

# FCC Corporate Guidelines – Country Risk

**Date:** 08-July-2021

**Subject:** Country risk matrix for financial crime

**Version:** 16

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## 1. INTRODUCTION

### 1.1 Purpose

The following Guidelines respond directly to the criteria for the **Country Risk Matrix**, as established in the *AML/CFT Policy* and the *Sanctions and Financial Countermeasures Policy* (the “*Sanctions Policy*”), and the key processes on country risk as defined in the *FCC Risk and Control Procedure*. This document describes the methodology for determining country risk and maintains as an appendix the updated **Country Risk Matrix**.

### 1.2 Scope

As noted in the *AML/CFT Policy*, the **Country Risk Matrix** must be adopted swiftly by the **Santander Obligated Entities** and incorporated into all applicable downstream models, platforms and dependent methodologies. See the *Customer Lifecycle Due Diligence Procedure* for further details on the role that the **Country Risk Matrix** maintains within the Group’s **customer lifecycle due diligence programme**.

Maintaining a uniform **Country Risk Matrix** within all **Santander Obligated Entities** is key to ensuring the application of a consistent and effective FCC programme across the Group. In exceptional cases, the **FCC Corporate Function** will consider divergences from the **Country Risk Matrix** by a **Santander Obligated Entity**, always following the protocol for **waivers** or **temporary dispensations** as defined in the *FCC Risk and Control Procedure*.

## 2. ASSESSMENT AND APPLICATION

### 2.1 FCC country risk

The **Country Risk Matrix** methodology considers the degree to which a country or territory is affected by **money laundering, terrorist financing, tax evasion, international sanctions programmes**, or related criminal activities by evaluating both the inherent financial crime related risk in the country and the quality of the AML/CFT and sanctions regulatory and supervisory regime.

To determine the extent to which a country or territory is affected by these risks, the following factors have been selected in line with the perspective of reputable national and international institutions, supervisory bodies and national and international non-governmental organisations:

- The effectiveness of AML/CFT systems
- Membership in the Financial Action Task Force (FATF)
- Inclusion in **international sanctions programmes** (UN, EU, United States and the United Kingdom)
- Terrorist activity, terrorist support and terrorist financing
- Serious criminal activity (drug trafficking, human trafficking, etc.)
- Corruption
- Legal compliance
- Tax haven status
- Presence of offshore financial centres

- Political-social stability

A number of international bodies publish lists and reports classifying countries and territories in accordance with these factors. Specifically, the lists published by the following official and/or internationally renowned institutions and organisations have been selected to determine the extent to which a country or territory is affected by the factors above:

- UN (Security Council)
- European Union (European Council and Commission)
- FATF
- Spain (Ministry of Finance and Public Administrations)
- United States (Departments of the Treasury, State and Commerce)
- United Kingdom (UK Office of Foreign Sanctions Implementation)
- International Monetary Fund
- World Bank
- Transparency International
- Freedom House
- Basel Institute on Governance

The lists published by these institutions and organisations and their incorporation into the **Country Risk Matrix** are further detailed in *Appendix II - Selected lists*.

The risk rating assigned to a country or territory is the product of a joint assessment of the scores that the country or territory obtains in each of the selected lists. The procedure for assessing these scores is described in *Appendix III - Assessment*.

## 2.2 Risk categories

Countries and territories are classified into one of the following three risk categories for general financial crime related risk:

- High risk (H)
- Medium risk (M)
- Low risk (L)

The high risk category includes those countries that have deficient FCC systems, are considered as tax havens or have a significant offshore financial sector, or score poorly in relation to terrorism, serious crime or corruption. Medium risk countries or territories have some associated financial crime risk but not at the same level as a high risk country, and low risk countries or territories are viewed to have low inherent financial crime risk and strong financial crime compliance and supervisory regimes.

In accordance with the *Sanctions Policy*, countries and territories may also be classified as **prohibited, highly restricted** or **restricted** according to **international sanctions programmes** and sanctions risk. Whereas the specific countries and territories that are designated as **prohibited, highly restricted or restricted** are governed by the *Sanctions Policy*, we include those designations here in the **Country Risk Matrix** for ease of reference.

- **Prohibited countries and territories** are defined in the *Sanctions Policy* as countries or territories subject to a comprehensive country or territory-wide embargo, including all persons and companies that are resident or domiciled in such territories.
- **Highly restricted countries and territories** are defined in the *Sanctions Policy* as countries or

territories subject to extensive sanctions but are not necessarily country or territory-wide. Factors considered here include whether or not the government is a comprehensively **sanctioned government**, the degree to which the government plays a role in the economy, and the overall size of the private sector that is not a **sanctions target**. Additional factors include whether or not there exists an extensive **international sanctions programme** specifically or largely focused on **Listed Persons** in the country or territory.

- **Restricted countries and territories** are defined in the *Sanctions Policy* as countries or territories subject to a narrow, targeted sanctions programme focused on a specific set of **Listed Persons** within the country or territory. Included here are countries or territories where components of the government may be a **sanctioned government**, or specific members or state owned or controlled entities of the government are **Listed Persons**, but where there remains a significantly large private economy not subject to sanctions. Critically, in some instances there may be activities within a **restricted country or territory** that are also subject to sanctions. Such activities are captured in Appendix V of the *Sanctions Policy*.

See *Section 2.4 Measures* of these Guidelines for more information on how such countries or territories are marked in the **Country Risk Matrix**.

