Department of the Treasury
Financial Crimes Enforcement Network

Advisory

FIN-2012-A003

Issued: March 6, 2012

Subject: **Guidance to Financial Institutions Based on the Financial Action Task Force Publication on Anti-Money Laundering and Counter-Terrorist Financing Risks posed by Algeria; Angola; Antigua and Barbuda; Argentina; Bangladesh; Brunei Darussalam; Cambodia; Ecuador; Kyrgyzstan Mongolia; Morocco; Namibia; Nepal; Nicaragua; Philippines; Sudan; Tajikistan; Trinidad and Tobago; Turkmenistan; Venezuela; Vietnam; Yemen; and Zimbabwe; and; the substantial AML/CFT improvements in Honduras and Paraguay.**

The Financial Crimes Enforcement Network (FinCEN) is issuing this advisory to inform banks and other financial institutions operating in the United States of the money laundering and financing of terrorism (ML/FT) risks associated with jurisdictions identified by the Financial Action Task Force (FATF)[1] on February 16, 2012, as having strategic deficiencies in their anti-money laundering and counter-terrorist financing (AML/CFT) regimes, for which each jurisdiction has provided a high-level political commitment to address the strategic AML/CFT deficiencies.[2] This advisory also includes information on the substantial AML/CFT improvements made by Honduras and Paraguay and their subsequent removal from this FATF review process. Also, FinCEN is issuing a complementary advisory today, FIN-2012-A004,[3] which addresses a separate but related FATF document identifying jurisdictions with strategic AML/CFT deficiencies that have either not made sufficient progress, not provided a political commitment to address AML/CFT deficiencies, or are subject to FATF's call for countermeasures.

The FATF publication comes in response to the G-20 leaders' call for the FATF to reinvigorate its process for assessing countries' compliance with international AML/CFT standards and to

[1] The FATF is a 36-member inter-governmental policy-making body whose purpose is to establish international standards and develop and promote policies, both at national and international levels, to combat money laundering and terrorist financing. See www.fatf-gafi.org. The United States is a member of the FATF. See also, previous FATF statements of October 11, 2007; February 28, 2008; June 20, 2008; October 16, 2008; February 27, 2009; June 29, 2009; October 16, 2009; February 22, 2010; June 28, 2010; October 22, 2010, February 25, 2011, June 24, 2011, October 28, 2011, and February 16, 2012. All of FATF's public statements are available, at http://www.fatf-gafi.org/findDocument/0,3354,en_32250379_32236992_1_33632055_1_1_1,00.html.
[2] The FATF issued two documents: (i) a public statement, at http://www.fatf-gafi.org/document/18/0,3746,en_32250379_32236992_49694738_1_1_1_1,00.html; and (ii) a publication entitled " Improving Global AML/CFT Compliance: on-going process," at http://www.fatf-gafi.org/document/49/0,3746,en_32250379_32236992_49694961_1_1_1_1,00.html.
[3] http://www.fincen.gov/statutes_regs/guidance/html/FIN-2012-A004.html

publicly identify high-risk jurisdictions.[4] Also, in June and November 2010, the G-20 leaders called for FATF to issue regular updates on jurisdictions with strategic deficiencies.[5] The text highlights jurisdictions with strategic AML/CFT deficiencies, for which each jurisdiction has provided a high-level political commitment to address the strategic AML/CFT deficiencies. FATF explains its specific concerns regarding each of the jurisdictions and notes it will continue to monitor the implementation of each jurisdiction's action plan for addressing the deficiencies. On an ongoing basis, FATF will continue to update information on these and other jurisdictions that pose a risk to the international financial system.

Please note that the countries on this advisory have changed since FinCEN's Advisory, dated November 15, 2011. In particular, Ghana; Indonesia; Pakistan; Tanzania; and Thailand have been downgraded to the FATF Public Statement and, consequently, are referenced in the separate, but related, FinCEN advisory, FIN-2012-A0XX.[6] This advisory also includes FATF's update on the AML/CFT improvements in Honduras and Paraguay, which have been removed from the FATF monitoring process.

