



Second Follow-Up Report

Turks & Caicos Islands

April 30, 2010

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TURKS & CAICOS ISLANDS: SECOND FOLLOW-UP REPORT

I. Introduction

1. This report represents an analysis of the Turks and Caicos Islands' report back to the CFATF Plenary concerning the progress that it has made with regard to correcting the deficiencies that were identified in its third round Mutual Evaluation Report. The third round Mutual Evaluation Report of the Turks and Caicos Islands was adopted by the CFATF Council of Ministers in October 2008 in St. Kitts & Nevis. The Turks and Caicos Islands presented a follow-up report at the Plenary in the Netherlands Antilles after which it would be determined that the Turks & Caicos Islands would be required to report at the 2010 May Plenary. Based on the review of actions taken by the Turks & Caicos Islands since its last follow-up report to meet the outstanding recommendations made by the Examiners, a recommendation would be made as to whether the Turks & Caicos Islands would remain on expedited follow-up or be placed on regular follow-up.
2. The Turks & Caicos Islands received ratings of PC or NC on twelve (12) of the sixteen (16) Core and Key Recommendations as follows:

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

3. With regard to the other non- core or key Recommendations, St. Kitts and Nevis was rated partially compliant or non-compliant, as indicated below.

Partially Compliant (PC)	Non-Compliant (NC)
R. 9 (Third parties and Introducers)	R. 6 (Politically Exposed Persons)
R. 15 (Internal controls, compliance & audit)	R. 7 (Correspondent banking)
R. 16 (DNFBP-R. 13-15 & 21)	R. 8 (New technologies & non face-to-face business)
R. 17 (Sanctions)	R. 11 (Unusual transactions)
R. 18 (Shell banks)	R. 12 (DNFBPs – R. ,6,8-11)
R. 20 (Other NFBP & secure transaction techniques)	R. 19 (Other forms of reporting)
R. 29 (Supervisors)	R. 21 (Special attention for higher risk countries)
R. 31 (National cooperation)	R. 22 (Foreign branches & subsidiaries)
R. 32 (Statistics)	R. 24 (DNFBP-regulation, supervision and monitoring)
R. 33 (Legal persons – beneficial owners)	R. 25 (Guidelines and feedback)
R. 34 (Legal arrangements – beneficial owners)	R. 30 (Resources)
R. 38 (Mutual legal assistance on confiscation and freezing)	SR. VII (Wire transfer rules)
SR. VI (AML requirements for money and value transfer services)	SR. VIII (Non-profit organizations)
	SR. IX (Cash couriers)

4. The following table is indented to assist in providing an insight into the level of risk in the main financial sectors in the Turks & Caicos Islands.

Size and integration of the jurisdiction's financial sector

		Banks	Other Credit Institutions*	Securities	Insurance	TOTAL
Number of institutions	Total #	9		6	Not Available	
Assets	US\$	1,666,729,000		393,290,518	n/a	
Deposits	Total: US\$	899,581,000		n/a	n/a	
	% Non-resident	30% of deposits				
International Links	% Foreign-owned:	84% of assets	% of assets	n/a% of assets	% of assets	% of assets
	#Subsidiaries abroad	0		0	0	

* Please include savings and loans institutions, credit unions, financial cooperatives and any other depository and non-depository credit institutions that may not be already included in the first column.

* If any of these categories are not regulated, please indicate so in a footnote and provide an estimate of the figures

II. Summary of progress made by the Turks & Caicos Islands

2. At the time of the Mutual Evaluation of the Turks and Caicos Islands, the Examiners identified some deficiencies with the then recently enacted Proceeds of Crime Ordinance (POCO) and suggested that amendments be made to address these issues. Amendments or enactment of legislation was also suggested for deficiencies noted in Recs. 5, 6, and the development and issuance of guidance notes by the Financial Services Commission (FSC) for its constituents. To date, draft amendments to the POCO, and draft regulations converting some aspects of the Code into regulations and a new Code have been prepared. The newly enacted legislation is expected to be in operating before May 31st, 2010. Accordingly, except for the additional information on the size of the financial sector in the table above and where specifically noted before, the second follow-up report remains unchanged from the first follow-up report.

Core Recommendations

Recommendation 1

3. As stated above, draft amendments to the POCO have been prepared which are intended to take care of the recommendations made by the Examiners, which pertain to clarification of the scope of the POCO on previous and existing legislation; the reference to offences that are not defined in the laws of the TCI and the Vienna Convention's precursor chemical provisions (Article 3(1)(c)). Since the legislation is still in draft, the recommendations of the Examiners have not been met with regard to Rec. 1. It should be noted that the amendments to the POCO are also intended to meet the recommendations made by the Examiners with regard to Recs. 2 and 3, which were both rated LC.

Recommendation 5

4. In an effort to comply with the Examiners' recommendations for Recommendation 5, the TCI Authorities have decided to draft new regulations, revise the Code and draft guidelines. Since all these measures are in draft, none of the Examiners' recommendations have been met.

Recommendation 10

5. The draft regulations are intended to address the recommendations that the Examiners made with regard to Recommendation 10.

Recommendation 13

6. The TCI Authorities revised the Suspicious Activity Reporting form and distributed it with attached guidance notes on August 10, 2009. Since the issuance of the revised form there were two further meetings with industry representatives (August 14, 2009), which included the handling of Suspicious Activity Reports (SARs). More recently, a general AML/CFT training is being planned for the coming months and one of the proposed agenda items will focus on STR reporting. While the recommendation pertaining to the standardization of SAR forms and guidance has been met, with regard to the timely filing of the SARs a review of the Guidance shows that the provision for filing states as follows: 'A SAR should be made as soon as the knowledge or suspicion that criminal proceeds exist has arisen, especially if consent may be required, or at the earliest opportunity thereafter'. This does not appear to narrow the Examiners concerns that the time frame given by the POCO was too broad; with the industry interpreting it to mean time periods that ranged from 24 to 30 days. Accordingly, this aspect of the Examiners' recommendation has not been met. Additionally, the Authorities have not indicated whether any guidance was given with regard to the reporting of unusual transactions.

Special Recommendation II

7. In the current matrix, the Turks & Caicos Authorities have stated that the draft amendment Bill to the POCO will address the deficiencies identified. In the previous matrix, the Authorities had stated that they would review the penalties for terrorism and terrorist financing offences. The other recommendations made by the Examiners have not been addressed.

Special Recommendation IV

8. The Examiners recommended that the reporting of STRs with regard to terrorism and the financing of terrorism should include suspicion of terrorist organisations or those who finance them and that the obligation to make a STR related to terrorism should include attempted transactions. Toward this end, the TCI has decided to request the extension of the relevant sections of the UK Terrorist Financing Act to the TCI by Order in Council. As noted before this measure would provide the legal framework that would allow the Examiners' recommendation to be addressed. In the current response, the TCI Authorities have not stated whether the extension was requested and the result of that request, but noted that general AML/CFT training would be provided in the coming

months and at that training, a proposed agenda item will include STR reporting. This however, while commendable and needed as discussed in Rec. 13 above will not address the recommendations made by the Examiners.

Key Recommendations

Recommendations 23

9. With regard to the Examiners' recommendation that the FSC develop clear procedures for the assessment of integrity of relevant persons as part of its execution of the 'fit and proper' testing requirement, the FSC has issued new guidelines on fit and proper testing. The new guidelines at paragraph 8 state that the second part of the fit and proper test relates to character and includes key elements such as the probity, honesty, integrity and reputation of the individual concerned and goes on to describe what should be taken into consideration with regard to character. This appears to be sufficient to meet the Examiners' recommendation. With regard to the inclusion of collective investment schemes 'Core Principles' in their supervisory framework, TCI has now indicated that the FSC is currently considering including the IOSCO core principles in its supervisory framework. With regard to the development of an approach and the setting of clear terms for the effective implementation of Money Transfer Ordinance (MTO), the Authorities have stated in their updated matrix that the MTO is now effective with an established licensing regime which continues to grow. The FSC has licensed seven (7) Money Transmitters. The Authorities have stated that after an initial period to regularise the activities of Money Transmitters and ensure that all licensing requirements were met, the Commissioner issued quarterly reporting forms. The Commission has used the information gathered as part of its off-site supervision and anticipates commencing onsite examinations within the second half of 2010. The TCI has met the Examiners' recommendations under this Rec. as it pertains to the 'fit and proper' testing requirement and the implementation of the MTO. The documented outcome of the consideration of the FSC's consideration of the inclusion of collective investment schemes 'Core Principles' in its supervisory framework is needed to determine the outcome of compliance with this recommendation.

