



Fifth Follow-Up Report

Montserrat

May 26, 2014

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MONTSERRAT: FIFTH FOLLOW-UP REPORT

I. INTRODUCTION

1. This report represents an analysis of Montserrat's report to the CFATF plenary concerning the progress that it has made at correcting the deficiencies that were identified in its third round mutual evaluation report (MER). The third round MER of Montserrat was adopted via round robin by CFATF Ministers on 22nd July, 2011 and Montserrat was placed in expedited follow-up.
2. Montserrat received ratings of PC on six (6) of the sixteen (16) core and key Recommendations as follows:

Table 1: Ratings for Core and Key Recommendations

Rec.	1	3	4	5	10	13	23	26	35	36	40	I	II	III	IV	V
Rating	LC	LC	C	PC	LC	LC	LC	PC	PC	LC	LC	LC	PC	PC	LC	PC

3. Relative to the other non-core or key Recommendations, Montserrat was rated partially compliant and non-compliant as follows:

Table 2: 'Other' Recommendations rated as PC and NC

Partially Compliant (PC)	Non-Compliant (NC)
R. 8 (New technologies & non face-to-face business)	R. 19 (Other forms of reporting)
R. 12 (DNFBP – R.5, 6, 8-11)	SR. IX (Cross Border Declaration & Disclosure)
R. 14 (Protection & no tipping-off)	
R. 16 (DNFBP – R.13-15 & 21)	
R. 21 (Special attention for higher risk countries)	
R. 24 (DNFBP - regulation, supervision and monitoring)	
R. 25 (Guidelines & Feedback)	
R. 30 (Resources, integrity and training)	
R. 31 (National co-operation)	
R. 32 (Statistics)	
R. 33 (Legal persons – beneficial owners)	
SR. VI (AML requirements for money/value transfer services)	
SR. VIII (Non-profit organisations)	

4. The following table is intended to assist in providing an insight into the level of risk in the main financial sector in Montserrat:

Table 3: Size and integration of Montserrat's financial sector (as at 31 December 2013)

		International Banks	Domestic Banks	Other Credit Institutions*	Securities	Insurance	TOTAL
Number of institutions	Total #	4	2	2	0	3	11
Assets	US\$	985,976,524	140,856,670	**28,331,635		*2,110,741	1,157,275,570
Deposits	Total: US\$	264,491,194	113,773,333	22,113,994			400,378,521
	% Non-resident	100% of deposits	13% of deposits	0			
International Links	% Foreign-owned:	100% of assets	0% of assets	0% of assets	% of assets	0% of assets	100% of assets
	#Subsidiaries abroad	2	0				2

* Montserrat has three (3) life insurance companies, two (2) are currently under Judicial Management. Statistics provided for one company. Data provided is at 30 September 2013.

** Data provided for one institution under the heading "other credit institutions" is as at 30 September 2013.

II SCOPE OF THIS REPORT

5. This report will focus on assessing Montserrat's implementation of outstanding Examiners recommendations for the Key, Core and Other Recommendations which were rated as PC or NC. Recommendations rated LC will be assessed only where updated information has been provided by Montserrat.

Core Recommendations

6. **Recommendation 1** was rated **LC** and continues as noted in the MER on account that legislative amendments necessary to close the gaps noted by the examiners are still outstanding. Montserrat has reported that the enactment of other legislation was given priority and the requisite amendments are now expected to be enacted by May 31, 2014.
7. **Recommendation 5** which was rated PC continues as noted in the 4th follow-up report. This Recommendation is *outstanding*.
8. With regards to **Recommendation 10**, a rating of **LC** was applied on account that the recentness of the legislation prevented an assessment as to its effectiveness. Montserrat has attempted to demonstrate the effectiveness of its record keeping requirements by providing electronic copies of requests for information made by its competent authorities and the responses they received in response to those requests. The responses received have not shown that the service providers were in fact maintaining records as required by Regulation 14 (1) of the AML/TFR. Montserrat has however confirmed that their onsite inspection procedures contain a record keeping component against which service providers' compliance with the jurisdiction's record keeping provisions are validated during onsite inspections. This Recommendation is now *closed*.

Key Recommendations

9. **Recommendation 3** was rated **LC** on account of the newness of the legislation at the time of the onsite and concerns by the examiners that the absence of a resident judge on the island was likely to affect the ability of the Jurisdiction to quickly obtain restraint orders. The Jurisdiction has indicated that the Court Rule allows for hearings via teleconference and video conference. In this regard Montserrat has provided data which shows that on average, two (2) video conference hearing have been held per year during the period 2010 to 2013. This Recommendation is **closed**.
10. **Recommendation 26** was rated **PC** and the examiner made ten (10) recommendations intended as cures to the gaps they discerned in the MER. Montserrat's action at closing these gaps are detailed below:
 - i. *The FCAU should be formally established as the central authority for receiving STRs in Montserrat* – The fourth follow-up report noted “The POCAA 2013 has amended **s.126 (4)** of the **POCA**. Consequently, the Reporting Authority (RA) is now empowered to appoint persons to assist it in the performance of its functions, including the receiving of “Disclosures made to the RA”. This amendment appears to fall short of the intent for there to be one central authority for the receipt of STRs in Montserrat. Specifically, **s.126 (4) (i)** speaks to the receiving of disclosures made to the RA”. On Wednesday February 26, 2014, the FSC wrote to all service providers in Montserrat and advised them that with immediate effect all external suspicious activity reports should be made directly to the Director if the FCAU at the Royal Montserrat Police Force. Whilst this directive came from the FSC and not the RA the end result is that the FCAU would now receive STRs directly from service providers and via the RA as described in the MER. This gap is **closed**.
 - ii. *Montserrat should amend section 122(1)(b) of the POCA and Part 5, section 32(1)(a) of the AML/CFT Code which requires the MLRO to submit STRs to the RA “as soon as practical.” Consideration should be given to including a specific time-frame for the submission of STRs together with the ability for the MLROs to submit STRs within the time-frame if suspicious activities warrant such* – The 4th follow-up report noted that this gap was **closed**.
 - iii. *Montserrat should develop and publish a STR reporting form for the particularisation of information required to be submitted by reporting entities when filing STRs.* – On February 10, 2014 Montserrat issued a new STR form which was sent to all service providers with the instructions that it was to replace the pre-existing STR form. This gap is **closed**.
 - iv. *The RA should consider developing a strategic plan focusing specifically on the DNFBPs and NPOs on a risk assessment approach to awareness training in AML/CFT to make them fully aware of their obligations and the requirements in combating ML and TF.* The fourth follow-up report noted that previous action by Montserrat had addressed this recommendation. This gap is **closed**.
 - v. *The RA should consider the employment of a competent and suitably qualified person to the position of Secretary to the RA responsible for all the administrative functions and to perform duties as the RA may determine.* – The third follow-up report had reported “that the job description for the position has been prepared and circulated for approval by members of the RA”. No update has been provided on the status of this recommendation. This gap is **open**.

- vi. *The RA since its establishment in 2002 has not published any statistics, trends or typologies from STRs received from reporting entities publicly.* Here the RA still has not as yet published any statistics, trends or typologies from the STRs it received. This gap is **open**.
 - vii. *The independence of the FCAU from the police force seemed highly questionable. It would be advisable for the FCAU to be housed in a separate building from the Police Headquarters so that there might be less temptation to confuse the functions of the two bodies* – No action has been taken relative to this recommendation. This gap is **open**.
 - viii. *The RA should implement additional security of the (FSC) building where the RA operates until such time as the FCAU has been formally established.* The fourth follow-up report noted that this gap was **closed**.
 - ix. *A data back-up policy should be implemented at the RA which would include scheduled days for backing-up, an off-site (secured) location for the storage of backed-up data and the scanning of STRs to be stored electronically.* The fourth follow-up report noted that this gap was **closed**.
 - x. *Montserrat should consider amending section 11(1) and (2) of the Anti-Terrorism (Financial and Other Measures) Overseas Territories) Order 2002 to have disclosures be made to the RA and not reported to a Constable.* – This gap is as was noted in the second follow-up report. This gap is **open**.
11. Of the ten (10) recommendations were made by the Examiners six (6) have been addressed leaving four (4) in abeyance. Based on the fact that there are several gap still to be closed by Montserrat, this Recommendation continues to remain **outstanding**.
 12. For **Recommendation 35** which was rated PC Montserrat has reported that the U.K. Government has now indicated their willingness to extend the two Conventions and is reportedly reviewing the domestic legislation in order to make a determination. This Recommendation remains **outstanding**.
 13. With regards to **Recommendation 40**, which was rated as **LC**, implementation of the examiners recommendations are dependent on amendment to existing legislation. Monserrat has given priority to other legislation and now anticipates that the requisite amendments will be completed and enacted by May 31, 2014.
 14. For **Special Recommendation I** which was rated LC the comments for Rec. 35 are also relevant.
 15. The status of SRIII is just as noted in the fourth follow-up report. This SR remains **outstanding**.
 16. The status of **Special Recommendations V** which was rated PC is as was noted in the second follow-up report ([Montserrat 2nd follow-up Report](#)). This SR is **outstanding**.

Other Recommendations

17. For **Recommendation 14**, the Examiners had recommended three (3) cures for the deficiencies they discerned in the MER.
 - i. The first cure which was to amend the POCA “to explicitly detail who are protected from making disclosures to the Reporting Authority” the fourth follow-up report noted that this

gap has been addressed through the POCAA 2013 which has amended **s.125** of the **POCA**. This gap is *closed*.

- ii. The second cure which was to “*Amend the POCA to prohibit financial institutions, directors, officers and employees from tipping off the fact that a disclosure or related information is in the process of being reported to the Reporting Authority*”. The fourth follow-up report noted that this gap has been addressed through the insertion of **s.123A (2)** which makes it an offence for a person to disclose the fact that a relevant disclosure is being or has been made and such a disclosure is like to prejudice any subsequent investigation. This gap is *closed*.
 - iii. Finally for this Recommendation the examiners had recommended that the POCA be amended to *specifically prohibit all illegal disclosures*. At **s.7(2)(c)** of the **2013** amended POCA, it appears that all disclosures are in fact captured. **S.7(2)(c)** however seems to limit the effects of such disclosures to the prejudicing of investigations. The intent of Rec. 14 however is not simply to protect the integrity of investigations but also to instil confidentiality in the entire STR reporting process. Since not every STR that is filed with the FIU results in an investigation being conducted, and the FIU, in the conduct of its related analyses, may require and also request additional related information from reporting entities. Such additional information must also be protected from illegal disclosures. It is based on this fact that **s.7** does not appear to cure the deficiency noted by the examiners. This gap is *open*.
18. Of the three (3) deficiencies noted by the examiners one is still open and as such Recommendation 14 remains *outstanding*.
 19. For **Recommendation 16** which was rated PC, the outstanding deficiencies noted in the fourth follow-up report still exists. This Recommendation remains *outstanding*.
 20. **Recommendation 25** is was noted in the second follow-up report. This Recommendation is *outstanding*.
 21. As for **Recommendation 30**, during February 2014 the Financial Crime Analysis Unit (FCAU) conducted several training sessions, covering aspects of ML, TF and the POCA for members of the Royal Montserrat Police Force. This is in keeping with the recommended cure for the FCAU to *be utilised in conducting in-house training for the RMPF with specific emphasis on the CID officer and the recruits in training, in the first instant, to be made aware of ML and TF investigations*.
 22. For **Recommendation 31**, the Montserrat Customs and Revenue Service and the Royal Montserrat Police Service signed a MOU on February 13, 2014. This Recommendation is *outstanding*.
 23. With regards to the maintenance of statistics for **Recommendation 32**, Montserrat provided information from the FCAU which simply shows the total number of requests made and received by the unit since 2009 and the countries sending and receiving such requests. This information did not contain all the data anticipated by Rec. 32. This Recommendation remains *outstanding*.
 24. For Recommendations 37, 38 and 39, Montserrat reported that the legislative amendments which are necessary to give effect to the Examiners recommendations will be enacted by May 31, 2014.