Note that countries and territories designated as **prohibited or highly restricted** do not carry a corresponding country risk rating of high, medium or low, given that any customer, counterparty, intermediary, payment, transaction or other underlying activity associated with these countries or territories must be immediately stopped and evaluated given their classification as **sanctions targets**.

**Restricted countries and territories** carry a corresponding country risk rating of high, medium, or low to indicate how the **Santander Obligated Entities** should consider the risk of these countries independent of the relevant **international sanctions programme**. See *Section 2.4 Measures* for more information.

See the *Sanctions Policy* for additional information on the prohibited and permitted activities in **prohibited, highly restricted and restricted countries and territories**.

### 2.3 FCC Country Risk Matrix

Once the countries or territories have been assigned a risk category, they are included on the **FCC Corporate Function's Country Risk Matrix** with the corresponding risk rating (see *Appendix I - FCC Country Risk Matrix*).

This list mainly features the countries or territories that have a code assigned by the International Organization for Standardization (ISO 3166).

### 2.4 Measures

Countries and territories may be subject to the following measures, depending on their risk category:

- **OFF**: countries or territories that are considered tax havens or have a significant offshore financial sector, are flagged as **OFF** ("Offshore"). Downstream controls, for example the consideration of tax havens or offshore financial centres as a **red flag** or risk factor in **customer, counterparty or transaction due diligence**, or **transaction monitoring**, will rely on countries and territories with this marking. See the *Customer Lifecycle Due Diligence Procedure* for further guidance.
- **EDD**: independent of the type of **customer**, product, transaction or underlying activity, when a country marked as "EDD" is involved, **enhanced due diligence** must be applied. These countries or territories are recognized for strategic deficiencies in their AML/CFT systems. See the *Customer Lifecycle Due Diligence Procedure* for further guidance.
- **ACT**: countries or territories that are marked as **ACT** ("activity") maintain specific sanctions or significant export/import restrictions on sectors or commercial activities. The **FCC Local Function** shall evaluate the sanctions and restrictions in accordance with Appendix V of the *Sanctions Policy* to ensure downstream systems appropriately respond to the risks (e.g. in **trade finance operations**).

- **RESTRICT:** refers to **restricted countries and territories** according to the *Sanctions Policy*. See Appendix V of the *Sanctions Policy* for further information on the measures to apply in these countries.
- **PROHIBITED:** refers to **prohibited countries and territories** according to the *Sanctions Policy*. See the *Sanctions Policy* for further information on the limited situations under which activity may be permitted with **FCC Corporate Function** approval.
- **HIGHLY RESTRICTED:** refers to **highly restricted countries and territories** according to the *Sanctions Policy*. See the *Sanctions Policy* for further information on the limited situations under which activity may be permitted.

## 2.5 Application

In line with FCC Corporate policies and procedures, the **Country Risk Matrix** must be applied swiftly by **Santander Obligated Entities** and incorporated into any downstream models, platforms or methodologies.

Deviations from the **Country Risk Matrix** – including increasing or decreasing the risk rating of a country or territory – shall follow the exceptions process as defined in the *FCC Risk and Control Procedure* for **waivers** and **temporary dispensations**.

## 3. GUIDELINES GOVERNANCE

These Guidelines are maintained by the **FCC Corporate Function** and updated periodically when changes in the underlying sources for the **Country Risk Matrix** indicate a given country's or territory's risk has changed between high, medium or low. Countries and territories that are marked as **prohibited, highly restricted or restricted** are governed according to the criteria established in the *Sanctions Policy* and any changes will be reflected here once approved by the relevant governance body.

On an exceptional basis, the **FCC Corporate Function** may assign a country risk level other than the one it should strictly maintain according to these Guidelines; such cases will contain a clear justification for doing so.

The **FCC Corporate Function** will review the list, sources and assessment (Appendices I, II and III) at a minimum annually, as well as whenever a relevant event occurs concerning a country or territory. "Relevant event" means, at least, any update in the lists flagged as "relevant" in *Appendix II - Selected lists*. Once such a relevant event occurs, the **FCC Corporate Function** will update the **Country Risk Matrix** and communicate it to the **FCC Local Functions** within 15 days.

## 4. TRACK CHANGES

Version	Owner	Function	Update date	Responsible	Approval	Date of approval	Next Review
1	Felipe Medina	AML/CTF function at corporate level	-	AML/CTF function at corporate level	Corporate AML/CTF Committee	15.04.16	01.11.16
2	Felipe Medina	AML/CTF function at corporate level	01.12.16	AML/CTF function at corporate level	Corporate AML/CTF Committee	15.12.16	01.12.17
2A	Felipe Medina	AML/CTF function at corporate level	11.07.17	AML/CTF function at corporate level	-	-	01.12.17
3	Felipe Medina	AML/CTF function at corporate level	13.09.17	AML/CTF function at corporate level	Corporate AML/CTF Committee	27.09.17	01.12.17
4	Felipe Medina	AML/CTF function at corporate level	10.11.17	AML/CTF function at corporate level	N/A	<a href="#">N/A[1]</a>	31.12.18