Recommendation 26

10. With regard to the operational independence of the Head of the FCU, the Authorities have stated that this matter is still under review and noted that the Commissioner of Police has formally confirmed that the Head of the FCU has full operational independence when dealing with SARs. This has been recently formalized in a 'Force Order' dated April 26, 2010. The Head of the FCU also carries out all staff recruitment. The issue of budget management has not been addressed. The Authorities have however stated that the issue of a totally independent FIU is included in the Royal Turks & Caicos Islands Police Force (RTCIPF) five (5) year strategic plan, and subject to financial constraints may be approved prior to November 2010. Consequently, this recommendation has only been partially met.
11. The situation with regard to trends and typologies being published remains as previously stated in the first matrix. It was noted in paragraphs 333 and 650 of the MER, that trends and typology information was not provided to the relevant industries. The latter

paragraph particularly stating that ‘The interviewees expressed across industries that they were not provided with trend and typologies or any form of reports from the FCU that might increase their awareness of developments in ML and FT and assist relevant industries with the detection and deterrence of ML and FT practices’. Accordingly, this recommendation has not been met. As noted in the first matrix, the FCU published statistics in April 2008 and 2009 in compliance with the POCO. At present, the annual report for 2009 is being prepared. The Authorities have noted that in providing feedback, every SAR is responded to with a strategy within 24 hours in most cases. Successful outcomes of investigations are also reported. Further, since the jurisdiction is small, the Head of the FIU liaises directly with compliance officers. This recommendation has therefore been met. As noted above in the discussion of Recommendation 13, guidance has been given on the revised procedures for reporting SARs/STRs. Based on the overall action taken, the majority of the Examiners’ recommendations for Rec. 26 have been complied with.

Recommendation 35

12. With regard to Rec. 35, the TCI in its updated matrix have noted that the matter was considered by the Money Laundering Reporting Authority (MLRA) and that a request is to be made to the UK Foreign and Commonwealth Office to have the Conventions extended to the TCI. Accordingly, the Examiners’ recommendation has not been met.

Recommendation 36

13. As it pertains to Rec. 36 and the considering of rendering mutual legal assistance for requests which deal solely or in part with tax matters, the TCI has signed nine (9) additional Tax Information Exchange Agreements (TEIA) for a total of twelve (12) in 2009. The draft Implementation Bill previously circulated internally for comments has been enacted and is now in force as the Implementation Ordinance. The TIEAs would facilitate the exchange of information on tax matters not covered by the MLATs. The Examiners’ recommendation has been met with regard to the rendering of mutual legal assistance for requests dealing with taxes.

Recommendation 40

14. The stipulation of specific standard operating procedures for dealing with the execution of request received is still under review. The Authorities have also noted that the FSC has not refused any request for the signing of MOUs with countries that have requested them. As to the Examiners recommendation that the FSC consider entering into MOUs with other foreign supervisor authorities so as to facilitate the effective exchange of ML/FT information, the Authorities have noted in their updated matrix that the Financial Services Commission Ordinance (FSCO) adequately allows for the exchange of information and that in 2009, the FSC dealt with four (4) requests that were handled expeditiously and without problems. However, while the Examiners acknowledged the FSC’s ability to provide mutual legal assistance, (See. Paragraphs 1148 and 1158 of the MER), they also noted that without any form of formal MOU, there might be a limiting effect on other countries’ ability to exchange information with the FSC and consequently the limitations made in the FSCO at Section 29 might apply. Further, at the time of the mutual evaluation, the Managing Director of the FSC had noted that ‘the procedure for

the exchange of information between his organisation and foreign regulators is a very informal one and this essentially takes the form of requests being made orally.’ (See. Paragraph 1152 of the MER). Finally, at paragraphs 1166 and 1167 of the MEQ, the Examiners noted that reciprocity appears to be required under the FSCO in that in deciding whether or not to render assistance, the ‘FSC should have regard as to whether the authority requesting assistance is likely to render assistance to the FSC...’. No guidance or information was provided on how ‘likely to render assistance’ would be measured and at the latter paragraph, the Examiners’ concluded that ‘taken as whole the considerations outlined above appear somewhat onerous particularly since they are to be applied conjunctively.’ For these reasons the Examiners’ recommended MOUs. The Examiners’ recommendation in this regard has not been met since it does not appear that the issues noted in the MER were considered as it pertains to the provision of mutual legal assistance by the FSC.

Special Recommendation I

15. With regard to this Recommendation the TCI Authorities have stated in the updated matrix that the matters would be tabled for consideration by the MLRA. The TCI Authorities have stated that they have already requested the extension of relevant sections of the UK Terrorist Financing Act. The Examiners’ recommendation for the full implementation of the UNSCRs remains outstanding.

Other Recommendations

Recommendations 6 and 7

16. In an effort to comply with the Examiners’ recommendations for Recs. 6 and 7 the TCI Authorities have drafted new regulations, and prepared a draft amendment bill to the POCO. Both pieces of legislation are expected to be enacted before May 31st 2010. The FSC issued guidance in relation to PEPs in August 2009. The Guidelines specify who should be considered PEPs and also provide enhanced due diligence measures that should be applied to PEPs. Pending a review of the guidelines issued for PEPs the Examiners’ have not been met.

Recommendation 8

17. With regard to Rec. 8, the Examiners recommended that financial institutions should have measures in place to deal with the misuse of technological developments and that the business of mortgage lending should be brought under a license regime which would make it subject to the AML/CFT regime. In its updated matrix the TCI Authorities have stated that they are reviewing and seeking guidance on the draft regulations to ensure that the provisions will adequately capture the deficiency. With regard to a licensing regime for mortgage lending, no additional information was provided and so it is assumed that the matter is still under active consideration. Based on the aforementioned, none of the recommendations have been met for this Recommendation.

Recommendations 9 and 11

18. With regard to Recommendations 9 and 10, the TCI have noted that the draft amendment Bill to the POCO will inter alia address the Examiners' recommendations. As previously noted, the draft legislation is expected to be in effect before May 31st, 2010.

Recommendations 12

19. As a result of the Examiners' recommendation that the relevant new businesses and professions be informed of their AML/CFT obligations under the recently enacted legislation, the relevant new businesses have been contacted and the new AML/CFT requirements have been explained to them. These actions meet the Examiners' recommendation. However, none of the Examiners' recommendations pertaining to DNFBPs under Rec. 12 have been addressed. The Authorities have noted however that arrangements have been made for DNFBPs to be properly regulated and that steps have already been taken at a policy level and the steps for implementation will also occur in due course.

Recommendation 15

20. With regard to the Examiners' recommendations for Rec. 15, the only update from the previous matrix is an affirmation that the FSC screens policy manuals at the point of licensing of the entity and also during onsite examinations. This measure meets the Examiners' recommendation in that regard. It was also noted that the draft amendment Bill to the POCO would address the requirement for financial institutions to have their screening policy formalized and documented for review by the FSC. An updated status of the other recommendations has not been addressed and so it is assumed that their status has not changed. Accordingly, those recommendations have not been met. Their previous status is as follows: the Financial Services Commission (FSC) is preparing guidelines which are intended to address the issue of compliance with combating the financing of terrorism by all supervised financial institutions. The FSC is also reviewing the various means by which it can create awareness amongst financial institutions with regard to the issue of CFT. Fit and proper guidelines have been prepared and issued. The Guidelines which were issued pursuant to Section 43 of the Financial Services Commission Ordinance, 2007 (FSCO) contain 'fit and proper' test requirements for various categories of person and entities including directors, officers and key employees, and owners and controllers.

Recommendations 16

21. With regard to Rec. 16, the regulation of DNFBPs is as noted above for Rec. 12 and so this recommendation has not been met. With regard to training for DNFBPs on the filing of STRs, the FCU has met with and advised DNFBPs of the requirements for filing STRs. The recommendation that the relevant supervisory authority per category of DNFBP should issue guidelines has not been addressed and consequently has not been met.

