

# **CARIBBEAN FINANCIAL ACTION TASK FORCE**



**ANNUAL REPORT  
NOVEMBER 2008 – NOVEMBER 2009**



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## EXECUTIVE SUMMARY

On November 20<sup>th</sup>, 2009, during the Opening Ceremony of Ministerial Meeting XV, Snr. Mauricio Boraschi speaking on behalf of outgoing Chairman Jose Rafael Torres Castro, Vice Minister of the Presidency, Costa Rica signaled the strong position that the CFATF occupied as the baton of leadership was passed to incoming Chair Mrs. Janet Harris, Financial Secretary, St. Kitts and Nevis for the period November 2008-October 2009 which is the focus of this Annual Report.

Mr. Boraschi in outlining the achievements of the CFATF during his country's term as Chair underscored the position that under the stewardship of Costa Rica, the CFATF as the fifth Associate Member to the FATF had strengthened its position as a harmonious and united regional force in the global fight against transnational organized crime, money laundering and the financing of terrorism.

Ministerial Meeting XV was the occasion to continue the tradition of thanking the outgoing Chair in appreciation of his or her stewardship of the organization for the previous year and accordingly, Chairman Jose Rafael Torres Castro, Costa Rica was presented with the Certificate of Appreciation.

These multifaceted accomplishments as outlined above are of particular significance as they were achieved when the Secretariat did not have the benefit of executive level technical bilingual capacity between the departure of Deputy Executive Director Russell Ursula in July 2008 and mid September 2009, a period which covered all but two of the twelve month period of the Costa Rica term as CFATF Chair,

In this regard commendation should be given to Mrs Michele Morales, Translator/Administrative Assistant who played a tremendously supportive and critical role in sustaining effective lines of communication between the Office of the Chair, the Executive Director and the Secretariat as well as between the Secretariat and all the Spanish speaking Members.

It was from this vantage point in November 2008, that Incoming Chair Mrs. Janet Harris on behalf of St. Kitts and Nevis sought to galvanize the region into even greater achievements through a call from higher levels of attendance at the annual Ministerial Meeting.

The response for the St. Kitts and Nevis Ministerial was very positive and a constructive and encouraging start to the period under review so much so that by December 30<sup>th</sup>, 2008, with this resounding statement of regional political commitment, the submission of annual contributions for that year had shown as significant improvement over previous years.

However, the ubiquitous efforts of the global financial and economic crisis as alluded to by the Honourable Dr. Timothy Harris Minister of Finance St. Kitts and Nevis, at the Opening Ceremony, had its impact on the ability of some Members to sustain the momentum of timely payment of annual contributions for 2009.



As the first of the global network of FATF style regional bodies, the formation of which was encouraged by the FATF, the CFATF continues to have a solid longstanding relationship with the FATF.

In this regard, the tradition of the FATF President addressing the Opening Ceremony of the annual CFATF Ministerial Meeting, continued at the November 2008 Ministerial Meeting, with a Special Address by FATF President, Mr. Gustavo Rodriguez from Brazil, who emphasized the benefits and rewards of the recent grant of CFATF Associate Member status at the FATF.

The Work Programme for the period 2008-2009 had an ambitious agenda which was geared towards revitalizing the CFATF even further through active involvement by Members in CFATF Working Groups and in all aspects of CFATF affairs in order to build in a practical fashion, on the notable achievement of Associate Member status with the FATF.

In keeping with Madame Chair Harris' Work Programme, the Third Round of the Mutual Evaluation Programme continued as the internationally recognized mechanism to ensure that Members strive for higher levels of compliance with the FATF 40 and 9 Recommendations to fight money laundering and the financing of terrorism.

The Follow Up process to the Mutual Evaluation Missions and adoption of the attendant Mutual Evaluation Reports which is patterned on that of the Financial Action Task Force, continued its evolution into a robust mechanism for the timely implementation of identified deficiencies in the AML/CFT framework of Member jurisdictions.

During the period under review, Ministers concurred with the direction suggested by the Deputy Executive Director Ms. Dawne Spicer for streamlining the Follow Up process through the definitive categorization of individual Member countries based on their respective level of compliance and required that all Follow Up reports be submitted in writing.

Critical to the success of the Mutual Evaluation Programme is the availability of a pool of trained and competent Examiners who are well acquainted with the FATF 40 and 9 Recommendations, the requirements of the AML/CFT Methodology and the rigorous demands of the CFATF Mutual Evaluation Procedures and accordingly training workshops for Examiners were held in June and July 2009.

Building capacity through the co-ordination and delivery of Technical Assistance and Training initiatives as mandated by Ministers has been a long standing facet of the organization's mandate and this continued during the period under review.

Indeed, there have been increasing levels of intra membership technical assistance on offer over the years, a phenomenon which grew out of the various initiatives emanating from international organizations during 2000-2006, as CFATF Members lent their experiences and expertise in assisting fellow Members to be removed from various lists.



However, critical to sustained success on the Technical Assistance and Training front as Members moved to rectify deficiencies identified through the Mutual Evaluation and Follow Up process is the continued support of longstanding friends and supporters in the international donor community. These include the members of the CFATF Group of Cooperating and Supporting Nations (COSUNs) and Observer Organizations, which continue to play an integral role through the provision of human expertise and financial resources towards capacity building programmes.

Following the pattern set in the early years of the CFATF, during the period under review, the CFATF Steering Group which acts as the organization's Board of Directors reflected the multicultural, multi-lingual diversity of the various Member groupings, and comprised St. Kitts and Nevis, Netherlands Antilles, Costa Rica, Guatemala, Guyana, Jamaica, Mexico, the Executive Director and the two Deputy Executive Directors.

During the period under review there were some significant firsts for the CFATF, which consisted of the inaugural edition of the CFATF Typologies Publication on regional methods and trends being used by criminals and those who finance terrorism and the creation of the Strategic Plan Working Group which was mandated to develop a strategic plan for the organization.

Ministers on the recommendation of the Plenary also agreed that the Best Practices and Operations Manual initiated under the Costa Rica term as Chair should continue its development taking into account the outcome and recommendations of the Strategic Plan Working Group.

The St. Kitts and Nevis Communiqué whilst recognizing the progress that was being made by the CFATF also acknowledged those areas where problems were persistently lingering such as the failure by some jurisdictions to allocate sufficiently adequate resources to the national compliance exercise, the failure to criminalize Terrorism Financing by others and the need for enhanced attendance and active participation at FATF Plenary and Working Group Meetings.

The St. Kitts and Nevis period as Chair saw another successful year of activities and several accomplishments by the CFATF which was underpinned by the strong political support as demonstrated by the St. Kitts and Nevis Communiqué and its call for immediate and concerted action for change where circumstances required.

## **INTRODUCTION**

The Opening Ceremony of the annual Ministerial Meeting of the Caribbean Financial Action Task Force is always a grand and special occasion with special prayers enlisting God's Blessings for our work, condolences being offered where relevant and recognition being given to stalwarts in the organization for their achievements as part of our family.

The Opening Ceremony also affords the opportunity for the Outgoing Chair to set out his/her accomplishment, for the Incoming Chair to provide details of the Work Programme for the way ahead and for a High Representative from the Host Country to set the work of the CFATF within the global



landscape to the assembled Ministers, Members of the Diplomatic Corps and other Distinguished and Specially Invited Guests.

Subsequent to the Opening Ceremony comes the Working Session where Ministers consider the overall implementation of the Chair's Work Programme as well as other aspects of the organization's business and the recommendations of their Technical officials in Plenary for endorsement as final.

This Annual Report will explore activities and accomplishments of the Opening Ceremony of Ministerial Meeting XV, as well as the general output from the subsequent Working Sessions of Ministerial Meeting XV and Plenary Meetings XXIX and XXX in May and October 2009.

Additionally in a new move, this report will set out the main facets of the Chair's Work Programme for 2009-2010.

## **OPENING CEREMONY MINISTERIAL MEETING XV**

The prayer by Father Isaiah Phillip at the Opening Ceremony of Ministerial Meeting XV which marked the commencement of the St. Kitts and Nevis term as Chair reflected the importance of God at all levels of life in the Caribbean Basin Region and sought to establish a cogent link between the work of the CFATF to protect the region from criminals and the decade long plans (2001-2010) by the Caribbean Conference of Churches culminating with the International Peace Convocation in Jamaica in 2011 to eradicate violence from and to create a Zone of Peace in the Region.

## **CONDOLENCES**

The Opening Ceremony of Ministerial Meeting XV was a fitting occasion to pay tribute and offer condolences to the family of former Chairman Roland Wever, Aruba who was a strong and ardent supporter of the CFATF and an ongoing advisor to successive Chairs as well as to the Executive Director and the staff at the Secretariat.

Appropriately also at the Opening Ceremony a minute silence was also observed for the loss of several school children in Haiti.

Later in the year, Plenary Meeting XXX stood for a minute silence as a mark of respect and to offer condolences on the passing of Ms Sandra Taylor, Bank of Jamaica, who acted as Financial Examiner for the Third Round Mutual Evaluation Mission to Grenada.

## **FAREWELL AND WELCOME**

In another context, the CFATF family said farewell to but also extended congratulations to Ms. Xiomara Ruiz- Maduro who resigned from the Financial Intelligence Unit, Aruba to take up a seat in the Aruba House of Representatives.



Farewell and best wishes were also extended Ms. Ann Moffat, Administrative Manager who retired from the CFATF Secretariat after fifteen years of long and dedicated service.

Farewell and best wishes were also extended to Mrs. Audrey Anderson on the occasion of her retirement as Deputy Governor from the Bank of Jamaica. The Executive Director thanked her for her care and dedication to the best interests of the CFATF since its early days and additionally for her friendship, advice and support of the Secretariat.

Members in turn expressed great appreciation for the keen interest that Mrs. Anderson had shown in the CFATF over the years and the strong and respected counsel that she brought to Plenary and Ministerial deliberations which would be certainly missed.

In response Mrs. Anderson indicated that it was exhilarating to be part of the CFATF family and meetings that were never boring, thanked Members for their kind words and expressed her deep appreciation on being presented with the Certificate of Appreciation.

Ministers welcomed Ms. Dawne Spicer and Mr. Ernesto Lopez who were presented as Deputy Executive Directors and Ms. Julia James as the new Administrative Manager.

## **REMARKS OUTGOING CHAIR**

The Opening Ceremony was also the occasion for Costa Rica to reflect on and take considerable pride in the body of accomplishments and there were indeed many, that were achieved as it passed on the baton of leadership to St. Kitts and Nevis.

Mauricio Boraschi Hernandez speaking on behalf out Outgoing Chair Jose Rafael Torres Castro, Costa Rica, whose early departure was required due to pressing matters of State not only extended warm congratulations to St. Kitts and Nevis on becoming Chair and offered best wishes for the continued growth and development of the CFATF but also thanked the government for its generous hospitality and the excellent conference facilities that were made available, and outlined the achievements under the Costa Rican Chairmanship included the following;

- The organization's core business, the Mutual Evaluation Programme continued a pace with AML/CFT assessment missions being undertaken in eight member countries, namely Anguilla, British Virgin Islands, Dominica, Grenada, Nicaragua, St. Kitts and Nevis and Venezuela.
- The delivery of eight (8) AML/CFT courses funded by Spain for the benefit of the eight Spanish Speaking CFATF Members which saw take up by Guatemala, Nicaragua, and Panama.
- The first version of the Best Practices and Operations Manual was presented to Ministers who agreed that it should be developed further taking into account the changing needs of the organization, the St. Kitts and Nevis Work Programme and the output from the Strategic Plan Working Group.



- The formation of the Strategic Plan Working Group to develop of a CFATF Strategic Plan 2010-2014.
- The ongoing journey to strengthen the administrative structures of the CFATF continued with the appointment in July and September 2008 respectively, of Ms. Dawne Spicer and Mr. Ernesto Lopez as Deputy Executive Directors, with responsibility for the Mutual Evaluation Programme.
- This move also ensured that the capacity of the Secretariat to address the needs of all Members on an equal basis was strengthened further as one of the Deputy Executive Directors, was bilingual in English and Spanish, the official languages of the CFATF and whose position was funded by the Canada, Netherlands, Spain and the United States of America. Authorizing was also given for the engagement of a Legal Advisor.
- The hosting of two training workshops for Mutual Evaluation Examiners that were organized by the Secretariat in Martinique in January 2008 and in Port of Spain, Trinidad in June 2008;
- The attendance of representatives of Guatemala and Honduras at a Training Workshop for Mutual Evaluation Examiners organized by GAFISUD.
- The compilation and publication of the first edition of CFATF Typologies Publication which was supported by Costa Rica, Dominican Republic, Guatemala, Jamaica, Panama (Working Group Chair), St. Kitts and Nevis, Trinidad and Tobago and Virgin Islands.
- The unfolding of plans to undertake the FATF/CFATF Joint Typology Exercise in November 2009.
- The organization of two courses on the Casino and Gaming sector which were held in The Bahamas during 2008 with the first occurring in April at the Gaming Board of The Bahamas for the benefit of Aruba, Netherlands Antilles and Suriname and funded by Netherlands and the second held in October 2008, funded by the Caribbean Region Technical Assistance Centre in conjunction with the CFATF for CFATF members.
- The intensification of co-operation between the CFATF/GAFISUD and EGMONT.

In closing Mr. Boraschi stressed the importance of the work of the CFATF in the creation of a harmonious and united regional force in the fight against organized crime.

### **CERTIFICATE OF APPRECIATION**

The Executive Director on behalf of all Members presented and Mauricio Hernandez received a Certificate of Appreciation to Outgoing Chair Jose Raphael Torres Castro, Vice Minister of the Presidency, Costa Rica for his sterling contribution to the work of the CFATF during 2007/2008.



## **REMARKS INCOMING CHAIR**

On assuming the mantle of leadership on the tenth anniversary of her country joining the CFATF in February 1998, Incoming Chair Mrs. Janet Harris Financial Secretary, St. Kitts and Nevis expressed deepest appreciation to Cayman Islands, St. Vincent and the Grenadines as well as the general membership in supporting the candidacy of St. Kitts and Nevis to become CFATF Chair, and set out an ambitious but important Work Programme for 2008/2009 which was geared towards enhancing even further overall organizational performance through;

- Increased levels of attendance at Plenary and Ministerial meetings
- Timely and dependable financial contributions,
- Timely responses from Members on issues which were critical to regional AML/CFT capacity,
- Proactive involvement in the CFATF Working Groups and importantly
- Participation in FATF Plenary and Working Group meetings given the notable achievement of Associate Member Status with the FATF.

