adequately criminalising terrorist financing (Special Recommendation II); (3) establishing and implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III); and (4) establishing a fully operational and effective Financial Intelligence Unit (Recommendation 26). The FATF encourages Bolivia to address its remaining deficiencies and continue the process of implementing its action plan, including by continuing to work on its AML/CFT legislation.

Ethiopia

Despite Ethiopia's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, Ethiopia has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Ethiopia should work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing an adequate legal framework and procedures to identify and freeze terrorist assets (Special Recommendation III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (4) raising awareness of AML/CFT issues within the law enforcement community (Recommendation 27); and (5) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements (Recommendation 17). The FATF encourages Ethiopia to address its remaining deficiencies and continue the process of implementing its action plan.

Kenya

Despite Kenya's high-level political commitment to work with the FATF and ESAAMLG to address its

strategic AML/CFT deficiencies, Kenya has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Kenya should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (3) establishing and implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III); (4) raising awareness of AML/CFT issues within the law enforcement community (Recommendation 27); and (5) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements (Recommendation 17). The FATF encourages Kenya to address its remaining deficiencies and continue the process of implementing its action plan, including by implementing the AML legislation and operationalising the new AML Advisory Board.

Myanmar

Myanmar has taken steps towards improving its AML/CFT regime, including by clarifying the scope of the ML offence. Despite Myanmar's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Myanmar has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Myanmar should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) further strengthening the extradition framework in relation to terrorist financing (Recommendation 35 and Special Recommendation I); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (5) enhancing financial transparency (Recommendation 4); and (6) strengthening customer due diligence measures (Recommendation 5). The FATF encourages Myanmar to address its remaining deficiencies and continue the process of implementing its action plan.

Sri Lanka

Despite Sri Lanka's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Sri Lanka has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Sri Lanka should work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); and (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III). The FATF encourages Sri Lanka to address its remaining deficiencies and continue the process of implementing its action plan, including by continuing to work on its AML/CFT legislation.

Syria

Syria has taken steps towards improving its AML/CFT regime, including by improving the ML and TF offences. Despite Syria's high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Syria should work on addressing its deficiencies, including by: (1) adopting adequate measures to implement and enforce the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I); (2) implementing adequate procedures for identifying and freezing terrorist assets (Special Recommendation III); (3) ensuring financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML and FT (Recommendation 13 and Special Recommendation IV); and (4) ensuring appropriate laws and procedures are in place to provide mutual legal assistance (Recommendations 36-38, Special Recommendation V). The FATF encourages Syria to address its remaining deficiencies and continue the process of implementing its action plan.

Turkey

Turkey has taken steps towards improving its AML/CFT regime, including by working on CFT legislation. Despite Turkey's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, Turkey has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Turkey should work on addressing these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation

II); and (2) implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III). The FATF encourages Turkey to address its remaining deficiencies and continue the process of implementing its action plan.

Also available:

*Déclaration publique du GAFI - 24 juin 2011 (French)

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Improving Global AML/CFT Compliance: on-going process - 24 June 2011

24 June 2011 - As part of its on-going review of compliance with the AML/CFT standards, the FATF has to date identified the following jurisdictions which have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF welcomes these commitments.

A large number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an on-going basis, that pose a risk to the international financial system. The FATF has additionally begun initial reviews of a number of other jurisdictions as part of this process and will present its findings later this year.

The FATF and the FSRBs will continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans and encourages its members to consider the information presented below.

Angola

In February 2010, Angola made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since then, Angola has taken steps towards improving its AML/CFT regime, including by establishing a legal framework for the FIU. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Angola should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (3) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets (Special Recommendation III). The FATF encourages Angola to address its remaining deficiencies and continue the process of implementing its action plan.

Antigua and Barbuda

In February 2010, Antigua and Barbuda made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. Antigua and Barbuda should continue to work on implementing its action plan to address these deficiencies, including by: (1) implementing an adequate legal framework for identifying and freezing terrorist assets (Special Recommendation III); and (2) continuing to improve the overall supervisory framework (Recommendation 23). The FATF encourages Antigua and Barbuda to address its remaining deficiencies and continue the process of implementing its action plan.

