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RISK & COMPLIANCE JOURNAL

## Anti-Money-Laundering Watchdog Puts More Pressure on Iran

Financial Action Task Force also adds Iceland, Mongolia and Zimbabwe to 'graylist' of monitored jurisdictions



The Financial Action Task Force is giving Iran until February to implement certain measures. PHOTO: CHARLES PLATIAU/REUTERS

*By Mengqi Sun*

October 18, 2019

A global anti-money-laundering watchdog is increasing pressure on Iran to meet its standards while giving the country more time to do so.

The Financial Action Task Force, a Paris-based intergovernmental body that sets standards for anti-money-laundering and counterterrorism financing rules, also added three other countries to its list of jurisdictions considered to have deficiencies in their anti-money-laundering regimes. The countries—Iceland, Mongolia and Zimbabwe—are subject to FATF monitoring.

The international body on Friday extended until February a deadline for Iran to implement certain measures or face further restrictions. The earlier deadline was June 2019.

## • Integrated Third-Party Reporting Gains Traction

**Outsourcing customers are beginning to demand the more inclusive and flexible third-party assurance report known as System and Organization Control 2+ (SOC 2+). This integrated approach to examinations and reporting can benefit outsourcing service providers as well, but it will take additional effort for these vendors and partners to become proficient in SOC 2+ processes.**

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Iran in recent years has passed legislation to address money-laundering and terrorist-financing issues, but bills ratifying treaties related to combating these problems haven't come into force, the FATF said. The watchdog added that it considers only fully enacted legislation when reviewing a country's efforts.

The FATF this week put more pressure on Iran by asking countries to introduce enhanced processes for reporting financial transactions concerning the country. It also called for other countries to step up audit requirements for financial institutions that have branches or subsidiaries in Iran.

The international body warned that if Iran doesn't meet its standards by February, it will put back in place further restrictions on the country that are currently suspended. Further restrictions could make it more costly and difficult for Iran to do business with the banking systems of other FATF member states.

Representatives at the Iranian mission to the United Nations didn't respond to a request for comment.

"For more than three years, Iran has repeated empty promises to the international community to stop financing terrorism and fix its corrupt and opaque financial system," Marshall Billingslea, an assistant U.S. Treasury secretary for terrorist financing and financial crimes, said in a statement Friday. "The Financial Action Task Force has determined that enough is enough."

The FATF said that Iceland, Mongolia and Zimbabwe, now on its list of monitored jurisdictions, referred to as the "graylist," have provided a high-level political commitment and have developed action plans to address the deficiencies.

The watchdog kept Pakistan on the graylist, saying it lacked progress in completing an action plan to address what the FATF considered deficiencies related to counterterrorism financing.

Ethiopia, Sri Lanka and Tunisia, meanwhile, were removed from the list.

The FATF said it has reviewed more than 80 countries and publicly identified 73 with deficiencies in their legal regimes. As of this month, 59 of the 73 countries have since made necessary overhauls and have been removed from the list, it said.

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### **Corrections & Amplifications**

The Financial Action Task Force added Iceland, Mongolia and Zimbabwe to its list of countries that are subject to monitoring, referred to as the “graylist.” An earlier version of this article incorrectly said the countries were added to the FATF’s blacklist. (Oct. 21, 2019)

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