Whilst recalling the importance of the financial services sector to the region and the importance of keeping abreast of developments in order to avoid becoming obsolete, Madam Chair Harris stressed the need for the region to guard against complacency and to commit to strong AML/CFT structures, utilizing technology to mitigate risks and enhance compliance with international standards.

In noting the role that the CFATF played in the provision of advice and guidance on AML/CFT issues which assisted in the removal of St. Kitts and Nevis from the FATF NCCT list in 2002, Madam Chair Harris expressed confidence in the CFATF's ability as a mature and esteemed organization in conjunction with the important friendship and support of the Group of Cooperating and Supporting Nations and Observer Organizations to guide the region through the turbulent waters posed by the challenges of trans-national organized crime.

Madam Chair Harris also expressed her appreciation for the continued devotion to Member countries and the work of the CFATF by the Executive Director and the staff at the Secretariat and signaled her intention to continue working with the Secretariat and Members to strengthen the organization and regional economies as a whole.

## **ELECTION OF DEPUTY CHAIR**

With the ascension of a new Chair, the Memorandum of Understanding, the CFATF's constitutive document requires the election of a Deputy Chair. Following well established procedures the



Netherlands Antilles was nominated by The Bahamas, seconded by Haiti and given unanimous support by Members in attendance.

Deputy Chair Mrs. Ersilia de Lannooy, Minister of Finance and Vice Prime Minister, Netherlands Antilles in accepting the position on behalf of her country noted that the Netherlands Antilles was a founder member of the CFATF and looked forward to the historic position within the global AML/CFT arena 2010 when the Netherlands will hold the FATF Presidency and the Netherlands Antilles the CFATF Chair, which at the same time will allow an FATF Member to hold the CFATF Chair.

Deputy Chair de Lannooy thanked the Members for their support in English, Spanish, French and Dutch and looked forward to welcoming delegates to Netherlands Antilles in October 2009.

### **ADDRESS OF THE FATF PRESIDENT**

In keeping with long standing tradition, FATF President, Mr. Antonio Rodrigues, Brazil delivered a Special Address to the Ministerial Meeting XV and noted his honour at being able to address the first Ministerial meeting since the CFATF had obtained the important milestone of FATF Associate Member status and extended his congratulations on this achievement.

President Rodrigues emphasized that the CFATF had a critical leadership role in promoting consistent delivery of the AML/CFT standards in this region, providing feedback so as to directly inform FATF policy direction and to act as the focal point in the delivery of technical assistance and training.

Other themes in the President's address included;

The need for a global solution to the global challenge of money launderers who due to the increasingly interconnected world exploit any gaps in the consistent application of the FATF standards by countries.

The membership of the FATF which now stood at thirty two countries and two organizations with the prospect of both India and South Korea being admitted as new Members and the reach of the organization extending to the one hundred and forty countries which form the FATF/FSRB network,

The need to enhance the relationship between the FATF and the FSRBs which is an important goal of the Brazilian FATF Presidency and of the need for the CFATF to contribute to the process and fully exercise its rights as an Associate Member,

The fact that both the FATF and the CFATF were midway through the Third Round of Mutual Evaluation Assessments, that Suriname was involved in the joint FATF/CFATF assessment of Aruba and the need for a robust Follow Up process so that countries could move forward in terms of compliance.

The importance of Typologies in understanding the evolving nature of the AML/CFT threats and the contribution of the FSRBs in providing information on regional trends and techniques



The ongoing CFATF Typologies work on Free Trade Zones which began in 2001 and which complements the current FATF trade based money laundering project in which the CFATF can play an important role given its activities and achievements in this area and

The strongly held position that global AML/CFT efforts will become both richer and stronger by the work of the FSRBs and the need for Associate Members to attend and put forward regional views in the FATF Plenary and Working Group meetings.

### **ADDRESS BY THE MINISTER OF FINANCE- ST. KITTS AND NEVIS**

Dr. The Honourable Timothy Harris, Minister of Finance, St. Kitts and Nevis Government in delivering the Feature Address at Ministerial Meeting XV, extended a warm welcome to the delegates and congratulated both the Chair and the Deputy Chair in taking on the leadership roles of the CFATF.

Dr. Harris placed the advent of the Ministerial Meeting in the context of the current global financial crisis and the turmoil of financial contagion which presented challenges for all in the world economy. He noted that it was as a consequence of bad regulation of the financial system that economic growth will suffer and therefore it was in our collective best interests to pursue the best regulatory practices.

The importance of the financial services sector to the CFATF was stressed as was the need for the common goal of strengthening the financial system through transparency and integrity.

Dr. Harris also spoke of the need for co-ordination in response to the crisis and emphasized the fact that policy makers, regulators and supervisors in some of the advanced countries did not adequately appreciate and address the risks that were building up in the financial markets.

Other themes in the Minister's presentation included;

The main objectives of the CFATF as outlined in the Memorandum of Understanding and recognition and appreciation of the Group of Co-operating and Supporting Nations for their positive and progressive work with the organization.

The extending of congratulations to the CFATF for securing Associate Member status with the FATF and underscoring the fact that St. Kitts and Nevis fully supported the work of the organization so as to catapult it to even greater success in complying with the international standards.

The need for limited resources to be focused on the greatest risks and that political will is vital for the AML/CFT strategy of any country.

The efforts of St. Kitts and Nevis to strengthen its AML/CFT regime through initiatives such as the White Collar Crime Unit in the St. Kitts and Nevis Police Force, improved training and guidance by regulators to the regulated entities and the country's commitment to the international cooperation process.



The call to all Members for renewed vigour to improve the environment in the Caribbean Basin Region to fight money laundering and the financing of terrorism without which global prosperity cannot be obtained and

The acceptance that international coordination and cooperation are important prerequisites to solving global problems and that the voice of the emerging economies and poor countries should be taken into account in the global dialogue.

## **WORKING SESSION MINISTERIAL XV AND PLENARY MEETINGS XXIX AND XXX**

This section of the Annual Report will cover the output from the Working Session of Ministerial Meeting XV as well as Plenary Meetings XXIX and XXX which include the enhanced level of Ministerial attendance, the Chair's Work Programme, election of the Steering Group, Staff appointments, the Mutual Evaluation Programme and all attendant issues, Technical Assistance and Training, the Typologies Exercise Programme and Typologies Publication, FATF Associate Member Status, the Strategic Plan, Best Practices and Operations Manual, Audited Financial Statement and Budget, External Relations, the Heads of Financial Intelligence Units Forum and the Chair's Work Programme 2009-2010.

The Working Session of Ministerial Meeting XV was indicative of the spirit of revitalization and the positive response to the call for higher levels of attendance at Ministerial Meetings in general by Madam Chair Harris.

Special Welcome was given to all twenty four (24) Ministers and officials with Ministerial authority who were in attendance. These being Anguilla, Aruba, Barbados, Bermuda, Cayman Islands, Costa Rica, Dominica, El Salvador, Grenada, Guatemala, Haiti, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, Suriname, The Bahamas, Trinidad and Tobago, Turks and Caicos Islands, Guyana and St. Vincent and the Grenadines, Virgin Islands,.

This was an extremely gratifying development and a vast improvement on the attendance at Ministerial meetings over previous years. A strong call was made for an even higher level of attendance at the October 2009 Ministerial in Netherlands Antilles.

Proceedings at the Plenary were also indicative of the increasingly robust attitude that Members were adopting during the discussions of their respective Mutual Evaluation Reports. The extensive and constructive nature of these discussions necessitated decisions on the Audited Financial Statements, Typology Report, Draft St. Kitts and Nevis Communiqué, Draft Strategic Plan and the Report to Ministers on decisions taken at the Plenary being taken directly by Ministers without the benefit of prior discussion in or recommendation by the Plenary.

## **CHAIR'S WORK PROGRAMME 2008-2009**



In keeping with the spirit of seeking to catapult the organization into even greater achievements Members, Netherlands on behalf of the COSUNs and the FATF Secretariat gave fulsome support to the activities that were to be undertaken during the St. Kitts and Nevis period as Chair which included;

- Securing improvement in and timely submission of the annual contributions by Members;
- Eliminating problems being experienced with the Mutual Evaluation Programme through the benefit of past experiences and a full complement of staff;
- Increasing the levels of compliance with the FATF 40 and 9 recommendations through an analysis of the recommendations of the Examiners in the Mutual Evaluation Reports and the engagement of the international donor community for the provision of adequate technical assistance and training resources and programmes to address the identified deficiencies;
- Promoting active participation in the CFATF Working Groups on Typologies, Strategic Planning and Strategic Issues and attendance at the FATF Working Group meetings;
- Drawing on the full benefits of CFATF Associate Membership status with the FATF so that the regional voice could be a part of the decision making process.
- Enhancing the effectiveness and efficiency of the Secretariat through a full staff complement so that it could undertake the core work of the organization and provide associated reports to the Chair, Steering Group and the wider membership, as well as engaging in such activities that will augment the traditional contributions in meeting the financial responsibilities of the organization.

## **ELECTION OF THE STEERING GROUP**

Following the pattern set in the early years of the CFATF, during the period under review namely 2008/2009, the CFATF Steering Group which acts as the organization's Board of Directors, reflected the multicultural, multi-lingual diversity of the various Member groupings, comprised St. Kitts and Nevis, Netherlands Antilles, Costa Rica, Guatemala, Guyana, Jamaica, Mexico, the Executive Director and the two Deputy Executive Directors.

The successful Members expressed their appreciation at being elected to serve and pledged their full support to the Chair in pushing forward the work of the organization and meeting the goals set for the year.

Members congratulated the composition of the Steering Group and noted the hard work that was about to be undertaken.

## **STAFFING**

### **PRESENTATION OF NEW STAFF**



Over the course of its lifetime, the CFATF has undergone considerable challenges in terms of structure, staffing and financing and has withstood harsh experiences.

In all of these circumstances however, with the full support of the current and previous Chairmen and our Members and traditional allies, the staff at the Secretariat have remained resilient, dedicated, hard working and loyal and have amassed extensive experience and expertise in the requirements of the 40 and 9 Recommendations and the Methodology, all of which now provide a strong foundation for a stable CFATF, well positioned to take on future challenges with ease and confidence.

Indeed the recent admission of the CFATF as an Associate Member of the FATF is testimony to the new direction in which the Caribbean Basin Region is traveling and our collective intention should be to firmly maintain this forward looking and productive course in adhering to our international obligations.

Whilst celebrating these successes to which the experience and expertise of the Secretariat staff were contributory factors, we must acknowledge the important and indeed pivotal roles played by the first and second Executive Directors Mr. Tim Wren United Kingdom and Mr. Carlos Correa, United States for their sterling efforts in the establishment and nurturing of CFATF as well as Mr. Pierre Lapaque France, Mr. Antonio Hyman Bouchereau Panama and Mr. Russell Ursula Netherlands Antilles as Deputy Executive Directors, in steering the development of the Mutual Evaluation Programme. We must thank them all.

## **DEPUTY EXECUTIVE DIRECTORS**

The Mutual Evaluation Programme is a core aspect of the work of the CFATF and traditionally has been the remit of the Deputy Executive Director.

The overall Mutual Evaluation Programme is now very intensive, encompassing Pre Mission work with the Members on the Mutual Evaluation Questionnaires, the actual Mutual Evaluation Missions which now run for two weeks, the finalisation of the Mutual Evaluation Reports and the Follow-Up process on implementing the recommendations of the Mutual Evaluation Examiners, which is now very important and finally assisting with the coordination and delivery of Technical Assistance and Training.

The enhanced attention that is being given to implementing the recommendations of the Mutual Evaluation Examiners as part of the Follow-Up process to Mutual Evaluations, dictates the need to engage the donor community on an ongoing basis for the delivery of Technical Assistance and Training in order to implement the specific recommendations of the Examiners in a timely fashion and to generally strengthen the AML/CFT infrastructure of Members.

Ministers determined that the increased work load as outlined above is too heavy for one Deputy Executive Director, took into account the need for bi-lingual executive level experience at the Secretariat and agreed that there should be two Deputy Executive Directors with responsibility for the Mutual Evaluation Programme.



The partnership between the CFATF and the COSUNs continues a long standing tradition of support. The need to expand the staff complement at the Secretariat saw the COSUNs being deeply involved in the dialogue which led Canada, Netherlands, Spain and the United States, in their ongoing generosity, providing the financial package for one of the Deputy Executive Director position for a two year period (2008-2010) and their involvement along with the Secretariat in the recruitment process.

Looking to the 2011 and beyond, Ministers have agreed that the CFATF would be fully responsible for the remuneration package for both Deputy Executive Director positions which would be reflected in increased annual membership contribution.

Newly appointed Deputy Executive Directors Ms. Dawne Spicer and Mr. Ernesto Lopez were presented to Ministers at the November 2008 Ministerial Meeting.

#### **OTHER SECRETARIAT STAFF**

The authorized staff complement at the Secretariat consists of the Executive Director, two Deputy Executive Director, Legal Advisor, Financial Advisor, Law Enforcement Advisor, Administrative Manager, Translator/Administrative Assistant and Administrative Assistant.

However the actual staff members in order of date joining the Secretariat is as follows;

Mr. Calvin Wilson Executive Director who joined the Secretariat in February 1998,

Mrs. Michele Leblanc-Morales Translator/Administrative Assistant in October 2000,

Ms. Dawne Spicer Deputy Executive Director in February 2001,

Mr. Roger Hernandez Financial Advisor in October 2001,

Ms. Julia James Administrative Manager in February 2003,

Mr. Jefferson Clarke Law Enforcement Advisor in May 2007,

Mr. Ernesto Lopez, Deputy Executive Director in September 2008 and

Ms. Samantha Thompson, Administrative Assistant in October 2008.

In keeping with the new policy endorsed by Ministers in November 2009, all existing staff members should undergo a course of training outlined in the agreed Action Plan to become bilingual in both the official languages of the CFATF namely English and Spanish. Additionally, all new members of staff effective October 30<sup>th</sup>, 2009 should be bilingual in both the official languages of the CFATF on engagement.



Over the years not only has the membership grown to thirty as compared to the 21 members which signed the Memorandum of Understanding in early years of the CFATF but the workload has increased considerably and has become very specialized and intricate. The team of employees is able to successfully undertake the various components of the Chair's Work Programme, given the collective length of service, demonstrated commitment, expertise and experiences.