Improving Global AML/CFT Compliance: on-going process - 16 February 2012[7]

> As part of its on-going review of compliance with the AML/CFT standards,[8] 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.
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> 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.
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> 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

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[4] See "Declaration on Strengthening the Financial System: London Summit, April 2, 2009," at http://www.pittsburghsummit.gov/resources/125091.htm and "Leaders' Statement: The Pittsburgh Summit, September 24 - 25, 2009," at http://www.pittsburghsummit.gov/mediacenter/129639.htm.

[5] See "The G-20 Seoul Summit Leaders' Declaration, November 11-12, 2010," at http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf and "The G-20 Toronto Summit Declaration, June 26-27, 2010," at http://www.g20.org/Documents/g20_declaration_en.pdf.

[6] [insert before publication]

[7] The text makes reference to the relevant FSRBs with whom FATF will continue to work to address the deficiencies identified. These FSRBs include: Caribbean Financial Action Task Force (CFATF); the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); Financial Action Task Force of South America Against Money Laundering (GAFISUD); Asia/Pacific Group on Money Laundering (APG); Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); Middle East & North Africa Financial Action Task Force (MENAFATF); Eurasian group (EAG); and Intergovernmental Anti-Money Laundering Group in Africa (GIABA).

[8] While the FATF published the revised FATF Recommendations: "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation" on 16 February 2012, the FATF has reviewed the identified jurisdictions based on the FATF 40+9 Recommendations of 2003. Therefore, references to specific Recommendations or Special Recommendations (e.g. "R.1", "SR.II", etc.) in this document refer to the FATF 40+9 Recommendations of 2003.

timeframes. The FATF will closely monitor the implementation of these action plans and encourages its members to consider the information presented below.

Algeria

In October 2011, Algeria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since then, Algeria has taken steps towards improving its AML/CFT regime, including by enacting AML/CFT legislation. However, the FATF has not yet assessed this legislation due to its very recent nature. The FATF will assess this legislation, and, in any case, Algeria should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising terrorist financing (Special Recommendations I and II); (2) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets (Special Recommendation III), (3) improving and broadening CDD measures and ensuring that they apply to all financial institutions (Recommendation 5); (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit (FIU), in particular addressing the operational autonomy of the FIU and the authority of the FIU to request and access information (Recommendation 26); and (5) enacting and implementing appropriate mutual legal assistance legislation (Special Recommendation V). The FATF encourages Algeria to address its deficiencies and continue the process of implementing its action plan.

Angola

In June 2010, Angola made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since October 2011, Angola has taken steps towards improving its AML/CFT regime, including by enacting a new AML/CFT Law. 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) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26); and (3) establishing and implementing an adequate legal framework to identify and freeze terrorist assets without delay (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. Since October 2011, Antigua and Barbuda has taken steps towards improving its AML/CFT regime, including by finalising the methodology for its supervisory programme and making progress in the registration and regulation of

Co-operative Societies. However, 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 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. Since then, Argentina has taken steps towards improving its AML/CFT regime, including by enacting legislation that significantly improves Argentina's criminalisation of terrorist financing; and issuing FIU Resolutions enhancing CDD measures for the insurance, securities, and real estate sectors, and cooperatives and mutual associations. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Argentina should continue to work on implementing its action plan to address these deficiencies, including by: (1) addressing the remaining deficiencies with regard to the criminalisation of money laundering (Recommendation 1); (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) further enhancing the AML/CFT supervisory programme for all financial sectors (Recommendations 17, 23 and 29); (6) further improving and broadening CDD measures (Recommendation 5); and (7) establishing appropriate channels for international co-operation and ensuring effective implementation (Recommendation 36, Recommendation 40 and Special Recommendation V). The FATF encourages Argentina to address its remaining deficiencies 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. Since October 2011, Bangladesh has taken steps towards improving its AML/CFT regime, including by issuing the Money Laundering Prevention Ordinance, 2012; an Ordinance to amend the Anti Terrorism Act (ATA), 2009; and the Mutual Legal Assistance Ordinance Criminal Matters, 2012. In addition, Bangladesh has reframed its Voluntary Tax Compliance (VTC) Programme, by issuing a new Statutory Regulatory Order (SRO), which rescinded the previous VTC programme to address the FATF concerns expressed in the public statement in the Chairman's Summary following the October 2011 plenary meeting. 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); (6) improving international co-operation (Recommendation 36, Recommendation 39 and Special Recommendation V); and (7) issuing guidance to capital markets intermediaries to effectively extend the AML/CFT obligations, including with regard to the VTC program (Recommendation 5). 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. The FATF has determined that certain strategic AML/CFT deficiencies remain. Brunei Darussalam 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) 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. The FATF has determined that certain strategic AML/CFT deficiencies remain. Cambodia 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) 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.