5	Felipe Medina	AML/CTF function at corporate level	08.06.18	AML/CTF function at corporate level	Corporate AML/CTF Committee	19.06.18	01.12.18
6	Felipe Medina	AML/CTF function at corporate level	04.12.18	AML/CTF function at corporate level	Corporate AML/CTF Committee	13.12.18	01.12.19
7	Carolina Garcés	Corporate FCC Function	26.02.19	Corporate FCC Function	Corporate AML/CTF Forum	27.03.19	01.12.19
8	Carolina Garcés	Corporate FCC Function	21.06.19	Corporate FCC Function	Corporate AML/CTF Forum	02.07.19	01.12.19
9	Carolina Garcés	Corporate FCC Function	29.10.19	Corporate FCC Function	-	-	01.12.19
10	Carolina Garcés	Corporate FCC Function	27.11.19	Corporate FCC Function	Corporate AML/CTF Forum	10.12.19	01.12.20
11	Carolina Garcés	Corporate FCC Function	24.02.20	Corporate FCC Function	-	-	01.12.20
12	Carolina Garcés	Corporate FCC Function	01.07.20	Corporate FCC Function	-	-	01.12.20
13	Carolina Garcés	Corporate FCC Function	22.10.20	Corporate FCC Function	-	-	11.11.20
14	J. Conway	Corporate FCC Function	11.11.20	Corporate FCC Function	FCC Framework & Policies	11.11.20	11.11.21
15	J. Conway	Corporate FCC Function	28.01.21	Corporate FCC Function	FCC Framework & Policies	28.01.21	11.11.21
16	J. Conway	Corporate FCC Function	05.07.21	Corporate FCC Function	FCC Framework & Policies	05.07.21	11.11.21

Version	Description of changes
1	Release of the guidelines
2	<ul style="list-style-type: none"> <li>- High risk countries list of the European Commission has been included.</li> <li>- Country risk categories updated: Benin from M2 to H2, Côte d'Ivoire H+1 to H2, Cyprus H2 to M2, Greece L2 to M2, Kiribati L2 to M2, Kuwait H2 to M2, Mali H1 to H2, Morocco H2 to M2, Myanmar R1 to H+1, Namibia M2 to L2, Papua New Guinea H1 to H2, Sri Lanka H2 to M2, Tonga L2 to M2, Turks and Caicos Islands (the) H2 to H1.</li> </ul>
2A	It has been reviewed concluding changes are not necessary
3	<ul style="list-style-type: none"> <li>- Country risk category updated: Venezuela from H+1 to R1, since several restricted activities were incorporated in Venezuela's sanctions program.</li> <li>Split of (i) Ukraine (<u>except</u> the Ukrainian territory of Crimea) as R1 and (ii) Ukraine (<u>just</u> the Ukrainian territory of Crimea) as P1, to best clarify sanctions program's scope.</li> </ul>
4	<ul style="list-style-type: none"> <li>- Country risk category updated: Albania from M2 to H2, Cabo Verde L2 to M2, Ethiopia H2 to H1, Greece M2 to L2, Kiribati M2 to H2, Macedonia M2 to H2, Malawi M2 to H2, Malta L2 to M2, Morocco M2 to H2, Qatar M2 to H2, Romania M2 to L2, Saint Kitts and Nevis H1 to M2, Senegal M2 to H2, South Africa L2 to M2, Sri Lanka M2 to H1, Suriname M2 to H2, Switzerland L2 to M2, Togo M2 to H2, Zambia M2 to H2.</li> <li>- EU list of non-cooperative jurisdictions for tax purposes has been included, affecting to: American Samoa from H2 to H1, Barbados L2 to H1, Guam H2 to H1, Korea (the Republic of) L2 to H1, Marshall Islands (the) M2 to H1, Mongolia M2 to H1, Namibia L2 to H1, Trinidad and Tobago M2 to H1, United Arab Emirates (the) H2 to H1.</li> <li>- The regular updating period changes from half-yearly to yearly.</li> <li>- Subsidiaries and units can decide the risk level of their own country/jurisdiction to be applied locally.</li> </ul>
5	<ul style="list-style-type: none"> <li>- Country risk category updated: Armenia from M2 to H2, Barbados H1 to M2, Korea (the Republic of) H1 to L2, Marshall Islands (the) H1 to M2, Mongolia H1 to M2, Timor-Leste H2 to M2, United Arab Emirates (the) H1 to H2.</li> </ul>
6	<ul style="list-style-type: none"> <li>- Country risk category updated: Botswana from L2 to H1, Bulgaria M2 to L2, Cabo Verde M2 to L2, Estonia L2 to M2, Ghana M2 to H1, Kuwait M2 to H2, Latvia L2 to M2, Luxembourg L2 to M2, Macedonia H2 to M2, Maldives M2 to H+, Mali H2 to H+, Namibia H1 to L2, Nicaragua H1 to H+, Senegal H2 to M2, Suriname H2 to M2, Tonga M2 to L2, Turkey M2 to H2.</li> </ul>