Recommendation 17

22. In an effort to promote an effective implementation of enforcement actions that will increase the dissuasiveness of the existing sanctions as recommended by the Examiners,

the FSC is now taking appropriate action under the existing framework through on-site supervisory follow-up process and greater enforcement action against AML and other regulatory deficiencies. Accordingly, in the first follow-up report, a table showing the enforcement action that had been taken by the FSC had been presented. The following table shows the enforcement action taken by the FSC for 2009.

FSC Enforcement Action 2009

No.	Division	Action taken	Status of Action
1.	Mutual Fund	Special Investigation leading to liquidation of company	Ongoing
2.	Banking	Restriction on acquiring new business	Completed
3.	Money Transmitters	Directive - Cease carrying on Business	Completed
4.	Banking	Directive – Not sell or reduce the assets of the company without prior permission of the FSC	Completed
5.	Trust	Directive – regularize business and submit outstanding financial statements	Ongoing
6.	Insurance	Directive – No new business & accounts frozen	Ongoing
7.	Insurance	Directive – No new Business, restriction on the transfer of assets/capital outside of the TCI, Increase the value of restricted deposit	Ongoing
8.	Banking	Disciplinary Action – fines failure to submit returns in accordance with the Banking Ordinance	Completed
9.	Trust	Revocation of Licence	Completed
10.	Company Management	Revocation of Licence	Completed
11.	Investment Dealers	Revocation of Licence	Completed
12.	Insurance	Imposition of penalty Fines for non-payment of Fees	Completed
13.	Company Management	Revocation of Licence	Completed

23. The two other recommendations are expected to be met upon the enactment of the draft amendment Bill to the POCO and the draft Regulations.

Recommendation 18

24. The issue of financial institutions relationship with shell banks will be dealt with in the new draft amendment Bill to the POCO and the draft regulations. Both are expected to be enacted before the end of May 2010. The Examiners' recommendations have therefore not been met.

Recommendation 20

25. The TCI Authorities note that there is a move to bring DNFBPs under a regulatory regime and also to determine which body will be tasked with oversight. However, this does not address the Examiners' recommendation that consideration be given to assessing the ML and FT risk in the construction industry. The second recommendation made by the Examiners under this Recommendation has however been met in that the casino has now been afforded credit card facilities, which would allow for a reduction in the amount of cash in circulation at the casino. There has been no update with regard to the recommendation that consideration should be given to assessing the ML/FT risk in the construction industry. Accordingly, this recommendation is still not met.

Recommendation 21

26. With regard to the Examiners' recommendation that the FSC should promote an effective implementation of a country risk management regime with regard to AML/CFT and in that regard promote an effective implementation of provisions 4.18 and 4.23 of the Code amongst licensed institutions; it is under active consideration by the FSC. The second recommendation which pertains to dealing with countries which do not or insufficiently apply the FATF standards has been addressed in the new regulations and will form part of the FSC's on-site examination. In its updated matrix, the FSC notes that it is still considering these matters and moving towards issuing a list of countries which do not sufficiently meet the FATF standards. The Examiners' recommendations have not been met.

Recommendations 22

27. The TCI Authorities have included in the new draft regulations measures with regard to TCI financial institutions' subsidiaries in foreign jurisdictions. Since these measures are still in draft the Examiners' recommendation remains outstanding. It is anticipated that the draft legislation will be in force by May 2010.

Recommendation 24

28. As noted above in discussions on Recs. 12 and 16, a regulatory regime for DNFBPs has been agreed to at a policy level and steps for implementation will be taken in 'due course'. The Examiners' recommendations have therefore not been met.

Recommendation 25

29. The Examiners made several recommendations with regard to this Recommendation. The updates provided by the TCI Authorities overlap with those provided in response to Rec. 26 as it relates to trends and typologies. (See. Discussion above). With regard to contacting and working with the relevant DNFBPs towards implementation of the AML/CFT framework, it has been noted that the industry is small and as such the Head of the FCU liaises directly with the compliance officers. With regard to the issuance of guidelines to the DNFBPs, no guidelines have been issued and the recommendation is therefore not met. No action has been taken by the FSC with regard to the issuance of trends and typologies to increase awareness amongst industry practitioners or providing lists or other information on terrorist and terrorist organisations to the regulated entities. Accordingly, this recommendation has not been met.

30. With regard to adjustments in the FSC's structure, the FSC is currently undergoing an organizational review. Consultants were engaged and the final report has been approved by the FSC Directors and is being implemented on a phased basis. The Examiners' recommendation in this regard has been met. With regard to the recommendation that the FSC should provide follow up on deficiencies identified and keep statistics on the outcomes of these actions, the FSC has improved its onsite procedures to provide follow-up on deficiencies and continued monitoring. The Commission has begun to maintain statistics in relation to follow-up.. The Examiners' recommendation has been met. With regard to the provision of guidelines for the DNFBP sector, as noted previously this matter is has been dealt with at a policy level and is awaiting implementation. The other recommendations pertaining to the establishment of written instructions to regulated entities and the issuance of sector specific guidelines have not been met.

Recommendation 29

31. With regard to Rec. 29, the Examiners recommended that the Registrar of Insurance and the Registrar of Co-operatives be given adequate powers of enforcement and sanction against financial institutions their directors and senior management for failure to comply with AML/CFT requirements. The TCI Authorities have implemented a policy of reporting within thirty (30) days of an onsite visit and a Consultant examiner is being used to reduce the current backlog. TCI also notes that the FSC Ordinance provides for administrative financial sanctions. However, the regulatory regime for imposing a fine has not been enacted and neither the AMLR nor the Code addresses the amount of the fine in case of a sanction. Most recently, the FSC has prepared draft regulations which provide for financial penalties and fines. The regulations will inter alia provide the FSC with the authority to impose financial sanctions independently. The draft regulations have been distributed for consultation and it is expected that they will be enacted before the end of May 2010. Given the status of the corrective legislation, the Examiners' recommendation has not been met.

Recommendation 30

32. With regard to resources (law enforcement agencies staffing constraints) the TCI Authorities have noted that there is a serous strain on the local economy as a result of the worldwide economic downturn however. The MLRA is therefore taking decisions with a view to achieving the maximum benefit with the given operational resources. With regard to the structure of the FSC as noted above the FSC as a result of an organizational review has at November 2009 reviewed existing posts and created new posts. Some of the posts have been filled and it is anticipated that the outstanding posts will be filled during the upcoming financial year.

Recommendation 31

33. As it pertains to Rec. 31, the Money Laundering Reporting Authority (MLRA) agreed that the minimum number of meetings per year would be once every quarter in an effort to meet the Examiners' recommendation that the MLRA should play a more active role in local cooperation and coordination. In fact the MLAR met every month for the year 2009. In response to the Examiners' recommendation that the MLRA should develop and implement policies and activities to combat ML/FT; including the assessment of the

effectiveness of operational systems, the TCI Authorities have noted that joint law enforcement meetings are held bi-monthly and that the MLRA will review this to determine whether there is scope to put formalized arrangements in place. With regard to the recommendation that the Principal Crown Counsel attend the meetings of the MLRA, the updated matrix notes that the Attorney General has considered this recommendation very carefully and is of the view that it may be more effective to have the Principal Legislative Drafter attend as most matters involve legislative policy-making and the drafter will of necessity consult with the prosecutorial attorney and attorneys and other departments of Chambers involved in commercial/civil litigation as a matter of course in formulating draft legislation.

Recommendation 32

34. The issue with regard to this Rec. focused on the lack of statistics. Previously, the TCI stated that based on its newly planned cycle of AML on-site examinations that statistics would be produced on deficiencies and appropriate sanctions to be applied. This measure however did not address the issue of comprehensive statistics not being maintained by all competent authorities or the review of these statistics to determine the effectiveness of the AML/CFT systems. However, in its updated matrix, the Authorities have noted that a system of more comprehensive statistics have been instituted and will be reflected in the forthcoming Annual Report, which must be presented to the Governor by April 1, 2010.

Recommendations 33

35. With regard to the recommendation that guidelines in relation to the issuance of bearer shares be developed, the FSC is in the process of developing such guidelines. The recommendation pertaining to the development of procedures to deal with instances where bearer shares are held by an institution outside the TCI has not been addressed by the TCI Authorities. In dealing with the recommendation that the FCU ensure that all legal persons are made aware of the POCO and Code requirements for reporting suspicious transactions, the FSC and the FCU are planning to host a seminar in September 2009 toward this end. Additionally, as discussed above the new SAR form has been issued to all regulated persons along with guidelines for its use.