## **THE MUTUAL EVALUATION PROGRAMME**

The Mutual Evaluation Programme is a crucial aspect of the work of the CFATF as it is one of the mechanisms by which the Secretariat ensures that each Member State fulfils the obligations undertaken as a signatory of the CFATF memorandum of Understanding. Through this monitoring mechanism the wider membership is kept informed as to what is happening on the ground in each Member Country that has signed the Memorandum of Understanding. For the individual Member, the Mutual Evaluation Programme presents a valuable opportunity for an objective assessment by a team of experts of the anti money laundering and combating the financing of terrorism framework as it exists at the time of the visit.

Like all assessment bodies operating globally the Caribbean Financial Action Task Force (CFATF) utilizes the Financial Action Task Force (FATF) Anti Money Laundering/Combating Financing of Terrorism (AML/CFT) Methodology as the assessment tool for the ongoing Third Round of Mutual Evaluations which allows, through the Mutual Evaluation Reports, for due recognition to be given where the standard benchmarks, the FATF 40 Recommendations and the Nine Special Recommendations to Combat the Financing of Terrorism are met, but also, identifies weaknesses and makes recommendations with a view to securing improvements.

Since its inception, the CFATF has undertaken two Rounds of Mutual Evaluations of its Members and in early 2005 commenced the Third Round of Evaluations. Thus far in the Third Round, Mutual Evaluation Missions have been undertaken in twenty two jurisdictions viz, Antigua and Barbuda, Aruba, Barbados, Bermuda, Cayman Islands, Costa Rica, Dominica, Dominican Republic, Grenada, Haiti, Honduras, Jamaica, Nicaragua, Panama, St. Lucia, St. Kitts and Nevis, Suriname, The Bahamas, Trinidad and Tobago, Turks and Caicos Islands, Venezuela and Virgin Islands, which have been adopted as final by Ministers and posted on the CFATF web-site.

Due to the constitutional arrangements between FATF Member Netherlands and CFATF Members Aruba and Netherlands Antilles, the AML/CFT assessments of these two CFATF jurisdictions are undertaken by the FATF.

In the case of the Aruba the Mutual Evaluation Mission was a joint FATF/CFATF Evaluation, which was conducted during the period November 24 to December 5, 2008. Mrs. Melissa Seenacherry of Suriname was the Legal Expert on the Evaluation.

In keeping with established FATF procedure for the presentation of the Report to the Plenary of an FSRB after the Report had been adopted by the FATF Plenary, the Mutual Evaluation Report on Aruba



was presented by the Secretariat with a focus on the involvement of the CFATF Secretariat in the Evaluation process, an overview of the findings of the Report, and a presentation by Aruba after which it was opened to the Plenary for discussion.

Following these discussions, the Plenary recommended the report for adoption by the CFATF Council of Ministers but noted the proposal that the discussion of similar Evaluation Reports in the future should be accompanied by the List of Key Issues that was utilized at the FATF Plenary discussions.

At the May 2010 Plenary meeting it is expected that the Mutual Evaluation Reports on Anguilla, El Salvador, Guatemala and St. Vincent and the Grenadines will be discussed, adopted as final by Ministers utilizing the Round Robin process and posted to the CFATF website by June/July 2010.

During January to April 2010 Mutual Evaluation Missions will be undertaken in Guyana, Montserrat and Belize and it seems highly likely that all three Reports should be discussed at and adopted by Plenary and Ministers respectively by November 2010.

The final Third Round Mutual Evaluation Mission will occur in Netherlands Antilles and will be conducted by the FATF with CFATF participation towards the last quarter of 2010. The attendant Mutual Evaluation report would be discussed at the FATF Plenary Meeting in June 2011 and at the CFATF Plenary in November 2011, thereby concluding the Third Round of Mutual Evaluations.

Ministers heard that the Fourth Round of Mutual Evaluations should begin in July of 2010 and would consist of assessments that are focused on rectifying deficiencies identified in the Third Round Mutual Evaluation Reports, the Key and Core FATF Recommendations, other deficiencies discerned from a comparison with any amendments to the international AML/CFT standards since the last Mutual Evaluation Report, other deficiencies which are discovered through the FATF ICRG initiative in keeping with the particular risk profile of the individual jurisdiction and any other identified AML/CFT risks due to future amendments to the international standards.

Ministers also noted that the Secretariat would prepare a Paper which will explore the possibility of delaying the launch of the Fourth Round in light of work by the FATF on the international AML/CFT benchmarks and the date by which it is expected that the FATF would commence its Fourth Round of assessments.

In keeping with its revised policy CFATF Mutual Evaluation Missions are now staffed not only with Examiners from CFATF Member jurisdictions but also with Examiners from the FATF states, from other FATF Style Regional Bodies and from the Offshore Group of Banking Supervisor (OGBS).

Accordingly the Mutual Evaluation Mission to Suriname which occurred during March 23<sup>rd</sup>, 2009 to April 3<sup>rd</sup>, 2009, was conducted in Dutch with a Team of Examiners from Aruba, Belgium, Netherlands and Netherlands Antilles.

The Mutual Evaluation Mission to Venezuela was led by the Deputy Executive Secretary GAFISUD and a Team of Examiners from Costa Rica, Spain and Nicaragua.



Additionally, both the International Monetary Fund (IMF) and the World Bank (WB) undertake assessment Missions to CFATF Member countries as part of their respective Financial Sector Assessment Programme/Offshore Financial Centre Assessment Programme (FSAP/OFC) and under the reciprocal arrangements, the Detailed Assessment Reports coming out of these Missions are accepted by the CFATF as Mutual Evaluation Reports for its Mutual Evaluation Programme. Similarly, under these arrangements, CFATF Mutual Evaluation Reports are accepted as Detailed Assessment Reports for the IMF/WB/ FSAP/OFC purposes

Both the World Bank and the International Monetary Fund have been supportive of the work of the CFATF and this mutually productive relationship is set to continue. Ministers have endorsed the policy and implementation is moving full speed ahead that both the Bank and the Fund will undertake one/two AML/CFT Assessments of CFATF member countries each year after dialogue and agreement with the Secretariat which will undertake the necessary consultation with the CFATF member in question and the outcome put to the Plenary for endorsement. Under these reciprocal arrangements, CFATF Examiners will participate in these Assessment Missions as Observers.

With regard to the CFATF consultations with the Bank and the Fund, the review would consider resources available to all three institutions, the number of missions to be undertaken annually by the CFATF, the Bank and the Fund, the potential number that the Bank and the Fund could assess in any given year, the identification of potential countries and agreement on tentative dates that the Missions will take place.

The Secretariat will then dialogue with the identified countries on the tentative dates so as to get their in principle agreement and once this is in hand, will formally confirm with the CFATF Prime Contact that the Bank or Fund will be making contact not only with the Finance Ministry or Central Bank but with the CFATF Prime Contact, in order to commence the preparations. Both the Fund and the Bank will be requested to copy the initial letters to the CFATF Secretariat.

The CFATF Secretariat will then inform the Fund and the Bank of the countries that they will assess and the agreed dates. The Fund and the Bank will keep the Secretariat informed of the preparatory work through being copied in on correspondence with regard to the AML/CFT aspects of the assessment. This will have the benefit of the Secretariat intervening with our Prime Contacts where necessary should there be any untoward developments. In order to make these procedures workable the CFATF Prime Contact will need to be part and parcel of the national preparatory dialogue with the Fund and Bank so that the necessary Country authorization could be given to both institutions to share appropriate AML/CFT correspondence with the CFATF Secretariat.

In keeping with these arrangements the Detailed Assessment Report on Honduras was prepared by the World Bank and that on St. Vincent and the Grenadines is being prepared by the International Monetary Fund. For future Missions during the Fourth Round of Assessments, consideration will be given to direct involvement of the Secretariat or a CFATF Examiner in conjunction with the Fund or Bank.

In keeping with current trends in the international AML/CFT assessment community, the CFATF has adopted the mechanism whereby the Secretariat, through the Team Leader of the Mutual Evaluation Mission, will finalize the Mutual Evaluation Report and will also prepare a List of Key Issues on which



the Examiners and the Examined Country have not been able to reach consensus, be it on the ratings assigned to the FATF Recommendations, the interpretation of legislation or on the analysis produced by the Examiners on some aspects of the national AML/CFT infrastructure. This List of Key Issues is now being successfully utilized to bring greater focus and discipline to the discussions of the Mutual Evaluation Reports and will be refined as continued experiences with the process identify the necessity for improvements.

During the period under review the List of Key Issues for most of the Mutual Evaluation Reports that were discussed and adopted as final by Ministers contained issues on a regular basis which centered on requests for upgrading or downgrading the ratings assigned to the various FATF Recommendations by the Examiners.

Other issues that were regularly canvassed included;

The limited access to information from subsidiaries in foreign countries and its effect on Recommendation 4; effectiveness of the FIU; enforceability of the administrative sanctions regime for financial institutions; the low number of suspicious transaction reports from some categories of financial institutions; in relation to Recommendation 1 whether the terms “conversion” and “transfer” could be included in the term “engaging in a transaction that involves property”; in relation to Recommendations 5 and 6, whether the Guidance Notes issued by the Money Laundering Supervisory Authority (MLSA) could be considered as OEM; in relation to Recommendation 26, whether the fact that the FIU was not the central authority for receiving money laundering STRs but however had devised a method whereby the STRs received by the MLSA would be made immediately available to the FIU could constitute a major shortcoming; consideration of implementing a currency reporting system; monitoring system for money value transfer operators; the extent to which the issuance of two criminal accusations in the first six months of the new Penal Code can be taken as evidence of effective implementation of Recommendation 1 and the impact that the lack of preventive measures in the cooperative and microfinance sectors can have in the rating of Recommendation 5.

## **FOLLOW UP PROCESS**

In keeping with the need for a close and more robust monitoring process, the CFATF has instituted a new Follow-Up Process which will apply where the Mutual Evaluation Report shows there are significant deficiencies in the country’s AML/CFT system. The new policy is applied where any of Recommendations, 1, 5, 10, 13 or Special Recommendations II or IV are rated with PC or NC; or where the Plenary so decides. Where the Plenary agrees that there should be follow-up, it should also decide which steps should be taken and the timing of the necessary action.

The normal first step in the process would be that two years (24 months) after the Reports is discussed, the assessed country would report back to the Plenary and provide information on the actions it has or is taking to address the factors/deficiencies underlying any of the 40 + 9 Recommendations that are rated partially compliant (PC) or non-compliant (NC). The expectation would be that significant progress would have been made by that time. Where the failings identified in a report are particularly serious, the



Plenary could decide on a more expedited timetable, and require the country to report back sooner than two years. Equally, if the country wanted to report back sooner, this would be acceptable

The Follow Up Process is now an integral but evolving part of the Mutual Evaluation Programme and facilitates dialogue with the COSUNs and the donor community in order to marry the delivery of technical assistance and training with the deficiencies identified in the various Mutual Evaluation and Follow Up Reports.

As part of this evolutionary process eleven (11) countries had their Follow-Up matrices presented at the November 2008 Plenary in St. Kitts and Nevis. However, the analysis reports were not completed at that time. In light of this the Council of Ministers stipulated that the Follow-Up Reports would be presented at the May 2009 Plenary in Port of Spain, Trinidad.

However only eight of these reports were distributed to Members, COSUNs and Observers two (2) months before the Port of Spain May 2009 Plenary. In one case the analysis report was not distributed, due to the late receipt of the newly enacted legislation by the jurisdiction and recourse was had to an oral update.

Some countries did not present their Follow-Up Reports in writing and several delegations noted that going forward the situation of the oral presentation of Follow-Up reports should be avoided since it did not allow the Plenary the opportunity to properly evaluate the progress that had been made by a Member country.

The November 2008 St. Kitts and Nevis Communiqué noted some of the problems which were retarding the efficacy of the Mutual Evaluation Programme which included the failure to allocate sufficient human and financial resources to the national compliance exercise and the deployment of the range of measures that should be taken in relation to Members who persistently failed to rectify identified deficiencies as outlined in the Memorandum of Understanding.

Heeding the call for a more robust approach to the Follow Up process, Members in May 2009 responded in the strongest possible terms to the failure of one jurisdiction in making greater progress with the enactment of necessary legislation and to respond in a timely fashion to correspondence from the Chair by mandating a High Level Mission to travel to the jurisdiction to convey the concerns of the Plenary directly to the Government and to encourage the process of reform.

The Mission was mandated to ensure that the jurisdiction agreed to a strict regime for monitoring action on the identified corrective measures with clear timelines, and to report back to the Plenary with clear recommendations on the type of counter measures that should be implemented.

The enactment of the sanctions procedures as part of the Follow Up process proved to be immediately successful. The response of the jurisdiction to the High Level Mission was the enactment of key pieces of AML legislation that were long overdue, a commitment to enact Combating the Financing of Terrorism legislation by a set time frame and to be undergo a strict monitoring and reporting regime to the Plenary.



Drawing upon this initial success, Ministers in November 2009 responded to the slow pace of reform in another jurisdiction and the promise of expeditious action by mandating a letter from the Chair expressing the expectation that the schedule of proposed legislative enactments should be observed and requiring the Secretariat to monitor adherence to the identified timelines and prepare an appropriate recommendation to the May 2010 Plenary which could include deployment of a High Level Mission.

The Follow Up process affords a valuable opportunity for Member countries to outline to the regional and international community the progress that is being made to implement the recommendations of the Examiners in their respective Mutual Evaluation Reports and indeed some jurisdictions during the period under review placed on record a variety of reform measures that had been implemented and sought less stringent reporting back arrangements or expeditious movement out of the Follow Up process.

However given the less than consistent and unwieldy adherence to the Follow Up procedures by Members and the fact that this state of affairs militated against the ability of the organisation as a whole to effectively monitor and ensure the timely rectification of deficiencies identified in the Mutual Evaluation Reports, Ministers endorsed the recommendation of Deputy Executive Director Dawne Spicer which was supported by Plenary that the Secretariat undertake a review of the Follow-Up procedures with the aim of amending them so that they are in line with the FATF Follow-Up procedures.

The review process would also entail assessing and reassigning each jurisdiction in the various reporting back categories on a case by case basis and requiring that all Follow Up reports be written.

Additionally failure to comply with the new procedures would see letters either from the Secretariat or the Chair based on the level of the breach to the offending jurisdiction and a Compliance Report to each Plenary on the overall breaches of the new Follow Up rules.