Argentina

In June 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Argentina has taken steps towards improving its AML/CFT regime, including by enacting amendments to its AML legislation on 17 June. Based on the initial analysis of the recent legal amendments, the FATF expressed some specific concerns that there are still shortcomings in the criminalisation of money laundering and further clarification is required. The FATF

has determined that strategic AML/CFT deficiencies remain. Argentina will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures for the confiscation of funds related to money laundering and identifying and freezing terrorist assets (Recommendation 3 and Special Recommendation III); (3) enhancing financial transparency (Recommendation 4); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit and improving suspicious transaction reporting requirements (Recommendation 13, Special Recommendation IV, and Recommendation 26); (5) implementing an adequate AML/CFT supervisory programme for all financial sectors (Recommendations 17, 23 and 29); (6) improving and broadening CDD measures (Recommendation 5); and (7) establishing appropriate channels for international cooperation and ensuring effective implementation (Recommendation 36, Recommendation 40 and Special Recommendation V). The FATF encourages Argentina to address its remaining deficiencies without delay and continue the process of implementing its action plan.

Bangladesh

In October 2010, Bangladesh made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Bangladesh should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (5) improving suspicious transaction reporting requirements (Recommendation 13 and Special Recommendation IV); and (6) improving international cooperation (Recommendations 36 and 39 and Special Recommendation V). The FATF encourages Bangladesh to address its remaining deficiencies and continue the process of implementing its action plan.

Brunei Darussalam

In June 2011, Brunei Darussalam made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Brunei Darussalam has taken steps towards improving its AML/CFT regime. However, the FATF has determined that strategic AML/CFT deficiencies remain. Brunei Darussalam will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) establishing and implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) improving suspicious transaction reporting requirements (Recommendation 13 and Special Recommendation IV); (5) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (6) enacting and implementing appropriate mutual legal assistance legislation (Recommendation 36 and Special Recommendation V). The FATF encourages Brunei Darussalam to address its remaining deficiencies and continue the process of implementing its action plan.

Cambodia

In June 2011, Cambodia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Cambodia has taken steps towards improving its AML/CFT regime. However, the FATF has determined that strategic AML/CFT deficiencies remain. Cambodia will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) establishing and implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (5) establishing and implementing effective controls for cross-border cash transactions (Special Recommendation IX). The FATF encourages Cambodia to address its remaining deficiencies and

continue the process of implementing its action plan.

Ecuador

In June 2010, Ecuador made a high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. Ecuador should continue to work on implementing its action plan to address these deficiencies, including by: (1) ensuring adequate criminalisation of terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); and (4) reinforcing and improving coordination of financial sector supervision (Recommendation 23). The FATF encourages Ecuador to address its remaining deficiencies and continue the process of implementing its action plan.

Ghana

In October 2010, Ghana made a high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies. However, the FATF has determined that strategic AML/CFT deficiencies remain. Ghana should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate measures for the confiscation of funds related to money laundering (Recommendation 3); (3) establishing effective CDD measures (Recommendation 5); (4) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (5) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III). The FATF encourages Ghana to address its remaining deficiencies and continue the process of implementing its action plan.

Honduras

In October 2010, Honduras made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. The FATF has determined that strategic AML/CFT deficiencies remain. Honduras should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (3) improving and broadening CDD measures (Recommendation 5). The FATF encourages Honduras to address its remaining deficiencies and continue the process of implementing its action plan.

Indonesia

In February 2010, Indonesia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since February, Indonesia has taken steps towards improving its AML/CFT regime, including by issuing circulars to financial institutions in accordance with its AML law. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Indonesia should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); and (3) amending and implementing laws or other instruments to fully implement the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I). The FATF encourages Indonesia to address its remaining deficiencies and continue the process of implementing its action plan.

Mongolia

In June 2011, Mongolia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Mongolia has taken steps towards improving its AML/CFT regime. However, the FATF has determined that strategic AML/CFT deficiencies remain. Mongolia will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze

terrorist assets (Special Recommendation III); (3) establishing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (4) establishing suspicious transaction reporting requirements (Recommendation 13 and Special Recommendation IV); (5) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (6) demonstrating effective regulation of money service providers. The FATF encourages Mongolia to address its remaining deficiencies and continue the process of implementing its action plan.