	<ul style="list-style-type: none"> <li>- Implementation IV Directive of the European Union regarding AML-CTF. Enhanced Due Diligence measures will be conducted regarding the customer established (natural persons that reside and legal entities that reside or are incorporated) in countries with strategic FCC deficiencies. Currently, Afghanistan, Bosnia and Herzegovina, Ethiopia, Guyana, Iraq, Lao People's Democratic Republic (the), Pakistan, Sri Lanka, Trinidad and Tobago, Tunisia, Uganda, Vanuatu, Yemen.</li> </ul>
<b>7</b>	<ul style="list-style-type: none"> <li>- Replaced the concept AML/CTF with Financial Crime Compliance (FCC).</li> <li>- Articulated zero risk appetite to Sanctions breaches within Santander Group.</li> <li>- Removal of: (i) High Risk + category (H+), transferring those countries to Restricted category (R), and (ii) country groups 1 and 2.</li> <li>- Authorization from FFCC required to increase or downgrade a country risk, which must be justified mostly by regulatory or normative reasons.</li> <li>- Prohibited countries. (i) Mandatory approval by FFCC of relationships whose UBOs are linked (25% or less) to prohibited countries. (ii) Local Units can no longer authorize payments related to prohibited countries without prior approval by FFCC.</li> <li>- Obligation of: (i) Performing enhanced due diligence for Restricted (R) countries and approval to on-board customers domiciled in a Restricted country by senior management in the first senior and second line, (ii) generating monthly metrics concerning Prohibited (P) and Restricted (R) categories and (iii) taking into account tax haven or offshore territories when establishing commercial relations with financial institutions resident or incorporated in those countries.</li> <li>- Addition of flags to easily identify countries under restrictions related to activities (ACT), subject to enhanced due diligence (EDD) and considered tax havens or offshore territories (OFF).</li> <li>- Country risk category updated. Barbados M to H, Estonia M to H, Eritrea H+ to H, Hungary L to M, Israel L to M, Latvia M to H, Marshall Islands (the) M to H, Oman M to H. All H+ countries moved to R.</li> <li>- The FFCC will update the FCC country risk list and communicate it to the local FCC units in 15 days maximum when lists in "Appendix II - Selected lists" flagged as "Relevant" are updated.</li> </ul>
<b>8</b>	<ul style="list-style-type: none"> <li>- Country risk category updated: Maldives from R to H: Sanctions programme cancelled.</li> <li>- Change in methodology: Countries in "grey list" of EU List of Tax Havens must be classified, at least, as Medium Risk: Australia from L to M, Cabo Verde L to M, Namibia L to M. Barbados moves from "black" list to "grey" list: H to M.</li> </ul>
<b>9</b>	<ul style="list-style-type: none"> <li>- Country risk category updated according to changes in Relevant lists (FATF - Risk countries, EU - list of tax havens) following section 3.1 Approval and updating: Iceland from L to H, Marshall Islands (the) H (OFF) to M, Mongolia M to H, United Arab Emirates (the) H (OFF) to H.</li> </ul>
<b>10</b>	<ul style="list-style-type: none"> <li>- Country risk category updated: Macedonia (the former Yugoslav Republic of) from M to H.</li> </ul>
<b>11</b>	<ul style="list-style-type: none"> <li>- Country risk category updated according to changes in Relevant lists (FATF - Risk countries) following section 3.1 Approval and updating: Barbados from M to H.</li> </ul>
<b>12</b>	<ul style="list-style-type: none"> <li>- Country risk category updated according to changes in Relevant lists (FATF - High-risk countries, EU - ML/TF High-risk 3<sup>rd</sup> countries, EU - Tax havens black list) following section 3.1 Approval and updating: Bahamas (the) from H (OFF) to H (EDD-OFF), Barbados H to H (EDD), Botswana H to H (EDD), Cambodia H to H (EDD), Ethiopia H (EDD) to H, Ghana H to H (EDD), Guyana H (EDD) to H, Jamaica H to H (EDD), Lao People's Democratic Republic (the) H (EDD) to H, Mauritius H (OFF) to H (EDD-OFF), Mongolia H to H (EDD), Panama H (OFF) to H (EDD-OFF), Sri Lanka H (EDD) to H.</li> </ul>
<b>13</b>	<ul style="list-style-type: none"> <li>- Country risk category updated according to changes in Relevant lists (EU - Tax havens black list) following section 3.1 Approval and updating: Barbados from H (EDD) to H (EDD-OFF), Oman H (OFF) to M.</li> </ul>
<b>14</b>	<ul style="list-style-type: none"> <li>- Modified to align with new criteria on "Country Risk Matrix" within the AML/CFT and Sanctions policies and related procedures. Adopts concept of "highly restricted" countries and eliminates automatic EDD requirements on countries or territories restricted for sanctions concerns, now including the underlying country risk score.</li> <li>- Country risk category updated according to changes in Relevant lists (FATF - Risk countries) following section 3.1 Approval and updating: Iceland from H to L.</li> <li>-</li> </ul> <p><b>UPDATED v14.1 to fix transposition error on ISO codes.</b></p>
<b>15</b>	<p>Updates to Guyana (H to M), Hong Kong (L to M), Hungary (M to L), Kuwait (H to M), Lesotho (H to M), Macedonia (H to M), Mongolia (H to M), Senegal (M to H), Serbia (H to M), South Africa (M to L), and Timor-Leste (M to H).</p>
<b>16</b>	<p>Country risk category updated according to changes in Relevant lists (FATF – High Risk countries, EU - Black list of Tax Havens) following section 3.1 Approval and updating: Barbados from H (EDD-OFF) to H (EDD), Malta from M to H.</p>