Recommendations 34

36. The recommendations pertaining to Rec. 34 required that the FCU ensure that persons dealing with Legal Arrangements are made aware of the requirements in the POCO and the MLRA regarding the reporting of suspicious transactions. Additionally, that the FCU should review its training programme to include AML/CFT training on matters relative to legal arrangements. The TCI Authorities have arranged training in London, UK in September 2009 for the Judiciary, Prosecutors and key law enforcement officials. While this is commendable it is unclear as to how this addresses the recommendations made by the Examiners. The FCU has also recently given presentations on legal arrangements and compliance issues in relation to the submission of STRs/SARs to the money remitters and insurance industries and are now in the planning stage for formalized presentations in the remaining industries. The foregoing represents the TCI's responses in the first follow-up report; the only update noted with regard to this Rec. is that the Authorities are now in the planning stage for formalized presentations to the remaining industry. This measure has

also been published in the RTCIPF FCU five (5) year plan. It appears that the majority of the Examiners' recommendations remain outstanding.

Recommendations 38

37. With regard to Rec. 38 and the development of administrative guidelines to deal with the rendering of international cooperation in a timely manner and the stipulation of specific standard operating procedures for dealing with the execution of request received, the Examiners' recommendation will be tabled for consideration by the MLRA. In the first matrix, the Authorities also noted that the FSC is also currently negotiating a MOU with the Cayman Islands Monetary Authority and plans to enter into MOUs with The Bahamas, Trinidad & Tobago and Barbados. The Examiners' recommendation has not been met.

Special Recommendations VI

38. With regard to SR. VI, all money transmitters are now licensed under the Money Transmitters Ordinance and will be included in the AML on-site examination cycle. The information gathered during the examination cycle will be used to develop guidelines to this sector. Money transmitters are now captured under the banking department of the FSC, which has received additional staff to provide the necessary oversight. Accordingly, with the exception of the development of the guidelines and the actual on-site examination of the MVT sector, the TCI has complied with the Examiners' recommendations. In its updated matrix, the TCI Authorities noted that new applications for remittance businesses were being received. Since the guidelines have not been prepared the recommendation in that regard remains outstanding.

Special Recommendations VII

39. With regard to the Examiners' recommendations for SR VII, TCI in its updated matrix, the TCI Authorities have noted that the matters pertaining to cross border and non-routine wire transfers are currently under review and should be captured in the amendments to the POCO and the draft regulations. Accordingly, the Examiners' recommendations have not been met.

Special Recommendations VIII and IX

40. In updated matrix, the Authorities stated that all NPOs were aware of the responsibilities. However, the recommendations made by the Examiners are still under review. Similarly, the Examiners' recommendations with regard to SR IX are still under review by the relevant Departments. Accordingly, none of the recommendations for SR. VIII or IX have been met.

III. Conclusion

41. The Turks and Caicos Islands as noted above has drafted amendments to the POCO and also prepared draft regulations which are intended to convert the Code into regulations. The legislation is expected to be enacted before the end of May 2010. Accordingly, most

of the Examiners' recommendations pertaining to the core and key Recommendations have not been met.

42. Based on the aforementioned, it is recommended that The Turks and Caicos Islands remain on expedited follow-up and report back to the Plenary in November 2010.

1. ML offense	PC	<p>The exact scope of what the POCO appeals, amends and saves is ambiguous.</p> <p>Schedule 1 of the POCO refers to offences which are not defined in the laws of the TCI, namely directing terrorism, people trafficking and arms trafficking.</p> <p>The FATF 20 Designated Categories of Offences are not fully reflected in the laws of the TCI.</p> <p>All the precursor chemicals under Article 3 (c)(ii) of the Vienna Convention are not covered by TCI law and there is no precursor chemical legislation.</p> <p>The effectiveness of TCI's legal framework is difficult to assess since there have no money laundering convictions since 2002.</p> <p>The defence to the ML offence at section 119(2) of the POCO provides a criminal with the opportunity to escape liability merely by showing that the property was obtained for adequate consideration.</p>	<ul style="list-style-type: none"> The POCO should clearly reflect what it is intended to save, repeal or amend and consolidate of the pre-existing law in relation to anti money laundering, as sections 150 and 151 of the POCO do not effectively achieve this. Omissions contained in Schedules 5 and 6 of the POCO should also be addressed in order to fully reflect what the POCO seeks to do. In addition, the enabling provisions for the offences of directing terrorism, arms trafficking and human trafficking listed in Schedule 1 should be clearly defined. TCI should fully comply with Article 3(1)(c) in relation to the precursor chemicals requirements. The FATF 20 Designated Offences should also be fully incorporated in the laws of the Islands. 	A draft amendment Bill to the POCO has been prepared. The Amendment will, inter alia, address the deficiencies identified in this section of the matrix. It is anticipated that these be in operation before 31 st May 2010.
2. ML offense— mental element and corporate liability	LC	<p>The penalties for money laundering upon summary conviction are lenient and therefore are not dissuasive sanctions.</p> <p>The efficacy of implementation of the anti-money laundering regime is uncertain, particularly in view of the very low incidence of ML prosecutions.</p>	<ul style="list-style-type: none"> The penalty for the primary money laundering offences (sections 117, 118 and 119) upon summary conviction should be sufficiently dissuasive, so as not to limit prosecution of money laundering at the magisterial level to the most trivial of cases 	The amending bill that has been prepared will inter alia, address the issue of leniency of the penalties referred to in this section of the matrix. It is anticipated that these be in operation before 31 st May 2010.
3. Confiscation and provisional measures	LC	Forfeiture or confiscation of instrumentalities intended for use in or used in ML/FT offences are not clearly covered by the POCO.	<ul style="list-style-type: none"> The POCO should be amended to provide for the confiscation and/or forfeiture of instrumentalities intended for use in or used in ML/FT offences. 	A draft amendment Bill to the POCO and draft Regulations converting the Code into regulations have been prepared. It is anticipated that these be in operation before 31 st May 2010. The amending Bill will also include provisions for the confiscation and/or forfeiture of instruments intended for, use in, or used in ML/FT offences
Preventive measures				
4. Secrecy laws consistent with the	C	This Recommendation is fully observed.		

Recommendations				
5. Customer due diligence	NC	<p>There are no requirements in the POCO and AMLR which prohibit financial institutions from keeping anonymous accounts or accounts with fictitious names.</p> <p>No requirement for the conduct of CDD measures where the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data.</p> <p>No requirement for financial institutions to conduct CDD on legal persons or legal arrangements.</p> <p>No requirement for financial institutions to verify that any person purporting to act on behalf of a customer who is a legal person is so authorized, and identify and verify the identity of that person.</p> <p>No requirement for financial institutions to verify the legal status of the legal person or legal arrangement.</p> <p>No requirement for financial institution perform enhanced due diligence for higher risk categories of customer, business relationship or transaction.</p> <p>No requirement for financial institutions to conduct ongoing due diligence on existing customers.</p> <p>No requirement for financial institutions to perform enhanced due diligence on high risk customers.</p> <p>No requirement for financial institutions to undertake CDD measures when carrying out occasional transactions that are wire transfers in the circumstances covered by the Interpretative Note to SR VII.</p> <p>No requirement to terminate the business relationship if proper CDD cannot be conducted.</p> <p>No requirement for financial institutions to ensure that documents, data or information collected under the CDD process is kept up to date.</p> <p>Lack of guidance on matters such as PEPs, risk based</p>	<ul style="list-style-type: none"> • Legislation should be enacted or amended to require that financial institutions: undertake CDD measures when carrying out occasional transactions that are wire transfers in the circumstances covered by the Interpretative Note to SR VII; verify that any person purporting to act on behalf of legal persons or legal arrangements is so authorised and identify and verify the identity of that person; take reasonable measures to determine the natural persons that ultimately own or control legal persons or legal arrangements. • Legislation should be enacted or amended to prohibit financial institutions from keeping anonymous accounts or accounts with fictitious names. • Legislation should be enacted or amended to require that financial institutions conduct CDD measures whereby the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data. • Legislation should be enacted or amended to require that financial institutions conduct CDD on legal persons or legal arrangements. • There seemed to be a high level of dependence on personal relationships between financial institutions and clients which results in CDD measures not being carried out. During interviews with financial institutions these institutions typically indicated that the reason for limited or no CDD measures is a result of the small size of the local industry and the fact that everyone knows each other. Such scenarios may open the TCI to a higher risk of financial institutions being used for money laundering and financing of terrorism. Therefore, TCI authorities should 	<p>The draft amendment Bill to the POCO and draft Regulations converting some aspects of the Code into regulations, together with a new code have been prepared. It is anticipated that these be in operation before 31st May 2010.</p>