Morocco

In February 2010, Morocco made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since February, Morocco has demonstrated progress in improving its AML/CFT regime, including by adopting amendments to extend the scope of the money laundering and terrorist financing offences; to broaden customer due diligence requirements and taking steps to operationalise the FIU. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Morocco should continue to work on implementing its action plan to address these deficiencies, including by adequately criminalising terrorist financing (Special Recommendation II).

Namibia

In June 2011, Namibia made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. Namibia has taken steps towards improving its AML/CFT regime. However, the FATF has determined that strategic AML/CFT deficiencies remain. Namibia will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing an adequate AML/CFT supervisory programme with sufficient powers (Recommendation 23 and 29); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit, in particular addressing the operational autonomy of the FIU (Recommendation 26); (5) implementing effective, proportionate and dissuasive sanctions in order to deal with non-compliance with the national AML/CFT requirements (Recommendation 17); and (6) implementing the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I). The FATF encourages Namibia to address its remaining deficiencies and continue the process of implementing its action plan.

Nepal

In February 2010, Nepal made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since then, Nepal has taken steps towards improving its AML/CFT regime, including by passing legislation aimed at addressing deficiencies with regard to criminalisation of money laundering and terrorist financing, and confiscation and provisional measures and by ratifying the TF and Palermo Conventions. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Nepal should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); and (4) enacting and implementing appropriate mutual legal assistance legislation (Recommendation 36). The FATF encourages Nepal to address its remaining deficiencies and continue the process of implementing its action plan.

Nicaragua

In June 2011, Nicaragua made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Nicaragua has taken steps towards improving its AML/CFT regime. However, the FATF has determined that strategic AML/CFT deficiencies remain. Nicaragua will work on implementing its action plan to address these deficiencies, including by: (1) establishing effective CDD measures and record-keeping requirements, in particular entities not currently regulated by the supervisory authority (Recommendation 5 and Recommendation 10); (2) establishing adequate STR reporting obligations for ML and FT (Recommendation 13 and Special Recommendation IV); (3)

implementing an adequate AML/CFT supervisory programme for all financial sectors (Recommendation 23); (4) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (5) establishing adequate procedures for identifying and freezing terrorist assets (Special Recommendation III); The FATF encourages Nicaragua to address its remaining deficiencies and continue the process of implementing its action plan.

Nigeria

In February 2010, Nigeria made a high-level political commitment to work with the FATF and GIABA to address its strategic AML/CFT deficiencies. Since then, Nigeria has taken steps towards improving its AML/CFT regime, including by enacting legislation to criminalise TF and ML. The FATF has not yet assessed this law due to its very recent nature. The FATF will assess this legislation, and, in any case, Nigeria should work on addressing its deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) ensuring that relevant laws or regulations address deficiencies in customer due diligence requirements and that they apply to all financial institutions (Recommendation 5); and (4) demonstrating that AML/CFT supervision is undertaken effectively across the financial sector (Recommendation 23). The FATF encourages Nigeria to address its remaining deficiencies and continue the process of implementing its action plan.

Pakistan

In June 2010, Pakistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. The FATF is particularly concerned with the lack of implementation regarding Pakistan's terrorist financing offence and calls upon Pakistan to demonstrate specific action. Pakistan should continue to work on implementing its action plan to address these deficiencies, including by (1) demonstrating adequate criminalisation of money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) demonstrating adequate procedures to identify, freeze and confiscate terrorist assets (Special Recommendation III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (4) demonstrating effective regulation of money service providers, including an appropriate sanctions regime, and increasing the range of ML/FT preventive measures for these services (Special Recommendation VI); and (5) improving and implementing effective controls for cross-border cash transactions (Special Recommendation IX). The FATF encourages Pakistan to address its remaining deficiencies and continue the process of implementing its action plan.

Paraguay

In February 2010, Paraguay made a high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies. Since February, Paraguay has taken steps towards improving its AML/CFT regime, including issuing regulations prohibiting anonymous accounts. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Paraguay should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing adequate procedures to identify, freeze and confiscate terrorist assets (Special Recommendation III). The FATF encourages Paraguay to address this remaining deficiency and continue the process of implementing its action plan.