## Appendix I: FCC Country Risk Matrix

ISO	Country / Territory	Risk	Flag
AF	Afghanistan	H	RESTRICT & EDD
AX	Åland Islands	H	
AL	Albania	H	
DZ	Algeria	H	
AS	American Samoa	H	OFF
AD	Andorra	H	OFF
AO	Angola	H	
AI	Anguilla	H	OFF
AQ	Antarctica	H	
AG	Antigua and Barbuda	H	OFF
AR	Argentina	M	
AM	Armenia	H	
AW	Aruba	H	OFF
AU	Australia	M	
AT	Austria	L	
AZ	Azerbaijan	H	
BS	Bahamas (the)	H	EDD & OFF
BH	Bahrain	H	OFF
BD	Bangladesh	H	
BB	Barbados	H	EDD
BY	Belarus	H	RESTRICT & ACT
BE	Belgium	L	
BZ	Belize	H	OFF
BJ	Benin	H	
BM	Bermuda	H	OFF
BT	Bhutan	L	
BO	Bolivia (Plurinational State of)	H	
BQ	Bonaire, Sint Eustatius and Saba	H	
BA	Bosnia and Herzegovina	H	RESTRICT
BW	Botswana	H	EDD
BV	Bouvet Island	H	
BR	Brazil	M	
IO	British Indian Ocean Territory (the)	H	
BN	Brunei Darussalam	H	OFF
BG	Bulgaria	L	
BF	Burkina Faso	H	
BI	Burundi	H	RESTRICT
CV	Cabo Verde	M	
KH	Cambodia	H	EDD

<b>CM</b>	Cameroon	H	
<b>CA</b>	Canada	L	
<b>KY</b>	Cayman Islands (the)	H	OFF
<b>CF</b>	Central African Republic (the)	H	RESTRICT
<b>TD</b>	Chad	H	
<b>CL</b>	Chile	L	
<b>CN</b>	China	H	RESTRICT
<b>CX</b>	Christmas Island	H	
<b>CC</b>	Cocos (Keeling) Islands (the)	H	
<b>CO</b>	Colombia	H	
<b>KM</b>	Comoros (the)	H	
<b>CD</b>	Congo (the Democratic Republic of the)	H	RESTRICT
<b>CG</b>	Congo (the)	H	
<b>CK</b>	Cook Islands (the)	H	OFF
<b>CR</b>	Costa Rica	H	
<b>CI</b>	Côte d'Ivoire	H	
<b>HR</b>	Croatia	L	
<b>CU</b>	Cuba	HR	HIGHLY RESTRICTED
<b>CW</b>	Curaçao	H	
<b>CY</b>	Cyprus	M	OFF
<b>CZ</b>	Czech Republic (the)	L	
<b>DK</b>	Denmark	L	
<b>DJ</b>	Djibouti	H	
<b>DM</b>	Dominica	H	OFF
<b>DO</b>	Dominican Republic (the)	H	
<b>EC</b>	Ecuador	H	
<b>EG</b>	Egypt	H	RESTRICT
<b>SV</b>	El Salvador	H	
<b>GQ</b>	Equatorial Guinea	H	
<b>ER</b>	Eritrea	H	
<b>EE</b>	Estonia	H	
<b>ET</b>	Ethiopia	H	
<b>FK</b>	Falkland Islands (the) [Malvinas]	H	OFF
<b>FO</b>	Faroe Islands (the)	H	
<b>FJ</b>	Fiji	H	OFF
<b>FI</b>	Finland	L	
<b>FR</b>	France	L	
<b>GF</b>	French Guiana	H	
<b>PF</b>	French Polynesia	H	
<b>TF</b>	French Southern Territories (the)	H	
<b>GA</b>	Gabon	H	



<b>GM</b>	Gambia (the)	H	
<b>GE</b>	Georgia	M	
<b>DE</b>	Germany	L	
<b>GH</b>	Ghana	H	EDD
<b>GI</b>	Gibraltar	H	OFF
<b>GR</b>	Greece	L	
<b>GL</b>	Greenland	H	
<b>GD</b>	Grenada	H	OFF
<b>GP</b>	Guadeloupe	H	
<b>GU</b>	Guam	H	OFF
<b>GT</b>	Guatemala	H	
<b>GG</b>	Guernsey	H	OFF
<b>GN</b>	Guinea	H	RESTRICT
<b>GW</b>	Guinea-Bissau	H	RESTRICT
<b>GY</b>	Guyana	M	
<b>HT</b>	Haiti	H	
<b>HM</b>	Heard Island and McDonald Islands	H	
<b>VA</b>	Holy See (the)	H	
<b>HN</b>	Honduras	H	
<b>HK</b>	Hong Kong	M	RESTRICT
<b>HU</b>	Hungary	L	
<b>IS</b>	Iceland	L	
<b>IN</b>	India	H	
<b>ID</b>	Indonesia	H	
<b>IR</b>	Iran (Islamic Republic of)	P	PROHIBITED
<b>IQ</b>	Iraq	H	RESTRICT & EDD & ACT
<b>IE</b>	Ireland	L	
<b>IM</b>	Isle of Man	H	OFF
<b>IL</b>	Israel	M	
<b>IT</b>	Italy	L	
<b>JM</b>	Jamaica	H	EDD
<b>JP</b>	Japan	L	
<b>JE</b>	Jersey	H	OFF
<b>JO</b>	Jordan	H	OFF
<b>KZ</b>	Kazakhstan	H	
<b>KE</b>	Kenya	H	
<b>KI</b>	Kiribati	H	
<b>KP</b>	Korea (the Democratic People's Republic of)	P	PROHIBITED
<b>KR</b>	Korea (the Republic of)	L	
<b>XK</b>	Kosovo	H	
<b>KW</b>	Kuwait	M	