The review process will also consider a suggestion made by the United Kingdom that the analysis reports should focus on the measures necessary to remove the evaluated country from the enhanced process. In addition the reassessment exercise will also consider the new report writing process that is being introduced by the FATF with regard to Follow-Up Reports in order to determine whether CFATF Reports should be written in a like manner. Plenary agreed that the proposed amendments would be sent out for approval by the Round Robin process.

As a first step in this reform exercise the Secretariat prepared a list of the twenty two jurisdictions whose Mutual Evaluation Reports had been adopted as final by Ministers which clearly outlined the current category of the Follow Up process in which each Member was placed along with the date on which a report back to the Plenary is required and where relevant, a identifying a request to exit the Follow up process.

At the May 2010 Plenary meeting it is expected that the reclassification exercise would have been completed and subject to Ministerial endorsement via the Round Robin process placed on the CFATF website.



## MUTUAL EVALUATION EXAMINERS TRAINING WORKSHOPS

Ministers mandated that the CFATF should utilize the FATF Anti Money Laundering/Combating Financing of Terrorism (AML/CFT) Methodology as the assessment tool for the Third Round of Mutual Evaluations. Experience across the global assessment community has shown that the intricacies of the various requirements of the Methodology and the matter of assigning ratings to the FATF 40 and 9 Special Recommendations are on going challenges for Examiners.

Experience has also shown that ongoing education is the key to meeting these difficulties, not only for Examiners but also for the staff at the Secretariat as well as relevant stakeholder officials in all Member jurisdictions.

With this in mind, between 2005 and 2009, the Secretariat arranged in Jamaica, Costa Rica, Trinidad and Tobago, Honduras and Martinique, Nicaragua and Trinidad and Tobago Training Seminars for Mutual Evaluation Examiners as outlined below.

### **February 14-18 2005, Kingston, Jamaica**

Antigua and Barbuda (2), Aruba (2), Bermuda (3), Cayman Islands (1), Guyana (1), Haiti (1), Honduras (1), Jamaica (6), Montserrat (1), Netherlands Antilles (2), Panama (2), St. Vincent and the Grenadines (1), Suriname (2), The Bahamas (1), Trinidad and Tobago (2).

Trainers came from the World Bank, IMF, CFATF Secretariat.

Fifteen (15) countries attended and twenty eight (28) Examiners were trained.

### **June 20 – 24 2005, San Jose, Costa Rica.**

Costa Rica (5), Dominican Republic (3) El Salvador (3), Guatemala (4), Honduras (3), Nicaragua (2), Panama (2), Venezuela (3).

Trainers came from the CFATF Secretariat, FATF Secretariat, GAFISUD Secretariat, World Bank, IMF.

Eight (8) countries attended and twenty five (25) Examiners were trained.

### **March 27 – 31 2006, Port of Spain, Trinidad.**

Anguilla (1), Antigua and Barbuda (2), Barbados (5), The Bahamas (6), British Virgin Islands (3), Cayman Islands (3), Guatemala (1), Haiti (2), Honduras (1), Netherlands Antilles (1), Montserrat (1), Panama (1), St. Vincent and The Grenadines (3), Trinidad and Tobago (10), Turks and Caicos Island (2).



Trainers came from the FATF Secretariat, World Bank, IMF, CFATF Secretariat, Cayman Islands, Antigua and Barbuda.

Fifteen (15) countries attended and forty two (42) Examiners were trained.

**August 7 - 11 2006, Tegucigalpa, Honduras.**

Belize (1), Costa Rica (3), Dominican Republic (3), El Salvador (3), Haiti (2), Honduras (6), Guatemala (3), Nicaragua (3), Panama (3), Venezuela (2).

Trainers came from the GAFISUD Secretariat, IMF, World Bank, CFATF Secretariat, Dominican Republic, Panama and Nicaragua.

Ten (10) countries attended and twenty nine (29) Examiners were trained.

**January 21 - 25 2008, Fort de France, Martinique**

Anguilla (4), Belize (2), British Virgin Islands (5), Dominica (3), El Salvador (3), Grenada (2), Haiti (3), Mexico (1), Nicaragua (3), Spain (1), St. Kitts and Nevis (4), St. Lucia (2), St. Vincent and The Grenadines (4), Suriname (3), United States of America (1), Venezuela (2).

Trainers came from the Commonwealth Secretariat, World Bank, IMF, France, CFATF Secretariat and Bess Michael - Consultant.

Ten (16) countries attended and forty three (43) Examiners were trained.

**June 23-27 2008, Port of Spain, Trinidad**

Antigua and Barbuda (1), Aruba (2), The Bahamas (2), Barbados (4), Bermuda (3), Cayman Islands (3), Costa Rica (3), Guatemala (2), Jamaica (2), Montserrat (1), Mexico (1), Netherlands Antilles (3), Panama (3) Trinidad and Tobago (3) Venezuela (3) and Virgin Islands (3).

Trainers came from the Commonwealth Secretariat, World Bank, IMF, FATF (France), CFATF Secretariat and Bess Michael - Consultant.

Sixteen (16) countries attended and thirty nine (39) Examiners were trained.

**June 1-5 2009, Port of Spain, Trinidad**



Antigua & Barbuda (2); Barbados (1); The Bahamas (2); Belize (1); Dominica (3); Haiti (1); Jamaica (1); Mexico (1); Montserrat (2); Neth. Antilles (1); St. Kitts & Nevis (3); St. Lucia (4); St. Vincent & the Grenadines (1); Trinidad & Tobago (5); Turks & Caicos Islands (2); and Virgin Islands (1)

Trainers came from the Commonwealth Secretariat, World Bank, IMF, FATF (France), CFATF Secretariat

Sixteen (16) countries attended and thirty one (31) Examiners were trained.

### **July 6-10 2009 Managua, Nicaragua**

Costa Rica (5); Spain (1); Guatemala (1); Mexico (2); Nicaragua (20); Panamá (2); Dominica (3)

Trainers came from the CFATF Secretariat, GAFISUD Secretariat, World Bank, IMF.

**Seven (7) countries attended and thirty four (34) Examiners were trained.**

During November 2008- October 2009, regional capacity to undertake Mutual Evaluation Missions was enhanced as the CFATF conducted two Mutual Evaluation Training Workshops in Port of Spain, Trinidad and in Managua, Nicaragua.

The number of trained Examiners since 2005 totals two hundred and seventy one (271).

Importantly also in the context of enhancing capacity, the Legal and Financial Advisors as well as the Executive Director attended the FATF AML/CFT Methodology Seminar in Hong Kong, China during January 2007 which has placed the Secretariat on a stronger footing with regard to undertaking its responsibilities for the Mutual Evaluation Programme which includes participating in the training of Mutual Evaluation Examiners.

The Training Seminars are of critical importance to building capacity within our member countries as well as at the Secretariat. Accordingly the CFATF Secretariat will continue to work with the FATF Secretariat, the World Bank, International Monetary Fund, Commonwealth Secretariat, as well as our COSUN colleagues from Canada, France, Mexico, Netherlands, Spain, United Kingdom and the United States in order to draw upon the wider expertise and experience on offer for the training of CFATF Examiners.

The task ahead is to ensure that the knowledge gained on the Training Seminars will not be lost through lack of use. Accordingly in the first instance the Secretariat trusts that Members when requested will ensure that all trained Examiners will be made available for future Mutual Evaluations Missions.

Secondly, Members are urged to involve these Examiners on an ongoing basis, in developing the national AML/CFT agenda through being involved in the work of the National Anti Money Laundering Committee; the training of public and private sector stakeholders on AML/CFT issues; the preparations



for Mutual Evaluation Assessments by assisting in the completion of the Mutual Evaluation Questionnaire; compiling data for national reviews to design and implement an effective risk-based strategy to combating money laundering and terrorist financing; participating in the preparation of national responses to issues that are being discussed at the CFATF/FATF and other regional and international AML/CFT fora; being a country representative to CFATF/FATF Plenary Meetings, and participating in CFATF Training Workshops throughout the region.

The Secretariat will also be circulating directly to the Examiners all information on issues relating to the AML/CFT Methodology and the FATF 40 and 9 Recommendations so that they can be kept abreast of and can participate in, the framing of the international standards.

As most of the relevant documents will emanate from the FATF Secretariat they will be circulated in English immediately to all jurisdictions and Examiners which will be to the benefit of those Spanish speaking jurisdictions and Examiners who can also work in English. For jurisdictions and Examiners who can only work in Spanish the documents will be translated and forwarded at a later stage.

However with the advent of a bilingual Deputy Executive Director at the Secretariat, the issues in the papers will be summarized and circulated so that input from jurisdictions and Examiners would still be possible pending translation.

Consideration is also being given to placing all the materials used on Mutual Evaluation Examiners Training Workshop and updated from time to time as they are amended on a secured portion of the CFATF website. Examiners will be kept up to date on new developments through this mechanism, which will also allow for the posting of questions to and answers from the Secretariat.

Although the webpage will be secured, access will be granted to all Members and COSUNs, the IMF, the World Bank, FATF and Commonwealth Secretariats as well as to the Secretariats of the other FATF-Style Regional Bodies. This will allow the dialogue to draw upon and benefit from the expertise and experiences of a wider community and would allow salient issues that arise and the manner in which they are resolved in the Mutual Evaluation Reports of all Assessment Bodies to be shared on an expedited basis.

## **THE MUTUAL EVALUATION QUESTIONNAIRE**

As the Third Round of Mutual Evaluations continues, it is now accepted that the overall Mutual Evaluation Programme is very costly and intensive with particular challenges for Members in filling out the Mutual Evaluation Questionnaire, a document the proper completion of which is critical to the success of any Mutual Evaluation Mission.

In order to address these problems, the Secretariat organized a Mutual Evaluation Questionnaire Training Seminar in Kingstown, St. Vincent and the Grenadines during April 18-19 2007, which was aimed at officials from all the countries that were scheduled for Mutual Evaluation during 2007.



Accordingly twenty-six participants from Antigua and Barbuda (4), British Virgin Islands (4), Cayman Islands (3), Haiti (3), Turks and Caicos Islands (3), St. Lucia (3) and St. Vincent and the Grenadines (6) attended. Private sector representatives from St. Vincent and the Grenadines were also present. Bermuda although invited was not present due to preparations for its AML/CFT assessment by the International Monetary Fund.

Without a doubt, the Secretariat is of the view that the advent of this exercise added value to the CFATF Mutual Evaluation Programme and contributed to a greater understanding of the requirements of the Methodology and the Recommendations and engendered familiarity and confidence which led to active, constructive and increased participation at the two CFATF Plenary Meetings during 2007 when the Mutual Evaluation Reports were being discussed.

In this regard during 2008-2009 the Secretariat with funding provided by the Commonwealth Secretariat has been able to arrange for Consultants to provide pre Mutual Evaluation Mission Technical Assistance to assist officials in Grenada, Montserrat and St. Lucia with the completion of the Mutual Evaluation Questionnaire and overall preparations for the Mutual Evaluation Mission.

During the period under review discussions were initiated for the provision of similar assistance to Anguilla and Belize in 2010 as well as for all CFATF Members during the Fourth Round of Mutual Evaluations.

## **RISK BASED REVIEWS**

The FATF Recommendations contain language that allows competent authorities and financial institutions to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate to the risks identified. Such an approach will allow resources to be directed in accordance with priorities and in the most efficient ways, so that the greatest risks receive the highest attention. Countries will need to undertake a risk analysis which will identify the main vulnerabilities and address them accordingly.

Indeed there are recognized challenges to this approach as it requires resources and expertise to gather and interpret information on risks, both at the country and institutional levels, to develop procedures and systems, to train personnel and sound, well trained judgment as to implementation.-See FATF-Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing.

The Secretariat is in ongoing dialogue with donor partners to ensure that the benefits of this approach could be enjoyed by all Members during the Fourth Round of Assessments.

## **GUIDANCE FOR THE IMPLEMENTATION OF THE FATF STANDARDS IN LOW CAPACITY COUNTRIES**

The FATF recognizes that the implementation of the FATF 40 and 9 Recommendations poses considerable challenges to all jurisdictions whether they are classified as developed or developing



countries and therefore allows a measure of flexibility taking into account particular circumstances and constitutional frameworks.

The FATF is particularly attuned to the structural characteristics of Low Capacity Countries which constrain the speed of implementing the AML/CFT standards and as a consequence have issued Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards within Low Capacity Countries.

This Guidance identifies a number of principles and specific mechanisms and procedures that may be used to ensure effective prioritization and implementation of the AML/CFT standards taking into account risk profiles, severe lack of capacity and resource constraints.

The Guidance encourages Low Capacity Countries strategic planning taking a holistic, long term view of the Mutual Evaluation process and the post evaluation implementation plan.

The Guidance provides suggestions on how to obtain co-operation and engagement, political commitment, leadership and inter agency co-operation and co-ordination, private sector outreach and consultation and technical assistance /engagement with FSRBs, prioritization and planning, risk assessment and implementation action plan.

The Secretariat will explore possibilities on this front with relevant Member countries and donor partners to ensure that the benefits of this approach could be enjoyed by all Members during the Fourth Round of Assessments.

## **STRATEGIC IMPLEMENTATION PLANNING FRAMEWORK**

Ministers also heard a brief presentation on the Strategic Implementation Planning (SIP) Framework based on the attendance of the Deputy Executive Directors at a Training the Trainers workshop on this framework in Malaysia. Attendance at the workshop was sponsored by the World Bank with assistance from Canada.

The “SIP Framework”, is aimed at providing assistance to countries in prioritizing and sequencing the implementation of the recommendations in their Mutual Evaluation Reports on the basis of each jurisdiction’s risks/vulnerabilities with regard to ML-FT, and the ‘core’ FATF Recommendations.

The objectives of the Framework and its expected benefits to Members were also discussed. Training in the Region on this Framework is proposed for mid- 2010 subject to the availability of funds.

Taken together, the wholesale review of the Third Round Mutual Evaluation Reports, an assessment of the extent to which identified deficiencies have been rectified in the Follow-Up Reports, the reports prepared following Risk-based Reviews by jurisdictions, the Guidance for Low Capacity Countries and the outcome of the Cost Benefit Analysis Project, could all be instrumental in dictating what type of Technical Assistance projects could be provided to Members in preparation for their country assessments during the Fourth Round.



