



CENTRALE BANK VAN ARUBA

March 24, 2016

To the Managements of all
designated non-financial service providers.

CMB/lcw/1.13/INT/4658

Subject: FATF statements dated February 19, 2016 / FATF/2016-1

Dear Management,

With due regard to the requirements set out in the State Ordinance for the Prevention and Combating of Money Laundering and Terrorist Financing (*Landsverordening voorkoming en bestrijding witwassen en terrorismefinanciering*, AB 2011, no. 28) (AML/CFT State Ordinance) the Centrale Bank van Aruba (CBA) urges the designated non-financial service providers, hereafter referred to as service providers, to take duly notice of the information contained in this letter and the required follow-up actions that need to be taken.

Pursuant to Article 11 of the AML/CFT State Ordinance, service providers must perform enhanced customer due diligence, if and when a business relationship or a transaction by its nature entails a higher risk of money laundering or terrorist financing. The enhanced customer due diligence shall be carried out both prior to the business relation or the transaction, as during the business relationship in any case with natural persons, legal persons, trusts, and comparable entities that originate from countries or jurisdictions which do not or insufficiently apply the internationally accepted standards for the prevention and combating of money laundering and terrorist financing.

Pursuant to Article 13, paragraph 1, subsection a, of the AML/CFT State Ordinance, service providers must pay special attention to business relationships and transactions with natural persons, legal persons, trusts, and comparable entities originating from countries or jurisdictions that do not or insufficiently comply with the internationally accepted AML/CFT standards.

According to Article 13, paragraph 2, of the AML/CFT State Ordinance if a service provider can reasonably suspect that, amongst others, a transaction with a natural person, legal person, trust or a comparable entity originating from a country or jurisdiction as meant in the first paragraph, does not have an apparent economic or legal purpose, it must investigate the background and the purpose of this transaction and record its findings in writing. These findings must be kept for at least ten years pursuant to Article 13, paragraph 3, of the AML/CFT State Ordinance.

Article 13 of the AML/CFT State Ordinance is related to Recommendation 21 of the Financial Action Task Force on Money Laundering (FATF)¹ which states:

“Financial institutions should give special attention to business relationships and transactions with persons, including companies and financial institutions, from countries which do not or insufficiently apply the FATF Recommendations. Whenever these transactions have no apparent economic or visible lawful purpose, their background and purpose should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities. Where such a country continues

¹ On February 16, 2012 the FATF published the revised FATF Recommendations which can be found on the website of FATF: www.fatf-gafi.org. However, the jurisdictions mentioned in the FATF Public Document and Compliance Document of October 19, 2012 have been reviewed based on the prior FATF Recommendations. Therefore, specific references made to the FATF Recommendations refer to the prior recommendations.

not to apply or insufficiently applies the FATF Recommendations, countries should be able to apply appropriate countermeasures”.

Please note that aforementioned FATF Recommendation 21 also applies to designated non-financial service providers (reference is made to FATF Recommendation 16).

By letter of November 6, 2015 (CMB/gcr/1.13/INT/4396) the CBA sent you a similar letter regarding the previous FATF Public Statement and FATF document titled “Improving Global AML/CFT Compliance: On-going Process” (hereafter: FATF Compliance Document), also requiring you to take certain follow-up actions.

The purpose of this letter is to draw your urgent attention to the FATF Public Statement dated February 19, 2016 (enclosure 1) and the FATF Compliance Document of February 19, 2016 (enclosure 2). It is important to take good notice of the category change applicable to some countries when comparing the FATF Public Statement and the FATF Compliance Document of October 23, 2015 with the FATF Public Statement and the FATF Compliance Document of February 19, 2016.

With regard to the FATF Public Statement note that the following country has been removed from the FATF Public Statement:

- Myanmar

Pursuant to its substantial progress in addressing its action plan agreed upon with the FATF, Myanmar is now identified in the FATF Compliance Document.

Furthermore, with regard to Iran the FATF Public Statement states that if Iran fails to take concrete steps to continue to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures against Iran in June 2016.

With regard to the FATF Compliance Document the following countries have been added:

- Myanmar
- Vanuatu

Also note that Algeria, Angola and Panama have been removed from this document and are no longer subject to FATF’s monitoring process under its on-going global AML/CFT compliance process, since these countries have established the legal and regulatory framework to meet the commitments in their action plans regarding the strategic deficiencies that the FATF had identified in the past.