<b>KG</b>	Kyrgyzstan	H	
<b>LA</b>	Lao People's Democratic Republic (the)	H	
<b>LV</b>	Latvia	H	
<b>LB</b>	Lebanon	H	RESTRICT & OFF
<b>LS</b>	Lesotho	H	
<b>LR</b>	Liberia	H	OFF
<b>LY</b>	Libya	H	RESTRICT
<b>LI</b>	Liechtenstein	H	OFF
<b>LT</b>	Lithuania	L	
<b>LU</b>	Luxembourg	M	
<b>MO</b>	Macao	H	OFF
<b>MK</b>	Macedonia (the former Yugoslav Republic of)	M	
<b>MG</b>	Madagascar	H	
<b>MW</b>	Malawi	H	
<b>MY</b>	Malaysia	H	OFF
<b>MV</b>	Maldives	H	
<b>ML</b>	Mali	H	RESTRICT
<b>MT</b>	Malta	H	
<b>MH</b>	Marshall Islands (the)	M	
<b>MQ</b>	Martinique	H	
<b>MR</b>	Mauritania	H	
<b>MU</b>	Mauritius	H	EDD & OFF
<b>YT</b>	Mayotte	H	
<b>MX</b>	Mexico	H	
<b>FM</b>	Micronesia (Federated States of)	L	
<b>MD</b>	Moldova (the Republic of)	H	
<b>MC</b>	Monaco	H	OFF
<b>MN</b>	Mongolia	M	
<b>ME</b>	Montenegro	M	RESTRICT
<b>MS</b>	Montserrat	H	OFF
<b>MA</b>	Morocco	H	
<b>MZ</b>	Mozambique	H	
<b>MM</b>	Myanmar	H	RESTRICT & EDD
<b>NA</b>	Namibia	M	
<b>NR</b>	Nauru	H	OFF
<b>NP</b>	Nepal	H	
<b>NL</b>	Netherlands (the)	L	
<b>NC</b>	New Caledonia	H	
<b>AN</b>	Netherlands Antilles (former)	H	OFF
<b>NZ</b>	New Zealand	L	
<b>NI</b>	Nicaragua	H	RESTRICT & EDD

<b>NE</b>	Niger (the)	H	
<b>NG</b>	Nigeria	H	
<b>NU</b>	Niue	H	
<b>NF</b>	Norfolk Island	H	
<b>MP</b>	Northern Mariana Islands (the)	H	OFF
<b>NO</b>	Norway	L	
<b>OM</b>	Oman	M	
<b>PK</b>	Pakistan	H	EDD
<b>PW</b>	Palau	H	OFF
<b>PS</b>	Palestine, State of	H	
<b>PA</b>	Panama	H	EDD & OFF
<b>PG</b>	Papua New Guinea	H	
<b>PY</b>	Paraguay	H	
<b>PE</b>	Peru	H	
<b>PH</b>	Philippines (the)	H	
<b>PN</b>	Pitcairn	H	
<b>PL</b>	Poland	L	
<b>PT</b>	Portugal	L	
<b>PR</b>	Puerto Rico	L	
<b>QA</b>	Qatar	H	
<b>RE</b>	Réunion	H	
<b>RO</b>	Romania	L	
<b>RU</b>	Russian Federation (the)	H	RESTRICT & ACT
<b>RW</b>	Rwanda	M	
<b>BL</b>	Saint Barthélemy	H	
<b>SH</b>	Saint Helena, Ascension and Tristan da Cunha	H	
<b>KN</b>	Saint Kitts and Nevis	M	
<b>LC</b>	Saint Lucia	H	OFF
<b>MF</b>	Saint Martin (French part)	H	
<b>PM</b>	Saint Pierre and Miquelon	H	
<b>VC</b>	Saint Vincent and the Grenadines	H	OFF
<b>WS</b>	Samoa	H	OFF
<b>SM</b>	San Marino	H	
<b>ST</b>	Sao Tome and Principe	M	
<b>SA</b>	Saudi Arabia	H	
<b>SN</b>	Senegal	H	
<b>RS</b>	Serbia	M	RESTRICT
<b>SC</b>	Seychelles	H	OFF
<b>SL</b>	Sierra Leone	H	
<b>SG</b>	Singapore	L	
<b>SX</b>	Sint Maarten (Dutch part)	H	