III Conclusion

25. For this reporting period Montserrat provided information aimed at demonstrating the effectiveness of its implementation of several Recommendations. Core Recommendation 1, which was rated LC is now closed. Of the two (2) Core and Key Recommendations which were rated PC, Recommendation 5 has been significantly improved whilst SRII is now closed. For the Key Recommendations, Rec.3 is now closed, Rec. 26 has been significantly improved and Rec. 35 is dependent on the UK extending the Conventions to Montserrat. SR. III and V have not as yet been fully rectified.
26. It is recommended that Montserrat be asked to urgently enact the outstanding amendments to the AML/CFT Regulations and Code, which will result in Rec. 5 being significantly improved, and then continue the reform which will address SRs. III and V. Following this, Montserrat is encouraged to apply to the November 2014 Plenary to be placed in biennial updates.

CFATF Secretariat
May 26, 2014

**Matrix with Ratings and Follow-Up Action Plan 3rd Round Mutual Evaluation
Montserrat (7 March 2014)**

Forty Recommendations	Rating	Summary of factors underlying rating ¹	Recommended Actions	Undertaken Actions
Legal systems				
1.ML offence	LC	<ul style="list-style-type: none"> As there have been no money laundering prosecutions in Montserrat and the POCA has only recently been enacted effectiveness cannot be ascertained. Environmental crime is not a predicate offence for ML. Some psychotropic substances in the updated Schedules to the 1971 Vienna Convention are not scheduled as controlled drugs 	<ul style="list-style-type: none"> The penalties for environmental crime need to be revisited to qualify this type of offence as a predicate offence for ML. 	<ul style="list-style-type: none"> No action taken. Drafting of necessary amendments have been added to the legislative programme to be completed in 2012 <p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October/November 2013 with the addition of a senior legislative drafter to the chambers in September.</p> <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>

¹ These factors are only required to be set out when the rating is less than Compliant.

			<ul style="list-style-type: none"> The jurisdiction needs to revisit its legislation dealing with psychotropic substances to ensure that there is comprehensive provision for all elements pursuant to the Vienna Convention since all psychotropic substances do not seem to have been captured under the legislation. 	<ul style="list-style-type: none"> An audit of the legislative provision is being undertaken and any necessary <p>Amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p> <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>
			<ul style="list-style-type: none"> Statistics need to be utilised as a means of assessing and reviewing existing systems. 	<p>The jurisdiction has commenced using the information available from decided cases to compile statistics for assisting in assessing and reviewing existing systems</p>
			<ul style="list-style-type: none"> The new legislative measures need to be fully implemented. 	<ul style="list-style-type: none"> This is not a factor which led to the underlying rating.

2.ML offence – mental element and corporate liability	LC	<ul style="list-style-type: none"> As there have been no money laundering prosecutions in Montserrat and the POCA has only recently been enacted effectiveness cannot be ascertained. 		The effectiveness of the legislation has now been established. In a recently decided case the accused was convicted of a money laundering offence under section 118 of the Proceeds of Crime Act 2010 and sentenced to five years imprisonment.
3. Confiscation and provisional measures	LC	<ul style="list-style-type: none"> The effectiveness of the legislation could not be determined owing to its recent passage. The absence of a resident judge on the island is likely to affect ability of the jurisdiction to obtain a restraint order in an expeditious manner. 	The absence of a resident judge would not necessarily prevent the Crown from obtaining a restrain order as the rule make provision for hearings by teleconference and video-conference links.	The Supreme Court confirmed that the High Court had an average of about two video conference hearings per year since 2010 to 2013. (See appendix 1 – correspondence from Supreme Court)
Preventive measures				
5.Customer due diligence	PC	<ul style="list-style-type: none"> No clear requirement that enhanced CDD be applied to private banking, legal persons or arrangements (including trusts) that are personal assets holding vehicles and companies that have nominee shareholders or shares in bearer form. Effectiveness of legislative provisions cannot be ascertained owing to the recentness of enactment. 	<ul style="list-style-type: none"> The competent authority should ensure that all financial institutions develop and implement adequate policies and procedures designed to prevent money laundering and terrorist financing. 	<ul style="list-style-type: none"> The Financial Services Commission has, as part of its Strategic Plan for 2011, included in its work-plan a programme to review the policies and procedures for all financial institutions. The task should be completed by December 2011. <p>The FSC has received updated compliance manuals from most of the Financial Institutions and have commenced review of the manuals to ensure compliance with AML/CFT 2010 legislation.</p>

				<p>The institutions that have not submitted revised manuals have confirmed in writing that they are currently drafting revised documents.</p> <p>The FSC received updated compliance manuals that were outstanding. The FSC now confirm that all financial institutions have policies and procedures adequate to meet the requirements in the FATF 40 Recommendations. (See appendices 1-9)</p> <p>The Gap is now closed.</p>
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			<ul style="list-style-type: none"> • Regulation and Code should include private banking, legal persons or arrangements (including trusts) that are personal assets holding vehicles and companies that have nominee shareholders or shares in bearer form as situations where enhanced CDD should be applied. 	<ul style="list-style-type: none"> • Decision will be sought from Executive Council to amend the AML/CFT Regulations 2010 and Code to make it mandatory that financial institutions perform enhanced due diligence for higher risk categories of customer, including: <ol style="list-style-type: none"> a) Non-resident customers, b) Private banking, c) Legal persons or arrangements such as trusts that are personal assets holding vehicles, d) Companies that have nominee shareholders or shares in bearer form. <p>Review of the provisions in the AML/CFT Code reveals that the Code provides for this requirement in its guidance under the heading “Enhanced due diligence – Introduction” - which states: “.. the Commission expects service providers to apply enhanced customer diligence measures and undertake enhanced ongoing monitoring where the customer, transaction or business relationship involves private banking, legal persons or arrangements (including trusts) that are personal assets</p>
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				<p>holding vehicles and companies that have nominee shareholders or shares in bearer form.”</p> <p>The decision has been taken to recommend to Cabinet that the AML/CFT Regulations 2010 and Code be amended to require all service providers to; “Verify the legal status of the legal person or legal arrangement, e.g. by obtaining proof of incorporation or similar evidence of establishing or existence, and obtain information concerning the customer’s name, the name of the trustees (for trust), legal persons), legal form, address, directors (for legal persons) and provisions regulating the power to bind the legal person or arrangements.”</p> <p>Draft Regulations are currently being prepared to implement the recommended action. It is anticipated that the amendments will be finalised in late September early October and be approved by Cabinet, for signature by the Governor and FSC Commissioner respectively.</p> <p>The Miscellaneous Amendments (Financial Services) Act 2013</p>
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				<p>amended the Companies Act to provide for name and address of beneficial owners of legal entities to be maintained at the Companies Registry. Also it amended the Trust Act to require that a trustee shall maintain identity information of all the beneficiaries of a trust.</p>
6.Politically exposed persons	LC	<ul style="list-style-type: none"> Effectiveness of implementation cannot be ascertained owing to the recent enactment of the Code. 		

7. Correspondent banking	LC	<ul style="list-style-type: none"> • Effectiveness of implementation cannot be ascertained owing to the recent enactment of the Code. 	<ul style="list-style-type: none"> • All financial institutions should be required to have policies in place to address correspondent banking issues. 	<ul style="list-style-type: none"> • Not all financial institutions in Montserrat are part of the “Payment System”, e.g., the Credit Union and Building Society. These institutions operate banking accounts with the two banks operating in the jurisdiction. The two banks have policies and procedures in place that address correspondent banking issues. <p>Although not part of the payment system and therefore do not have corresponding banking relationships, in order to implement the recommended action the Credit Union and the Building Society have been requested by the authorities to include in their AML/CFT manuals policies to address correspondent banking issues.</p> <p>We confirm that the Credit Union and the Building Society included in their updated manuals, policies to address correspondent banking issues. (See appendices 1 and 2).</p> <p>The FSC now confirm that all financial institutions have policies and procedures adequate to meet the requirements in the FATF 40 Recommendations</p> <p>The Gap is now closed.</p>
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8.New technologies & non face-to-face business	PC	<ul style="list-style-type: none"> • Effectiveness of implementation cannot be ascertained owing to the recent enactment of the Code. • Not all financial institutions were found to have policies in place to address misuse in technological developments in ML/FT. 	<ul style="list-style-type: none"> • All financial institutions should be required to develop policies to address the misuse of technological developments in ML/FT 	<ul style="list-style-type: none"> • The bank financial institutions have included this recommendation in their written AML/CFT policy manuals. The authorities will now request the Credit Union and the Building Society to include in their written AML/CFT Compliance Manual policies to address the misuse of technological developments in ML/FT. <p>FSC has requested both the Credit Union and the Building Society who are currently preparing revised Compliance manuals to include in their updated AML/CFT documents policies and procedures to address the misuse of technological developments in ML/FT.</p> <p>All financial institutions have been instructed to have written policies and procedures in place to address the misuse of technological developments in ML/FT. (See revised manuals – appendices 1 and 2; and letter to Credit Union – appendix 12.</p> <p>Both the Credit Union’s and Building Society’s AML/CFT manuals have been finalised and approved by their Board of Directors. The gap is now closed. See (Appendix 1)</p>
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9.Third parties and introducers	LC	<ul style="list-style-type: none"> • Effectiveness of the Regulations and Code cannot be assessed due to their recent passage. 	<ul style="list-style-type: none"> • Competent authorities should consider the issuance of a list of jurisdictions that adequately apply the FATF Recommendations for third parties that may operate in foreign countries. 	<ul style="list-style-type: none"> • The jurisdiction has taken the view that it cannot ascertain at any point in time the jurisdictions that adequately apply the FATF Recommendations. The only list that is available is one published for the use of members of the European Union. It has therefore taken the decision to publish the list issued by the FATF of countries that do not apply FATF recommendations.
			<ul style="list-style-type: none"> • Montserrat should consider amending the AML/CFT Regulations or Code to include the requirement that service providers should only accept introduced business from an introducers or intermediaries who themselves have face to face contact when conducting the CDD measures upon which the service provider relies. 	<ul style="list-style-type: none"> • Except for the requirement for face to face contact, this recommended action is already a requirement and is covered in Regulation 8 of AML/CFT Regulations. <p>The requirement for face to face contact is not an essential criteria of Rec. 9.</p>

10.Record keeping	LC	<ul style="list-style-type: none"> Effectiveness cannot be assessed due to recent passage of the POCA Regulations and Code. 		Appendices 2 (1-4) provide information received from Service Providers upon request by the FSC and the FCAU.
11.Unusual transactions	LC	<ul style="list-style-type: none"> Effectiveness cannot be assessed due to the recent passage of the POCA, Regulations and Code. 		
12.DNFBP – R.5, 6, 8-11	PC	<ul style="list-style-type: none"> Due to the recent enactment of the POCA (proceeds of crime Act), the AML/CFT regulations, the AML/CFT code, effective 	<ul style="list-style-type: none"> Deficiencies identified for all regulated businesses as noted for Recommendations 5, 6, 8-11 in the relevant sections of this Report are also applicable to DNFBPs. 	<ul style="list-style-type: none"> There are no specific recommended actions. Responses to deficiencies in the implementation of Recommendation will 5, 6, 8-11 will be dealt with individually.