		<p>approach and reduced CDD impacts on the effectiveness of the TCI's AML/CFT regime.</p> <p>The scope of AML/CFT legislation in the TCI does not cover financial institutions that engage in mortgage lending.</p> <p>No effective implementation of AML/CFT regime as a result of recent enactment of legislation (AMLR and Code) and guidance.</p>	<p>develop a sensitization campaign whereby financial institutions are made aware of the benefits and requirement to do relevant CDD.</p>	
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6. Politically exposed persons	NC	<p>No requirements concerning PEPs are applicable to regulated persons at present.</p> <p>No requirement for senior management approval of a relationship with a customer who is found to be a PEP.</p> <p>No requirement for senior management approval to continue a relationship with a customer who is subsequently found to be a PEP or who subsequently becomes a PEP.</p> <p>Little awareness of the requirements in relation to the performance of enhanced CDD measures on high risk customers who are PEPs.</p> <p>No effective implementation of AML/CFT regime as a result of recent enactment of legislation (AMLR and Code) and guidance.</p>	<ul style="list-style-type: none"> Financial institutions should be required to seek senior management approval for a relationship with a customer who is found to be a PEP and to continue a relationship with a customer who is subsequently found to be a PEP or who subsequently becomes a PEP. The FSC should consider issuance of guidance with regard to financial institution's handling of relationships with PEPs. 	<p>The new revised regulations made under POCO address the deficiencies identified in this section. It is anticipated that these be in operation before 31st May 2010.</p> <p>The Financial Services Commission issued guidance in relation PEP's in August 2009</p>
7. Correspondent banking	NC	<p>No requirement to determine the reputation of a respondent and the quality of supervision.</p> <p>No provision to obtain senior management approval before establishing new correspondent relationships.</p> <p>No provision to document respective AML/CFT responsibilities in correspondent relationships.</p> <p>No requirement for financial institutions with correspondent relationships involving "payable-through accounts" to be satisfied that the respondent financial institution has performed all normal CDD obligations on its customers that have access to the accounts.</p> <p>No requirement for the financial institution to be satisfied that the respondent institution can provide reliable customer identification data upon request.</p> <p>No effective implementation of AML/CFT regime as a result of recent enactment of legislation (AMLR and Code) and guidance.</p>	<ul style="list-style-type: none"> TCI authorities should consider issuing more guidance to financial intuitions on matters relating to AML/CFT. 	<p>A draft amendment Bill to the POCO has been prepared. The Amendment will, inter alia, address the deficiencies identified in this section of the matrix. It is anticipated that these be in operation before 31st May 2010.</p>
8. New technologies & non face-to-face business	NC	<p>No provision for financial institutions to have in place or take such measures as may be needed to prevent the misuse of technological developments in money laundering or terrorist financing schemes.</p>	<ul style="list-style-type: none"> Financial institutions should have in place or take such measures as may be needed to prevent the misuse of technological developments in money laundering or 	<p>The TCI is reviewing and seeking guidance on our draft regulations to ensure that the provisions adequately capture this deficiency.</p>

			<p>terrorist financing schemes.</p> <ul style="list-style-type: none">• TCI authorities should consider bringing the business of mortgage lending under a licensing regime which will make it subject to AML/CFT requirements.	
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9. Third parties and introducers	PC	<p>No requirement for all financial institutions relying on a third party to immediately obtain from the third party the necessary information concerning elements of the CDD process covering identification and verification of customers and beneficial owners and the purpose and intended nature of the business relationship.</p> <p>No provision requiring financial institutions to satisfy themselves that the third party is regulated and supervised (in accordance with Recommendations 23, 24 and 29) and has measures in place to comply with the CDD requirements set out in Recommendations 5 and 10.</p>	<ul style="list-style-type: none"> Financial institutions relying on a third party should be required to immediately obtain from the third party the necessary information concerning elements of the CDD process covering identification and verification of customers and beneficial owners and the purpose and intended nature of the business relationship. Financial institutions should be required to satisfy themselves that the third party is regulated and supervised (in accordance with Recommendations 23, 24 and 29) and has measures in place to comply with the CDD requirements set out in Recommendations 5 and 10. Financial institutions relying on third parties should be ultimately responsible for customer identification and verification. TCI authorities should make more explicit requirements for financial institutions to immediately obtain from the third party all the necessary information concerning certain elements of the CDD process and for financial institutions to accept introducers pursuant to its assessment of AML/CFT adequacy. 	A draft amendment Bill to the POCO has been prepared. The Amendment will, inter alia, address the deficiencies identified in this section of the matrix. It is anticipated that these be in operation before 31 st May 2010.
10. Record keeping	PC	There are no requirements for financial institutions to maintain records of the identification data, account files and business correspondence for at least five years following the termination of an account or business relationship (or longer if requested by a competent authority in specific cases upon proper authority).	<ul style="list-style-type: none"> It is recommended that the TCI review its legislative and regulatory provisions to take consideration of all requirements of Recommendation 10 particularly as it pertains to the retention of records and that appropriate legislation should be enacted as soon as possible. 	A draft amendment Bill to the POCO has been prepared. The Amendment will, inter alia, address the deficiencies identified in this section of the matrix. It is anticipated that this will be in operation before 31 st May 2010.
11. Unusual transactions	NC	<p>No requirements for special attention to be paid to characteristics of size and purpose of transactions.</p> <p>No requirement to put findings in writing that result from a closer investigation of complex, unusual large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful</p>	<ul style="list-style-type: none"> TCI authorities should expand the scope of attention for unusual transaction patterns to include characteristics of size and purpose as addressed in Rec. 11 (essential criterion 11.1). Financial institutions should be required to set forth in writing any findings related to a 	A draft amendment Bill to the POCO has been prepared. The Amendment will, inter alia, address the deficiencies identified in this section of the matrix. It is anticipated that this will be in operation before 31 st May 2010.