The FATF Public Statement and the FATF Compliance Document of February 19, 2016 relate to FATF Recommendation 21 and articles 11 and 13 of the AML/CFT State Ordinance in that they identify countries that fall into the following three categories:

A. FATF Public Statement

Category One

Into this category fall **Iran** and the **Democratic People’s Republic of Korea (DPRK)**. The FATF reaffirms its call on its members and urges all jurisdictions to advise their financial institutions to give

special attention to business relationships and transactions with Iran and DPRK, including Iranian² and DPRK³ companies and financial institutions. In addition to enhanced scrutiny, the FATF 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 Iran and DPRK. FATF also urges and 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 and DPRK financial institutions to open branches and subsidiaries in their jurisdiction.

Furthermore, regarding Iran, due to the continuing terrorist financing threat emanating from Iran, jurisdictions should consider the steps already taken and possible additional safeguards or strengthening existing ones. Also, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in June 2016 if Iran fails to take concrete steps to continue to improve its CFT regime.

B. FATF Compliance Document

Category Two

Into this category fall **Afghanistan, Bosnia and Herzegovina, Iraq, Guyana, Lao PDR, Myanmar, Papua New Guinea, Syria, Uganda, Vanuatu and Yemen.**

The Compliance Document outlines the specific areas of weaknesses and requests member jurisdictions to consider the information in the document.

C. Required action

The purpose of this letter is to ensure that senior management of service providers is informed of these important issues and to request that it emphasizes the importance of this communication to its compliance officer and informs its management team of the risks associated with business involving these jurisdictions.

Furthermore, in the “Guidance Notes for the establishment of a policy document and accompanying CDD procedures to risk rate the existing customer base for the benefit of non-regulated financial service providers and designated non-financial service providers” (the Guidance Notes) issued by the CBA, a list is included containing factors that should be considered when assessing and evaluating the risk profile of a customer. The factors related to country risk mention, amongst others, that in assessing which jurisdictions may present a higher risk, objective data published by the FATF are relevant (section 3.2.3 of the Guidance Notes).

In addition, the CBA requires that service providers take the following specific actions with regard to the three categories of FATF listed countries:

Category One Action – the CBA requires service providers to:

² Please note that with regard to DPRK, the FATF reaffirms its February 25, 2011 call on its members and urges to advise their financial institutions to give special attention to business relationships and transactions with DPRK, including DPRK companies and financial institutions.

³ Please note that with regard to Iran, the FATF reaffirms its February 25, 2009 call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from ML/TF risks emanating from Iran.

- a) Conduct review of their client base on an ongoing basis to identify relationships or transactions with any connection to the Category One countries.
- b) Report such relationships or transactions to the CBA **immediately**.
- c) Any relationship or transaction found must be rated ultra high risk and may only be continued if the regulated entity is satisfied it can monitor and mitigate the risks associated with such business. If the regulated entity is not satisfied the relationship must be exited.
- d) Document its risk assessment and monitoring/mitigation strategy and have this document available should the CBA wish to evaluate it.
- e) Record the progress of compliance with this action (or otherwise) in the board minutes.

All service providers are required to strictly comply with aforementioned instructions. The CBA will verify during the supervisory examinations whether this is done. Note in this respect that non-compliance will be treated very seriously.

Category Two Action – the CBA requires service providers to:

- a) Review their client base to identify relationships or transactions with any connection to the Category Two countries by **April 30, 2016**.
- b) (Re-)Evaluate its risk assessment of the relationship taking this new and any other information held into account.
- c) Document its risk assessment and monitoring/mitigation strategy and have the document available should the CBA wish to evaluate it.
- d) Record the progress of compliance with this action (or otherwise) in the board minutes.

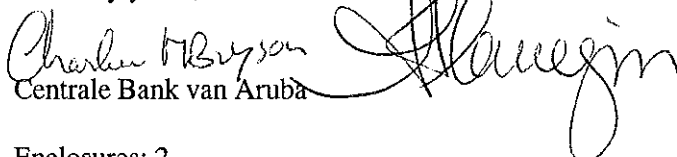
DEADLINE: Please conclude the review of your client base by **April 30, 2016**. It is **not** necessary to send the results of your findings to the CBA. However, supervisory examinations by the CBA are likely to check that the work has been carried out within the stipulated time-frame. Non-compliance will be treated seriously.

Service providers will obviously need to conduct enhanced due diligence where customers are rated ultra or high risk. Entities should also bear in mind that several of the listed jurisdictions are subject to sanctions measures, such as EU and UN Sanctions. Furthermore, entities should consider their obligations to report unusual transactions to the MOT.

Finally, as also mentioned in the previous letters of the CBA, please note that these letters relating to money laundering and terrorist financing matters, are numbered sequentially and also placed in a newly designated area titled “FATF” under the link “Supervision” on the CBA’s website www.cbaruba.org.