		<p>assessment of the AML/CFT measures cannot be evaluated.</p> <ul style="list-style-type: none"> • Deficiency factors noted in Recommendations 5, 6, 8-11 are also applicable to DNFBPs. 	<ul style="list-style-type: none"> • It is suggested that the Authorities prepare an administration plan for the effective administration of the newly proposed legislations. • Adequate training and familiarization should be provided for the players in order to ascertain that clarity in relation to the reporting requirements and sanctions associated with the non-compliance is clearly understood. 	<ul style="list-style-type: none"> • The recommended action is part of the functions of the FSC Act and is included in the FSC's Strategic Plan. <p>Attached is a copy of FSC's updated Strategic Plan – 6 February 2012 which outlines a programme of activities to be undertaken</p> <ul style="list-style-type: none"> • Continued training of DNFBPs is scheduled to be carried out in January 2012. <p>The FSC continues to train representatives from DNFBPs to enable them to meet their obligations under the AML/CFT Regulations.</p> <p>The seminar is now rescheduled for the second quarter of this year to include all registered DNFBPs.</p> <p>The FSC will conduct joint training with the FCAU to all registered DNFBPs in October 2012.</p>
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			<ul style="list-style-type: none"> DNFBPs should enhance their risk management to arrive at the determination of PEPS. 	<p>Training was provided to registered DNFBPs on 17 July 2013.</p> <p>The DNFBPs policies and procedure manuals submitted under the provisions of the AML/CFT Regulations clearly outline the strategies and policies the DNFBPS have implemented in respect of PEPs. At training the facilitators will bring awareness to DNFBPs of the risk PEPS pose on the financial sector.</p> <p>Training was provided to registered DNFBPs on 17 July 2013. The FSC is planning to commence on-site visit to be scheduled based on the service providers' risk management profile.</p>
13.Suspicious transaction reporting	LC	<ul style="list-style-type: none"> No requirements relating to the reporting of suspicious transactions involving tax matters. 	<ul style="list-style-type: none"> There should be an explicit requirement to report suspicious transactions whether or not they are thought among other things to involve tax matters 	<ul style="list-style-type: none"> The Cabinet will consider whether to introduce a Bill to amend POCA to make provision for recommended action. <p>The Cabinet has been requested to decide on recommendations to make amendments to POCA 2010 to to</p>

				include in the provisions that re service providers are required “to report suspicious transactions regardless of whether they are thought, among other things, to involve tax matters.”
14. Protection & no tipping-off	PC	<ul style="list-style-type: none"> No explicit protection for financial institutions, directors, officers and employees from criminal or civil liability from breach of contract etc for reporting STRs. 	<ul style="list-style-type: none"> Amend the POCA to explicitly detail who are protected from making disclosures to the Reporting Authority. 	<ul style="list-style-type: none"> The Executive Council will consider whether to introduce a Bill to amend POCA to make provision for recommended action. <p>The recommendation has been addressed in the Proceeds of Crime (Amendment) Act No. 3 of 2013 which was passed by the Legislative Assembly on March 5, 2013. (See appendix 2)</p> <p>Gap closed in 4th Follow-up Report</p> <p>The Cabinet has been asked to decide whether to amend POCA 2010 to provide that :</p> <p>“Financial institutions and their directors, officers and employees (Permanent and temporary) should be protected by law both criminal and civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative,</p>
		<ul style="list-style-type: none"> Tipping off not applicable to STRs that are in the process of being reported to the Reporting Authority. 	<ul style="list-style-type: none"> Amend the POCA to prohibit financial institutions, directors, officers and employees from tipping off the fact that a disclosure or related information is in the process of being reported to the Reporting Authority. 	

		<ul style="list-style-type: none">• Tipping off only applicable where an investigation is prejudiced.	<ul style="list-style-type: none">• Amend the POCA to specifically prohibit all illegal disclosures.	<p>regulatory or administrative provision, if they report their suspicions in good faith to the FIU. This protection should be available even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred.”</p> <p>The recommendation has been addressed in the Proceeds of Crime (Amendment) Act No. 3 of 2013 which was passed by the Legislative Assembly on March 5, 2013.</p> <p>Gap closed in 4th Follow-up Report</p> <p>The Executive Council will be ask to consider whether to introduce a Bill to amend POCA to make provisions for recommended action.</p> <p>The Cabinet has been asked to decide on recommendations to amend POCA 2010 to require that:</p> <p>“Financial Institutions and their directors, officers and employees (permanent and temporary) should be prohibited by law from disclosing (-tipping off) the fact that a STR or related information is being reported or provide to the FIU.”</p>
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				s.7 (3) of POCAA (No. 3 of 2013) addresses this deficiency by amending sections 123 and 124 of the principal act, POCA, to prohibit all illegal disclosures. s.130 of POCA also addresses this deficiency.
15.Internal controls, compliance & audit	LC	<ul style="list-style-type: none"> No requirement that appropriate staff other than the money laundering compliance officer have timely access CDD and other relevant information 	<ul style="list-style-type: none"> Amend the AML/TFR so that all appropriate staff (including the money laundering compliance officer) have timely access CDD and other relevant information. 	<ul style="list-style-type: none"> Cabinet will be asked to decide whether to amend the AML/CFT Regulations 2010 and Code and make provision for the recommended action. <p>The Cabinet has been asked to decide on recommendations to make amendments to the AML/CTF Regulations to provide for: “The AML/CFT Compliance Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records, and other relevant information.”</p> <p>Draft Regulations are currently being prepared to implement the recommended action.</p> <p>The AML/CFT Regulations 2012 amended the principal Regulations to provide that</p>

				<p>“A service provider shall ensure that all appropriate staff, including the Money Laundering Compliance Officer and the Money Laundering Reporting Officer have timely access to all customer identification information records, other customer due diligence information and all other relevant information, for the purpose of performing their functions.”</p> <p>(See Appendix 3)</p> <p>GAP closed in 4th Follow-up Report</p>
16. DNFBP – R.13-15 & 21	PC	<ul style="list-style-type: none"> • Due to the recent enactment of the POCA 2010 effective implementation of the AML/CFT measures cannot be effectively evaluated • Deficiencies identified for other financial institutions with respect to Rec. 13, 15, and 21 would also apply to DNFBPs. 	<ul style="list-style-type: none"> • The existing legislation does not adequately ensure the compliance of the jurisdiction in relation to suspicious transaction reporting. (POCA Cap (4:04) and AML regulation 2010) • The requirements for DNFBPs are the same for all other financial institutions, therefore the deficiencies identified with regard to Rec. 13, 15, and 21 will also include DNFBPs. 	<ul style="list-style-type: none"> • There are no specific deficiencies highlighted. POCA Cap. 4.04 was repealed in 2010. POCA Cap. 4.04 was repealed on the introduction of POCA 2010. It would assist if further clarification could be given by the CFATF. • Proposals for any recommended action will be dealt with individually. <p>Recommendations in respect to 13 and 15 have been submitted to Cabinet.</p>

			<p>The recommendation has been addressed in the Proceeds of Crime (Amendment) Act No. 3 of 2013 which was passed by the Legislative Assembly on March 5, and came into force 9 April 2013.</p> <p>Gap closed in 4th Follow-up Report</p> <ul style="list-style-type: none"> The Anti-Money Laundering and Terrorist Financing Code 2010 which came into force in April 2010 provides guidelines and the framework required to comply with AML/CFT Rules. <p>The FSC the designated Supervisory Authority for DNFBPs has commenced the processing of ensuring all relevant entities are registered. Following registration the FSC will monitor and enforce compliance with the legislative requirements.</p> <p>The jurisdiction has implemented the legislative requirements in respect of DNFBPs. Since the introduction of the AML/CFT Regulations 2010 and the first follow up report, a number of DNFBPs has been registered under the legislation and the FSC has commenced monitoring their activities.</p>
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			<ul style="list-style-type: none"> Montserrat must ensure that the existing legislative requirements pertaining to DNFBPs are enforced. 	
17. Sanctions	LC	<ul style="list-style-type: none"> Limited use of the sanctions did not allow for a proper assessment of whether the sanctions were effective, proportionate and dissuasive. 	<ul style="list-style-type: none"> The authorities should monitor the effectiveness of the application of sanctions to determine whether they are consistent, proportionate and dissuasive and make amendments to the legislation as deemed necessary 	<ul style="list-style-type: none"> Because of the low level of economic activity there is very little opportunity to pursue action for breach of provisions in the legislation. However, over time the level of offences may increase and it will become apparent whether the application of sanctions is appropriate. <p>The Authorities continues to monitor the effectiveness of the sanctions and where appropriate will make recommendations to ensure sanctions are proportionate and dissuasive.</p> <p>The money laundering conviction mentioned above demonstrates that the legislation is effective.</p>

19. Other forms of reporting	NC	<ul style="list-style-type: none"> The authorities have not considered the feasibility and utility of implementing a system where financial institutions report all transactions in currency above a fixed threshold to a national central agency. 	<ul style="list-style-type: none"> Competent authorities should consider the feasibility and utility of implementing a system where financial institutions report transactions in currency above a threshold to a centralised national authority. 	<ul style="list-style-type: none"> The competent authorities considered the feasibility and utility of implementing a system. However, given the low level of activity and the close proximity of the financial institutions to the Supervisory Authority, it was decided that since the information is kept by institutions for a statutory period of not less than 5 years and is easily available, the reporting of transactions in currency above a threshold is not necessary. Executive Council's decision on this matter will be sought. <p>In addition to the above, the jurisdiction now requires all financial institutions to submit information on all wire transfers on a quarterly basis.</p> <p>The financial institutions have been requested to report all transactions over EC\$30,000 on a quarterly basis to the FSC commencing quarter ending 30 September 2012. (See details in appendix 13)</p> <p>The Gap is closed.</p>
21. Special attention for higher risk countries	PC	<ul style="list-style-type: none"> Some financial institutions demonstrated limited understanding of the need to ensure compliance with the requirement to give special 	FSC should ensure that all financial institutions have the required policies in place to ensure that special attention is paid to business relationships and transactions with	In July 2010 all financial institutions were requested to amend their AML/CFT policies to include new provisions in the AML/CFT Regulations 2010 legislation which came into force

		<p>attention to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations. Neither were there specific policy requirements in place in such instances to address this requirement.</p> <ul style="list-style-type: none"> • No effective implementation of AML/CFT regime as a result of recent enactment of AML/CFT regulations, Code and Guidance 2010. 	<p>persons from or in countries which do not or insufficiently apply the FATF Recommendations.</p>	<p>in April 2010. The new provisions include the requirement in Regulation 7 that service providers must implement policies to carry out enhanced due diligence measures where the service provider has, or proposes to have, a business relationship with, or proposes to carry out an occasional transaction with, a person connected with a country that does not apply, or insufficiently applies, the FATF recommendations. This is requirement of Reg. 7 of the AML/CFT Regulations 2010.</p> <p>We have reviewed all the financial institutions' policies, except for the credit union and the building society. We have however, requested the Montserrat Building Society and the St. Patrick's Co-operative Credit Union Limited that they include in their revised AML/CFT policy documents that "they will give special attention to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations", copy of our correspondence to them is attached for reference.</p> <p>We confirm that the Montserrat Building Society and the St Patrick's Co-operative Credit Union Limited</p>
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				<p>have included in their revised AML/CFT policy documents that “they will give special attention to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations” (See details in appendices 1 and 2)</p> <p>The FSC now confirm that all financial institutions have policies and procedures adequate to meet the requirements in the FATF 40 Recommendations</p> <p>In our review of the Bank of Montserrat Limited’s Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual it was noted that it did not include the provision that they pay special attention to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations. To remedy this defect on 12 March 2012 we wrote to the Bank and requested that they include this provision in their policy document.</p> <p>We confirm that the Bank of Montserrat Limited amended its Compliance Manual to include the provision that they pay special attention to business relationships and transactions with</p>
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				<p>persons from or in countries which do not or insufficiently apply the FATF Recommendations.(See details in appendix 4)</p> <p>The FSC now confirm that all financial institutions have policies and procedures adequate to meet the requirements in the FATF 40 Recommendations.</p> <p>The Gap is closed.</p>
22. Foreign branches & subsidiaries	LC	<ul style="list-style-type: none"> Given the recent issuance of these requirements sufficient time has not elapsed to allow or test for effective implementation 	<ul style="list-style-type: none"> Financial institutions should be required to ensure that their AML/CFT policies contain measures which require compliance with Recommendation 22. 	<ul style="list-style-type: none"> This requirement is a provision in Reg. 3 of the AML/CFT Regulations 2010. <p>We have no further comments to add above but would be grateful if the CFATF could confirm that the provisions in our legislation cited above adequately covers the requirements in the FATF recommendations.</p>
23. Regulation, supervision and monitoring	LC	<ul style="list-style-type: none"> The FSC has not conducted on-site inspections of all the financial institutions. 	<ul style="list-style-type: none"> The ECCB should take steps to ensure that its licensees are in compliance with AML/CFT obligations. The FSC should develop and implement a work plan to ensure that all financial institutions are subjected 	<ul style="list-style-type: none"> The ECCB is not legally obliged under the laws of Montserrat to ensure licensees compliance with AML/CFT. This is a function of the FSC under FSC Act 2008. The FSC annually prepares a Strategic Plan with objectives. Part