Kyrgyzstan

In October 2011, Kyrgyzstan made a high-level political commitment to work with the FATF and EAG to address its strategic AML/CFT deficiencies. The FATF has determined that certain strategic AML/CFT deficiencies remain. Kyrgyzstan 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 an adequate legal framework for identifying, tracing and freezing terrorist assets (Special Recommendation III); (3) establishing and implementing adequate measures for the confiscation of funds related to money laundering (Recommendation 3); (4) establishing effective CDD measures for all financial institutions (Recommendation 5); and (5) implementing an adequate and effective AML/CFT supervisory programme for all financial sectors (Recommendation 23). The FATF encourages Kyrgyzstan to address its 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. Since October 2011, Mongolia has taken steps towards improving its AML/CFT regime, including by enhancing capacity building of the FIU and the supervisory authorities. However, the FATF has determined that strategic AML/CFT deficiencies remain. Mongolia 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) 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); and (5) 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 then, 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 Financial Intelligence Unit. 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, including by improving supervision of financial institutions for AML/CFT compliance and issuing a Central Bank Determination which allows for penalties. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Namibia 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); (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 (FIU), 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 and APG to address its strategic AML/CFT deficiencies. 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); (4) enacting and implementing appropriate mutual legal assistance legislation (Recommendation 36); (5) ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26) and (6) establishing adequate STR reporting obligations for ML and FT (Recommendation 13 and Special Recommendation IV). 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. Since then, Nicaragua has taken steps towards improving its AML/CFT regime, including by entering into force legislation to regulate the microfinance industry. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Nicaragua should continue to 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) ensuring 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.

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. Since October 2011, Sudan has taken steps towards improving its AML/CFT regime, including by introducing an inspection programme for banks. However, 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); and (3) ensuring an effective supervisory programme for AML/CFT compliance (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. Since October 2011, Tajikistan has taken steps towards improving its AML/CFT regime, including by addressing the concerns regarding its Voluntary Tax Compliance programme expressed by the FATF in February 2011 and by improving the functionality and operational independence of the FIU. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Tajikistan 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 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.

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 that time, Turkmenistan has demonstrated progress in improving its AML/CFT regime, including by adopting legislation to criminalising terrorist financing and money laundering, passing legislation to improve CDD measures, establishing a legal framework to freeze terrorist assets, and working to build up its Financial Intelligence Unit. 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.

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. 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); and (2) ensuring a fully operational and effectively functioning Financial Intelligence Unit, 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.

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. Since then, Venezuela has taken steps towards improving its AML/CFT regime, including by approving AML/CFT amendments. However, the FATF has determined that certain strategic deficiencies remain. Venezuela should continue to work on implementing its action plan to address the remaining strategic 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 (Recommendation 26); (4) implementing adequate CDD guidelines for all sectors (Recommendation 5); and (5) establishing adequate suspicious transaction reporting (STR) obligations for money laundering and financing of terrorism (Recommendation 13 and Special Recommendation IV). The FATF encourages Venezuela 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. The FATF has determined that strategic AML/CFT deficiencies remain. Zimbabwe should continue to 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 that financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to money laundering and the financing of terrorism (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.

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JURISDICTIONS BEING REMOVED FROM THE FATF MONITORING PROCESS

Honduras

The FATF welcomes Honduras' significant progress in improving its AML/CFT regime and notes that Honduras has largely met its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Honduras is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Honduras will work with CFATF as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report, and further strengthen its AML/CFT regime.