Philippines

In October 2010, the Philippines made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since February, Philippines has taken steps towards improving its AML/CFT regime, including by conducting outreach with regard to the AML regulations. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. The Philippines should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) implementing adequate procedures to identify and freeze terrorist assets and confiscate funds related to money laundering (Special Recommendation III and Recommendation 3); (3) enhancing financial transparency (Recommendation 4); (4) extending coverage of reporting

entities (Recommendations 12 and 16). The FATF encourages the Philippines to address its remaining deficiencies and continue the process of implementing its action plan.

Sudan

In February 2010, Sudan made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. Sudan should continue to work on implementing its action plan to address these deficiencies, including by: (1) implementing adequate procedures for identifying and freezing terrorist assets (Special Recommendation III); (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (3) ensuring financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML and FT (Recommendation 13 and Special Recommendation IV); and (4) implementing a supervisory programme for the regulators to ensure compliance with the provisions of the new law and regulations (Recommendation 23). The FATF encourages Sudan to address its remaining deficiencies and continue the process of implementing its action plan.

Tajikistan

In June 2011, Tajikistan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. Tajikistan has taken steps towards improving its AML/CFT regime. However, the FATF has determined that strategic AML/CFT deficiencies remain. Tajikistan will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures for the confiscation of funds related to money laundering and identifying and freezing terrorist assets (Recommendation 3 and Special Recommendation III); (3) enhancing financial transparency (Recommendation 4); (4) ensuring a fully operational, and effectively functioning Financial Intelligence Unit and improving suspicious transaction reporting requirements (Recommendation 13, Special Recommendation IV, and Recommendation 26); and (5) improving and broadening CDD measures (Recommendation 5). The FATF encourages Tajikistan to address its remaining deficiencies and continue the process of implementing its action plan.

Tanzania

In October 2010, Tanzania made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. Tanzania should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets as well as implementing the UNSCR 1267 and 1373 through law, regulations or other enforceable means (Special Recommendation III); (3) establishing effective CDD measures (Recommendation 5); (4) establishing adequate record-keeping requirements (Recommendation 10); (5) establishing a fully operational and effectively functioning national Financial Intelligence Unit (Recommendation 26); and (6) designating competent authorities to ensure compliance with AML/CFT requirements (Recommendation 23). The FATF encourages Tanzania to address its remaining deficiencies and continue the process of implementing its action plan.

Thailand

In February 2010, Thailand made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since February, Thailand has taken steps towards improving its AML/CFT regime, including by issuing ministerial regulations on cash threshold transactions. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Thailand should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); and (3) further strengthening AML/CFT supervision (Recommendation 23). The FATF encourages Thailand to address its remaining deficiencies and continue the process of

implementing its action plan.

Turkmenistan

In June 2010, Turkmenistan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. Since February, Turkmenistan has taken steps towards improving its AML/CFT regime, including by adequately criminalising money laundering and terrorist financing. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Turkmenistan should continue to work on implementing its action plan to address these deficiencies, including by: (1) implementing adequate procedures to identify and freeze terrorist assets without delay (Special Recommendation III); (2) ensuring a fully operational and effectively functioning FIU (Recommendation 26); (3) developing collaboration between the FIU and domestic counterparts, including supervisory authorities; and (4) strengthening international cooperation. The FATF encourages Turkmenistan to address its remaining deficiencies and continue the process of implementing its action plan.

Trinidad and Tobago

In February 2010, Trinidad and Tobago made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since February, Trinidad and Tobago has taken steps towards improving its AML/CFT regime, including by enacting FIU regulations and amendments to the Anti-Terrorism Act regarding freezing of terrorist assets. The FATF has not yet assessed this law due to its recent nature. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Trinidad and Tobago should continue to work on implementing its action plan to address these deficiencies, including by (1) implementing adequate procedures to identify and freeze terrorist assets without delay (Special Recommendation III); (2) implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); and (3) establishing a fully operational and effectively functioning FIU, including supervisory powers (Recommendation 26). The FATF encourages Trinidad and Tobago to address its remaining deficiencies and continue the process of implementing its action plan.