In outlining all the above initiatives within the context of the Mutual Evaluation Programme the long term aim taking into account the onset of the Fourth Round of Assessments, is to work with each jurisdiction on an individual basis in order to customize the assistance that could facilitate early diagnosis of areas of concern, taking the necessary corrective action at the earliest opportunity prior to the Mission, identifying areas which could benefit from the Risk Based Approach and where necessary taking advantage of the Low Capacity Countries Guidance as well as the Strategic Implementation Framework so as to best ensure a high level of compliance with the AML/CFT standards as reflected in the Mutual Evaluation or Follow Up Reports.

In order to effectively accomplish such a goal close co-operation and co-ordination will have to be undertaken with all CFATF friends and supporters in the international donor community in order to draw on the Technical Assistance and Training projects some of which are outlined immediately below and were made available during the period under review.

## **TECHNICAL ASSISTANCE AND TRAINING**

From an historical perspective the CFATF must thank the original five members of the Group of Cooperating and Supporting Nations, Canada, France, Netherlands, United Kingdom and the United States who in 1992 agreed to assist with the funding the CFATF in its very early years and also Spain and Mexico who joined in October 1999 and Mexico in October 2000 respectively, for their ongoing support of our work and the pivotal part they have all played in strengthening AML/CFT capacity throughout our membership, through the wide range of Technical Assistance and Training Programmes that they have and continue to fund.

Longstanding and important partners also include the Commonwealth Secretariat, Caribbean Region Technical Assistance Centre, FATF Secretariat, Inter American Development Bank, International Monetary Fund, United Nations and World Bank

For the foreseeable future the coordination and delivery of Technical Assistance and Training would be critical to securing the highest levels of compliance across the CFATF membership.

In keeping with well established tradition members of the Group of Cooperating and Supporting Nations and Observer Organisations outlined the following Technical Assistance and Training projects with relevance to CFATF members during 2008-2009 as follows;

### **CANADA**

The Counter-Terrorism Capacity Building for Programme of the Canadian Foreign Affairs Department provided Canadian financial support along with Netherlands, Spain and the United States towards the remuneration package for one of the two Deputy Executive Director positions.



FINTRAC, the Canadian Financial Intelligence Units provided in St. Vincent and the Grenadines an International Compliance Training Workshop for the representatives of Financial Intelligence Units and Regulators in the Caribbean Basin Region.

Funding will be provided for a UNODC Programme to strengthen legal regimes for countering terrorism in thirty three countries in the Caribbean and Latin America.

The Canadian Technical Trust Funds at the World Bank and the IMF for AML/CFT projects were utilized for the CFATF Mutual Evaluation Examiners Training Workshop in January and June 2008 and a Programme for Leadership in Financial Market Integrity in June 2008 in Port of Spain, Trinidad.

Ongoing Technical Assistance and Training programmes by the Royal Canadian Mounted Police for Law Enforcement officials in CFATF countries covering Financial Investigations and Case Management Techniques

The Office of the Superintendent of Financial Institutions participated in an AML/CFT training by the Toronto Centre and the World Bank in Trinidad and Tobago in the summer of 2008.

Potential funding may be available for training on the Strategic Implementation Planning Framework and a programme for the establishment of preventative measures for the Designated Non Financial Businesses and Professions sector.

## **SPAIN**

The continuation of its eight AML/CFT courses coordinated by the Secretariat, for the benefit of the Spanish speaking Members with the addition of a new course which will evaluate the AML/CFT needs of beneficiary countries and provide the required training to address any particular needs that have been identified.

## **UNITED STATES OF AMERICA**

Department of The Treasury-Office of Technical Assistance -Project in Haiti where OTA Advisors over a four year period, have been training officials in financial crime investigations, money laundering, asset seizure and forfeiture, as well as strengthening the operations of the FIU and the Bureau of Financial and Economic Affairs.

Collaboration between OTA Advisors and the Governments of El Salvador, Guatemala and Honduras.

## **EL SALVADOR**

Financial Investigative Techniques Course which was taking place during the week of the Plenary for officials of the National Civilian Police, Criminal Tax Investigative Unit and Prosecutors at the Attorney General's Department.



## **GUATEMALA**

Course for representatives of the Financial Intelligence Unit

## **HONDURAS**

Four (4) week Criminal Investigations Training Project  
Supervision of the Casino and Gaming industry and Non Bank Financial institutions.

## **CARIBBEAN REGION TECHNICAL ASSISTANCE CENTRE (CARTAC)**

The Bahamas- October 2008- CARTAC/CFATF –AML/CFT Conference on Casinos and remote gaming Venues. 15 countries attended. Tour of a Casino undertaken. All presentations are on the CARTAC website.

June/July 2009 on the AML/CFT activities at Insurance companies. A call was made for collaboration on resources Speakers, Typologies and Case studies.

## **INTERNATIONAL MONETARY FUND**

Funding under the AML/CFT Topical Trust Fund (TTF) for Pre-Assessment Technical Assistance for the first group of CFATF Members, perhaps three or four (3-4) which are to be assessed during the Fourth Round of Mutual Evaluations.

Ideally this assistance should be implemented at least six months prior to the actual dates of the Mutual Evaluation Mission which would allow the beneficiary countries to make effective and timely preparations.

## **UNITED NATIONS COUNTER TERRORISM EXECUTIVE DIRECTORATE**

The Counter Terrorism Committee and the Committee's Executive Directorate has the remit to enhance ability to monitor compliance with United Nations Security Resolution 1373 and to contribute to the building of that capacity.

The Preliminary Implementation Assessments as a mechanism for analyzing the strengths and weaknesses of countries in implementing United Nations Security Council Resolution 1373 and the enhancement of counter terrorism capacity was outlined.

The Directorate does not possess a body of funds but can act as a facilitator for the provision of Technical Assistance such as assistance from Columbia to the Financial Investigative Division in Jamaica with funding to be provided by Organization of American States in 2008.



The Secretariat will work with all CFATF Members to ensure that they can benefit from this Preliminary Implementation Assessment facility.

### **UNITED NATIONS OFFICE ON DRUGS AND CRIME (UNODC)**

Reported on its follow up activities to requests by Central American and Caribbean countries to strengthen and sustain the provision of technical assistance activities against terrorism, illicit drug trafficking and trans-national organized crime within the Caribbean Basin Region.

Expressed the readiness and willingness of UNODC to provide specific training and support in legislative and capacity building areas in order to assist countries to fortify their legal systems and strengthen national capacities.

### **WORLD BANK**

- Confirmed its commitment to support the CFATF Secretariat in undertaking the Mutual Evaluation Program and in developing capacity building programs for its Member countries either on a regional or bilateral basis.
- Advised of the organization of pre-assessment training workshops to help countries prepare for their Mutual Evaluations which have proven to substantially enhance the quality of the answers to the Mutual Evaluation Questionnaires prepared by the national authorities ahead of the on-site mission, which contributes to the quality of the reports itself.
- For the post-evaluation phase namely implementation of the recommendations formulated by the assessors in the Mutual Evaluation Report (MER) the World Bank, in cooperation with the Asia Pacific Group has developed a Strategic Implementation Planning framework “SIP Framework”, which aims at providing assistance to countries in prioritizing and sequencing the implementation of the recommendations in their Mutual Evaluation Report on the basis of each jurisdiction’s risks/vulnerabilities with regard to ML-FT, and the ‘core’ FATF Recommendations.
- This framework is especially useful for countries with limited capacity in implementing AML/CFT measures by ensuring that the limited resources of countries are allocated effectively and efficiently (targeting the most urgent recommendations and focusing on actions that would have the most impact). To help countries prioritize the recommendations of their MER, the World Bank has developed three (3) tools, and three (3) templates:
- The first template consists in a “Risk and vulnerabilities assessment” which intends to help jurisdictions identify vulnerabilities and risks across various sectors; and evaluate weaknesses in their AML-CFT legal and institutional systems;
- The second template is a tool aimed at helping jurisdictions prioritize the recommendations of their MER based on the FATF “core and key” recommendations while
- The third template intends to assist jurisdictions in preparing a detailed action plan with a clear sequencing and fixed timeframe for the implementation of the recommendation of the MER.



- If countries want to learn more about the SIP framework, they are invited to contact the Secretariat, to receive a copy of the templates and overview documents detailing the components of this program. If jurisdictions in this region are interested in using this framework to implement the Recommendations of MER, the World Bank would like to suggest organizing a regional workshop in early 2010, where representatives from participating countries would be trained on the practical use and benefits of the SIP framework.
- This regional workshop would be organized under the “train the trainers” format as the participants to the regional workshop would be expected to disseminate the knowledge acquired at the national level and to lead the national effort in the implementation of the SIP framework and the completion of the templates and the national action plan.
- Aside from assistance from the World Bank with regard the Mutual Evaluation Programme and the post Mutual Evaluation process, the World Bank remains committed to pursuing the delivery of its flagship programs in the region. First regarding the 2-phase Capacity Enhancement Program “train the trainers” program that has been initiated for Spanish Speaking countries, but still needs to be launched for English speaking members (program that intends to build institutional capacity through the delivery of a set of 8 modules covering the main aspects of AML/CFT). If English speaking nations wish to receive this training, they are invited to reach out to the Secretariat in this regard. Additionally, it will be helpful at this point in time if a country would agree to be the host for such training.
- For jurisdictions that have already undertaken phase 1 of the Capacity Enhancement program and wish to proceed with phase 2, that is the organization of Video Conference where the modules delivered in phase 1 are presented by the participants trained in phase 1, again, interested jurisdictions are asked to liaise with the CFATF Secretariat and suggest dates for the organization of these Video Conferences.
- Finally, aside from these regional events, the World Bank would like to express its willingness to provide assistance to CFATF member countries on a bilateral basis and to develop comprehensive technical assistance programs to help address the deficiencies identified in Mutual Evaluation Reports. Our potential Technical Assistance covers a large range of sectors, from assistance in legislative and regulatory drafting process, building capacity of FIUs and key other national stakeholders, and also training for judges and prosecutors/investigative magistrate in the prosecution and adjudication of Money-Laundering/Terrorist Financing cases.

Looking ahead, Ministers also welcomed the deployment of horizontal co-operation between CFATF Members and the prospect of a Regional training workshop on the Strategic Implementation Planning framework in conjunction with the World Bank around mid 2010 which could also be delivered on a bilateral basis. Ministers noted in particular the call from Suriname for the delivery of Technical Assistance in light of the adoption of its Mutual Evaluation Report as final.

In this regard Ministers welcomed the preparation of a Needs and Availability of Resources Analysis by the Secretariat and encouraged all members to fully cooperate through the timely provision of the relevant information by the beginning of January 2010 in response to the circulation of a Survey Form by the Secretariat on November 30<sup>th</sup> 2009.



Ministers also welcomed efforts by the Secretariat to secure other training initiatives with other players in the donor community such as the CARIFORUM, the European Community Delegation and United Kingdom SAT.

## **TYPOLOGIES EXERCISES**

Since February 1996, the CFATF has been conducting a number of Typology Exercises which allow for the sharing of information collated by various bodies involved in the fight against money laundering with the aim of increasing awareness of the attendant risks to the Caribbean Basin Region. These exercises have explored money laundering activity in Domestic Financial Institutions, the Casino and Gaming Industry, through International Financial Transactions conducted in both Domestic and Offshore Institutions and the Emerging Cyberspace Technologies.

During 2000/2001 the CFATF explored the money laundering vulnerabilities in the Free Trade Zones which led to the formulation of the Money Laundering Prevention Guidelines for CFATF Member Governments, Free Trade Zone Authorities and Merchants and a Model Free Zone Compliance Programme and a Code of Conduct.

During the period 2001-2008 further work on the Free Trade Zones continued as a logical follow through from the 2000/2001 Exercises which included a Joint Typology Exercise with GASFISUD in 2006 and on site visits during 2007 to Free Trade Zones operating in Aruba, Dominican Republic, Netherlands Antilles, Panama, Trinidad and Tobago and Venezuela with the assistance of funds provided by Trinidad and Tobago.

Unfortunately due to inability to source funding from the donor community, the report on the findings from the on-site visits is still to be completed. Should the Secretariat be successful in its ongoing endeavours to secure success in this regard, the results would enrich CFATF work on the Free Trade Zones as well as the ongoing FATF work on trade based money laundering.

Aruba has been the guiding force on CFATF activities on the Free Trade Zones since 2000 and is now a member of the FATF Core Group that is currently undertaking work on the Free Trade Zones. With the benefit of this background and in an effort to maintain the momentum for progress, the May 2009 Plenary heard a presentation from Ms. Lucia White and Greg Petersen on the growth and development of the Free Trade Zones sector in Aruba as a mechanism for economic diversification and the launch of that jurisdiction's integrity product which focuses on prevention prior to the law enforcement stage.

Members were reminded that the CFATF Guidelines for Free Trade Merchants and the Black Market Peso Exchange were important milestones in the leading role that the CFATF has played in creating awareness on the AML/CFT vulnerabilities in this area but warned that the 2001 CFATF Guidelines were voluntary and based on the results of the CFATF Typology Exercise which was held in Guatemala in 2006 they were not being implemented by many CFATF jurisdictions.

Plenary was urged to consider afresh that Trade Based Money Laundering was not only a regional issue but a global issue and that the work of the CFATF thus far could be an important guide in shaping the



FATF Project on Trade Based Money Laundering which required amongst other things, continuous examination of the vulnerabilities of the sector, partnership and collaboration between the Public and Private sectors, specific education and training Initiatives on Trade Based Money Laundering and international cooperation and the exchange of information.

Ms. White and Mr. Petersen urged all CFATF Members to actively participate in the FATF project on Trade Based Money Laundering and to ensure that specific regional factors and experiences were considered and adopted for the project by filling out the FATF Questionnaire that was circulated, but for which there have been thus far very few responses.

The educative process on the AML/CFT vulnerabilities of Free Trade Zones continued at the October 2009 Plenary which heard a presentation of the Kingscross Freezone Typology by Netherlands Antilles and it was recommended that the case should be part of the CFATF materials for the Joint CFATF/FATF Typology Exercise which occurred during November 18-20 2009 in the Cayman Islands.

The idea for the Joint FATF/CFATF Typology Exercise during November 2009 took shape out of informal discussions between the Secretariat and the Netherlands who was scheduled to hold the next FATF Presidency. Given the encouraging prospects the proposal was put forward at the October 2008 FATF Plenary meeting in Brazil and endorsed by CFATF Ministers at the November 2008 Ministerial in St. Kitts and Nevis. The project was articulated as being in keeping with similar exercises with other Associate Members/FSRBs, and presenting a valuable opportunity for the CFATF which should be fully embraced.