			<p>to on-site inspections to assess compliance with ML and FT measures. Also a follow up programme should be instituted to monitor the level of progress attained by financial institutions in response to the weaknesses identified in on-site inspection reports.</p>	<p>of its planned objections is to carry out on-site inspection of all financial institutions in a three cycle. In its work plan the cycle for completion of all financial institutions is 31 December 2011.</p> <ul style="list-style-type: none"> • There exists a follow-up system to monitor the responses to issues arising from off-site review and/or on-site examination in concerning compliance with prudential and AML/CFT issues with all supervised entities. <p>See copy of the FSC's revised Strategic Plan dated 6 February 2012 which gives detailed programme for both on-site and off-site inspection.</p>
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24. DNFBP - regulation, supervision and monitoring	PC	<ul style="list-style-type: none"> • Unable to access implementation of the AML/CFT Regulations and Code due to its recent enactment. • The resources of the FSC is inadequate to enable it to effectively supervise the DNFBP sector. 	<ul style="list-style-type: none"> • The examiners noted that guidance and directives were in practice not issued to all companies and persons in the financial sector of Montserrat. The appropriate authorities should ensure that the guidance and codes are disseminated to the industry. 	<ul style="list-style-type: none"> • Following registration of all-Non-Financial Service providers the FSC will establish a list of registrants for disseminating relevant guidance notes and directives. • All prescribed service providers have been provided with a hard and/or soft copy of the AML/CT Regulations and AML/CFT Code 2010 with guidance. <p>To date the FSC has registered a number of DNFBPs under the provisions of the AML/CFT Regulations and is currently processing applications for registration.</p> <p>All regulated entities in the financial sector of Montserrat now receive guidance and directives including, banks, the building society, the credit union, insurance companies and the money services providers.(See details in appendix 14)</p> <p>The Gap is closed.</p> <p>The FSC has increased its staffing capacity to effectively supervise the DNFBPs. In addition there has been a reduction in the number of licensed international banks since evaluation of</p>
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				the jurisdiction which has created more capacity to supervise other regulated activities.
25. Guidelines & Feedback	PC	<ul style="list-style-type: none"> • The RA/FCAU has not provided consistent feedback on suspicious transaction reports filed by financial institutions. • No advisories or reports relating to STRs, statistics, current trends or typologies have been published or issued to service providers. • Unable to assess effectiveness guidelines because of their recent implementation. • The deficiencies noted for Rec. 25 at Section 3.7 and 3.10 of this Report also apply to DNFBPs. 	<ul style="list-style-type: none"> • The RA/FCAU should provide consistent feedback on suspicious transaction reports filed to financial institutions. 	<ul style="list-style-type: none"> • The RA/FCAU has now introduced a procedure to provide feedback periodically to persons who have submitted suspicious transaction reports. <p>The RA alongside the FSC provides feedback by way of letters to the financial institutions indicating the status of the STR with the RA</p> <p>The RA provides feedback to financial institutions following receipt of reported STRs. Following investigation of STRs further correspondence the RA information the financial institutions of the outcome of the analysis/investigations.</p> <p>The process is ongoing. This action on the part of the jurisdiction has the effect of closing this gap.</p>

			<ul style="list-style-type: none"> The RA has been supplying specific feedback to the service providers. However, the RA should consider providing general feedback to financial institutions and DNFBPs on disclosures and sanitised cases. 	<ul style="list-style-type: none"> The RA/ FSC also provide feedback to prescribed service providers when training is carried. Training is carried out annually at least. <p>It is intended to provide typology cases at the next training of DNFBPs schedule in November 2012.</p> <p>The FSC and RA assisted by the CFATF conducted workshop in July 2013 which provided information and feedback to financial institutions and DNFBPS.</p>
			<ul style="list-style-type: none"> The RA should provide the reporting entities with advisories relating to AML/CFT. 	<ul style="list-style-type: none"> To date all relevant financial institutions are issued with relevant advisories under the UN Sanctions list and any FATF publications concerning countries not sufficiently applying the Recommendations. <p>The jurisdiction has no further comments to add.</p> <p>The advisories will take the form of annual publications, in the official Gazette, beginning in September 2012, following presentation and approval by the Cabinet.</p>

				<p>Except for FATF publications, all advisories come from the U.K. via the Governor's Office.</p> <p>All advisories are circulated to relevant financial institutions by the FSC.</p> <p>It is intended that ongoing feedback will be disseminated to service providers and the public at large through radio programmes.</p>
Institutional and other measures				
26. The FIU	PC	<ul style="list-style-type: none"> • The RA is not the central body in Montserrat authorised to receive disclosures. • Autonomy of RA uncertain because of existing structure. • The FCAU has not been formally established. 	<ul style="list-style-type: none"> • The FCAU should be formally established as the central authority for receiving STRs in Montserrat 	<ul style="list-style-type: none"> • The Executive Council will be requested to consider whether or not to introduce a Bill to amend POCA to make provision for this recommended action. <p>The Cabinet has been requested to decide on recommendations to amend POCA 2010 to make FCAU the central body for receiving STRs.</p> <p>The recommendation has been addressed in the Proceeds of Crime (Amendment) Act No. 3 of 2013 which was passed by the Legislative Assembly</p>

		<ul style="list-style-type: none"> • No specific time-frame for reporting STRs 	<ul style="list-style-type: none"> • Montserrat should amend section 122(1)(b) of the POCA and Part 5, section 32(1)(a) of the AML/CFT Code which requires the MLRO to submit STRs to the RA “<i>as soon as practical.</i>” Consideration should be given to including a specific time-frame for the submission of STRs together with the ability for the MLROs to submit STRs within the time-frame if suspicious activities warrant such. 	<p>on March 5, 2013 and came into force on 9 April 2013.</p> <p>The new SAR Form was issued to all Service Providers requesting that all SARs be delivered to:</p> <p>The Director - The Financial Crime & Analysis Unit (FCAU) of the Reporting Authority</p> <ul style="list-style-type: none"> • . A new Interpretation Act was passed on August 5, 2011 and section 20 provides for actions to be taken with all convenient speed. The text reads: “20 General Principles Provisions when no time prescribed Where no time is prescribed or allowed within which anything is to be done, the thing must be done with all convenient speed, and as often as the prescribed occasion arises.” This provision is of general application. • The authorities will consider whether the Interpretation Act provides adequately for the recommended action.
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		<ul style="list-style-type: none"> • The STR form in use is not prescribed. 	<ul style="list-style-type: none"> • Montserrat should develop and publish a STR reporting form for the particularisation of information required to be submitted by reporting entities when filing STRs. 	<p>It is the view of the jurisdiction that to provide for a specific time-frame could place the authority at a disadvantage where the information should be submitted as a matter of urgency.</p> <p>The recommendation has been addressed in the Proceeds of Crime (Amendment) Act No. 3 of 2013 which was passed by the Legislative Assembly on March 5, 2013 which came into force on 9 April 2013.</p> <p>Gap closed in 4th Follow-up Report</p> <ul style="list-style-type: none"> • A draft STR form has been prepared for approval to replace the existing form which was introduced under the old legislation. When finalised it will be presented to Executive Council for approval. <p>Section 121 (2) of POCA 2010 only requires disclosure to the Reporting Authority must be in the form and manner, if any, that may be required by the Reporting Authority. Since introduction of POCA the form used under the old legislation has continued in use. However, a revised STR form has been reviewed and approved by the</p>
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		<ul style="list-style-type: none"> • DNFBPs are unaware of the reporting STR and requirements due to RA not providing awareness training. • TF disclosures can be made to the RA through a constable. • Lack of clarity as to which entity is authorised to receive STRs. • The building that houses the RA is not sufficiently secured. 	<ul style="list-style-type: none"> • The RA should consider developing a strategic plan focusing specifically on the DNFBPs and NPOs on a risk assessment approach to awareness training in AML/CFT to make them fully aware of their obligations and the requirements in combating ML and TF. • The RA should consider the employment of a competent and suitably qualified person to the position of Secretary to the RA 	<p>RA. Copies will now be circulated to the service providers for their comments before it is introduced.</p> <p>The new form has been drafted and circulated to the service providers for comments and will be sent to Cabinet for approval.</p> <p>The new SAR form was issued to all Service Providers subject to the AML/CFT obligations. (See appendix 3 – directive issued to service providers to bring the new form into effect)</p> <ul style="list-style-type: none"> • This is an activity in the FSC Strategic Plan 2011-15. The FSC has responsibility for monitoring these entities and with support from the RA carries out AML/CFT training. <p>The RA/FCAU and FSC carry out joint training annually to raise awareness of service providers' obligations under the respective legislation.</p> <p>Gap closed in 4th Follow-up Report</p> <ul style="list-style-type: none"> • RA has considered this recommended action. However,
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		<p>responsible for all the administrative functions and to perform duties as the RA may determine.</p>	<p>given the current low number of reports and scarce resources the RA has decided to continue to use a member of FSC staff who has carried the secretarial function for the RA since 2004.</p> <p>The Authorities have now decided to advertise the position of a secretary for the RA.</p> <p>A job description for the position of the RA Secretary has been prepared and circulated for approval by members of the RA.</p>
	<ul style="list-style-type: none"> • No published reports on STR statistics, trends and typologies by the RA. 	<ul style="list-style-type: none"> • The RA since its establishment in 2002 has not published any statistics, trends or typologies from STRs received from reporting entities publicly. The published reports would assist those reporting entities to strengthen their existing AML/CFT programs. Trends and typologies can also be obtained from regional FIUs as well as CFATF to assist the reporting sectors. • The independence of the FCAU from the police force seemed highly questionable. It would be advisable for the FCAU to be housed in a separate building from the Police 	<ul style="list-style-type: none"> • Statistics and typologies will be published in the annual report for the RA. These will also be used in the upcoming training to be carried out by FSC in its training programme for the DNFBPs and MSBs. Statistics are published in the FCAU Annual Report for 2011 • Given the low workload which generates from suspicious transaction reports it not be possible to

		<ul style="list-style-type: none"> • There is no off-site back-up of information. 	<p>Headquarters so that there might be less temptation to confuse the functions of the two bodies.</p> <ul style="list-style-type: none"> • The RA should implement additional security of the (FSC) building where the RA operates until such time as the FCAU has been formally established. • A data back-up policy should be implemented at the RA which would include scheduled days for backing-up, an off-site (secured) location for the storage of backed-up data and the scanning of STRs to be stored electronically. 	<p>implement this recommended. This would lead to underuse of resources At present there are designated officers who members of the FCAU. The FCAU has its separate offices within Police Headquarters.</p> <ul style="list-style-type: none"> • In the short term a fireproof cabinet will be acquired by the Chair of the RA to house its correspondence. <p>Gap closed in 4th Follow-up Report</p> <ul style="list-style-type: none"> • RA accepts the recommended action and is now exploring whether to locate its off-site back-up in the island or off island. Once a decision is made this recommendation will be implemented. <p>A decision has been taken to store the back-up data with OTRICS database system. This should be in place by 31 March 2012.</p> <p>The jurisdiction confirms that the policy to use the Overseas Territories Regional Criminal Intelligence Systems (OTRICS) for FCAU back-up storage was implemented on 27 March 2012.</p>
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			<ul style="list-style-type: none"> Montserrat should consider amending section 11(1) and (2) of the Anti-Terrorism (Financial and Other Measures) Overseas Territories) Order 2002 to have disclosures be made to the RA and not reported to a Constable. The GN at Part 5(ix) of the AML/CFT Code also asks that service providers make disclosures to the RA. 	<p>Gap closed in 4th Follow-up Report</p> <ul style="list-style-type: none"> The Orders are issued by the Privy Council in the U.K. and issued to the U.K. Overseas Territories. The jurisdiction will therefore address the issue with the U.K. authorities. <p>The jurisdiction has addressed the issue with the U.K authorities but to date there has been no feedback.</p>
27. Law enforcement authorities	LC	<ul style="list-style-type: none"> No clear indications that ML or TF matters are being properly investigated. 	<ul style="list-style-type: none"> No clear indications that ML or TF matters are being properly investigate 	<ul style="list-style-type: none"> Since the Mutual Evaluation the FCAU has developed a policy document and put in place procedures to indicate the status of each case., i.e., closed, under, investigation, or intelligence. <p>Since the first follow-up report the jurisdiction has now been successful in obtaining ML convictions in the court. The success demonstrates that cases are properly investigated.</p>
28. Powers of competent authorities	LC	<ul style="list-style-type: none"> No clear authority to record witness statements. 	<ul style="list-style-type: none"> The RMPF, the Attorney General and the FCAU should consider developing and reviewing their 	<ul style="list-style-type: none"> Investigative tools in POCA will be utilised once evidence permits.

