

National Stock Exchange Of India Limited**Department : Inspection**

Download Ref No: NSE/INSP/42711

Date : November 22, 2019

Circular Ref. No: 41/2019

To All Members,

Sub: FATF statements dated October 18, 2019

SEBI vide its communication dated November 20, 2019 has informed the Exchange about the public statement dated October 18, 2019 released by the Financial Action Task Force (FATF) as part of the on-going efforts to identify and work with jurisdictions with strategic AML/CFT deficiencies with regard to:

- a) Jurisdictions subject to a call for counter-measures: Democratic People's Republic of Korea (DPRK)
- b) Jurisdictions subject to a call for enhanced due diligence measures: Iran

The said FATF public statement is also available at the below mentioned URL:

<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-october-2019.html>

The FATF public statement is also enclosed as **Annexure-1**.

FATF has also published a public document on October 18, 2019 "Improving Global AML/CFT Compliance: On-going Process".

The said FATF public document is also available at the below mentioned URL:

<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-october-2019.html>

The FATF public statement is also enclosed as **Annexure-2**.

Specific attention is brought to extract from Public Statement on Iran as follows:

"The FATF decided in June 2019 to call upon its members and urge all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. In line with the June 2019 Public Statement, the FATF decided this week to call upon its members and urge all jurisdictions to introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

If before February 2020, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, then the FATF will fully lift the suspension of counter-measures

and call on its members and urge all jurisdictions to apply effective counter-measures, in line with recommendation 19.

The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence with respect to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19, including: (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination."

Similarly, on DPRK, the FATF Public Statement states that:

"FATF has serious concerns with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

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, financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions."

All Members are advised that it does not preclude regulated entities from legitimate trade and business transactions with these countries and jurisdictions.

Members are advised to take note of the above and ensure compliance with the same.

Further, all Members are required to submit a written confirmation on their letterhead (format attached as **Annexure-3**) duly signed by their Managing Director / Compliance Officer confirming that the actions required are taken and complied with. The same may include:

- 1) By carrying out appropriate due- diligence on existing clients.
- 2) Making sure that appropriate alert mechanisms have been put in place to identify the business relationships and transactions with the said jurisdictions.
- 3) Any other measures which the Stock Exchanges and Depositories may advise their members / participants, and which are necessary to effectively implement the action required as mentioned in Annexure-3.

The scanned copy of the aforesaid confirmation (Annexure-3) should be emailed at report_mem@nse.co.in on or before 26th November 2019.

Instructions for filling up Annexure –3 are as follows:

1. Do not change/tamper the format. Format should be exactly as provided.

2. It should be mailed in word format to the mail id: report_mem@nse.co.in. Mail header/Subject format and File naming convention should be XXXXXFATFInformation, where XXXXX refers to member code.

All members are advised to take note of the same.

For and on behalf of

National Stock Exchange of India Limited

Manish Sharma

Senior Manager-Inspection

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