Ukraine

In February 2010, Ukraine made a high-level political commitment to work with the FATF and MONEYVAL to address its strategic AML/CFT deficiencies. Since that time, Ukraine has demonstrated progress in improving its AML/CFT regime, including by adopting legislation that aims to address issues relating to criminalisation of money laundering and terrorist financing and freezing of terrorist assets under UNSCR 1373. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

Venezuela

In October 2010, Venezuela made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic deficiencies remain. Venezuela should continue to work with the FATF and CFATF on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendations I and III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit, in particular addressing the operational autonomy of the FIU (Recommendation 26); (4) implementing adequate CDD guidelines for all sectors (Recommendation 5); and (5) establishing adequate STR reporting obligations for ML and FT (Recommendation 13 and Special Recommendation IV). The FATF encourages Venezuela to address its remaining deficiencies and continue the process of implementing its action plan.

Vietnam

In October 2010, Vietnam made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. Vietnam should continue to work with the FATF and APG on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering

and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) making legal persons subject to criminal liability in line with FATF Recommendation 2 or demonstrating that there is a constitutional prohibition to prevent this (4) improving the overall supervisory framework (Recommendation 23); (5) improving and broadening customer due diligence measures and reporting requirements (Recommendation 5, 13, and Special Recommendation IV); and (6) strengthening international cooperation (Recommendations 36, 40). The FATF encourages Vietnam to address its remaining deficiencies and continue the process of implementing its action plan.

Yemen

In February 2010, Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic deficiencies remain. Yemen should continue to work on implementing its action plan to address these deficiencies, including by: (1) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (2) issuing substantive guidance/instructions to reporting institutions with respect to their ML/FT obligations (Recommendation 25); (3) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the FIU, to ensure compliance by financial institutions with their STR obligations, especially in relation to FT (Recommendation 23); and (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26). The FATF encourages Yemen to address its remaining deficiencies and continue the process of implementing its action plan.

Zimbabwe

In June 2011, Zimbabwe made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. Zimbabwe has taken steps towards improving its AML/CFT regime. However, the FATF has determined that strategic AML/CFT deficiencies remain. Zimbabwe will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation I and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); (3) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (4) ensuring financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML and FT (Recommendation 13 and Special Recommendation IV); (5) enacting and implementing appropriate mutual legal assistance legislation (Special Recommendation V); and (6) implementing the 1999 International Convention for the Suppression of Financing of Terrorism (Special Recommendation I). The FATF encourages Zimbabwe to address its remaining deficiencies and continue the process of implementing its action plan.

Greece

The FATF welcomes Greece's significant progress in improving its AML/CFT regime and notes that Greece has met its commitments in its Action Plan regarding the strategic AML/CFT deficiencies that the FATF had identified in February 2010. Greece is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Greece will work with the FATF in further strengthening its AML/CFT regime.

Jurisdiction not making sufficient progress

The FATF is not yet satisfied that the following jurisdiction has made sufficient progress on its action plan agreed upon with the FATF. The most significant action plan items and/or the majority of the action plan items have not been addressed. If this jurisdiction does not take sufficient action to implement significant components of its action plan by October 2011, then the FATF will identify this jurisdiction as being out of compliance with its agreed action plans and will take the additional step of calling upon its members to consider the risks arising from the deficiencies associated with the jurisdiction.

São Tomé and Príncipe

Despite São Tomé and Príncipe's high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that São Tomé and Príncipe has made

sufficient progress in implementing its action plan, and certain strategic deficiencies remain. São Tomé and Príncipe should work on addressing these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); (3) ensuring that financial institutions and DNFBPs are subject to adequate AML/CFT regulation and supervision, and that a competent authority or competent authorities have been designated to ensure compliance with AML/CFT requirements (Recommendations 23, 24 and 29); (4) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements (Recommendation 17); and (5) taking the necessary action to gain membership of GIABA. The FATF encourages São Tomé and Príncipe to address its remaining deficiencies and continue the process of implementing its action plan.

Also available:

*Améliorer la conformité aux normes de LBC/ CFT dans le monde : Un processus permanent - 24 juin 2011 (French)

Related documents:

*Outcomes of the Joint Plenary meeting of the FATF and GAFISUD, Mexico City, 22-24 June 2011 (English)

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