			<p>strategy in combating ML and TF with the view to adapting a more active approach in conducting investigations, prosecutions and possible convictions by ensuring that the investigative tools are provided for in the POCA are utilised.</p> <ul style="list-style-type: none"> • Montserrat should ensure that there are legislative provisions that would empower investigators to record witness statements for use in investigations and prosecutions of MT, TF and predicate offences. 	<ul style="list-style-type: none"> • No action taken. Drafting of necessary amendments have been added to the legislative programme to be completed mid- 2012.
29. Supervisors	LC	<ul style="list-style-type: none"> • Some financial institutions did not have established and sufficiently comprehensive policies in place for combating ML and FT. 	<ul style="list-style-type: none"> • The competent authority should ensure that all financial institutions develop and implement policies outlining the procedures for combating money laundering and terrorist financing 	<ul style="list-style-type: none"> • The FSC is currently carrying out a comprehensive review of the all financial institutions' written policies and procedures for combating ML and FT to ensure they meet the requirements in the AML/CFT Regulations 2010 and the Code. <p>The FSC has received updated compliance manuals from most of the Financial Institutions since introduction of the new legislation and has commenced the review of the manuals to ensure compliance with AML/CFT 2010 Regulations. .</p> <p>The FSC has received compliance manuals from all the financial institutions, which provides</p>

				<p>comprehensive policies for combating money laundering and terrorist financing. (See appendices 1 to 9)</p> <p>The FSC now confirm that all financial institutions have policies and procedures adequate to meet the requirements in the FATF 40 Recommendations</p>
30. Resources, integrity and training	PC	<ul style="list-style-type: none"> • Insufficient human resources at the RA. 	<ul style="list-style-type: none"> • The authorities should consider providing the Police Force more training particularly in the area of ML investigation and other relevant areas. This Training should include the seizing, freezing, forfeiture and confiscation of assets. 	<ul style="list-style-type: none"> • The RMPS have and will continue to invest in training to bring current and potential staff up to the required level. • This recommended action has been accepted and steps have already been implemented to carry out the training. <p>The Legal Department conducted a workshop from October 3 – 28, 2011 at which staff of the RMPS were exposed to training in respect of prosecution of serious organised crime including money laundering; elements of POCA including practical exercises to secure production orders. The facilitator was a member of the UK Crown Prosecution Service.</p>

			<ul style="list-style-type: none"> The FCAU should <i>be utilised in conducting in-house training for the RMPF with specific emphasis on the CID officer and the recruits in training, in the first instant, to be made aware of ML and TF investigations.</i> 	<p>Training for the RMPS was conducted by Sergeant Sweeney and Supt. Thompson and FSC Commissioner, the chair of the RA for the staff of the RMPS on the 13th September 2011 and continued weekly until 18th October 2011. There is another training programme scheduled for 2012 onwards.</p> <p>Further training was provided for the Staff of the RMPS on the 3rd July 2012 to the 7th August 2012. Three Customs officers also attended the training.(See appendices 15 and 16)Another training is schedule for September 2012.</p> <p>The FCAU conducted training for the Staff of the RMPS on 18th September 2012 to 23rd October 2012; 19th February 2013 to 26th March 2013; 16th April 2013 to 21st May 2013. The topics covered over each training were:</p> <ul style="list-style-type: none"> Terminologies of Financial Investigator Responsibilities of FCAU Functions of the Reporting Authority Proceeds of Crime Act Investigation Practical Exercises/Exam
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				<p>The FCAU conducted training for the Staff of the RMPS on 10th to 14 February 2014.</p> <p>The topics covered over each training were:</p> <ul style="list-style-type: none"> • Terminologies of Financial Investigator • Responsibilities of FCAU • Functions of the Reporting Authority • Proceeds of Crime Act • Cash Seizures • Investigation <p>Practical Exercises/Exam</p>
			<ul style="list-style-type: none"> • No budget allocation to the RA for carrying out the functions that will be required under POCA 2010. 	<ul style="list-style-type: none"> • Authorities should consider increasing the budgetary resources of the Police Force to adequately cover, purchasing of additional resources and the hiring of qualified staff to enable it to adequately perform its functions • Authorities should consider reviewing the measures in place for <p>The RMPS will submit budget based on requirements.</p>

		<ul style="list-style-type: none"> • The FCAU is not specifically dedicated to the investigation to ML and TF matters. They are still required to perform other policing duties when requested. • Competent Authorities do limited ongoing vetting of officers to ensure that the highest level of integrity is maintained. 	<p>ensuring that persons of high integrity and good moral character are recruited into the RMPF and that there is a system in place for ongoing monitoring of officers to maintain the high level of professionalism and integrity needed.</p> <ul style="list-style-type: none"> • There is a need for additional lawyers in the Legal Department. 	<p>Since the Mutual Evaluation in 2010, The Legal Department has increased its staff complement. See below a listing of the appointments at the Office of the Director of Public Prosecution (ODPP) and the Attorney General (AG) Chambers.</p> <p><u>ODPP</u></p> <ul style="list-style-type: none"> - DPP was appointed on October 13 2011 - Crown Counsel (Criminal) appointed on August 29 2012 - Crown Counsel (Criminal) appointed on April 1, 2013
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				<p><u>AG's Chambers</u></p> <ul style="list-style-type: none"> - Principal Crown Counsel (Civil and Commercial) SJR (appointed on promotion from Senior Crown Counsel Position on September 15 2012. - Senior Crown Counsel appointed on January 1 2013 - Crown Counsel (Civil and Commercial) appointed on December 7 2012 - Crown Counsel (Civil and Commercial) appointed on March 1 2012 - Crown Counsel (Civil and Commercial) appointed on December 1 2012. <p><u>Crown Counsel (Legislative Drafting)</u></p> <ul style="list-style-type: none"> - Parliamentary Counsel - currently on contract for 2 years which started 1 September 2013
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			<ul style="list-style-type: none"> The Legal Department should hold workshops with the FCAU on the operation of the various pieces of legislation relating to ML and TF (investigative tools and confiscation procedures) investigations. 	<ul style="list-style-type: none"> Crown Counsel (Legislative Drafting) – Currently signing contracts as an Administrative Cadet on a quarterly basis (not currently appointed to a position) Polygraph has been considered; however, officers will be required to swear, submit and comply with the Secrecy Act to ensure compliance with confidentiality and keep integrity at a high level. <p>The RMPS carries out due diligence checks into the background of persons being recruited and will require Officers to swear oath of secrecy, submit and comply with the Secrecy Act to ensure compliance with confidentiality and keep integrity at a high level.</p> <ul style="list-style-type: none"> This will be considered as part of GOM's overall strategic development plan and will be subject to the availability of funding.
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			<ul style="list-style-type: none"> • The Legal Department will seek to include workshops in its programme for 2012. In this regard, the input of the incoming DPP will be substantial. Accordingly, no concrete decisions can be taken until the post is manned (post -September 2011) <p>The Legal Department conducted a workshop from October 3 – 28, 2011 at which participants were exposed to training in respect of prosecution of serious organised crime including money laundering; elements of POCA including practical exercises to secure production orders. The facilitator was a member of the UK Crown Prosecution Service. A DPP has been appointed and is now in office. The DPP's office will be responsible for further training of staff of the FCAU.</p> <p>The matter was brought to the Board at meeting held in March 2010 following the comments made by the CFATF evaluation team at their exit meeting in February 2010. At the meeting the</p>
			<ul style="list-style-type: none"> • The authorities should consider reorganizing the organisational structure of the FSC for increased effectiveness of its performance. This should include consideration for adequate staff, equipment, funding and other forms of resources. • The provision in Sections 5 and 8 of the FCSA which require the Governor to consult with the Director of the FSC on the matter of appointment and dismissal of a director should be removed.

		<ul style="list-style-type: none"> • The FSC is not adequately structured and staffed currently for its effective functioning. There are no positions for line managers and Examiners. • Consultation with the Commissioner of the FSC on the appointment and dismissal of a director could compromise the matter of independence of the FSC 	<ul style="list-style-type: none"> • The Authorities should consider providing training in counterfeit currency identification to all Customs, especially those working at the ports. The identification of 	<p>Board decided to amend the structure to provide greater clarity. In addition, the FSC has recruited two additional staff and is currently seeking to recruit a senior officer.</p> <p>The Board of Directors of FSC has decided that the recommended action was not practical for operations of the Commission. The Board decided that the provision in the Act relates only to consultation and not to provide advice and that it would not be practical for the Governor to appoint or dismiss a director without some form of communication with the Chief Executive Officer with responsibility for the administration and operation of the Commission.</p> <p>Training was provided for the Staff of HM Customs on the 3rd July 2012 to the 7th August 2012. Another training is schedule for September 2012.</p>
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		<ul style="list-style-type: none"> • HM Customs is inadequately trained in ML and TF due to inadequate financial resources. 	<p>previous metals and stones as such should also be conducted as a part of such training.</p>	<p>In March and April 2013, the Comptroller of Customs underwent a period of attachment with Criminal investigations Division of the UK HMRC. As part of the training and exposure the Comptroller was exposed to the efforts employed by the UK to combat ML, use of SARS, POCA, cash seizures under POCA and how seizures are processed.</p> <p>One Customs Officer from the Customs Law Enforcement and Investigations Unit attended a two week training course funded and coordinated by CARTAC in Grenada from April 15th to 26th 2013.</p> <p>The Customs Department conducted a number of training sessions in summer 2013 at which staff were exposed to declaration of Money instruments over US\$10,000, SARS, the legal obligations of customs when declarations are made, cash seizure, powers under POCA and under the Customs Management Act and related issues. This training was facilitated by the FCAU on 22 August 2013.</p>
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			<ul style="list-style-type: none"> The RA should set guidelines on confidentiality and ensure that the Financial Intelligence Unit fully observes those guidelines. 	<p>On 26th August 2013, the FSC facilitated a training session at which Customs staff were exposed to Cross-Border Transportation of Cash and Bearer Negotiable Instruments, methods of Transportation of cash, systems to Address Cross Border Transportation of Cash and BNIs, Record Keeping and Information Sharing, Cash Seizure and Forfeiture.</p> <ul style="list-style-type: none"> The RA will request the ECCB to provide training in counterfeit currency identification to all relevant persons. Steps will be taken to identify a facilitator for conducting training in the identification of precious metals and stones. This is not a priority given that is little or no activity in precious metals in the island. <p>The decision stands</p> <ul style="list-style-type: none"> The authorities are currently reviewing the procedures to implement the recommended action.
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				<p>The Officers in the Unit will be required to swear oath of confidentiality.</p> <p>The FCAU Policy and Procedure manual is currently being reviewed and once approved a copy will be submitted to the CFATF.</p>
31. National co-operation	PC	<ul style="list-style-type: none"> • There are no established mechanisms in place to allow policy makers to cooperate with each other • No formalised mechanism is in place for co-operation between the competent authorities at the operational level. 	<ul style="list-style-type: none"> • The authorities should ensure that an effective mechanism is put in place to bring together the various competent authorities on a regular basis to develop and implement policies and strategies to combat money laundering and terrorist financing. • The authorities should consider the setting up a secretariat to monitor the implementation of the country's AML/CFT regime 	<ul style="list-style-type: none"> • The members of the RA are heads of the various competent authorities who meet regularly to carry out the functions of the RA including developing and implementing policies and procedures to meet the obligations in the POCA, AML/CFT Regulations and Code and to advise the Government on such matters. • This is done through various assessments and evaluations of the jurisdictions AML/CFT framework. <p>The RA established under Section 126 of POCA comprises—the Attorney General; a senior police officer (<i>c</i>) the Commissioner of the Financial Services Commission; (<i>d</i>) a senior customs officer appointed by the Governor after consulting with the Comptroller of Customs; (<i>e</i>) a senior immigration officer appointed by the</p>