		<p>purpose.</p> <p>No minimum record retention period applies for the findings resulting from a closer investigation of unusual transaction patterns.</p> <p>No effective implementation of AML/CFT regime as a result of recent enactment of legislation (AMLR and Code) and guidance.</p>	<p>closer examination of the background and purpose of unusual transaction patterns.</p> <ul style="list-style-type: none">• The record retention policy addressed under section 7 of the AMLR should be expanded to provide for the retention of records related to a closer investigation of the background and purpose of unusual transactions.	
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<p>12. DNFBP–R.5, 6, 8-11</p>	<p>NC</p>	<p>For the majority of the DNFBPs that have not been subjected to the TCI AML/CFT legislative framework, it remains unclear how TCI authorities will ensure proper compliance with recommendation 5, 6 and 8 through 11 of the FATF. Except for trust and company service providers which are considered financial institutions, effective implementation of Rec. 12 lacks for all remaining groups of DNFBP's.</p> <p>No contact has been established with dealers in precious metals or precious stones to inform them of the AML/CFT legislative changes and the consequences thereof for the relevant industry.</p> <p>TCI Authorities have not determined yet who will be responsible for the compliance oversight of the dealers in precious metals and precious stones.</p> <p>TCI Authorities have not defined the targeted risk that it aims to manage with the inclusion of dealers in goods of any description involving a cash payment of \$50,000 or the equivalent in any currency, under the definition of relevant businesses, and consequently, TCI authorities are unable to develop an implementation plan for this specific group of DNFBPs.</p> <p>There is a lack of information to the real estate industry, about the AML/CFT changes in the legislation and its implications for the sector.</p> <p>The TCI real estate sector is currently not regulated, thereby imposing a constraint to the effective implementation of an AML/CFT oversight regime for the relevant sector.</p> <p>No implementation plan has been developed yet for the regulatory oversight of the legal practitioners' industry or the accounting/auditing industry relative to their compliance with AML/CFT rules and regulations.</p>	<ul style="list-style-type: none"> • Contact the relevant new businesses and professions that have been subjected to AML/CFT rules and regulations due to the recently enacted legislation and inform them of the consequences of these changes for their respective industries. • Define the major risk area targeted under the group of DNFBP's categorized as "dealers in goods of any description involving a cash payment of \$50,000 or the equivalent in any currency". • Determine who will be responsible for the oversight of the precious metals and precious stones industry and the industry labelled as "dealers in goods of any description involving a cash payment of \$50,000 or the equivalent in any currency" • Where not regulated, TCI should regulate market participants in order to be able to monitor compliance by these market players with applicable AML/CFT rules and regulations; • Determine who will be responsible for the regulatory oversight of the relevant DNFBP's; • In light of client privileges issues that might arise relative to the implementation of an oversight regime for legal advisers, it is advisable that a structure be maintained for these DNFBP's, where their duties relative to financial or real estate transactions on behalf of their clients is legally and physically separated from their other legal proceedings assistance duties. • TCI should consider the use of the Bar 	<p>The relevant businesses have been contacted and the effect of the new AML/CFT requirements have been explained.</p> <p>Arrangements are being made for DNFBP's to be properly regulated. This has been agreed at a policy level and steps for implementation will take place in due course.</p>
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13. Suspicious transaction reporting	PC	<p>The guidance provided for the effective execution of the suspicious transaction reporting requirement is not considered sufficient</p> <p>The broad time frame given by the POCO has been interpreted by the industry to be time periods that seem quite long. (24 to 30 days).</p> <p>The awareness amongst financial institutions for the misuse of TCI's financial system for the financing of terrorist is low thereby affecting the effectiveness of the CFT regime.</p> <p>The deficiencies identified within R 1 as it pertains to predicate offences not defined in the TCI laws; specifically directing terrorism, people trafficking and arms trafficking are also applicable here.</p>	<ul style="list-style-type: none"> TCI Authorities should provide for more guidance in the process of reporting unusual transactions. In this regard, standardized STR-forms that meet the requirements of the industry should be issued. Furthermore, the means through which STRs should be filed with the FCU should be standardized. TCI Authorities should consider issuing guidelines on the filing of STRs which includes information on the requirement for timely filing to ensure a prompt reporting behaviour. 	<p>The standardized reporting form has been improved.</p> <p>This was published at a presentation to the industry by way of a two-hour presentation, including power point, copies of which were distributed.</p> <p>A revised form has since been circulated with guidance notes attached.</p> <p>A general AML/CFT training is being planned in coming months. A proposed agenda item will focus on STR reporting.</p>
14. Protection & no tipping-off	C	This Recommendation is fully observed.		
15. Internal controls, compliance & audit	PC	<p>Applicable requirements for the implementation of an internal control framework do not address the issue of CFT.</p> <p>Policy manuals of entities supervised by the FSC do not include CFT.</p> <p>No requirements in place for the appointment of an independent audit function to test compliance with procedures, policies and controls on AML/CFT.</p> <p>No effective implementation of the AMLR requirement to keep training records of employees.</p> <p>No requirement to have financial institutions put in place screening procedures to ensure that high standards apply when hiring new employees.</p>	<ul style="list-style-type: none"> The FSC should screen the Policy Manuals of all supervised financial institutions, to ensure compliance with CFT. The FSC should play a more active role in creating awareness amongst financial institutions with regard to the issue of CFT. The TCI should provide guidance for financial institutions on the implementation of an independent audit function to test compliance with AML/CFT procedures, policies and controls. TCI should take appropriate action to implement the recently enacted AMLR requirement to keep employees training records. The TCI should amend its requirement for screening relevant personnel upon hiring, to the screening of all employees to fully comply with essential criterion 15.4. 	<p>The FSC screens policy manuals both at the point where an entity applies for licensing and also during onsite examinations.</p> <p>A draft amendment Bill to the POCO has</p>

			<ul style="list-style-type: none"> Financial institutions should be required to have their screening policy for new personnel formalized and documented for review by the FSC. 	<p>been prepared. The Amendment will, inter alia, address the deficiencies identified in this section of the matrix. It is anticipated that this will be in operation before 31st May 2010.</p>
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16. DNFBP–R.13-15 & 21	NC	<p>There is a lack of implementation of the AML/CFT legislative framework for DNFBPs</p> <p>To date no STRs have been filed with the FCU by any category of DNFBP, except for Trust and company service providers.</p> <p>No training of DNFBPs on the filing of STRs.</p> <p>DNFBPs have not implemented an internal framework for the compliance with AML/CFT rules and regulations.</p>	<ul style="list-style-type: none"> • TCI should ensure an effective implementation of the recently enacted AML/CFT legislative framework for DNFBPs, including the requirement for the filing of STRs. • TCI Authorities should consider training for DNFBPs on the filing of STR's to promote a compliant regime within the relevant industries. • The relevant supervisory authorities per category of DNFBP should issue guidelines and instructions on the drawing up and maintaining of internal frameworks for compliance with AML/CFT rules and regulations. 	<p>Arrangements are being made for DNFBP's to be properly regulated. This has been agreed at a policy level and steps for implementation will take place in due course.</p> <p>The FCU has met with and advised members of this area of the requirements for filing STR's.</p>
17. Sanctions	PC	<p>The sanctions in the legislative framework are not effective or dissuasive.</p> <p>Financial sanctions can not be applied by the supervisory without a court order.</p> <p>The sanctions applicable in case of non-compliance with provisions of the AMLR in respect of regulation 10 are not defined in the respective legislation.</p>	<ul style="list-style-type: none"> • The TCI supervisory authority should promote an effective implementation of enforcement actions in order to increase the dissuasiveness of the existing sanctions framework. This can be improved amongst other methods through improvement of the follow up provided by the supervisory authority relative to outstanding issues with regard to the compliance with AML/CFT rules and regulations by financial institutions. • The TCI Authorities should make appropriate adjustments to its legislative framework to provide for the FSC to impose financial sanctions without court order in case of non-compliance with AML/CFT rules or regulations. • The TCI should include in the AMLR the sanctions applicable to an offence under AMLR section 10(1). 	<p>The FSC has taken enforcement action against several licensed entities since the last follow-up report and has had regulations drafted in relation to financial penalties. This is currently out for consultation. It is anticipated that the regulations will be in operation before 31st May 2010.</p> <p>The draft amendment Bill to the POCO and draft Regulations converting some aspects of the Code into regulations, together with a new code have been prepared. It is anticipated that these be in operation before 31st May 2010.</p>
18. Shell banks	PC	<p>Although the Code appropriately addresses shell banks it cannot be properly enforced.</p>	<ul style="list-style-type: none"> • Financial institutions should not be permitted to enter into, or continue, correspondent banking relationships with shell banks. 	<p>The draft amendment Bill to the POCO and draft Regulations converting some aspects of the Code into regulations, together with a new code have been prepared. It is</p>

			<ul style="list-style-type: none">Financial institutions should be required to satisfy themselves that respondent financial institutions in a foreign country do not permit their accounts to be used by shell banks.	anticipated that these be in operation before 31 st May 2010.
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19. Other forms of reporting	NC	It appears that the TCI Authorities have not considered the feasibility and utility of implementing a system where financial institutions are required to report all transactions above a fixed threshold.	<ul style="list-style-type: none"> We advise that the TCI consider the implementation of a system where all (cash) transactions above a fixed threshold are required to be reported to the FCU. In this regard TCI should include as part of their considerations the possible increase of STRs filed, the size of this increase compared to resources available for analyzing the information and the effectiveness of the additional intelligence in the process of intercepting illicit activities. 	TCI Authorities had considered very carefully and decided against the use of a system where all (cash) transactions above a fixed threshold require reporting to the FCU.
20. Other NFBP & secure transaction techniques	PC	<p>TCI has not considered the risk of other non-financial businesses and professions being misused for the purpose of ML/ FT.</p> <p>TCI Authorities have not considered or taken adequate steps to ensure that the money laundering risk associated with the large volumes of cash at the casinos are reduced.</p>	<ul style="list-style-type: none"> TCI should consider if there are other non-financial businesses and professions that are at risk of being misused for ML or FT. In this regard, TCI should specifically assess the risk of ML and FT in the construction industry, considering the amount of cash turnover in this industry. TCI Authorities should consider taking an intermediary role in the process of establishing proper communications between local banks and the casino, in order to assure that credit card facilities for casino clients are available at the casinos place of business in order to reduce the amount of cash in circulation in the casino. 	Credit card facilities are now available in casinos.
21. Special attention for higher risk countries	NC	<p>The majority of financial institutions do not observe the level of compliance of the foreign jurisdiction when establishing international business relationships.</p> <p>No effective implementation of AML/CFT regime as a result of recent enactment of legislation (AMLR and Code) and guidance.</p>	<ul style="list-style-type: none"> The FSC should promote an effective implementation of a country risk management regime with regard to AML/CFT. In this regard, the FSC should promote an effective implementation of provisions 4.18 and 4.23 of the Code amongst licensed institutions. It is not a conclusive requirement to issue a blacklist containing countries that do not or insufficiently apply the FATF standards. However, if a particular jurisdiction continues to impose a high risk for ML or TF on the financial services industry of the TCI, the FSC should consider applying its 	The FSC is considering these matters and moving towards issuing a list of countries which do not sufficiently meet the FATF standards

