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**HM Treasury Advisory Notice: Money Laundering and Terrorist Financing Controls in High-Risk  
Third Countries**

*Of particular interest to: UK Firms*

**In brief**

The HM Treasury published an updated advisory notice 22 January 2024, in response to the Financial Action Task Force's ("FATFs") publications of the updated Jurisdictions under Increased Monitoring list and High-Risk Jurisdictions subject to a Call for Action list in October 2023. The advisory notice 'Money Laundering and Terrorist Financing Controls in High Risk Third Countries' outlined changes made by the Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) Regulations 2024, which came into force 23 January 2024. The statutory instrument amended the definition of High Risk Third Countries ("HRTCs") and removed Schedule 3ZA containing the UK's list of HRTCs.

**Summary**

Regulation 33(1)(b) of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the MLRs), requires regulated businesses to apply enhanced due diligence measures and enhanced ongoing monitoring in business relationships with a person established in a HRTCs or where any relevant transaction where either party in the transaction was established in a HRTC. A HRTC was previously defined as countries listed in Schedule 3ZA of the MLRs, which government policy expresses should align with the FATF's 'Jurisdictions Under Increased Monitoring' and 'High-Risk Jurisdictions subject to a Call for Action'.

To closer align regulation with the FATF jurisdictions lists, the statutory instrument now defines a HRTC as:

"a country named on either of the following lists published by the Financial Action Task Force as they have effect from time to time:

- i. High-Risk Jurisdictions subject to a Call for Action;
- ii. Jurisdictions under Increased Monitoring".

Due to the removal of Schedule 3ZA, regulated businesses are now be obliged to refer directly to these lists published by the FATF. These jurisdictions lists are updated 3 times a year on the last day of each FATF Plenary meeting, which is held every February, June and October. The FATF's most recent update to its list of jurisdictions was published on 27 October 2023. A link to the FATF's events calendar and jurisdictions lists can be found below within the useful links section.

Though changes have been made through the statutory instrument, no additional countries have come into scope of the former the Schedule 3ZA and are now in scope of enhanced due obligations, as Schedule 3ZA mirrored the FATF Jurisdiction lists.

The MLRs, under regulation 33(3A) clarifies the steps regulated businesses should take in order to meet their obligations. The updated advisory notice highlighted the level of enhanced customer due diligence and enhanced ongoing monitoring should be proportionate to the risk profile of the client, and re-confirmed that this will differ between customers and institutions depending on other risk factors present. The advisory notice also stated that regulated businesses should consider factors such as the specific shortcomings mentioned by the FATF, the risk typologies most relevant to the jurisdiction in question and should refer to their sector-specific guidance approved by HM Treasury, for further advice on meeting their obligations under regulation 33.

Reference is made to regulation 33(1)(b) and 20(3) of MLRs under the advisory notice, which taken together creates the requirement for UK regulated businesses to ensure any of their branches or subsidiaries based in countries listed by the FATF apply measures equivalent to the enhanced customer due diligence measures set out in regulation 33(3A). Such branches or subsidiaries would be required to implement these measures where they based in the UK. As expressed by the updated advisory notice, regulated business should therefore ensure to keep updated with publications of the FATF to ensure the appropriate measures are applied proportionately, in order to meet their obligations under the MLRs.

### **Useful Links**

[Money Laundering Advisory Notice - High Risk Third Countries.pdf \(publishing.service.gov.uk\)](#)

[Jurisdictions under Increased Monitoring - 27 October 2023 \(fatf-gafi.org\)](#)

[High-Risk Jurisdictions subject to a Call for Action - October 2023 \(fatf-gafi.org\)](#)

[Events \(fatf-gafi.org\)](#)

[The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017 \(legislation.gov.uk\)](#)

[The Money Laundering and Terrorist Financing \(High-Risk Countries\) \(Amendment\) Regulations 2024 \(legislation.gov.uk\)](#)

[Money Laundering Advisory Notice - High Risk Third Countries.pdf \(publishing.service.gov.uk\)](#)

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