If you have any questions or comments regarding this letter, please contact Mrs. L. Buckley of the Integrity Supervision Department at telephone number (297) 5252-219 or by e-mail l.buckley@cbaruba.org.

Sincerely yours,


 Charles H. Buisson
 Centrale Bank van Aruba

Enclosures: 2



FATF Public Statement – 19 February 2016

Paris, 19 February 2016 - 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 money laundering and financing of terrorism (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/FT) risks emanating from the jurisdictions.

Iran

The FATF remains particularly and exceptionally 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 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. The 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. Due to the continuing terrorist financing threat emanating from Iran, jurisdictions should consider the steps already taken and possible additional safeguards or strengthen existing ones.

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 requirements. If Iran fails to take concrete steps to continue to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in June 2016.

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 reaffirms its 25 February 2011 call 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.



Improving Global AML/CFT Compliance: on-going process – 19 February 2016

Paris, 19 February 2016 - 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 and the FATF-style regional bodies (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.

Jurisdictions with strategic deficiencies

[Afghanistan](#)
[Bosnia and Herzegovina](#)
[Guyana](#)
[Iraq](#)
[Lao PDR](#)
[Myanmar](#)
[Papua New Guinea](#)
[Syria](#)
[Uganda](#)

Jurisdictions no longer subject to the FATF's on-going global AML/CFT compliance process

[Algeria](#)
[Angola](#)
[Panama](#)

Afghanistan

In June 2012, Afghanistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since October 2015, Afghanistan has taken steps towards improving its AML/CFT regime, including by issuing amended cross-border declaration regulations for the physical transportation of cash and bearer negotiable instruments. However, the FATF has determined that certain strategic deficiencies remain. Afghanistan should continue to implement its action plan, including by: (1) further implementing its legal framework for identifying, tracing and freezing terrorist assets; (2) implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors; and (3) implementing effective controls for cross-border cash transactions. The FATF encourages Afghanistan to address its remaining deficiencies and continue the process of implementing its action plan.

Bosnia and Herzegovina

In June 2015, Bosnia and Herzegovina made a high-level political commitment to work with the FATF and MONEYVAL to address its strategic AML/CFT deficiencies. However, the FATF has determined that certain strategic deficiencies remain. Bosnia and Herzegovina should continue to implement its action plan to address these deficiencies, including by: (1) harmonising criminalisation of terrorist financing in all criminal codes; (2) establishing and implementing an adequate legal framework for freezing terrorist assets under UNSCR 1373; (3) implementing an adequate supervisory framework; (4) implementing adequate AML/CFT measures for the non-profit sector; (5) establishing and implementing adequate cross-border currency controls; (6) harmonising criminalisation of money laundering in all criminal codes; and (7) ensuring adequate procedures for the confiscation of assets. The FATF encourages Bosnia and Herzegovina to address its AML/CFT deficiencies by implementing its action plan.

Guyana

In October 2014, Guyana made a high-level political commitment to work with the FATF and CFATF to address its strategic AML/CFT deficiencies. Since October 2015, Guyana has taken steps towards improving its AML/CFT regime, including by enacting further amendments to the AML/CFT Act and AML/CFT Regulations, and issuing FIU guidelines on targeted financial sanctions. However, the FATF has determined that certain strategic deficiencies remain. Guyana should continue to implement its action plan, including by ensuring and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets. The FATF encourages Guyana to address its remaining deficiencies and continue the process of implementing its action plan.

Iraq

In October 2013, Iraq made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since October 2015, Iraq has taken steps towards improving its AML/CFT regime, including by gazetting a new AML/CFT law, which has now entered into force. However, the FATF has determined that certain strategic deficiencies remain. Iraq should continue to implement its action plan to address these deficiencies, including by: (1) addressing remaining issues related to its criminalisation of money laundering and terrorist financing; (2) establishing and implementing an adequate legal framework and appropriate procedures for identifying and freezing terrorist assets; (3) ensuring that all financial institutions are subject to adequate customer due diligence requirements; (4) ensuring that all financial institutions are subject to adequate suspicious transaction reporting requirements; (5) ensuring a fully operational and effectively functioning financial intelligence unit; and (6) establishing and implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors. The FATF encourages Iraq to address its remaining AML/CFT deficiencies and continue the process of implementing its action plan.