			<ul style="list-style-type: none"> • There appear to be an excellent working relationship between the competent authorities at a strategic level due to the composition of the RA. However at the operational level the relationship among competent authorities appear to be ad-hoc. • The authorities should consider formalising the arrangement with MOUs among the local authorities. 	<p>Governor after consulting with the Chief Immigration Officer; and (f) such other person, having appropriate qualifications or experience, as the Governor may appoint, for such term as the Governor specifies, meets regularly and carries out the functions of the Secretariat.</p> <ul style="list-style-type: none"> • The proposal is to build on the relationship that exists between the head of the competent authorities. <p>FCAU, RMPS and Customs have commenced joint training and to develop working relation at operational level.</p> <ul style="list-style-type: none"> • The authorities are considering introducing a MOU for this purpose. Since the ME the Reporting Authority has drafted MOU to provide for greater co-operation between police and custom which is currently under discussion. <p>The draft MOU is with the A.G. Chambers; however, it is not yet finalised because the Customs and Inland Revenue Departments are being merged. Once this operation takes place the MOU between the parties will be signed.</p>
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			<ul style="list-style-type: none"> The AG department should consider playing a more pro-active role in giving guidance to the FCAU in relation to AML/CFT investigations. 	<p>We now confirm that the MOU between The Montserrat Customs & Revenue Services and the Royal Montserrat Police Service to provide for greater co-operation between the law enforcement departments was signed on 13 February 2014. (Appendix 4 – copy of signed MOU)</p> <p>The formal training now been carried out “in house” facilitates the development of co-operation at operational level since all staff of the relevant authorities will participate in the training</p> <p>The formal training “in house” to be carried out by the DPP will facilitate further co-operation with the staff of the relevant authorities at operational level will be expected to participate.</p> <ul style="list-style-type: none"> This function will be performed by the Criminal Division of the Legal Department under direct management of the DPP. Firm commitments will likely be made once the post is filled next month. <p>The newly appointed DPP has confirmed that she has prepared a programme for training of the RA/FCAU/Customs during 2012 and</p>
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			<ul style="list-style-type: none"> • The competent authorities should consider formulating a strategic plan on a risk-based approach both in the short-term and long-term targeting the DNFBPs and NPOs with awareness training seminars to help them become fully compliant with their obligations and requirements under the legislation. • Montserrat has demonstrated a high level of national cooperation amongst the policy makers. There were two main issues that were identified during the onsite visit. Firstly, there was far too much duplication on the part of the various bodies. The Chairman of the RA was also the Regulator of IBCs and Director/Commissioner of the Financial Services Commission. It is apparent that the Commissioner also 	<p>will implement a plan for continuous training.</p> <ul style="list-style-type: none"> • The FSC has been designated Supervisory Authority for the DNFBPs and NPOs. Its Strategic Plan includes conducting training to entities subject to the AML/CFT requirements and obligations on a risk-based approach. Since introduction of POCA the FSC has apprised the DNFBs and NPOs of their obligations under the AML/CFT and NPOs Regulations as part of the registration process. • The Board of the Commission has decided that given the size and the limited resources available to Montserrat, integration of the functions would create efficiencies. This situation could be monitored and the increase in the number of transactions would signal the need to provide additional support.
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			<p>functioned in other regulatory roles. Apart from the possibility of conflicts of interest arising, the ability to work effectively when saddled with such enormous responsibilities was highly questionable. This was borne out because during the onsite visit it was clear that not all DNFBPs and all financial institutions, to a lesser extent had received comprehensive monitoring, supervision and training in keeping with the mandate of the FSC legislation. Clearly more resources need to be allocated to these areas to increase the complement of the FSC staff.</p> <p>Montserrat also needs to consider putting measures in place to ensure a more definitive separation of roles and functions and to ensure the greatest transparency</p>	<ul style="list-style-type: none"> • Additionally, Government's and the ECCU Monetary Council's policy is that there should be a "one stop shop" for regulatory and oversight matters.
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32. Statistics	PC	<ul style="list-style-type: none"> Statistics do not appear to have been faithfully maintained therefore all situations were not necessarily captured. 	<ul style="list-style-type: none"> The FIU should establish a system for that would ensure that the collection and analysis of information relative to wire transfers are carried out. 	<ul style="list-style-type: none"> Currently statistics of remittances are submitted to the FSC by MSBs. We propose to request that all financial institutions submit information relative to wire transfers to the FSC. The FSC will provide FIU with statistics on wire transfers. The FCAU has confirmed that they are now maintaining statistics database of wire transfers submitted to them by the FSC.
		<ul style="list-style-type: none"> There is no comprehensive and independent statistics maintained by the Reporting Authority (RA) in relation to international wire transfers. No information about spontaneous referrals made by the Reporting Authority (RA) or FCAU to foreign authorities. 	<ul style="list-style-type: none"> Statistics need to be utilised as a means of assessing and reviewing existing systems. 	<ul style="list-style-type: none"> The FSC now receives data relative to wire transfers from all F.Is and now submits information to the FIU. Statistics are now submitted to the ECCB and maintained at the FSC of these activities. <p>Appendix 5 - statistics pertaining to requests received for information from foreign FIUs and the number of referrals made by the FCAU to foreign authorities.</p>

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		<ul style="list-style-type: none">• No statistics maintained by HM Customs on matters that were referred to other Agencies such as the RA for investigations.• HM Customs does not keep any comprehensive statistics on cross border seizures.• HM Customs does not yet maintain statistics on the cross border transportation of currency and bearer monetary instruments.	<ul style="list-style-type: none">• HM Customs does not yet maintain statistics on the cross border transportation of currency and bearer monetary instruments, however there is an amendment bill to the Customs (Control and Management) Act that would incorporate a mandatory declaration system when implemented.	<ul style="list-style-type: none">• Customs currently keep statistics manually. The Department intends to introduce an electronic database in the near future. <p>The amendment Bill to the Customs (Control and Management) was passed in April 2010. The legislation provides that Customs Officer shall record identification and other data about the currency and negotiable bearer instruments and submit it to the Financial Services Commission.</p> <p>It is considered that the Montserrat Customs and Revenue Service now has the appropriate ICT systems in place in order to maintain comprehensive statistics on cross border seizures, declarations disclosures.</p> <p>Extensive intelligence relating to the inward and outward movement of goods is available on the ASYCUDA World system introduced in 2010. Specific law enforcement information is also available on the ‘Overseas Territories Regional Criminal Intelligence System’ (OTRCIS). This is a networked computer system that provides the police, customs and immigration departments of the UK's Caribbean OTs</p>
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				<p>with a crime intelligence and information analysis secure data system. Further work is being undertaken with plans to train more personnel to maximize the use of the information available on OTRICS. (See statistics in appendix 17)</p> <p>Customs maintains a manual system to capture the information required to be maintained comprehensive statistics on cross border seizures, formal and spontaneous request.</p>
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		<ul style="list-style-type: none"> • There is no comprehensive statistics maintained by all competent authorities. 	<ul style="list-style-type: none"> • HM Customs should consider keeping and maintaining comprehensive statistics on cross-border seizures, formal and spontaneous requests. In addition, all competent authorities should consider the procedure adopted in Recommendation 32 of FATF 40+9 for the recording and maintaining of statistics. 	<ul style="list-style-type: none"> • The database mentioned above will include the keeping of statistics on cross-border seizures, formal and spontaneous requests. <p>Concerning Customs see the comments above.</p> <p>Customs maintains a manual system to capture the information required to be maintained comprehensive statistics on cross border seizures, formal and spontaneous request.</p> <p>FSC and law enforcement maintain database of statistics relating to AML/CFT.</p>
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		<ul style="list-style-type: none"> • No information maintained about spontaneous referrals made by the RA or FCAU to foreign authorities. • No statistics is maintained by the RA on international wire transfers. 	<p>Comprehensive statistics should be maintained on all aspects of Customs and Excise operations including records of declaration/disclosures and seizures. These statistics should be readily available for use by Customs, LEAs and other government departments.</p>	<ul style="list-style-type: none"> • Customs currently keep statistics manually. The Department intends to introduce an electronic database in the near future. In addition, information is also held in the ASYCUDA database system <p>Montserrat Customs and Revenue Service (MCRS) now maintain statistics on a computerized database.</p> <p>See new comments above</p> <p>Information on wire transfer is now received from FSC and statistics are being maintained.</p>
33. Legal persons – beneficial owners	PC	<ul style="list-style-type: none"> • Effectiveness of implementation cannot be assessed due to the recent enactment of the legislation. 	<ul style="list-style-type: none"> • Clear provisions needs to be made in the Companies Act to require the keeping of information on beneficial ownership and control of local companies. 	<ul style="list-style-type: none"> • A consultant has been appointment to draft a Bill for the Companies Act. It is intended that the new legislation will provide that a competent authority will have power to obtain and keep information on beneficial ownership in respect of local companies.

		<ul style="list-style-type: none"> • No clear provision requiring the maintenance of beneficial ownership and control information of local companies. • No clear provision allowing for access to and obtaining information on beneficial ownership and control of local companies. 	<ul style="list-style-type: none"> • Clear provisions must be made for the obtaining of and access to information, in a timely manner on beneficial ownership and control of local companies under the Companies Act 	<ul style="list-style-type: none"> • See above comments. It is the intention that adequate provisions will be made in any new legislation for the information required to be kept will be available to the competent authority in a timely manner. <p>In addition to the above, all companies are required under the current Companies Act to submit annual returns which includes the names of shareholders/subscribers of the legal entities.</p> <p>The Miscellaneous Amendments (Financial Services) Bill 2013 was passed into law on July 25, 2013. Its provisions address this recommendation.(See Appendix 4)</p>
34. Legal arrangements – beneficial owners	LC	<ul style="list-style-type: none"> • Effectiveness of implementation cannot be assessed due to the recent enactment of the legislation 		
International Co-operation				
35. Conventions	PC	<ul style="list-style-type: none"> • Some psychotropic substances in the updated Schedules to the 1971 Vienna Convention are not scheduled as controlled drugs. 	<ul style="list-style-type: none"> • There is not sufficient evidence that psychotropic substances have been adequately covered. 	<ul style="list-style-type: none"> • An audit of the legislative provision is being undertaken and any necessary amendments made to the local legislation in 2012

		<ul style="list-style-type: none"> • The Palermo Convention and the 1999 Terrorist Financing Convention have not been duly extended to Montserrat. 	<ul style="list-style-type: none"> • The authorities should ensure full compliance with the provisions of all the requisite conventions. 	<p>The jurisdiction has made requests for relevant UN Conventions to be extended to Montserrat. We now understand the U.K. authorities are reviewing Montserrat's legislation with a view to extending the Conventions on being satisfied that the legislation is applicable.</p> <ul style="list-style-type: none"> • The FCO/GOV to respond <p>Follow up action will be taken to seek the U.K.'s agreement to extend all the relevant Conventions to the jurisdiction.</p> <p>The U.K. Government has now indicated their willingness to extend the two Conventions and have requested that a preliminary assessment as to Montserrat's compliance against these two conventions be undertaken.</p>
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			<ul style="list-style-type: none"> • Montserrat should request that the Palermo Convention and the 1999 Terrorist Financing Convention be extended to the jurisdiction. 	<ul style="list-style-type: none"> • The FCO/GOV to respond <p>Follow up action will be taken to seek the U.K.'s agreement to extend the Palermo Convention to the jurisdiction</p> <p>See above.</p>
36. Mutual legal assistance (MLA)	LC	<ul style="list-style-type: none"> • No specific procedures for establishing timelines for complying with requests for assistance 	<ul style="list-style-type: none"> • Montserrat should consider reviewing the current procedures for executing MLAT requests to provide for greater efficiency. 	<ul style="list-style-type: none"> • The procedures will be reviewed with a view to making necessary changes by the end of June 2012. <p>The jurisdiction has introduced procedures for processing request for assistance under the Tax Information Exchange Act and will be implementing similar procedures executing MLATs.</p>

