



REPUBLIC OF KENYA  
FINANCIAL REPORTING CENTRE  
UAP OLD MUTUAL TOWERS, UPPER HILL, UPPER HILL ROAD  
PRIVATE BAG 00200, NAIROBI TEL: +254 709858000

## FINANCIAL REPORTING CENTRE CIRCULAR NO. 12 OF 2023

November 6, 2023

**TO: ALL CHIEF EXECUTIVES AND MONEY LAUNDERING REPORTING OFFICERS (MLROS) OF REPORTING INSTITUTIONS) DESIGNATED UNDER SECTION 2 OF THE PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING ACT (POCAMLA).**

Dear Sirs/Madams,

### **STATEMENT ON HIGH-RISK JURISDICTIONS AND JURISDICTIONS UNDER INCREASED MONITORING BY THE FINANCIAL ACTION TASK FORCE (FATF), OCTOBER 2023**

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#### **1. Background**

- 1.1. Section 45A of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) requires Reporting Institutions to apply enhanced customer due diligence on business relationships and transactions with any natural and legal persons, legal arrangements or financial institutions originating from countries identified as posing a higher risk of money laundering, terrorism financing or proliferation financing.
- 1.2. The purpose of this Circular is to guide Reporting Institutions (RIs), both financial institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs), designated under Section 2 of the POCAMLA as follows:
  - a) That the Financial Action Task Force (FATF), the global body which sets international standards aimed at combating money laundering and Terrorism Financing, continually identifies jurisdictions with weak measures to combat Money Laundering and Terrorist Financing (AML/CFT) in two FATF public statements.
  - b) That the public statements by the FATF are issued at the end of each FATF plenary meeting which are held three times a year in February, June and October. These statements provide

- a short summary of the recent actions taken in accordance with each jurisdiction's action plan, as well as a list of the strategic deficiencies remaining to be addressed; and
- c) That following the FATF meeting held from 25-27 October 2023, the FATF published statements on **Jurisdictions under Increased Monitoring** and on **High Risk Jurisdictions subject to a Call for Action**.

Below is a summary of the statements as issued by the FATF:

## 2. Jurisdictions under Increased Monitoring

These are jurisdictions identified by the FATF as having strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing and are actively working with the FATF and FATF-Style Regional Bodies (FSRBs) to address the identified deficiencies.

- 2.1. The FATF Plenary added **Bulgaria** to the list of jurisdictions subject to increased monitoring. Further, **Albania, Cayman Islands, Jordan and Panama** are no longer be subject to the FATF's increased monitoring process following their significant progress in addressing the strategic AML/CFT deficiencies previously identified during their mutual evaluations.
- 2.2. The FATF further published updated information on **Barbados, Bulgaria, Burkina Faso, Cameroon, Democratic Republic of Congo, Croatia, Gibraltar, Haiti, Jamaica, Mali, Mozambique, Nigeria, Philippines, Senegal, South Africa, South Sudan, Syria, Tanzania, Turkey, UAE, Uganda, Vietnam and Yemen** which are jurisdictions previously identified as having strategic deficiencies.
- 2.3. Reporting Institutions are advised to take note of the statement issued by the FATF in October 2023 which is available on the FATF's website and is accessible through the following link <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2023.html>.
- 2.4. The information in the statement should inform the measures taken by your institution when conducting business transactions with the persons from the identified jurisdictions.

## 3. High Risk Jurisdictions subject to a Call for Action

These are jurisdictions identified by the FATF as having strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation. The list of high risk jurisdictions is often referred to as the "black list".

- 3.1. For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and, in the most serious cases, to apply counter-measures to protect the international financial system from the money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the identified country.
- 3.2. In its public statement issued in October 2023, the FATF published information on the **Democratic People's Republic of Korea (DPRK)** and the **Iran**. The FATF's call to countries to apply countermeasures on Iran and Democratic People's Republic of Korea (DPRK) remains in effect. The FATF notes that the information published in the October 2023 statement remains unchanged since February 2020.
- 3.3. The FATF statement issued in September 2023 further identified **Myanmar** as a High Risk Jurisdiction and called upon members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction. Myanmar will remain on the list of countries subject to a call for action until its full action plan is completed as stated by the FATF.
- 3.4. Reporting Institutions are advised to take note of the statement issued by the FATF which is available on its website on <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2023.html> .
- 3.5. Additionally, with regards to the **Democratic People's Republic of Korea (DPRK)**, the FATF urges increased scrutiny on business relationships and transactions with the DPRK by Reporting Institutions, including DPRK companies, financial institutions, and those acting on their behalf. The FATF further urges on the application of effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council (UNSC) Resolutions, to mitigate the money laundering, financing of terrorism and Weapons of Mass Destruction (WMD) proliferation financing (ML/TF/PF) risks emanating from the DPRK; and further urges on the termination of correspondent relationships with DPRK financial institutions by Reporting Institutions where this is required by relevant UNSC Resolutions.
- 3.6. With regards to the **Iran**, given its failure to enact the Palermo and Terrorist Financing Conventions, the FATF urges the application of effective counter-measures by Reporting

Institutions to mitigate the ML/TF/PF risks emanating from business relationships and transactions with Iran.

3.7. Concerning **Myanmar**, the FATF urges the application of commensurate enhanced due diligence measures to customers seeking to enter into business relationships or conducting transactions with Reporting Institutions. Flows of funds for humanitarian assistance, legitimate activities of non-profit organisations and remittances are not to be disrupted by enhanced due diligence measures undertaken pursuant to the statement issued on Myanmar.

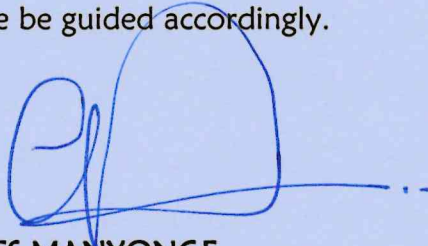
#### 4. Expectations following publication of the Guidance

4.1 Following issuance of the guidance, all Reporting Institutions are advised to implement appropriate measures with regards to the jurisdictions identified in this Circular, having regard to the FATF Statement on High-Risk Jurisdictions and Jurisdictions Under Increased Monitoring and in line with Section 45A of POCAMLA.

4.2 Additional information on the abovementioned statements is available at the FATF website: <http://www.fatf-gafi.org>.

Enquiries related to this circular should be channelled [compliance@frc.go.ke](mailto:compliance@frc.go.ke).

Please be guided accordingly.



**JAMES MANYONGE**  
**FOR: DIRECTOR-GENERAL, FINANCIAL REPORTING CENTRE (FRC)**