<b>SK</b>	Slovakia	L	
<b>SI</b>	Slovenia	L	
<b>SB</b>	Solomon Islands	H	OFF
<b>SO</b>	Somalia	H	RESTRICT & ACT
<b>ZA</b>	South Africa	L	
<b>GS</b>	South Georgia and the South Sandwich Islands	H	
<b>SS</b>	South Sudan	HR	HIGHLY RESTRICTED
<b>ES</b>	Spain	L	
<b>LK</b>	Sri Lanka	H	
<b>SD</b>	Sudan (the)	HR	HIGHLY RESTRICTED
<b>SR</b>	Suriname	M	
<b>SJ</b>	Svalbard and Jan Mayen	H	
<b>SZ</b>	Swaziland / Eswatini	H	
<b>SE</b>	Sweden	L	
<b>CH</b>	Switzerland	M	
<b>SY</b>	Syrian Arab Republic	P	PROHIBITED
<b>TW</b>	Taiwan (Province of China)	L	
<b>TJ</b>	Tajikistan	H	
<b>TZ</b>	Tanzania, United Republic of	H	
<b>TH</b>	Thailand	H	
<b>TL</b>	Timor-Leste	H	
<b>TG</b>	Togo	H	
<b>TK</b>	Tokelau	H	
<b>TO</b>	Tonga	L	
<b>TT</b>	Trinidad and Tobago	H	EDD & OFF
<b>TN</b>	Tunisia	M	RESTRICT
<b>TR</b>	Turkey	H	RESTRICT
<b>TM</b>	Turkmenistan	H	
<b>TC</b>	Turks and Caicos Islands (the)	H	OFF
<b>TV</b>	Tuvalu	H	
<b>UG</b>	Uganda	H	EDD
<b>UA</b>	Ukraine (except the Ukrainian territory of Crimea)	H	RESTRICT & ACT
	Ukraine (Ukrainian territory of Crimea)	P	PROHIBITED
<b>AE</b>	United Arab Emirates (the)	H	RESTRICT
<b>GB</b>	United Kingdom of Great Britain and Northern Ireland (the)	L	
<b>UM</b>	United States Minor Outlying Islands (the)	H	
<b>US</b>	United States of America (the)	L	
<b>UY</b>	Uruguay	L	
<b>UZ</b>	Uzbekistan	H	

<b>VU</b>	Vanuatu	H	EDD & OFF
<b>VE</b>	Venezuela (Bolivarian Republic of)	HR	HIGHLY RESTRICTED
<b>VN</b>	Viet Nam	H	
<b>VG</b>	Virgin Islands (British)	H	OFF
<b>VI</b>	Virgin Islands (US)	H	OFF
<b>WF</b>	Wallis and Futuna	H	
<b>EH</b>	Western Sahara	H	
<b>YE</b>	Yemen	H	RESTRICT & EDD
<b>ZM</b>	Zambia	H	
<b>ZW</b>	Zimbabwe	H	RESTRICT & EDD

## Appendix II: Selected Lists

Factor	Institution / Organisation	Selected list	Web
<i>AML/CFT effectiveness</i>	European Commission	Risk countries [Relevant]	<a href="https://ec.europa.eu/info/policies/justice-and-fundamental-rights/criminal-justice/anti-money-laundering-and-counter-terrorist-financing_en">https://ec.europa.eu/info/policies/justice-and-fundamental-rights/criminal-justice/anti-money-laundering-and-counter-terrorist-financing_en</a>
	United States (FinCEN)	Risk countries [Relevant]	<a href="https://www.fincen.gov/statutes_regs/patriot/section311.html">https://www.fincen.gov/statutes_regs/patriot/section311.html</a> <a href="http://www.fincen.gov/news_room/advisory/">http://www.fincen.gov/news_room/advisory/</a>
	FATF	Risk countries [Relevant]	<a href="http://www.fatf-gafi.org/countries/#high-risk">http://www.fatf-gafi.org/countries/#high-risk</a>
<i>FATF membership</i>	FATF	Member countries	<a href="http://www.fatf-gafi.org/countries">http://www.fatf-gafi.org/countries</a>
<i>Sanctions</i>	UN, EU, US and UK	See <i>Sanctions Policy</i>	See <i>Sanctions Policy</i>
<i>Terrorist activity</i>	United States (Department of State)	Risk countries - sympathisers/safe havens [Relevant]	<a href="http://www.state.gov/j/ct/list/c14151.htm">http://www.state.gov/j/ct/list/c14151.htm</a> <a href="http://www.state.gov/j/ct/rls/crt/2016/index.htm">http://www.state.gov/j/ct/rls/crt/2016/index.htm</a>
		Risk countries - drug trafficking	<a href="http://www.state.gov/j/inl/rls/nrcrpt/">http://www.state.gov/j/inl/rls/nrcrpt/</a>
<i>Criminal activity</i>	United States (Department of State)	Risk countries - human trafficking	<a href="https://www.state.gov/j/tip/rls/tiprpt/index.htm">https://www.state.gov/j/tip/rls/tiprpt/index.htm</a>
		Risk countries - drug trafficking [Relevant]	<a href="https://www.whitehouse.gov/the-press-office/2017/09/13/presidential-memorandum-secretary-state">https://www.whitehouse.gov/the-press-office/2017/09/13/presidential-memorandum-secretary-state</a>
<i>Corruption</i>	World Bank	Ranking – corruption	<a href="http://info.worldbank.org/governance/wgi/index.aspx#home">http://info.worldbank.org/governance/wgi/index.aspx#home</a>
	Transparency International	Ranking – corruption	<a href="http://www.transparency.org/">http://www.transparency.org/</a>
<i>Legal compliance</i>	World Bank	Ranking - legal compliance	<a href="http://info.worldbank.org/governance/wgi/index.aspx#home">http://info.worldbank.org/governance/wgi/index.aspx#home</a>
<i>Tax havens</i>	European Commission	Risk countries [Relevant - only black list]	<a href="http://ec.europa.eu/taxation_customs/taxation/gen_info/good_governance_matters/lists_of_countries/index_en.htm">http://ec.europa.eu/taxation_customs/taxation/gen_info/good_governance_matters/lists_of_countries/index_en.htm</a> . Spain and UK.
			EU list of non-cooperative jurisdictions for tax purposes
<i>Offshore financial centres</i>	International Monetary Fund	Risk countries [Relevant]	<a href="http://www.imf.org/external/NP/ofca/OFCA.aspx#A">http://www.imf.org/external/NP/ofca/OFCA.aspx#A</a>
<i>Political instability</i>	World Bank	Ranking - political instability	<a href="http://info.worldbank.org/governance/wgi/index.aspx#home">http://info.worldbank.org/governance/wgi/index.aspx#home</a>
	Freedom House	Ranking - rights and freedoms	<a href="https://freedomhouse.org/report-types/freedom-world">https://freedomhouse.org/report-types/freedom-world</a>
<i>Advice</i>	Basel Institute on Governance	Ranking - AML/CTF	<a href="https://index.baselgovernance.org/ranking">https://index.baselgovernance.org/ranking</a>