		<ul style="list-style-type: none"> • Difficult to judge effectiveness of implementation. 	<ul style="list-style-type: none"> • The jurisdiction should create mechanisms to establish specific timelines for complying with requests for assistance. 	<ul style="list-style-type: none"> • Existing provisions and procedures will be reviewed with a view to making necessary changes by the end of June 2012. In this matter legislation is now in place which covers this requirement, i.e., the Tax Information Exchange Act 2011.
			<ul style="list-style-type: none"> • Montserrat should consider expanding mutual legal assistance provisions to include fiscal offences. 	<ul style="list-style-type: none"> • Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September. Executive Council will be expected to provide policy guidance. <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>

			<ul style="list-style-type: none"> • Clear allowance should be made to facilitate compliance with requests for assistance in terms of foreign non-criminal confiscation orders. 	<ul style="list-style-type: none"> • Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September. <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>
			<ul style="list-style-type: none"> • Clear provisions should be made to ensure that civil forfeiture extends to foreign non-criminal orders. 	<p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p> <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>

			<ul style="list-style-type: none"> Montserrat should articulate a clear definition of a serious arrestable offence or a standard for the application of the term 	<p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p> <p>This phrase is now defined in the Criminal Justice (International Cooperation) (Amendment) Act No. 18 of 2012. Section 8(1A) provides that “serious arrestable offence” in that section means an indictable offence.</p> <p>No other legislative amendment have yet been made to this effect as priority during the last quarter was on other subject areas. It is anticipated that this will change by May 31, 2014.</p>
37. Dual criminality	LC	<ul style="list-style-type: none"> Only partial mutual assistance may be granted in the absence of dual criminality. 	<ul style="list-style-type: none"> Montserrat should consider reviewing the current procedures for executing MLAT requests to provide for greater efficiency. 	<ul style="list-style-type: none"> The procedures will be reviewed with a view to making necessary changes by the end of June 2012.

			<ul style="list-style-type: none"> • The jurisdiction should create mechanisms to establish specific timelines for complying with requests for assistance. • Montserrat should consider expanding mutual legal assistance provisions to include fiscal offences. 	<ul style="list-style-type: none"> • Existing provisions and procedures will be reviewed with a view to making necessary changes by the end of June 2012. • The Interpretation Act which came into force on August 17, 2011 provides: “20. General Principles Provisions when no time prescribed Where no time is prescribed or allowed within which anything is to be done, <u>the thing must be done with all convenient speed</u>, and as often as the prescribed occasion arises”. (bold and underlining min for emphasis)
			<ul style="list-style-type: none"> • Clear allowance should be made to facilitate compliance with requests for assistance in terms of foreign non-criminal confiscation orders. 	<p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p> <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>

			<ul style="list-style-type: none"> • Clear provisions should be made to ensure that civil forfeiture extends to foreign non-criminal orders. 	<p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p> <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>
			<ul style="list-style-type: none"> • Montserrat should articulate a clear definition of a serious arrestable offence or a standard for the application of the term 	<p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p> <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>

38.MLA on confiscation and freezing	LC	<ul style="list-style-type: none"> • Unclear definition and applicable standard of what is a serious arrestable offence. 	<ul style="list-style-type: none"> • Montserrat should articulate a clear definition of a serious arrestable offence or a standard for the application of the term. 	<ul style="list-style-type: none"> • Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September. <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p>
39.Extradition	LC	<ul style="list-style-type: none"> • Effectiveness of Implementation could not be assessed. 	<ul style="list-style-type: none"> • There is no specific obligation requiring the Governor to act expeditiously having received a request for extradition. Montserrat needs to consider introducing a specific time requirement or even “without delay” provisions. 	<p>No action taken to amend the Extradition Act; however section 20 of the Interpretation Act which came into force on August 17, 2011 provides: “20. General Principles Provisions when no time prescribed Where no time is prescribed or allowed within which anything is to be done, <u>the thing must be done with all convenient speed</u>, and as often as the prescribed occasion arises”. (bold and underlining min for emphasis)</p> <p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p>

				Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.
40. Other forms of co-operation	LC	<ul style="list-style-type: none"> The CJICA does not fully address whether requests are refused on the sole ground that it is considered to involve fiscal matters. 	<ul style="list-style-type: none"> The authorities should consider making amendments to the Criminal Justice (International Co-operation) Act (Cap. 04.06) to state specifically, that requests should not be refused on the sole ground on a request pertaining to fiscal matters. 	<p>Amendments to be made to the local legislation in 2011.</p> <p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September 2013.</p> <p>Other legislation was given priority by Cabinet during the last quarter. It is anticipated that the amendments will be completed and enacted into law by May 31, 2014.</p> <p>There is now a gateway for providing information in respect of fiscal matters, under the Tax Information Act</p>

			<ul style="list-style-type: none"> The Montserrat authorities should consider having all international request relating to AML/CFT be directed through the Attorney General office and designate the AG as the Central Authority for Montserrat. This provision once introduced would remove any administrative delays of foreign requests being action upon by the AG in the performance of his functions in a timely manner. 	<p>With the introduction of post of DPP in September under the New Constitution, this authority should be vested in the DPP. The amendments will be drafted by consultant Richard Carpenter on receipt of instructions from the FSC. It is anticipated that this will take place by the end of June, 2012.</p>
			<ul style="list-style-type: none"> The current legislative provisions governing the provision of assistance should be reassessed in an attempt to streamline the process to make it more efficient and reduce the likelihood of delays. 	<ul style="list-style-type: none"> No action taken. To be placed on Legislative programme for completion of any necessary amendments to the local legislation in 2012. <p>Draft amendments will be prepared to address this recommendation and submitted for approval of Cabinet in or about October 2013 with addition of senior legislative drafter to the chambers in September.</p>

			<ul style="list-style-type: none"> There was no evidence that Montserrat had actually entered into any agreements or signed MOUs with other countries to facilitate exchange of information. 	<ul style="list-style-type: none"> The FSC has entered into MOUs with Eastern Caribbean Central Bank, 8 Member states of the ECCU, and with Bank Supervisory authorities in Panama, Costa Rica and Guatemala. The jurisdiction has also entered into bilateral agreements with all EU countries to provide information in respect of exchange of information required to be provided under The Montserrat Reporting of Saving Income Information Order 2005. In addition, ten agreements have signed and implemented under the Tax Information Act, 2010. They are with respectively, Australia, Kingdom of Belgium, Denmark, Faroes, Finland, Greenland, Iceland, Kingdom of Norway and Sweden. Montserrat has now entered into Tax Information and Exchange Agreements with 12 countries and these agreements now have been published in the official Gazette and have the force of law.
Nine Special Recommendations				
SR.I Implement UN instruments	LC	<ul style="list-style-type: none"> Montserrat is not party to the Palermo Convention and the 	<ul style="list-style-type: none"> Montserrat should request that the Palermo Convention and the 1999 	<ul style="list-style-type: none"> The authorities are in negotiating with the U.K. Government to make

		1999 Terrorist Financing Convention.	Terrorist Financing Convention be extended to the jurisdiction.	arrangements to extend the Convention to Montserrat. Follow up action will be taken to seek the U.K.'s agreement to extend the Palermo Convention to the jurisdiction
SR.II Criminalise terrorist financing	PC	<ul style="list-style-type: none"> The legislation does not cover terrorist activity taken to compel an international organisation to do or to abstain from doing an act in keeping with Article 2(1) (b) of the Terrorist Financing Convention. 	<ul style="list-style-type: none"> Montserrat needs to review the definition of “terrorism” in order to properly address the activities of a terrorist organisation. The definition of ‘terrorism’ needs to be reviewed to capture all of the acts referred to in the Suppression of the Financing of Terrorism Convention that are set out in the Nine Conventions specified under that instrument. 	<ul style="list-style-type: none"> Amendments to be made to the local legislation in 2012 The jurisdiction has addressed the issue with the U.K authorities but to date there has been no feedback. <p>Proceeds of Crime (Amendment) Act No. 3 of 2013 includes a provision which addresses the examiners’ recommendations.</p> <p>Gap closed in 4th Follow-up Report</p>

		<ul style="list-style-type: none"> • The definition of terrorist does not include a ‘terrorist organisation’. • Effectiveness of the legal framework cannot be properly assessed in the absence of investigations and convictions for TF. 	<ul style="list-style-type: none"> • Similarly, the legislation needs to be amended to capture terrorist activity that is an act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel an international organization to do or to abstain from doing any act. 	<ul style="list-style-type: none"> • Amendments to be made to the local legislation in 2012 <p>The jurisdiction has addressed the issue with the U.K authorities but to date there has been no feedback.</p> <p>The recommendation has been addressed in the Proceeds of Crime (Amendment) Act No. 3 of 2013 which was passed by the Legislative Assembly on March 5, 2013 and came into effect on 9 April 2013.</p> <p>Gap closed in 4th Follow-up Report</p>
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SR.III Freeze and confiscate terrorist assets	PC	<ul style="list-style-type: none"> • The systems in place do not adequately cover immediate effective communication for actions taken under the freezing mechanisms referred to in criteria III.1 – III.3 to the financial sector upon taking such action. 	<ul style="list-style-type: none"> • The jurisdiction needs to establish concrete systems to provide immediate effective communication for actions taken under the freezing mechanisms referred to in criteria III.1 –III.3 to the financial sector immediately upon taking such action. 	<ul style="list-style-type: none"> • Written procedures will be introduced for communicating to the financial sector actions to be taken to freeze terrorist funds or other assets. <p>The jurisdiction has addressed the issue with the U.K authorities but to date there has been no feedback.The jurisdiction will follow-up with the U.K. Government concerning implementation of the recommended action</p> <p>We now receive from the U.K. automatic notification of sanctions which we now send out to service providers and DNFBPs.</p> <p>The jurisdiction now has in place a procedure guide for implementing sanctions to provide immediate effective communication for actions taken under the freezing mechanisms to the financial sector immediately. See appendix 6(1)</p> <p>The Foreign and Commonwealth Office also issued guidance on implementation of sanctions in the Overseas Territories. See appendix 6(2)</p> <p>Automatic notifications of sanctions received from the U.K are out to service providers and DNFBPs. See appendix 6(3)</p>
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		<ul style="list-style-type: none"> • There is no specific provision for effective and publicly known procedures for considering de-listing requests and unfreezing of funds or other assets of de-listed persons or entities in a timely manner consistent with international procedures. 	<ul style="list-style-type: none"> • Montserrat may need to consider recommending to the UK that the 2001 Anti-Terrorism Order amended to specifically address the issue of ‘freezing without delay’ the funds of identified terrorists. • The jurisdiction needs to consider making specific provisions for effective and publicly known procedures for considering de-listing requests and unfreezing of funds or other assets of de-listed persons or entities in a timely manner consistent with international procedures. 	<ul style="list-style-type: none"> • A recommendation from GOM will be sent to FCO to action this. GOM has requested feedback from UK in respect of this recommended action. <p>GOM has requested feedback from UK in respect of this recommended action. The jurisdiction will follow-up with the U.K. Government concerning implementation of the recommended action.</p> <ul style="list-style-type: none"> • The procedures for considering de-listing requests is not carried out in the territory, but in the UK. The authorities are only responsible for ensuring that Orders emanating from the U.K. are implemented and financial institutions advised in a timely manner consistent with international procedures. <p>The authorities will liaise with the U.K. Government who makes Orders in Council concerning the introduction of this recommended action. The jurisdiction will follow-up with the U.K. Government concerning</p>
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				implementation of the recommended action.
		<ul style="list-style-type: none"> • Immediate freezing of terrorist funds is not explicitly provided for. 	<ul style="list-style-type: none"> • There needs to be adequate provision for extraordinary expenses once funds have been seized or frozen. 	<ul style="list-style-type: none"> • The authorities are aware of contingent liability that exists.