			<p>powers under the FSCO to issue additional guidance on the subject. In this respect, the FSC might consider for example issuing a list of countries that do not or insufficiently apply the FATF standards and for which transactions originating from these countries should be subject to a higher degree of scrutiny.</p>	
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22. Foreign branches & subsidiaries	NC	There are currently no provisions in place pertaining to the regulation of compliance with AML/CFT rules and regulations by TCI financial institutions' subsidiaries in foreign jurisdictions.	<ul style="list-style-type: none"> Although, the TCI does not have any local financial institution, with foreign branches and/or subsidiaries, TCI should consider including regulations pertaining to possible TCI financial institutions' subsidiaries in foreign jurisdictions. Particularly in light of the envisioned growth of the financial services industry. 	The TCI still feels that a non-applicable rating should have been applied in this case. The TCI notes that non-applicable was awarded to another jurisdiction in similar circumstances and would accordingly ask for the position to be reconsidered.
23. Regulation, supervision and monitoring	PC	<p>The integrity component to the "fit and proper" testing of relevant persons is not clearly specified by the FSC.</p> <p>There was no evidence that Collective investment Schemes' Core Principles (IOSCO) apply for Mutual Funds in TCI.</p> <p>The recently enacted legislative framework providing for the licensing and supervision of MVT is not yet effective.</p>	<ul style="list-style-type: none"> The FSC should develop clear procedures for the assessment of integrity of relevant persons, as part of its execution of the "fit and proper" testing requirement. The TCI should consider the relevance of including collective investment schemes "Core Principles" in their supervisory framework. The TCI should develop an approach and set clear terms for the effective implementation of the recently enacted MTO. In this regard, the TCI should consider its resources and where required take action to support an effective implementation of a supervisory regime for MVTs 	<p>The FSC has issued fit and proper guidelines to the industry which covers these matters.</p> <p>The FSC is currently considering including these principles in its supervisory framework.</p> <p>The MTO is now effective with an established licensing regime which continues to grow.</p>
24. DNFBP - regulation, supervision and monitoring	NC	<p>No implementation plan in place addressing the relevant issues pertaining to the effective implementation of an AML/CFT oversight regime for the gaming industry.</p> <p>The due diligence performed on entities requesting a gaming license is not formally established, nor is it clear that all key personnel are subjected to scrutiny for the purpose of granting a gaming license.</p> <p>TCI authorities have not appointed oversight body(ies) that is/are responsible for monitoring compliance with AML/CFT rules and regulations by DNFBPs (except for trust and company service providers that fall under the supervision of the FSC).</p>	<ul style="list-style-type: none"> TCI should draw up an implementation plan, for the AML/CFT supervisory regime for casinos. This plan should address the following: <ul style="list-style-type: none"> Who is responsible for the training of gaming inspectors in the area of AML/CFT compliance oversight; Who is responsible for informing the relevant sector of the AML/CFT changes and the respective implications for the relevant sector; Who is responsible for training of the gaming industry in the 	Arrangements are being made for DNFBP's to be properly regulated. This has been agreed at a policy level and steps for implementation will take place in due course.

		<p>No effective implementation of the enforcement regime for DNFBPs.</p> <p>The Gaming Inspectorate does not have the ability to disclose information to overseas regulators and to domestic regulators.</p>	<p>introductory phase;</p> <ul style="list-style-type: none"> ○What are the tools required for an effective oversight of the industry's compliance with AML/CFT laws and regulations; ○Where necessary resources should be sought to appropriately equip the Gaming Inspectorate for the effective AML/CFT oversight tasks. <ul style="list-style-type: none"> • The due diligence process performed for the granting of a Gaming license should be formalized and TCI Authorities should determine the risk areas within gaming establishments and require that key personnel responsible for these risk areas be assessed by the Gaming Inspectorate. • The Gaming Inspectorate should possess the ability to disclose information to overseas regulators and to share information with domestic regulators. • TCI Authorities should appoint an oversight body for each of the category of DNFBPs (same oversight body might also supervise more than one category of DNFBP) in order to determine effective compliance by regulated entities with applicable AML/CFT laws and regulations. • Continuing on the effective compliance with laws and regulations, the oversight bodies have the responsibility to enforce sanctions where situations of non-compliance with AML/CFT laws are observed. In this regard, reference is made to section 3 where recommendations have been made relative to the AML/CFT non-compliance sanctioning/enforcement regime in place. 	
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25. Guidelines & Feedback	NC	<p>The FSC has not issued any guidance relative to trends and typologies in ML/FT.</p> <p>The FSC has not promoted the issuance of lists containing names of terrorists and terrorist organizations to provide for FT screening of clientele by financial institutions.</p> <p>Other than the Code that provides general instructions to regulated sector, DNFBP's have not been provided with specific guidelines that address the respective industries' challenges in the implementation of an AML/CFT compliant regime.</p> <p>The FCU is currently not issuing reports on statistics, trends and typologies related to ML and TF to regulated entities</p> <p>Except for the Trust and Company Service Providers there is no effective AML/CFT framework in place for DNFBPs, consequently, STRs are currently not being filed by DNFBPs.</p> <p>Lack of training of the DNFBP sector is a major shortcoming in the process of implementing the new legislative framework that addresses the AML/CFT requirements for DNFBPs.</p> <p>The guidance provided so far to DNFBPs with regard to the introduction of the new AML/CFT requirements is insufficient.</p> <p>No effective implementation of AML/CFT regime as a result of recent enactment of legislation (AMLR and Code) and guidance.</p>	<ul style="list-style-type: none"> • The FCU should provide more feedback to regulated entities in order to increase their capacity to detect and deter ML and TC practices. • TCI Authorities should consider contacting and working together with the relevant DNFBP's that have recently been included in the AMLR towards the implementation of a framework for compliance with the established AML/CFT rules and regulations, including the reporting of STRs. • Guidelines should be issued, trainings should be provided and assistance should be given to the relevant DNFBPs to establish compliance with the new applicable AML/CFT requirements. • The FSC should consider issuing trend and typologies relative to ML/FT schemes in order to increase awareness amongst industry practitioners and thereby increase their ability to effectively identify ML/FT activities. • The FSC should provide for more guidance in the combating of the financing of terrorist. In this regard, the FSC should consider issuing lists/ information on terrorists and terrorist organization to regulated entities. The regulated entities will then be required to assess their client base against the relevant information. • The FSC should make the appropriate adjustments in its structure, in order to increase productivity in the issuance of report of findings resulting from on-site examinations. • The FSC should provide follow up to deficiencies identified and keep statistics on the outcome of these follow up actions. • The FSC should establish instructions provided to regulated entities in general in 	<p>Typologies and risk trends are published on a regular basis in the local press – copies of which were supplied to evaluation team.</p> <p>The industry is small and in practical terms the head of the FCU liaises directly with compliance officers.</p> <p>Typologies and risk issues are also published on the FCU website – as pointed out to the evaluation team.</p> <p>Statistics were published by the FCU in April 2009 in compliance with the POCO. And the RTCIPF annual report 2008 – 2009.</p> <p>The FSC is currently undergoing an organizational review. Consultants were engaged. The final report has already been approved by the FSC Directors and is being implemented on a phase basis.</p> <p>The FSC has improved its onsite procedures to provide follow-up on deficiencies and continued monitoring.</p> <p>Arrangements are being made for DNFBP's to be properly regulated. This has been agreed at a policy level and steps for implementation will take place in due course.</p>
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			<p>writing in order to increase transparency of policy, enforceability and structural compliance with these instructions.</p> <ul style="list-style-type: none">• TCI Authorities (oversight bodies) should consider issuing sector specific guidelines that deal with the relevant issues pertaining to the specific sectors and disregard requirements that are not applicable considering the structure of the industry and/or the risks that the relevant industry activities impose.• TCI Authorities and specifically the regulatory body for the specific industries once appointed should issue specific guidelines that address the respective DNFBPs industries' challenges in the implementation of an AML/CFT compliant regime.	
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Institutional and other measures				
26. The FIU	PC	<p>The FCU does not appear to have full operational independence and autonomy.</p> <p>The FCU has not provided sufficient guidance to financial institutions and other reporting parties regarding the reporting of STRs.</p> <p>The FCU has not provided feedback to reporting parties in a formalized and timely manner.</p> <p>The FCU does not release periodic reports which include statistics on STRS, trends and typologies within the sector and an update of its activities.</p> <p>The building which houses the FCU does not appear to be properly secured.</p>	<ul style="list-style-type: none"> • The Head of the FCU should be afforded more operational independence particularly with regard to matters such as staff recruitment and budget management. • The FCU should provide guidance to relevant parties on the revised procedures for reporting STRs. • The FCU should provide feedback to reporting parties in a formalised and timely manner. • The FCU should produce and periodically release its own monthly reports which should contain statistics on STRs, trends and typologies within the sector and an update on its activities. • The security of the building which houses the FCU should be addressed as a matter of urgency. 	<p>These matters are under review; however, the Commissioner of Police has formally confirmed that the head of the FCU has full operational independence when dealing with SAR's. The head of the FCU carries out all staff recruitment.</p> <p>The creation of a totally independent FIU is forecast in the RTCIPF 5 year strategic plan and subject to financial restraints may be approved prior to the November plenary.</p> <p>Typologies and risk trends are published on a regular basis in the local press – copies of which were supplied to the evaluation team.</p> <p>Every SAR is responded to with a strategy within most cases 24 hours. Successful outcomes of investigations are also reported.</p> <p>The industry is small and in practical terms the head of the FCU liaises directly with compliance officers.</p> <p>Typologies and risk issues are also published on the FCU website – as pointed out to the evaluation team.</p> <p>Statistics were published by the FCU in April 2008 and 2009 in compliance with the POCO and the annual report for the last calendar year is now being prepared.</p> <p>While TCI is a low risk crime country the</p>