## Appendix III: Assessments

Factor	Institution / Organisation - Weighting
<i>AML/CTF effectiveness</i>	<b>European Commission.</b> Identifies countries that pose a high risk in view of their strategic AML/CTF deficiencies. Assessment: the identified countries are classified as high-risk.
<i>FATF membership</i>	<b>FinCEN.</b> Publishes information on countries that pose a high risk. Assessment: countries or territories flagged by FinCEN or in relation to which an alert has been placed at any time during the last three years are classified as high risk. <b>FATF.</b> Provides a list of Group members, prepares a list of high-risk countries and issues reports on the results of the country assessments. Assessment: countries flagged as posing a material risk are classified as prohibited while those that present some deficiency are classified as high risk. FATF membership is taken into account and the global rating lowered two notch.
<i>Sanctions</i>	Classifications on prohibited, highly restricted and restricted countries or territories follow the criteria and governance established in the <i>Sanctions Policy</i> .
<i>Terrorist activity</i>	<b>Department of State (USA).</b> Prepares lists of state sponsors of terrorism and those considered terrorist safe havens. Assessment: state sponsors of terrorism are classified as prohibited while terrorist safe havens are treated as high risk.
<i>Criminal activity</i>	<b>Department of State (USA).</b> Issues an international narcotics control strategy report each year, which also covers money laundering, and a further trafficking of persons report. The narcotics and money laundering report sets out jurisdictions of primary concern. The trafficking in persons report lists both compliant and non-compliant countries in this area. Assessment: countries are awarded a score (0, 1, 2) based on the severity of the risk their unlawful activities represent: narcotics and money laundering (2 primary concern), human trafficking (0 tier 1, 1 tier 2, 2 tier 2 Watch List and tier 3). <b>White House (USA).</b> Issues a memorandum identifying the major drug transit and major illicit drug producing countries. Assessment: the countries included in the document are classified as high risk.
<i>Corruption</i>	<b>World Bank.</b> Issues a ranking on the levels of corruption present in the countries under analysis. Assessment: countries are awarded a score (0, 1, 2) based on the rating assigned by the entity (0 from 2.27 to 0.30, 1 from 0.29 to -0.24, and 2 from -0.25 to -1.84). <b>Transparency International.</b> Issues a ranking on the levels of corruption present in the countries under analysis. Assessment: countries are awarded a score (0, 1, 2) based on the rating assigned by the entity (0 from 90 to 60, 1 from 59 to 31, and 2 from 30 to 0).
<i>Legal compliance</i>	<b>World Bank.</b> Ranks levels of legal compliance in the countries under analysis. Assessment: countries are awarded a score (0, 1, 2) based on the rating assigned by the entity (0 from 2.12 to 0.30, 1 from 0.29 to -0.24, and 2 from -0.25 to -1.84).
<i>Tax havens</i>	<b>European Commission.</b> Draws up a list of countries considered tax havens by EU member states. In preparing the list AML/CTF risk-country list, the Commission includes territories considered tax havens by the EU itself, as well as Spain and the UK. Assessment: territories flagged as tax havens in the “black list” by the selected member states are classified as high risk; those territories flagged as tax havens in the “grey list” must be classified, at least, as medium risk.
<i>Offshore financial centres</i>	<b>International Monetary Fund.</b> Provides a list of offshore financial centres (2014). Assessment: territories defined as tax havens or which have offshore centres are classified as high risk unless they are EU member states, in which case they are classified based on the global score increased two notch.
<i>Political instability</i>	<b>World Bank.</b> Issues a ranking on the levels of political instability present in the countries under analysis. Assessment: countries are awarded a score (0, 1, 2) based on the rating assigned by the entity (0 from 2.12 to 0.30, 1 from 0.29 to -0.24, and 2 from -0.25 to -1.40). <b>Freedom House.</b> Ranks prevailing levels of respect for rights and public freedoms in the countries under analysis. Assessment: countries are awarded a score (0, 1, 2) based on the rating assigned by the entity (0 free, 1 partly free, and 2 not free).
<i>Global assessment</i>	Countries or territories not directly assigned a category (prohibited, restricted, high risk), based on the list on which they are included are classified as high risk if, when taking into account all factors, they obtain a score of between 14 and 9; as medium risk if they score between 8 and 5; or as low risk if they score between 4 and 0. Countries and territories that are not included on three or more lists of those used to assess the different factors under analysis are classified as high risk. The index drawn up by the <b>Basel Institute on Governance</b> could be used as a benchmarking tool should it be deemed necessary to verify the rating of a given country or territory.