Paraguay

The FATF welcomes Paraguay's significant progress in improving its

AML/CFT regime and notes that Paraguay has largely met its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Paraguay is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Paraguay will work with GAFISUD as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report, particularly regarding further implementation of Special Recommendation VI and Special Recommendation IX.

Jurisdictions not making sufficient progress

The FATF is not yet satisfied that the following jurisdictions have made sufficient progress on their 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 these jurisdictions do not take sufficient action to implement significant components of their action plan by June 2012, then the FATF will identify these jurisdictions as being out of compliance with their 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.

Ecuador

Ecuador has taken steps to improve its AML/CFT regime, including by tabling draft amendments to its CFT legislation. Despite Ecuador's high-level political commitment to work with the FATF and GAFISUD to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Ecuador has made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. Ecuador should work with the FATF and GAFISUD 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 co-ordination of financial sector supervision (Recommendation 23). The FATF encourages Ecuador to address its remaining deficiencies and continue the process of implementing its action plan and encourages Ecuador to pass its recently tabled CFT legislation.

Philippines

The Philippines has made efforts to improve its AML/CFT system with two bills in the Senate on money laundering and terrorist financing certified urgent by the President which are awaiting passage. Despite the Philippines' high-level political commitment to work with the FATF and APG to address its strategic

AML/CFT deficiencies, the FATF is not yet satisfied that the Philippines has made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain. The Philippines should 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); and (4) extending coverage of reporting entities (Recommendation 12 and Recommendation 16). The FATF encourages the Philippines to address its remaining deficiencies and continue the process of implementing its action plan. In particular, the FATF strongly encourages the Philippines to enact the pending legislative amendments to its AML/CFT regime.

Vietnam

Vietnam has issued an enforceable Inter-Ministerial Circular in relation to money laundering. Despite Vietnam's high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Vietnam has made sufficient progress in implementing its action plan, and 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, Recommendation 13, and Special Recommendation IV); and (6) strengthening international co-operation (Recommendations 36, 40). The FATF encourages Vietnam to address its remaining deficiencies and continue the process of implementing its action plan.

Yemen

Despite Yemen's high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, the FATF is not yet satisfied that Yemen has made sufficient progress in implementing its action plan and certain strategic AML/CFT deficiencies remain. Yemen should work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalizing 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) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the Financial Intelligence Unit (FIU), to ensure compliance by financial institutions with their suspicious transaction reporting (STR) obligations, especially in relation to the financing of terrorism (Recommendation 23); and (4) ensuring a fully operational and effectively functioning FIU (Recommendation 26). The FATF encourages Yemen to address its remaining deficiencies and continue the process of implementing its action plan.

FinCEN Guidance

U.S. financial institutions should consider the risks associated with the AML/CFT deficiencies of jurisdictions in the FATF publication entitled, "Improving Global AML/CFT Compliance: update on-going process:" **Algeria; Angola; Antigua and Barbuda; Argentina; Bangladesh; Brunei Darussalam; Cambodia; Ecuador; Kyrgyzstan Mongolia; Morocco; Namibia; Nepal; Nicaragua; Philippines; Sudan; Tajikistan; Trinidad and Tobago; Turkmenistan; Venezuela; Vietnam; Yemen; and Zimbabwe.** With respect to these jurisdictions, U.S. financial institutions are reminded of their obligations to comply with the general due diligence obligations under 31 CFR § 1010.610(a).

As required under 31 CFR § 1010.610(a), covered financial institutions should ensure that their due diligence programs, which address correspondent accounts maintained for foreign financial institutions, include appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to detect and report known or suspected money laundering activity conducted through or involving any correspondent account established, maintained, administered, or managed in the United States.

Additionally, as required under 31 CFR § 1024.320, 31 CFR § 1025.320, 31 CFR § 1026.320, 31 CFR § 1020.320, 31 CFR § 1023.320, 31 CFR § 1022.320, 31 CFR § 1021.320, if a financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing, or other violation of federal law or regulation, the financial institution shall then file a Suspicious Activity Report.