With a view to moving forward the CFATF Typologies Exercises agenda the Joint FATF/CFATF Typology Exercise was set to also include a CFATF project focusing on “Money Laundering using Trust and Company Service Providers (TCSP)”. As part of the preparatory work for this project a Concept Note was drafted and presented to the CFATF Typologies Working Group and the CFATF Heads of Financial Intelligence Units Forum on the margins of the October 2009 Plenary meeting.

The project will be led by a project team comprising Ms. Cheryl Lester (Bermuda) as Project Leader, Abdel Almengor (Panama) as Chair of the Typologies Working Group, Glenford Malone (Virgin Islands) and Guiveron Weert (Netherlands Antilles), with the support of Ernesto López from the CFATF Secretariat. The team will aim at circulating a first draft report in April 2010 and producing a finalized report by the end of October 2010, in time to serve as input into the FATF review of the assessment methodology.

In addition to the information to be discussed during the joint FATF/CFATF meeting there will be a review of relevant literature available and a questionnaire will be circulated in order to get a broad picture of experiences with TCSPs in the region.

All agencies with AML/CFT responsibilities in CFATF Member countries were expected to actively participate by providing case studies, research and other relevant information, and were encouraged to attend the joint FATF/CFATF meeting of experts in November 2009.



Ministers agreed that the proposed joint typology exercise with the FATF would build upon the CFATF's Associate Member status with the FATF, give the organization a greater international profile and should include the existing and future typologies data such as the CFATF Free Trade Zones guidelines that is and will be included in the existing and future version of the Typologies Publication.

The Cayman Islands generously agreed to host the meeting and Netherlands equally generously provided funding.

## **TYPOLOGIES PUBLICATION**

Efforts to launch the first issue of a CFATF Typologies Publication on regional AML/CFT methods and trends with annual updates was a longstanding ambition for the CFATF and given its successes since being established in 2003, the Heads of Financial Intelligence Units Forum was seen as the ideal setting for collating a wealth of information for this project. The goal was to compile, prepare and periodically disseminate a publication on the development of AML/CFT methods and trends in the Caribbean Basin Region.

Such a publication was seen as having enormous potential to provide valuable input for the development of policies, plans and strategies in each CFATF Member country on AML/CFT matters and facilitative of any ongoing process that guarantees the timely adaptation of regional standards in light of the rapidly changing techniques of international crime.

However despite widespread acknowledgment of the benefits that could accrue from this initiative, it was necessary to surmount some initial hurdles such as galvanizing ongoing enthusiasm and encouraging continuous submission of relevant data to the Secretariat before it could bear fruit.

Chairman Torres Castro, in recognition of the importance of this exercise to public education and awareness raising initiatives and the overall strengthening of regional capacity to effectively combat trans-national organized crime and the financing of terrorism, had included this project as an important pillar in his Work Programme for 2007/2008 with the expectation that the first edition would be available for Ministerial endorsement in November 2008.

The central and active involvement of the delegates to the Heads of Financial Intelligence Units Forum was critical to the success of this project and the Forum in May 2008 provided a timely launch pad for embarking on initial discussions and the creation of a Working Group, coordinated through the Secretariat, with the task of pushing the work forward with a greater degree of urgency and with November 2008 in mind.

A major step towards achieving this goal occurred during July 24-25 2008 when CFATF members, Panama (Chair), British Virgin Islands, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica and St. Kitts and Nevis met in Panama City, Panama for the inaugural meeting of the Working Group, which led to the selection of thirteen typologies as the basis for the first issue of the Typology Publication which was presented to the November 2008 Plenary meeting.



Ministers heard a report from Panama as Chair of the Typologies Publication Working Group and agreed that the draft report as recommended by Plenary should be published subject to the inclusion of analysis, conclusions and recommendations which would provide some added value to the studies that were undertaken.

The first issue of the CFATF Typologies Publication was launched in November 2008 with the mandate to issue updated versions of the Publication annually between 2010 and 2013. Madam Chair Harris thanked all involved for the work undertaken thus far, encouraged more proactive involvement by all Members.

### **ASSOCIATE MEMBER UPDATE**

In February 2008 the CFATF became the fifth Associate Member of the FATF, a significant accomplishment which gives the region a voice in determining the global AML/CFT agenda through the participation of five CFATF members on a rotating basis at the Working Group and Plenary meetings of the FATF.

Ministers heard that Virgin Islands and The Bahamas attended the London February 2008 FATF Plenary and that Barbados and Panama attended the Brazil November 2008 meeting, Barbados, Bermuda, The Bahamas and Turks attended the Paris February 2009 meeting, Bermuda, British Virgin Islands and Panama attended the Lyon June 2009 meeting and Bermuda the Paris October 2009 meeting.

Ministers heard that several key issues were under consideration by the FATF which should have regional input such as lessons learnt from implementation for the Third Round and preparations for and nature of the Fourth Round of Mutual Evaluations. CFATF involvement in this process was strongly encouraged.

### **STRATEGIC PLAN**

The call for a 2011-2015 Strategic Plan grew from the membership's desire to be informed of the annual contribution for any given year sufficiently in advance so that adequate planning could be undertaken and proper national budgetary authorisations concluded and arrangements made for payment of the relevant amounts.

In response the Secretariat prepared a draft Administrative Plan with attendant income and expenditure projections which allowed for this stated goal of advance notification of the annual contributions over the next five years to be achieved.

An initial challenge for this project which was haunting other aspects of the organisation's work was the ongoing lethargy by Members and other stakeholders to provide timely or indeed any comments on the draft Administrative Plan which had been in circulation prior to the May 2008 Plenary meeting to the Secretariat.



Ministers recognised that preparation of a Strategic Plan was important to the future of the organisation since it afforded the opportunity to shape the Work Programme for the next five years within the context of a strong, cohesive, proactive and responsive organisation. Accordingly with a view to advancing its preparation Ministers at the November 2008 Ministerial meeting mandated that;

- Firm schedules should be set for written comments from the membership leading up to the May 2009 Plenary Meeting.
- A Strategic Plan Working Group comprising Aruba, Mexico, Antigua and Barbuda, Spain, St. Kitts and Nevis, Guatemala, Guyana, United States and Members of the 2007 -2008 Steering Group, Costa Rica, St. Kitts and Nevis, The Bahamas, Bermuda and The Netherlands should be created with a mandate to a prepare a list of high principles to guide the creation of the Strategic Plan for consideration by Ministers.
- The Working Group operating as an Advisory Group to the Secretariat and utilising the existing Draft Administrative Plan prepared by the Secretariat should oversee the Secretariat's preparation of a revised document for consideration by the May 2009 Plenary Meeting.

The guiding principles for the Strategic Plan were as follows;

- Strengthening overall political commitment
- Building on ongoing efforts to secure greater efficiency, transparency and accountability in all governance structures through the use of modern technology
- Documenting best practices and operational policies
- Enhancing technical capacity and the levels of compliance with the international standards to combat money laundering and the financing of terrorism
- Co-ordinating and delivering Technical Assistance and Training programmes
- Contributing consistently and effectively to the global standard setting process as an FATF Associate Member
- Increasing the CFATF's regional and international profile
- Building a strong and effective organisation in conjunction with the friendship and support its traditional partners

Immediately after the November Plenary/Ministerial Meetings and during December 2008 – February 2009, the Executive Director prepared the first and second drafts of the Strategic Plan, in order to advance the work with assistance being provided by Cheryl Lister, Bermuda. This was in preparation for the first meeting of the Strategic Plan Working Group which was arranged for the week commencing February 16<sup>th</sup> 2009 in Aruba.

The use of technology featured significantly in reducing the costs of dialogue to devise the Strategic Plan by the use of the Webex tool introduced by Guatemala to support the Virtual Meetings through which participants being initiated in the mechanics of the Balanced Scorecard Methodology and the Planning process.

Virtual meetings were held during January 9, 12, 15, 22, 27 and 29 through February 17, 18 and 19 2009 which advanced the work at considerably reduced costs. Consideration is being given as to how the use



of modern technology could be utilized in a similar fashion for other aspects of the organisation's business.

Representatives from Aruba, Bermuda, Guatemala and Guyana attended the Aruba meeting which was hosted by the Financial Intelligence Unit, Aruba during February 16-18 2009. The Executive Director did not attend.

As a result of the Aruba deliberations the delegation from Guatemala circulated on March 9th 2009, the first version of the draft Strategic Plan within the Balanced Scorecard framework which outlined a Vision and Mission, High Level Themes, Performance Indicators and other information.

The Secretariat's Report to the Members on Developments at the FATF February 2009 Plenary Meeting indicated that there were issues with significant implications for the CFATF which should be considered by the Plenary and factored into the Strategic Plan which included;

- Outreach to a potential new Member
- Preparations for the Fourth Round of Mutual Evaluations
- The development by the IMF and the World Bank of a framework and methodology to assess the degree of AML/CFT risk faced at the national level and at the relevant sector levels
- The global financial crisis which was foreseen as presenting challenges for many years to come with regard to the availability of financial resources due to reduction of remittances from nationals abroad, the removal of preferential trading arrangements, the fall in tourism, the slowing in the pace of development projects, rising unemployment and the reduction of tax revenues.
- The tax haven initiatives emanating from the global economic and financial crisis which had the potential for some CFATF Members to be reviewed by the Organisation for Economic Cooperation and Development and the Financial Stability Forum.

It was recognised that all the above issues had to be addressed by the Caribbean Basin Region and its traditional donor partners and international institutions such as the International Monetary Fund and the World Bank given their implications for and impact on the level of resources that could be allocated for adequate monitoring, representation and advocacy by the Members and the Secretariat as well plans by the CFATF for the future.

Ms. Susan Rojas, Guatemala on Tuesday 5<sup>th</sup> May 2009 provided an Interim Status Report on the activities of the Strategic Plan Working Group to the May 2009 Port of Spain Plenary.

The second meeting of the Strategic Plan Working Group occurred during September 9-11 2009 at the Superintendence of Banks, Guatemala City, Guatemala with representatives from CFATF Members as follows:



Bermuda- Cheryl Lister, Honduras- Armando Busmail, Guatemala- Saulo de Leon, Susan Rojas, Ruth Molina and Erick Rolando Dardon Diaz, St. Kitts and Nevis- Patricia Reid-Waugh, Secretariat- Executive Director Wilson and United States-Emily Reinhart representing the Group of Cooperating and Supporting Nations.

The documents coming out of the Aruba meeting formed the basis for pushing the process forward and so thanks and appreciation should be extended to the authorities in Aruba led by Xiomara Ruiz-Maduro who organised the first Meeting of the Working Group as well as participants Cheryl Lister, Bermuda, Susan Rojas, Ruth Molina and Erick Dardon, Guatemala and Paul Geer, Guyana.

The documents produced by the September 2009 Guatemala Meeting were as follows:

- Mission and Vision
- Strategic Themes and the Strategic Map
- The Organisational Stakeholders
- The Organisational Values
- An Analysis of Internal and External Strengths, Weaknesses, Opportunities and Threats
- A List of Objectives

One of the most significant outcomes of the Workshop was the consensus that the overall mind set of the CFATF had to change and that all Members had to immediately operate from the position that the CFATF is the sum total of all its Members with the Secretariat as its implementation arm.

With this in mind it is the duty and responsibility of the each of the thirty countries currently in CFATF membership to accept full responsibility for the work and functioning of the organization.

The Strategic Plan Working Group also recognised that the Strategic Plan should articulate the matters highlighted above and the attendant Plenary Recommendations along with comments from the Membership, with a view to its finalization in time for the October 2009 Plenary and Ministerial Meetings.

During the period April – September 2009 in preparation for the October Plenary and Ministerial meetings opportunity was afforded by email, telephone and web chats for observations on the draft Strategic Plan to be submitted by Members, COSUNs Observer Organisations as well as Members of the Strategic Plan Working Group and the Steering Group as it progressed.

There was unanimous agreement that an interim report should be provided to the October 2009 Plenary Meeting and that all participants should be involved in the presentation in order to forcefully articulate and underscore the need for the change in thinking as described above and to reinforce the notion that Member countries should drive the functioning of all CFATF Working Groups and should be actively involved in all areas of the organisation's business.

Course Moderator Dardon assigned homework for the participants which included determining short, medium and long term goals for each of the Indicators outlined in the List of Objectives with further



discussions to take place either on the margins of the October Plenary Meeting or utilizing further Web-chats.

Participants were also requested to draw up a list of short term initiatives with relevant timeframes and budgets which should be undertaken during 2010. Some initial observations in this regard identified as possible projects include,

- Modernization of the website,
- Preparing an organizational Technical Assistance and Training Needs Assessment
- Reviewing the effectiveness of the Mutual Evaluation Programme at the end of each year with a report to the Ministerial Council
- Including in the Mutual Evaluation Programme, meetings with the President, Prime Minister and relevant Ministers in order to ensure that there is the fullest AML/CFT awareness and buy in at the highest levels of government
- Reviewing the number of items on the Plenary Agenda to reduce the time spent on the discussion of Mutual Evaluation Reports and allocating more time to discussing
- Preparing in tabular form a list of all available Examiners in the various relevant disciplines
- Preparing annually an Update Report on the Mutual Evaluation Programme, Follow-Up Process and levels of regional compliance with the international AML/CFT standard and issuing a Public Statement from the organization
- Inculcating greater communication between the representatives who attend Plenary/Ministerial Meetings
- Collating and sharing intra organizationally, best practices of individual Member countries on AML/CFT and other relevant issues and publishing them on the website.
- Devising projects to be undertaken by various Working Groups and reporting back to Plenary/Ministerial meetings on their activities.

All participants agreed that the discussions over the three day period were conducted in the spirit of collaboration, openness to new ideas, constructive and very productive. Led by Mr Erick Dardon, Guatemala, an Expert in the Balanced Scorecard Methodology who moderated the meetings, the Strategic Plan Working Group provided a Status Report to the October 2009 Plenary/Ministerial Meetings on the progress of the activities to design the CFATF Strategic Plan and the way ahead towards its completion.



Members were requested to provide feedback on the prioritisation of the various initiatives to be included in the draft Strategic Plan during the week of the October 2009 Plenary, so as to take the work forward within the mandate from Madame Chair de Lannooy that the Strategic Plan should be completed by December 31<sup>st</sup> 2009 so that the implementation process could commence in January 2010.

