Policy Brief

FATF High-Risk Jurisdictions in Early 2025:

Persistent Deficiencies and Geopolitical Risks

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Executive Summary:

As of February 2025, the Financial Action Task Force (FATF), the global standard-setter for anti-money laundering and counter-terrorism financing (AML/CFT), has reaffirmed its identification of the Democratic People's Republic of Korea (DPRK), Iran, and Myanmar as jurisdictions subject to a call for action. These countries continue to pose severe risks to the international financial system due to strategic and systemic deficiencies in their AML/CFT and counter-proliferation financing (CPF) regimes. The FATF urges jurisdictions worldwide to impose enhanced due diligence measures—and, in some cases, countermeasures—against financial transactions involving these countries. This brief provides a detailed overview of the current status of each of the three FATF-designated high-risk jurisdictions, examines the implications for the global financial system, and offers recommendations for mitigating the associated risks.

Keywords

FATF, high-risk jurisdiction, AML/CFT, money laundering risks

FATF's Call for Action: Framework and Rationale

The FATF's most severe classification—"high-risk jurisdictions subject to a call for action"—signals a country's systemic and persistent failure to remedy strategic AML/CFT/CPF deficiencies, even after prolonged technical engagement, monitoring, and capacity-building support from the international community. Placement in this category—commonly referred to as the "blacklist"—is reserved for jurisdictions whose structural shortcomings pose material threats to the integrity of the global financial system and whose political commitment to reform is assessed as insufficient, inconsistent, or non-credible.

This designation operates as a coercive policy instrument with both direct and indirect effects. Directly, it triggers enhanced due diligence and, in the most severe cases, countermeasures by FATF members and observer organisations. These measures may include restrictions on correspondent banking, heightened scrutiny of transactions, limitations on business relationships, and, for some countries, de-risking practices by international financial institutions. Indirectly, the classification functions as a reputational sanction, significantly increasing the cost of compliance for entities dealing with the listed jurisdiction and often leading to reduced foreign investment, diminished access to global capital markets, and pressure from multilateral development banks.

At the same time, the designation serves a defensive mechanism to shield the international financial architecture from jurisdictions that facilitate money laundering, terrorist financing, and proliferation financing—whether through regulatory gaps, ineffective supervision, weak enforcement practices, or entrenched corruption. By signalling that a jurisdiction presents unacceptable systemic risk, FATF aims to prevent contagion effects and safeguard the resilience of legitimate financial flows.

Ultimately, the "call for action" category is designed to incentivise comprehensive legal, institutional, and operational reforms, ranging from overhauling supervisory frameworks and strengthening FIU capacities to improving law-enforcement effectiveness and ensuring the independence and resourcing of competent authorities. While the process is cooperative and iterative, the severity of the classification underscores that meaningful progress requires demonstrable political will, structural changes, and sustained implementation—not merely drafting legislation or issuing policy statements.

As of February 2025, the list of countries under a call for action remains unchanged from the October 2024 update: DPRK, Iran, and Myanmar.

1. Democratic People's Republic of Korea (DPRK)

Status and Concerns	The DPRK has been under a FATF call for action since 2011. The FATF expresses "serious concerns" about the DPRK's continued failure to address fundamental AML/CFT deficiencies and its active involvement in illicit financial activities to support the proliferation of weapons of mass destruction (WMDs). FATF also reiterates the importance of full implementation of United Nations Security Council Resolutions (UNSCRs) targeting North Korean proliferation financing.
Risks and Impacts	The DPRK is believed to use complex international networks of front companies and cyber-enabled methods (including cryptocurrency thefts and ransomware attacks) to circumvent sanctions and fund its nuclear program. Despite international sanctions, these illicit financial channels continue to present a significant threat to the international financial system.
Policy Responses	Governments are urged to apply comprehensive countermeasures, such as limiting business relationships and imposing transaction bans. Enhanced vigilance regarding shell companies and virtual assets linked to DPRK is crucial. Continued monitoring and collaboration with the UN and private sector actors is essential for disruption efforts.