Lao PDR

In June 2013, Lao PDR made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since October 2015, Lao PDR has taken steps towards improving its AML/CFT regime, including by issuing a Prime Minister's Order on the freezing of terrorist assets, STR guidance for reporting entities, and regulations on preventive measures and financial sector supervision. However, the FATF has determined that certain strategic deficiencies remain. Lao PDR should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures for the confiscation of assets related to money laundering; (3) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (4) implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors; and (5) implementing effective controls for cross-border currency transactions. The FATF encourages Lao PDR to address its AML/CFT deficiencies and continue the process of implementing its action plan.

Myanmar

Since February 2010, when Myanmar made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Myanmar has substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) strengthening the extradition framework in relation to terrorist financing; (4) ensuring a fully operational and effectively functioning Financial Intelligence Unit; (5) enhancing financial transparency; and (6) strengthening customer due diligence measures. 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.

Papua New Guinea

Since February 2014, when Papua New Guinea made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Papua New Guinea has substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing adequate procedures for the confiscation of assets related to money laundering; (3) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (4) establishing a fully operational and effectively functioning financial intelligence unit; (5) establishing suspicious transaction reporting requirements; (6) implementing an adequate AML/CFT supervisory and oversight programme for all financial sectors; and (7) establishing effective controls for cross-border currency transactions. 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.

Syria

Since February 2010, when Syria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Syria had substantially addressed its action plan at a technical level, including by criminalising terrorist financing and establishing procedures for freezing terrorist assets. While the FATF determined that Syria has completed its action plan agreed upon with the FATF, due to the security situation, the FATF has been unable to conduct an on-site visit to assess whether the process of implementing the required reforms and actions is underway. The FATF will continue to monitor the situation, and will conduct an on-site visit at the earliest possible date.

Uganda

In February 2014, Uganda made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. Since October 2015, Uganda has taken steps towards improving its AML/CFT regime, including by amending the Financial Institutions Act to make the financial intelligence unit the central agency for receiving STRs, issuing and implementing regulations for the freezing of terrorist assets, issuing AML regulations for implementation of AML requirements, and issuing AML/CFT inspection manuals for financial sector supervisors. However, the FATF has determined that strategic deficiencies remain. Uganda should therefore continue to work on addressing the following deficiencies: (1) implementing an adequate legal framework and set of procedures for identifying and freezing terrorist assets; (2) ensuring that all financial institutions are subject to adequate record-keeping requirements; (3) establishing a fully operational and effectively functioning financial intelligence unit; (4) ensuring an adequate and effective AML/CFT supervisory and oversight programme for all financial sectors; and (5) ensuring that appropriate laws and procedures are in place with regard to international co-operation for the financial intelligence unit and supervisory authorities. The FATF encourages Uganda to address its remaining AML/CFT deficiencies, including adequately criminalising terrorist financing, and continue the process of implementing its action plan.

Vanuatu

In February 2016, Vanuatu made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Vanuatu will work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing and implementing adequate procedures for the confiscation of assets related to money laundering; (3) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets and other UNSCR sanctions; (4) ensuring a fully operational and effectively functioning financial intelligence unit; (5) strengthening preventive measures, including for wire transfers; (6) establishing transparency for the financial sector, and for legal persons and arrangements; (7) implementing an adequate AML/CFT supervisory and oversight programme for the whole financial sector and trust and company service providers; and (8) establishing appropriate channels for international co-operation and domestic coordination policies and actions on identified risks and ensuring effective implementation.

Yemen

Since February 2010, when Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Yemen has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Yemen had substantially addressed its action plan at a technical level, including by adequately criminalising money laundering and terrorist financing; establishing procedures to identify and freeze terrorist assets; improving its customer due diligence and suspicious transaction reporting requirements; issuing guidance; developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and establishing a fully operational and effectively functioning FIU. While the FATF determined that Yemen has completed its action plan agreed upon with the FATF, due to the security situation, the FATF has been unable to conduct an on-site visit to assess whether the process of implementing the required reforms and actions is underway. The FATF will continue to monitor the situation, and conduct an on-site visit at the earliest possible date.

Jurisdictions no Longer Subject to the FATF's On-Going Global AML/CFT Compliance Process

Algeria

The FATF welcomes Algeria's significant progress in improving its AML/CFT regime and notes that Algeria has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2011. Algeria is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Algeria will work with MENAFATF as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Angola

The FATF welcomes Angola's significant progress in improving its AML/CFT regime and notes that Angola has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2010 and February 2013. Angola is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Angola will work with ESAAMLG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Panama

The FATF welcomes Panama's significant progress in improving its AML/CFT regime and notes that Panama has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2014. Panama is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Panama will work with GAFILAT as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.