Observations were received from Bermuda, Jamaica, Montserrat, Canada, Mexico and Netherlands.

## **BEST PRACTICES AND OPERATIONS MANUAL**

The Memorandum of Understanding among Member Governments of the Caribbean Financial Action Task Force (CFATF MOU), the organization's constitutive document was signed in San Jose, Costa Rica on October 10<sup>th</sup> 1996 amended in October 2004 and October 27<sup>th</sup>, 2006.

One of the initiatives initiated by Chairman José Rafael Torre Castro, Costa Rica during 2007-2008 was the development of a Best Practices and Operations Manual with a view to enhancing transparency, accountability and guidance in implementing the purpose and objectives of the CFATF MOU and indeed the first version of the Manual was presented to Ministers at the end of Costa Rica's term as Chair.

The decision to create a Best Practices and Operations Manual was taken seventeen (17) years after the official creation of the CFATF as enshrined in the Kingston Declaration dated November 1992 and it was recognized that the document should reflect the growth and development of the CFATF during the tenure of three Executive Directors over the period 1992 to date.

Additionally Ministers acknowledged the reality that the CFATF will continue to operate within the ever changing framework of the global fight against drug trafficking, money laundering and the financing of terrorism and therefore mandated that the Best Practices and Operations Manual project initiated by Costa Rica should be developed further taking into account the changing needs of the organisation.

The Ministerial mandate came at a time when the CFATF Strategic Plan Working Group became operational and was included in the Work Programme of Madam Chair Janet Harris, during the 2008-2009 St. Kitts and Nevis term as Chair. It is against this backdrop that the Secretariat continued the ongoing development of the contents of the Best Practices and Operations Manual.

As a next step Madam Chair Ersilia de Lannooy at the start of the Netherlands Antilles' period as Chair for 2009-2010, called for the Strategic Plan to be completed by December 31<sup>st</sup>, 2009, and that the programme and policies outlined therein should be reflected in the CFATF Operations Manual.

Additionally recognising the imminent prospects for the reconfiguration and enlargement of the number of Nation States that comprise the Caribbean Basin Region and the implications for the current



membership of the CFATF, Ministers agreed that the CFATF Best Practices and Operations Manual should be augmented to include the outcome of deliberations of the Strategic Plan Working Group and reviewed on an ongoing basis with any necessary amendments being considered and included every two years.

The provisions of the current version of the Best Practices and Operations Manual cover areas such as Members, Official Languages, Headquarters Agreement, The Secretariat-Venue and Staffing, Plenary and Ministerial Meetings, Steering Group, Annual Contributions, The Mutual Evaluation Programme, Working Groups, Technical Assistance and Training Representational Duties/Overseas Travel Arrangements, Budget, Banking, Accounting and Record Keeping.

This document is a work in progress has been circulated for comments and will be discussed at the May 2010 Plenary Meeting on the road to its completion.

### **AUDITED FINANCIAL STATEMENT 2008**

Ministers heard that the Accountants were not able to finalise the Financial Statements for 2008 for presentation and consideration by the Plenary and agreed with the recommendation that the Audited Financial Statements for 2008 should be finalised by the end of November 2009 and approved by the Round Robin process.

### **BUDGET 2010**

The provisions in the annual budget for 2010 follow historic patterns since the creation of the Secretariat in 1993 other than the allocations for the Public Education and Awareness Raising Programme and Workshops to provide guidance in completing the Mutual Evaluation Questionnaire which are only of recent vintage.

Annual expenditure provisions will cover Audit, Conference Expenses for Plenary/Ministerial Meetings and Training Workshop for Public Education and Awareness Raising Campaigns, Mutual Evaluation Programme including the training of Examiners and guidance in completing the Mutual Evaluation Questionnaire, Courier Services, General Insurance, Workmen Compensation Insurance, Motor Vehicle Expenses, National Insurance, Postage and Stamps, Office and Stationery, Professional Services for Translation and Accounting, Rental of Housing for the Executive/Professional Staff, Overseas Travel, Telephone, Wages and Salaries, Repairs and Maintenance, Newspapers/Periodicals Subscription, Staff Welfare, Miscellaneous Expenses, Web site Maintenance, and importantly the Mutual Evaluation Missions.

There have been calls for a review of the annual budgetary provisions in order to determine the true economic costs of the organisation and alternatives. Indeed this is listed as one of the Strategic Initiatives.

Ministers approved the proposed budget for 2010 with an annual contribution of US\$22, 722.50 which should be submitted to the Secretariat on or before March 31<sup>st</sup> 2010



## **EXTERNAL RELATIONS**

### **GROUP OF COOPERATING AND SUPPORTING NATIONS (COSUNs)**

This report covers the period November 2008 –October 2009.

#### **November 2008**

On behalf of the COSUNs, the Netherlands thanked the Government of St. Kitts and Nevis for the successful hosting of the well organized Plenary/Ministerial meetings and the excellent cultural event which was fully appreciated.

Congratulations were also extended to the CFATF on becoming an Associate Member of the FATF, as well as Costa Rica, for the several accomplishments during its term as Chair which included the appointment of the new Deputy Director, the Typologies Publication initiative and the proposed joint FATF/CFATF typology Exercise in 2009.

The COSUNs encouraged even further strengthening of the organization and also congratulated the Netherlands Antilles on its appointment as Deputy Chair.

#### **October 2009**

Mexico on behalf of the COSUNs encouraged active participation by CFATF Members in the FATF Plenary and Working Group meeting in keeping with Associate Member status with the FATF as well as contributing to the FATF initiative on preparations for the Fourth Round of Mutual Evaluations and supporting the work of the FATF International Co-operation Review Group, Review Group for the Americas

All CFATF Members were urged to adhere to the Mutual Evaluation and Follow up Procedures and the usefulness of the CFATF Needs and Availability of Resources Analysis to the commitment of the COSUNs and other organizations to provide Technical Assistance and Training to CFATF Members was applauded.

The development of uniform training initiatives was noted as a mechanism which would strengthen relations between all Members as well as the importance of the Secretariat being able to ensure that all Members are treated equally in all areas of the organisation's work.

Commendations were offered on the initiative to ensure that the Secretariat is suitably profiled to deal with all the needs of the organization as outlined in the Memorandum of Understanding and a call was made to ensure that the Secretariat communicates with all Members, the Steering Group and Plenary in a transparent fashion so as to avoid misunderstandings which can only serve to distract from the functions and essential objectives of the organization.



The importance of the manual of best practices as an important tool on the processes and procedures of the organization in the overall decision making process was noted.

## **FINANCIAL ACTION TASK FORCE**

During the period under review the FATF reported on priority work areas.

November 2008 -May 2009

Reinforcing the work of the FATF Style Regional Bodies and enhancing the relationship between the FATF and the FSRBs were areas of priority for the Brazilian Presidency. In February 2009 proposals will be discussed on how these goals can be achieved.

### **Working Group on Typologies**

- Ongoing project on the Free Trade Zones and Aruba thanked for its participation.
- Proposed Joint FATF/CFATF Typology Exercise in November 2009
- Ongoing projects on Sporting Clubs and Gaming and the Securities Sector.

### **Working Group on Evaluations and Implementation**

- Collating issues on the implementation of the Recommendations and the importance of CFATF advancing the regional perspective.
- Working on Risk based approach guidance for the Insurance and Money Service Businesses sectors which follows on from the Guidance issued in respect of Lawyers and Casinos at the November 2008 Plenary in Brazil.

### **Working Group on Terrorist Financing and Money laundering**

Three project teams have been established with membership open to all FATF members, Observers and Associate members to explore issues as follows;

- Special Recommendation III and related implementation issues.
- Confiscation Issues with respect to barriers to international cooperation
- Proliferation financing issues and the related Typologies Report

### **International Cooperation Review Group**

- Established in 2006 as a mechanism to look at high risk jurisdictions with low levels of AML/CFT compliance. Jurisdictions of concern can be identified for FATF consideration.

### **Mutual Evaluation Programme**



- The Third Round of Evaluations continues and should be completed in 2011. Appreciation extended for the involvement of Jamaica in the Mutual Evaluation of Canada and Suriname in the Mutual Evaluation mission to Aruba.
- Next Plenary
- Paris February 2009 CFATF participation is encouraged and the importance of Associate membership reiterated.

November 2009

- Provided an overview of the developments and decisions since the previous CFATF Plenary meeting in May 2009. Reference was made to the FATF chairman's summaries from June 2009 and October 2009.
- Additionally, the FATF Secretariat expanded on the importance for the CFATF Membership of actively making use of the possibilities and chances offered by the FATF associate membership status.
- As the FATF President indicated in his speech with the term "noblesse oblige", the right to actively accessing all meetings and documents also raises expectations by the outside world (FATF members, other FSRB members, private sector) about the output of associate members.
- In practice, this means that being an associate member and using the FATF brand also means that the output of associate members has to be in line with output of FATF and other associate members.

### **EGMONT DEVELOPMENTS**

Ministers noted the current position with regard to the membership of all CFATF members in EGMONT and heard of the recent appointment of Mr. Edward Smith, Director, Financial Intelligence Unit, The Bahamas as Co- Vice Chair of the Egmont Committee.

### **GAFISUD SECRETARIAT**

In keeping with the close working relations between the CFATF and GAFISUD a report was presented by the GAFISUD Secretariat on its activities which included the following:

- A proposal for a joint FATF-GAFISUD Plenary meeting in October 2010.
- The suspension of Bolivia and Colombia from membership due to the non payment of annual contributions.
- As part of the Follow Up process the imposition of sanctions against Bolivia, a High level Mission to Chile, the results of the High level Mission to Paraguay and the requirement for



Colombia, Ecuador, Mexico and Peru to present written Follow up Reports to the next plenary meeting.

### **OFFSHORE GROUP OF BANKING SUPERVISORS**

- The Offshore Group of Banking Supervisors reported on its activities as follows:
- Mutual evaluations of OGBS members are undertaken either by or in conjunction with another FATF style regional body (FSRB) where there is common membership, by the FATF (i.e. in respect of the Netherlands Antilles and Aruba), or by the IMF. All mutual evaluations of OGBS members are published on the OGBS website - <http://www.ogbs.net/>. Where possible an OGBS assessor is included in the assessment team when an OGBS member or a prospective member is being assessed by another FSRB.
- The current OGBS mutual evaluation follow-up process and the proposal to review same at the next meeting of OGBS in March 2010 with a view to enhancing their effectiveness.
- The review of the Action Plans of various members with regard to compliance with the international standards of financial regulation, anti-money laundering and combating the financing of terrorism at the September 2008 OGBS Plenary Meeting
- The provision of Technical Assistance and Training to the FATF/FSRBs through the provision of Assessors for Mutual Evaluation Missions, Experts on Training Seminars or participation in Typologies Exercises, Working Groups and Consultative Forums on the full range of AML/CFT issues.
- The grant of membership to the Cook Islands and Gibraltar.
- The next meeting of the OGBS will be held in London in March 2010.

### **HEADS OF FINANCIAL INTELLIGENCE UNITS FORUM**

During the period under review the 11th and 12th Heads of Financial Intelligence Units Forum were held in Port of Spain, Trinidad and Curacao, Netherlands Antilles respectively. In keeping with usual practice the meetings were chaired by Mr. Stephen SOOKRAM, the Ag. Director of Trinidad and Tobago's Counter Drug Crime Task Force under which, the Trinidad and Tobago FIU falls and the Director of the FIU of the Netherlands Antilles, Mr Kenneth Dambruck.

Outlined below is the range of developments within the Heads of Financial Intelligence Units Forum over the past year.

### **EGMONT MATTERS**



The close working relations between the CFATF Heads of Financial Intelligence Units Forum and EGMONT continued through CFATF FIU Heads holding positions within EGMONT, the provision of regular update on EGMONT activities at each Forum and the undertaking of joint exercises such as;

The Egmont Committee and Working Group meetings in Kuala Lumpur, Malaysia, between October, 19<sup>th</sup> – 22<sup>nd</sup> 2009.

The EGMONT Plenary in Doha, Qatar between May 24<sup>th</sup> and 28<sup>th</sup> 2009.

The Tactical Analysis Train the Trainer, which was scheduled to be held in Philipsburg, St. Maarten, Netherlands Antilles during July 5<sup>th</sup> -12<sup>th</sup> 2009 free of charge. Thirteen regional FIUs were represented. One outcome of the project is the expectation that some of the attendees will be sufficiently equipped to act as Trainers of other FIU members. Updates were provided by Mr. Kenneth Dambruck, Director of the FIU of the Netherlands Antilles, who is a member of the Egmont Training Working Group, in conjunction with the EGMONT representative Mr. Randy Taylor, analyst with the Bahamas FIU.

One of the goals of the Heads of FIUs Forum is the encouragement of all CFATF Members to become Members of EGMONT and as such regular reports are provided at each meeting as a mechanism to monitor progress in this regard.

At both the May and October 2009 Forums, verbal reports on the status of their Egmont membership applications were given by Trinidad and Tobago, Dominican Republic, Montserrat, Haiti, Nicaragua, Saint Lucia, and Suriname.

At the October 2009 Curacao Forum it was reported that at the EGMONT Plenary in Doha, Qatar between May 24<sup>th</sup> -28<sup>th</sup> 2009, the Financial Intelligence Agency (FIA) of St. Lucia was accepted by the Heads of FIUs as a member of the Egmont Group.

## **MEMBERSHIP ACTIVITIES**

An important aspect of the Forum is the ability of members to report on activities.

The new Head of the Belize FIU, Mrs Marilyn WILLIAMS, was welcomed to the Forum and provided an update of Belize's ongoing AML/CFT efforts and spoke about their new Proceeds of Crime and Terrorist Financing legislation which was put into force on January 12<sup>th</sup> 2009. It was reported that jewelers and real estate agents are now covered by the legislation but casinos still remain outside of its reach.

St. Vincent and the Grenadines gave an update on the progress of its Mutual Evaluation by the IMF, its active inquiry into a sixteen million dollar ponzi scheme and the ongoing efforts to curtail money laundering through the submission of the names of top drug dealers to the Inland Revenue.

The presentation by Mr. Niiben Ayivorh of FINCEN on Disaster Recovery and Continuity of Operations at the May 2009 Forum was a timely and very constructive initiative with regard to regional capacity



enhancement as were the training development and capacity building updates presented by Guatemala, Bermuda, Suriname, Netherlands Antilles and Haiti in October 2009.