2. Iran

Status and Concerns	Iran has remained on the FATF blacklist since February 2020 following the expiration of its action plan. Iran has failed to ratify the Palermo and Terrorist Financing Conventions—two key international instruments for effective AML/CFT compliance. The FATF notes limited cooperation and a lack of political will to fully align with international AML/CFT standards.
Risks and Impacts	Iran remains a high-risk jurisdiction for terrorism financing, particularly concerning its alleged support for designated groups operating in the Middle East. The Iranian financial system lacks transparency, especially in the context of state-owned enterprises and charitable foundations (bonyads), which may facilitate misuse of funds.
Policy Responses	The FATF recommends enhanced due diligence for all transactions involving Iran. Jurisdictions are encouraged to implement countermeasures, such as greater scrutiny of cross-border financial flows and correspondent banking limitations.

3. Myanmar

Status and Concerns	Myanmar was added to the call for action list in October 2022 following the FATF's assessment of the country's deteriorating AML/CFT regime after the military coup of February 2021. The FATF has expressed concern about the lack of political commitment, institutional degradation, and increasing corruption under military rule.
Risks and Impacts	Myanmar's financial system is increasingly vulnerable to misuse by illicit networks, including drug trafficking syndicates and informal value transfer systems. There is minimal transparency, and regulatory oversight has been severely weakened.
Policy Responses	While the FATF has not called for full countermeasures, it urges jurisdictions to apply enhanced due diligence measures proportionate to the risk. Assistance to civil society organizations and regional financial intelligence units (FIUs) to track suspicious activities in Myanmar remains critical.

Implications for the International Financial System

Financial institutions globally face growing costs to comply with FATF requirements for high-risk jurisdictions. EDD obligations—such as identifying beneficial ownership, verifying source of funds, and performing ongoing monitoring—require significant human and technical resources.

Some financial institutions have chosen to exit relationships with clients in these countries altogether. While this reduces compliance exposure, it can also result in unintended consequences, such as limiting remittances, constraining humanitarian aid, and driving financial activity underground.

The classification of Iran and DPRK in particular is highly politicized. Measures against these countries intersect with broader diplomatic and security agendas, leading to challenges in coordinated enforcement and multilateral diplomacy.

There is growing evidence that illicit actors are shifting operations to less scrutinized jurisdictions or taking advantage of virtual asset service providers (VASPs) to evade restrictions—creating evolving threats for the FATF to address.

Strategic Recommendations

1. **Strengthen Capacity for Monitoring and Enforcement:** Jurisdictions must improve the operational capacity of their FIUs, financial supervisors, and border agencies. Technical support and peer learning can enhance this process.
2. **Support Risk-Based Implementation:** Governments and financial institutions should ensure that EDD and countermeasures are implemented proportionately to the specific risks involved. Overreach could harm legitimate financial activity, especially humanitarian transactions.
3. **Enhance Sanctions Compliance Coordination:** Financial regulators should work closely with international sanctions authorities (e.g., UN, EU, OFAC) to ensure consistent implementation of restrictions while safeguarding legal trade and civil society operations.
4. **Invest in Technology and Data Analytics:** New tools—including machine learning and network analysis—can help detect suspicious activity related to blacklisted jurisdictions, especially those operating through digital or offshore channels.
5. **Promote Political Engagement:** Despite entrenched governance challenges in DPRK, Iran, and Myanmar, international actors should continue diplomatic engagement, leveraging FATF compliance as an incentive for broader reform.

Conclusion

As of early 2025, the FATF continues to face daunting challenges in bringing high-risk jurisdictions into alignment with global AML/CFT norms. The designation of DPRK, Iran, and Myanmar as jurisdictions subject to a call for action reflects not only technical deficiencies but also deeper governance failures and geopolitical rifts. Financial institutions, regulators, and international partners must remain vigilant, adopt proportionate risk-based responses, and collaborate strategically to contain the global threat posed by illicit finance originating from these countries.

Further Reading

- High-Risk Jurisdictions subject to a Call for Action - 21 February 2025 (link)