

INTERPRETIVE NOTE TO RECOMMENDATION 19 (HIGHER-RISK COUNTRIES)

1. The enhanced due diligence measures that could be undertaken by financial institutions include those measures set out in paragraph 20 of the Interpretive Note to Recommendation 10, and any other measures that have a similar effect in mitigating risks.
2. Examples of the countermeasures that could be undertaken by countries include the following, and any other measures that have a similar effect in mitigating risks:
 - (a) Requiring financial institutions to apply specific elements of enhanced due diligence.
 - (b) Introducing enhanced relevant reporting mechanisms or systematic reporting of financial transactions.
 - (c) Refusing the establishment of subsidiaries or branches or representative offices of financial institutions from the country concerned, or otherwise taking into account the fact that the relevant financial institution is from a country that does not have adequate AML/CFT systems.
 - (d) Prohibiting financial institutions from establishing branches or representative offices in the country concerned, or otherwise taking into account the fact that the relevant branch or representative office would be in a country that does not have adequate AML/CFT systems.
 - (e) Limiting business relationships or financial transactions with the identified country or persons in that country.
 - (f) Prohibiting financial institutions from relying on third parties located in the country concerned to conduct elements of the CDD process.
 - (g) Requiring financial institutions to review and amend, or if necessary terminate, correspondent relationships with financial institutions in the country concerned.
 - (h) Requiring increased supervisory examination and/or external audit requirements for branches and subsidiaries of financial institutions based in the country concerned.
 - (i) Requiring increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in the country concerned.

There should be effective measures in place to ensure that financial institutions are advised of concerns about weaknesses in the AML/CFT systems of other countries