## **ACCREDITATION OF FINANCIAL INVESTIGATORS**

The accreditation of financial investigators and the need for investigators to attend advanced financial investigation training have been longstanding issues for the Caribbean Basin Region particularly in light of the ongoing loss of accredited officers at FIUs.

Delegations at the May 2009 Forum considered these issues and a Working Group consisting of Anguilla (hybrid), Cayman Islands (Administrative), The Bahamas (Administrative), St. Vincent and the Grenadines (Hybrid), Jamaica (Investigative), Grenada (Investigative), Barbados (Administrative) and the Dominica Republic was formed to consider the issues raised and to design a suitable curriculum with clear distinctions between the basic and advanced courses, provisions for the administrative FIUs and accreditation of FIU investigators and analysts encompassing a period of in-house training within an active FIU through a partnership with the CFATF, REDTRAC and a Spanish speaking training institution.

The UK Security Advisory Team (UKSAT) representative, Mr Rod STOKES, introduced the work of the UKSAT in the Eastern Caribbean and informed the meeting of the training initiatives which were aimed at Regional investigators, prosecutors and the judiciary. The UKSAT indicated that the St. Vincent and the Grenadines and the Antigua and Barbuda FIUs were identified as Centres of Excellence, through which knowledge could be cascaded to other Regional FIUs

In a further development to this initiative the Head of the UKSAT Mr. Eamon KEANEY together with Mr. Rod STOKES, at the October 2009 Forum proposed a process, involving standardized training, that if accepted could lead to the accreditation of Regional financial investigators and analysts. It was decided that in light of the existence of a 2007 proposal by REDTRAC, which was actively engaging the attention of a Working Group of Regional FIUs and which seemed intertwined with the UKSAT proposal, that a modular approach was needed in order to achieve the stated objective in the shortest possible time.

Consequently, the UKSAT was asked to invite the National Police Improvement Agency (NPIA) of the UK to meet with the Working Group and REDTRAC for the purpose of conducting a Regional Needs Analysis at no cost to the Region and which must be available for presentation to the FIU Heads at the 13<sup>th</sup> Heads of FIUs Forum in May 2010.

## **FINANCIAL ACTION TASK FORCE MATTERS**

Given that some Heads of FIUs do not attend the CFATF Plenary meetings the opportunity to be apprised of developments within the FATF is very useful on generating greater awareness of pertinent issues on the global AML/CFT agenda. In this context summaries of the main FATF developments in the Working Groups on Evaluation and Implementation (WGEI) and Terrorist Financing and Money Laundering (WGTM) were presented.



With regard to the WGEI the presentation focused on preparations and terms of reference for the Fourth Round of Mutual Evaluations, the Follow-Up procedures; dialogue with the private sector; and European Commission proposals on possible amendments to the Handbook.

With regard to the WGTM, the presentation focused on the Typologies report on money laundering through the football sector; SR. IX; the Proliferation Financing Project Team; and the Confiscation Project Team (Recs. 3 and 38).

The United Kingdom encouraged greater participation in all FATF Working Groups discussions particularly at the FATF International Cooperation Review Group.

### **PROPOSAL FOR RESTRUCTURING THE HEADS OF FINANCIAL INTELLIGENCE UNTIS FORUM**

Given the general support for the restructuring of future Heads of FIUs Forums to accommodate a standing agenda item on international co-operation, Barbados was mandated to prepare a paper to be presented before the May 2010 meeting on international cooperation among FIUs in the form of break out sessions during which the sharing of tactical information on common Regional money laundering targets could be discussed and information could be exchanged.

The proposed paper was required to address concerns by EGMONT that the initiative should not duplicate similar efforts by Egmont and also create challenges for some of the FIU which were restricted from sharing information without MOUs as well as concerns by The Bahamas that participation and sharing information under the the proposed system should not be mandatory.

### **MEMORANDA OF UNDERSTANDING**

One of the sterling successes of the Heads of Financial Intelligence Units Forum is the increasing number of Memoranda Of Understanding (MOUs) that have been signed over the years between CFATF FIUs intra-regionally as well as with counterparts extra-regionally. The period under review saw MOUs being signed between the Bahamas and the Netherlands Antilles; Bermuda and St. Vincent and the Grenadines and Netherlands Antilles and Barbados.

In summary, since the tentative formative steps that were taken in October 2003 the Heads of Financial Intelligence Units Forum has taken muscular and successful strides over its six year history with the promise of much more achievements to come as we look towards the thirteen Forum in Santo Domingo, Dominican Republic in May/June 2010.

### **CONCLUSION**

Since the early nineties governments across the Caribbean Basin Region have embraced the need for robust partnership with its international partners in the fight against drug trafficking, money laundering, trans-national organized crime, terrorist financing and corruption.



This commitment led to the establishment of the CFATF as the first in a network of FATF Style Regional Bodies which is now successfully taking the message of the Financial Action Task Force to all corners of the globe.

Whilst there is an abundance of oil and natural gas in Trinidad and Tobago and Venezuela which provide considerable financial resources to their governments, the CFATF for the most part could be described as a grouping of low income and developing countries.

Indeed one of the International Financial Institutions as at August 6<sup>th</sup> 2008 designates eight CFATF Members as carrying a High or Moderate Risk of Debt Distress for whom concessional flows remain the most appropriate source of external finance, highlighting at the same time the need for continued efforts by the international community to improve the availability and predictability of concessional financing. These countries are Dominica, Grenada, Guyana, Haiti, Honduras, Nicaragua, St. Lucia and St. Vincent and the Grenadines.

For most CFATF Members economic development, in the absence of oil, natural gas or other heavy industries, is dependent on international financial services, tourism and aid from the international community.

The fight against trans-national organized crime took a very serious turn some eight years ago when the G7 countries launched several initiatives designed to protect the international financial system from criminal activity.

These initiatives it must be acknowledged provided a significant impetus for CFATF members to improve their defensive mechanisms against money laundering activity at a much greater pace than the internationally recognized system of Mutual Evaluations that existed at that time.

At the same time however the initiatives took a heavy toll on the international financial services sector in some of our jurisdictions through international condemnation and loss of reputation, the closure of several offshore banks, flight of investment, movement of experienced regulatory professionals to other jurisdictions, loss of jobs and a significant reduction in annual revenues for some of the very small jurisdictions which suffered tremendous hardships.

The increasing levels of violent kidnappings and gun related crimes, the opening up of new tourist destinations with more modern facilities closer to the North American and European markets than Caribbean Basin destinations, the issuing of travel advisories and the upswing in the costs of fuel and air travel all continue to affect the quantity of revenues that governments in the region can expect to generate annually.

To these must be added the reduction in aid and preferential trading arrangements which only serve to increase the economic pressures and hardships which present real challenges to CFATF governments as they seek to meet their international obligations to fight serious financial crime whilst meeting the day to day needs of their citizens. Indeed this continues to be reflected, in the promptness with which some



Members pay their annual contributions and the number of contributions which remain unpaid even though the overall situation continues to improve.

Our members acknowledge that it is in our collective best interests that criminal enterprises must not be able to suborn government officials, corrupt police officers and the employees of financial institutions, subvert the criminal justice system and to undermine genuine economic development with their vast ill gotten wealth.

By the end of 2010 the CFATF will have completed Three Rounds of Mutual Evaluations. A comparison of the Mutual Evaluation Reports will show that from the early nineties over some fifteen years the filing of Suspicious Transaction Reports have increased as has the training of Financial Investigators and the detection and prosecution of money laundering offences.

Financial Intelligence Units have been established in the majority of if not all Members, Regulators and Supervisors of financial institutions as well as the new gatekeepers, the Designated Non Financial Businesses and Professions continue to improve their capacity and co-operation with the international community in successfully pursuing criminals, and confiscating and sharing attendant proceeds continue to improve.

Of course there is still much more to be done and the region must continue to improve its structures in order to meet the ever increasing sophistication of the trans-national criminal organizations.

The CFATF continues to make considerable strides in pushing forward the regional AML/CFT agenda. Our achievements are being acknowledged and there is considerable good will towards the CFATF by its partners in the global AML/CFT community. Ministers have agreed to strengthen the Secretariat through additional staff and our COSUN colleagues continue to stand with us in all our endeavors.

Our Mutual Evaluation Programme, the core task for the region must continue its upward trajectory through vibrant Plenary discussions on the Mutual Evaluation Reports, a keen sensitivity to and appreciation by our Members of the requirements of the international AML/CFT standards and the need for high levels of compliance not only in individual jurisdictions but in the region as a whole.

Full and active participation in the Mutual Evaluation Examiners Training Workshops and responding positively to the call by the Secretariat for public officials to serve as Examiners on Mutual Evaluation Missions will not only be of benefit to those countries that are being examined but will also build capacity within the Examiners' jurisdictions as they could use their experiences and growing expertise to help their own countries to prepare for future examination.

The reputation of this region as a solid link in the global network, defending the international financial system from criminal organizations must not be called into question. In keeping with the advice of former Chairman Robert Mathavious, British Virgin Islands our watchwords for now and the future should be Reputation, Reputation, Reputation.



The CFATF Typology Exercises must become a regular feature of our ongoing work and there must be more cooperation by all Members in terms of collating relevant data for the Typology Publication which could also be instrumental in successful outreach to and engagement with the regional private sector.

Resources for Technical Assistance and Training initiatives continue to be made available to our Members by our longstanding partners, our Group of Cooperating and Supporting Nations, Canada, France, Netherlands, Mexico, Spain, United Kingdom and the United States and the Commonwealth Secretariat, the FATF Secretariat, Caribbean Research Technical Assistance and Training Centre, Inter American Development Bank, International Monetary Fund and the World Bank.

Financial resources and public sector expertise have and continue to be made available from members such as The Bahamas, British Virgin Islands, Cayman Islands and Trinidad and Tobago.

The Secretariat will continue to work with all these partners, drawing on all available avenues in order to strengthen AML/CFT capacity in each and every CFATF member. The Mutual Evaluation Reports and Follow Up reports will be our guide.

The CFATF website will be used as an effective tool not only to disseminate information but also to publicize our accomplishments, encourage debate and act as a teaching mechanism on AML/CFT issues.

## **CHAIR'S WORK PROGRAMME 2009-2010**

The Netherlands Antilles is cognizant that the ever changing challenges in the money laundering and combating the financing of terrorism arena require timely and effective modifications in the CFATF's policies, practices and programmes so as to confront and defeat trans-national criminal organizations and those who finance terrorism

Consequently as CFATF Chair for the next year, we will intensify our ongoing efforts to encourage the adoption of measures which are designed to achieve greater operational efficiency in the pursuit of the organisation's goals. In this regard the salient aspects of the Chair's Work Programme for 2009-2010 are as follows;

- The Secretariat will be mandated to continue the development of the Operations Manual which will constitute a clear signpost as to the manner in which all aspects of CFATF's operations should be conducted.
- The historic and ongoing drive to strengthen and revitalize the CFATF, where the Spanish, French, Dutch and English speaking regions which constitute this Caribbean Basin Region FATF Style Regional Organisation (FSRB), will all continue to feel at home will continue.
- A Plan of Action will be devised for the staff at the Secretariat to undergo relevant training in order to become bi-lingual in Spanish in a reasonable period of time and to become familiar with



the legal and financial systems and ways of working of the Spanish speaking Members. The long term goal is the ability of all Members to communicate with the Secretariat without any barriers.

- The Netherlands Antilles will work assiduously through a dedicated outreach programme to ensure that all Members feel confident that their needs are being met and that their interests are given due regard on an equal basis by both the Chair and the Secretariat so that no country will ever consider leaving our CFATF for another FSRB.
- In tandem with the increased volume of work, Members will be required to provide enhanced and timely analysis and feed back to the Secretariat so as to ensure efficacy in the fulfillment of its monitoring and representational duties.
- The Steering Group will continue in its traditional advisory capacity and where circumstances require, meetings will be held outside the traditional setting of the margins of Plenary and Ministerial meetings, either face to face or through electronic means.
- Ensuring long term success in the growth and development of the organisation through a fully staffed empowered and effective Secretariat, using the latest information technology systems, backed with timely responses to all issues and assured of the moral support and protection of all Members.
- Launching the Fourth Round of Evaluations around June 2010 with assessments that are focused on rectifying deficiencies identified in the Third Round Mutual Evaluation Reports, the Key and Core FATF Recommendations and any other deficiencies which are discovered through the FATF ICRG initiative in keeping with the particular risk profile of the individual jurisdiction.
- Development of a Needs and Availability of Resources Analyses with a view to effectively deploying the CFATF Technical Assistance and Training Programme and reducing the advent of duplication of effort and the waste of scarce and limited resources through and on-going consultation through the CFATF Donors Forum.
- Working with the EGMONT Group in order to provide requisite guidance and support to relevant CFATF Members to successfully pursue membership
- Continuation of the Typology Exercises Programme which allow for the sharing of information collated by various bodies involved in the fight against money laundering and the combating of terrorism with the aim of increasing awareness of the attendant risks to the Caribbean Basin Region. One of the first and important events of the Netherlands Antilles' period as Chair will be the Joint CFATF/FATF Typology Exercise which will be held in the Cayman Islands during November 18-20, 2009.
- Continuing the work of the Heads of Financial Intelligence Units Forum which is a particularly successful regional initiative for encouraging intra-regional and international co-operation on judicial, regulatory and law enforcement issues but with specific reference to discerning an



accurate picture of the actual risks to the Caribbean Basin Region through the compilation of AML / CFT methods and trends by transnational criminal organizations.

- Using the successful example of the Strategic Plan Working Group which will complete its proposals for the future growth and development of the CFATF as a guide for the creation of a Working Group with a remit to prepare for and guide the progress of the Fourth Round of Mutual Evaluations.
- Galvanising all efforts to further deepen the dialogue and strengthen the existing bonds of friendship and support with the Group of Cooperating and Supporting Nations, the FATF, FSRBs, the World Bank and IMF as well as all our other Observer Organisations.
- Fortifying even further the strong bonds of friendship, collaboration and support which continue between the CFATF and the FATF at this particularly historic stage when the Netherlands Antilles holds the CFATF Chair whilst the Netherlands continues its Presidency of the FATF.
- Giving the work of the CFATF greater public prominence both within domestic public sector agencies tasked with AML/CFT activities, as well as throughout the private sector, particularly, in light of the new gatekeepers, which have been brought within the AML/CFT network as a consequence of the Revised FATF 40 Recommendations.