

**ANTI-MONEY LAUNDERING/COUNTER FINANCING OF TERRORISM /COUNTER
PROLIFERATION FINANCING IN FOCUS**

Part Twenty-One:

**An In-depth Look at the Financial Action Task Force (FATF) Forty Recommendations-
Recommendation 19: Higher Risk Countries**

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A country can be deemed to be high risk through the following means: (i) a credible source such as a mutual evaluation identifies a weak AML/CFT system, (ii) the country is subjected to embargos or sanctions, (iii) through credible sources the country is identified as having high levels of corruption, (iv) the country has been identified as providing funding or support for terrorist activities.

Recommendation 19 requires that financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs), referred to in Saint Lucian Legislation as 'other business activities', apply enhanced customer due diligence measures to business relationships and transactions from these higher risk countries. In using the risk based approach the enhanced due diligence techniques applied should be proportionate to the risks identified.

Financial Institutions and DNFBPs can employ enhanced customer due diligence techniques such as obtaining additional information on the customer, updating identification data on a frequent basis, getting additional information on the nature of the business that the client intends to pursue and obtaining information on the source of funds and wealth. Approval should also be sought from senior management before commencing or continuing a business relationship.

Countries should be in a position to apply countermeasures to mitigate its exposure to higher risks jurisdictions when called upon to do so by the Financial Action Task Force. However, countermeasures can also be instituted independently by countries. These measures may include refusing the establishment of subsidiaries or branches from higher risk countries, prohibiting financial institutions and DNFBPs from starting branches and subsidiaries in the country with the inadequate AML/CFT regime and requiring financial institutions to review, amend or terminate correspondent banking relationships with financial institutions in the country concerned.

Section 16(1)(h) of the Money Laundering (Prevention) Act of the Revised Laws of Saint Lucia mandates financial institutions and persons engaged in other business activities, to "develop and apply policies and procedures to address specific risks associated with non-face-to-face business relationships or countries that do not apply the Financial Action Task Force Recommendations".

The merits of this Recommendation will be tested during the on-site visit by the assessors from the Caribbean Financial Action Task Force (CFATF) from September 16-27, 2019. They will seek to ascertain whether the laws of the country are sufficient in prohibiting business relationship with higher risk countries.

More detailed information on Recommendation 19 can be sourced from the CFATF website at <https://www.cfatf-gafic.org>.