Republic of Nauru

ANTI-MONEY LAUNDERING AND TARGETED FINANCIAL SANCTIONS (HIGH RISK COUNTRIES) GUIDLINE 2023



Financial Intelligence Unit

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The Anti-Money Laundering and Targeted Financial Sanctions (High Risk Countries) Guideline 2023 was published on 4 October 2023.

Revision Date	Published
20 February 2024	20 March 2024
20 February 2026	23 February 2026
03 November 2026	04 November 2026

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ANTI-MONEY LAUNDERING AND TARGETED FINANCIAL SANCTIONS (HIGH RISK COUNTRIES) GUIDELINE 2023

1. Legislative Requirement for High Risk Countries

This guideline is issued in accordance with *Sections 43(7)* and *85(k)* of the *Anti-Money Laundering Targeted Financial Sanctions Act 2023* (Act) which domesticates the Financial Action Task Force (FATF) Standards.

2. Objectives this Guideline

(1) The objectives of the guideline are:

(a) to bring to the attention of reporting entities, the countries identified by the Financial Actions Task Force (FATF) as high-risk countries;

(b) to inform reporting entities of the requirement to apply enhanced customer due diligence (ECDD) to high risk countries; and

(c) to inform reporting entities of the counter measures to be applied to high risk countries.

3. Identification of High-Risk Countries

The FATF have identified the following countries as High-Risk Countries:

(a) Democratic People's Republic of Korea (DPRK) also referred as North Korea;

(b) Iran; and

(c) Myanmar.

4. Enhanced due diligence required where high risk countries are identified

(1) Reporting entities are required to conduct ECDD when dealing with countries listed in *Clause 3*.

(2) For ECDD requirements, refer to *Section 43* of the Act.

(3) Simplified due diligence shall not be undertaken where there is a suspicion of money laundering or terrorist financing or where higher-risk scenarios as may be prescribed apply – including where a customer or transaction deals with these high-risk countries.

[Subclause (3), am per FATF R;10.18, 20 Feb 2024]

5. Counter measures required where high risk countries are identified

Reporting entities are also required as part of ECDD to apply the counter measures provided below:

(a) Democratic People's Republic of Korea (DPRK) also referred as North Korea:

(i) Reporting entities are urged to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf.

(ii) Reporting entities are urged to apply all the prohibitions under the *Counter Terrorism and Transnational Organised Crime (Targeted Financial Sanctions) Regulations 2023* to business relationships or transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf.

(iii) Reporting entities are urged to terminate if any, correspondent relationships with DPRK banks, close any subsidiaries or branches of DPRK banks in their countries; and limit business relationships & financial transactions with DPRK persons.

(b) Iran:

(i) Reporting entities are urged to increased supervisory examination for branches and subsidiaries of financial institutions based in Iran.

(ii) Reporting entities are urged 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.

(iii) Reporting entities are urged to apply all the prohibitions under the *Counter Terrorism and Transnational Organised Crime (Targeted Financial Sanctions) Regulations 2023* to business relationships or transactions with Iran, including Iran companies, financial institutions, and those acting on their behalf.

(iv) Refusing the establishment of subsidiaries or branches or representative offices of financial institutions and virtual asset service providers from the country concerned or otherwise taking into account the fact that the relevant financial institution or virtual asset service provider is from a country that does not have adequate AML/CFT systems.

(v) Prohibiting financial institutions and virtual asset service providers 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.

(vi) On a risk basis, limiting business relationships or financial transactions, including virtual asset transactions, with the identified country or persons in the country concerned.

(vii) Prohibiting financial institutions and virtual asset service providers from establishing new correspondent relationships and requiring them to undertake a risk-based review of existing correspondent relationships with financial institutions and virtual asset service providers in the country concerned.

(c) Myanmar

(i) Reporting entities are urged to apply Enhanced Due Diligence measures to business relationships and transactions with Myanmar, including Myanmar companies, financial institutions, and those acting on their behalf propionate to the risk arising from Myanmar. Reporting Entities should increase the degree and nature of monitoring of the business relationship, in order to determine whether those transactions or activities appear unusual or suspicious.

(ii) When applying enhanced due diligence, countries should ensure that flows of funds for humanitarian assistance, legitimate NPO activity and remittances are neither disrupted nor discouraged. Especially in relation to earthquake relief efforts in Myanmar, the FATF recognises the importance of ensuring that implementation of its Recommendations does not adversely and disproportionately affect NPOs and further, does not unduly hinder civil society and the delivery of humanitarian assistance. The FATF will also continue to monitor whether Myanmar's AML/CFT activities apply undue scrutiny to legitimate financial flows.

The High-Risk Jurisdictions subject to a Call for Action is published on the FATF Website and can be accessed via the link below:

https://www.fatf-gafi.org/content/fatf-gafi/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-february-2026.html

6. Who to contact

For further information you may contact: Rajas Swamy – Financial Intelligence Supervisor: rajasswamy@gmail.com