		<ul style="list-style-type: none"> • There is no adequate provision for extraordinary expenses once funds have been seized or frozen. 	<ul style="list-style-type: none"> • Provision should be made in law for the procedure for forwarding requests for the release of funds or assets which have been frozen and which are required for basic living expenses to the Committee which has been established under S/RES/1452 (2002). 	<ul style="list-style-type: none"> • This is recommended action is provided for in all relevant legislation introduced in respect of freezing of funds or assets.
SR.IV Suspicious transaction reporting	LC	<ul style="list-style-type: none"> • No requirements relating to the reporting of suspicious transactions involving tax matters. 	<ul style="list-style-type: none"> • The requirement to report suspicious transactions should apply regardless of whether they are thought, among other things to involve tax matters. 	<ul style="list-style-type: none"> • The Executive Council will consider whether to introduce a Bill to amend POCA to make provision for recommended action. <p>The requirement was dealt with when considering the recommended action in respect of Recommendation 13.</p>
SR.V International co-operation	PC	<ul style="list-style-type: none"> • The definition of terrorism in the ATFOMOTO does not adequately meet the requirements of the convention for the Suppression of the Financing of Terrorism. • Terrorist financing may not be an extraditable offence. • The CJICA does not fully address whether requests are refused on the sole ground that 	<ul style="list-style-type: none"> • Montserrat should articulate a clear definition of a serious arrestable offence or a standard for the application of the term. • Montserrat should consider reviewing the current procedures for executing MLAT requests to provide for greater efficiency. 	<ul style="list-style-type: none"> • The authorities will liaise with the U.K. Government who makes Orders in Council concerning the introduction of this recommended action. • The Tax Information Exchange Act, 2011 and Tax Information Exchange Rules are applicable. The Act was brought into force on January 6, 2011. The Rules were brought into force by S.R.O. 49 of 2011 on

		<p>it is considered to involve fiscal matters.</p>	<ul style="list-style-type: none"> • The jurisdiction should create mechanisms to establish specific timelines for complying with requests for assistance. • Montserrat should consider expanding mutual legal assistance provisions to include fiscal offences 	<p>October 28, 2011. A new Interpretation Act was passed on August 5, 2011 and section 20 provides for actions to be taken with all convenient speed. The text reads: “20 General Principles Provisions when no time prescribed Where no time is prescribed or allowed within which anything is to be done, the thing must be done with all convenient speed, and as often as the prescribed occasion arises.” This provision is of general application.</p> <ul style="list-style-type: none"> • The Legal Department will add this to its legislative agenda and will seek policy guidance from the Cabinet. <p>These matters are under active consideration and will require policy decision from Cabinet which will be sought in the medium term.</p>
SR VI AML requirements for money/value transfer services	PC	<ul style="list-style-type: none"> • The effectiveness of Sanctions cannot be evaluated due to lack of information 	<ul style="list-style-type: none"> • The FSC should provide for training to guide Money service providers as to the effective execution of their responsibilities under the recently enacted AML/CFT legislative framework. 	<ul style="list-style-type: none"> • Training of MSBs and FI’s is scheduled to be carried out in September 2011. <p>Training of MSBs and FI’s was carried out on 15 September 2011.</p>

		<ul style="list-style-type: none"> Effectiveness of implementation cannot be ascertained due to the recent enactment of legislation 		Training was provided to MSBs on 17 July 2013
			<ul style="list-style-type: none"> Bearing in mind the above, the FSC should assess the current level of compliance with AML/CFT legislation of the MSB providers with a view to improve the compliance level with the recently enacted legislations. 	<ul style="list-style-type: none"> The FSC is currently reviewing the written compliance procedures of all MSB to ensure that stated policies and procedures meet the requirements in the AML/CFT legislation. <p>The FSC has received updated compliance manuals from the MSBs and confirm that the manuals reflect the provisions in the 2010 AML/CFT legislation.</p>
SR VII Wire transfer rules	LC	<ul style="list-style-type: none"> Effectiveness cannot be assessed due to recent passage of the POCA Regulations and Code. 	<ul style="list-style-type: none"> The Code should be amended to address the requirement whereby each party in a payment chain of intermediaries and beneficiary financial institutions should be required to ensure that full originator information accompanies a wire transfer transmitted. 	<ul style="list-style-type: none"> Rule 47 of the AML/CFT Code provides for this recommended action. The CFATF to confirm that the provision in the Rule 47 meets requirement in SR VII.
SR.VIII Non-profit organisations	PC	<ul style="list-style-type: none"> Given the recent enactment of the NPO Regulations, the Commission has only recently 	<ul style="list-style-type: none"> The authorities should undertake outreach to the NPO sector in order to protect the sector from terrorist 	<ul style="list-style-type: none"> From the beginning of September 2011 the authorities have commenced the registration of Non-

		<p>commenced its outreach program</p> <ul style="list-style-type: none"> • No systems or procedures in place to publicly access information on NPOs. • No requirement to report unusual donations by NPOs. • No monitoring of the NPOs international activities. • No investigative expertise with regard to examining NPOs suspected of either being exploited by or actively supporting terrorist activities. 	<p>activities. The authorities should monitor activities of NPOs to prevent or reduce the likelihood that funds and other assets transferred through NPOs are not diverted to support the activities of terrorists or terrorist organisations. NPOs should be required to report unusual donations to the Reporting Authority.</p> <ul style="list-style-type: none"> • The authorities should ensure that the regulated entities (NPOs) are vigilant in their response to the risk for abuse by those who finance terrorism. • NPOs should be made aware of the reporting procedures for irregular transactions relating to terrorist activities. 	<p>Profit Organizations, a requirement of the Non-Profit Organization Regulations No. 24 of 2010.</p> <p>To date a number of NPOs has been registered under the legislation and the FSC is currently processing applications for registration.</p> <p>The Supervisory Authority has commenced monitoring these entities.</p> <p>The FSC has issued written instructions to the NPOs detailing their obligations under the Regulation. This information is provided on issue of Certificates of Registration.</p> <ul style="list-style-type: none"> • A seminar for NPOs will be conducting in January 2012 to apprise registered NPOs of the risks. <p>The seminar is now rescheduled for the second half of this year to include all registered NPOs.</p> <p>Representatives from NPOs attended an AML/CFT workshop on 17 July 2013.</p>
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			<ul style="list-style-type: none"> • A program for the monitoring of compliance by the NPOs should be developed by the regulatory authority. • Authorities should consider establishing systems and procedures to allow information on NPOs to be publicly available. • The authorities should consider monitoring the NPOs and their international activities. 	<ul style="list-style-type: none"> • This recommended action will be included in the training seminar. Information on NPOs is readily available. The NPO Regulations provide that the public on payment of a prescribe fee may inspect the NPO Register • Annual registration and the submission of annual returns will provide a mechanism for the Supervisory Authority to monitor activities. • The Non-Profit Regulations 2010 provides for information on NPOs to be publicly available by inspection of the Register of NPOs • NPOs will be required to register and submit annual returns. The information provided in the returns will be used with experience for monitoring their activities. • The recommended action is accepted. Any training for the development of investigative experts in respect of AML/CFT activities will include the training of
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			<ul style="list-style-type: none"> Consideration should be given to developing investigative expertise with regard to examining NPOs suspected of either being exploited by or actively supporting terrorist activities. 	misuse of NPOs to support and fund terrorist activities.
SR.IX Cross Border Declaration & Disclosure	NC	<ul style="list-style-type: none"> There is no disclosure/declaration system in place with the required threshold. Domestic cooperation between Customs and other agencies is not adequately structured. Customs officers not sufficiently trained in AML/CFT and other related customs techniques. Customs' participation in AML/CFT is not sufficient. 	<ul style="list-style-type: none"> Customs should implement the declaration system to be used in conjunction with the disclosure system for incoming and outgoing passengers. The threshold should not be higher than EUR/US15000.00. Customs officials should be trained in behaviour analysis for use in passenger screening and smuggling techniques of potential currency carriers. 	<ul style="list-style-type: none"> The jurisdiction has now introduced the disclosure system for incoming passengers. This is no further action required under this bullet point. The authorities are investigating appropriate training and the funding of such training. Enquires will be made into viability of sharing resources with other jurisdictions. <p>CARTAC Officials undertook a 'training needs analysis' of the Montserrat Customs and Revenue Services (MCRS) during June 2012. An official report is awaited but feedback indicates that investigation/intelligence training will be made available for approximately 3 persons at a regional event to be held in Grenada in April 2013. It is hoped that this training will include aspects of this recommendation</p>

		<ul style="list-style-type: none"> • Unable to assess effectiveness of disclosure system due to insufficient statistics. 	<p>One Customs Officer from Montserrat Revenue and Customs Services attended a two week training course funded and coordinated by CARTAC in Grenada from April 15th to 26th 2013.</p> <p>On 26th August 2013, the FSC facilitated a training session at which Customs staff were exposed to Cross-Border Transportation of Cash and Bearer Negotiable Instruments, methods of Transportation of cash, systems to Address Cross Border Transportation of Cash and BNIs, Record Keeping and Information Sharing, Cash Seizure and Forfeiture.</p> <ul style="list-style-type: none"> • Authorities should consider the making of false disclosures/declarations to Customs authorities a strict liability offence. 	<p>This recommended action is a provision in section 113 (1) and (2) of Customs (Control and Management) Act. There is no further action required under this bullet point.</p> <ul style="list-style-type: none"> • The department already keep statistics although manually. A new
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			<ul style="list-style-type: none"> Comprehensive statistics should be maintained on all aspects of Customs and Excise operations including records of declaration/disclosures and seizures. These statistics should be readily available for use by Customs, LEAs and other government departments. The Authorities should consider providing training in counterfeit currency identification to all Customs, especially those working at the ports. The identification of previous metals and stones as such should also be conducted as a part of such training. 	<p>computerised database will shortly be introduced. In addition statistics are also held in ASYCUDA database system.</p> <p>Montserrat Customs and Revenue Service (MCRS) now maintain statistics on a computerized database.</p> <ul style="list-style-type: none"> The authorities will seek assistance from ECCB to carry out the training for the Police and Customs officers on allocation of funds. The Police and Customs will introduce a formal programme for joint co-operation between the two competent authorities. An MOU concerning the Relationship between the Montserrat Customs & Revenue Services (MCRS) and the Royal Montserrat Police Service (RMPS) with respect to common areas of Law Enforcement has been drafted and is now with the Attorney General's Chambers for review and comments.
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			<ul style="list-style-type: none"> • There is a need for increased participation by the Customs Department in combating money laundering and terrorist financing. • Consideration should be given to reporting all currency interdictions where untrue disclosures/declarations are made to the RA, whether or not administrative or criminal proceedings are being considered. • Customs should consider reporting all declaration/disclosures to the RA that is equal to and above the declared sum of US\$15,000. 	<ul style="list-style-type: none"> • The RMPS has also conducted joint operations with MCRS. • All currency interdictions reports are reported directly to the FCAU. The authorities now proposes to introduce procedure that statistics on these reports are provided to the RA on a periodic basis. • The recommendation is accepted. The <u>Customs (Control and Management) (Amendment) Bill, 2010 MONTSERRAT</u> section 26A (2) states A person who enters Montserrat with currency or monetary instrument over US\$10,000 or the equivalent, shall provide information with regard to the origin of the currency or negotiable bearer instrument and its intended use to the customs officer who shall record identification and other data about the currency and negotiable bearer instruments and submit it to the Financial Services Commission.”
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