				FCU is situated on the top floor of a converted hotel which otherwise houses the police. In addition to the steel door in place at the entrance to the office. Further steel doors have been erected at both ends of the corridor housing the unit. Unwanted visitors would now need explosives to enter.
27. Law enforcement authorities	C	This Recommendation is fully observed.		
28. Powers of competent authorities	C	This Recommendation is fully observed.		
29. Supervisors	PC	<p>Written reports of findings resulting from on-site examinations of banking and insurance companies have not been issued to the respective companies.</p> <p>The report of findings relative to on-site examinations of the trust and company service providers industry have not been issued consistently (backlog).</p> <p>The FSC is limited in its potential to give follow up to deficiencies identified during on-site inspections.</p> <p>The FSC does not provide for sufficient written instruction to regulated entities.</p> <p>The FSC does not have the authority to impose financial sanctions independently (summary of convictions required)</p>	<ul style="list-style-type: none"> The Registrar of Insurance and the Registrar of Co-operative Societies should have adequate powers of enforcement and sanction against financial institutions and their directors or senior management for failure to comply with AML/CFT requirement. 	The FSC has had draft regulations in relation to financial penalties and fines have been prepared and are out for consultation and review. The regulations will inter alia, provide the FSC with the authority to impose financial sanctions independently. It is anticipated that this will be in operation before May 2010.
30. Resources, integrity and training	NC	<p>AML/CFT related training is lacking at the Gaming Inspectorate</p> <p>Funding for the Gaming Inspectorate is dependent upon government funds (Ministry of Finance)</p> <p>The FSC is not properly structured. The current structure imposes a risk for conflict of interest.</p>		<p>These matters are under consideration by the MLRA.</p> <p>As a result of a process of organizational review, the FSC has at November 2009 reviewed existing posts, and created new posts. Some of these have been filled and it is anticipated that others will be filled</p>

		<p>Insufficient staff at the FSC to execute additional tasks pursuant to legislative changes, reference is in this regard made to the enactment of the MTO.</p> <p>The FCU lacks full operational independence and autonomy as it is one (1) of six (6) Departments within the overall TCI Police Force and does not have its own budget allocation.</p> <p>AML/CFT training for staff of competent authorities with few exceptions have not been adequate. AML/CFT training has not been provided to the judges, magistracy and court personnel. Only recently have staff of most of the competent authorities been sufficiently trained in ML/FT matters.</p> <p>Law enforcement agencies operate with clear monetary and manpower constraints. The Immigration Department in particular suffers from severe staffing constraints exacerbated by onerous illegal immigrants' issues.</p>	<p>during the upcoming financial year.</p> <p>These matters are under review; however, the Commissioner of Police has formally confirmed that the head of the FIU has full operational independence when dealing with SAR's. The head of the FCU carries out all staff recruitment.</p> <p>The creation of a totally independent FIU is forecast in the RTCIPF 5 year strategic plan and subject to financial restraints may be approved prior to the November plenary.</p> <p>There is serious strain on the local economy in keeping with the worldwide economic downturn. The MLRA takes its decisions with a view to achieving maximum benefit within given operational resources.</p>
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31. National cooperation	PC	<p>Implementation and coordination of local cooperation and efforts by the various units i.e. MLRA, SPICE or of the MOU involving Customs and Police are limited and must be strengthened.</p>	<ul style="list-style-type: none"> • The MLRA should play a more active role in local cooperation and coordination and should aim to have a set minimum number of meetings each year, for example, once every quarter. • The MLRA should develop and implement policies and activities to combat ML/FT on a regular basis. It is even more desirable for the MLRA to be able to monitor adherence to such policies and to be able to assess the effectiveness of operational systems which have been implemented further to the AML/CFT legislation. • Since the Attorney General's Chambers has two distinct departments, the criminal and the civil side, it would be useful for the Principal Crown Counsel as Chief Prosecuting Counsel, to be a part of the MLRA or at the very least to attend some meetings when policy is being formulated or reviews undertaken. The members of the MLRA can agree to appoint persons to assist in the performance of its functions pursuant to section 108(5) of the POCO, and this therefore facilitates the attendance of other persons in the discretion of the MLRA. 	<p>These matters will be tabled for consideration of the MLRA.</p> <p>Joint law enforcement meetings are held bi-monthly. The MLRA will review in order to consider whether there is scope for formalized arrangements to be put in place.</p> <p>The AG has considered this matter very carefully and is of the view that it may be more effective to have the Principal Legislative Drafter attend as most matters involve legislative policy making and the drafter will of necessity consult with prosecutorial attorneys and attorneys and other departments of Chambers involved in commercial/civil litigation as a matter of course in formulating draft legislation.</p>
32. Statistics	PC	<p>The TCI does not review the effectiveness of its systems for combating money laundering and terrorist financing on a regular basis.</p> <p>Comprehensive statistics are not maintained by all competent authorities</p> <p>No data had been provided regarding AML/ CFT on-site examinations of financial institutions and, where appropriate, sanctions relative thereto.</p>		<p>The TCI has instituted a system for more comprehensive statistics. This will be reflected in the forthcoming Annual Report which must be presented to the Governor by 1st April, 2010.</p>
33. Legal persons—beneficial owners	PC	<p>There is no evidence that any training occurred on matters relative to legal persons including the revised procedure for reporting of suspicious transactions.</p>	<ul style="list-style-type: none"> • The TCI Authorities should develop guidelines that financial institutions must follow in the event that issued bearer shares in a company for which they represent are 	

		<p>The deficiencies identified in Rec. 5 with regard to beneficial ownership apply equally to Rec. 33.</p>	<p>held outside the TCI.</p> <ul style="list-style-type: none">• The FSC should develop procedures to deal with instances where bearer shares are held by an institution outside the TCI and where the TCI licensed Company Manager or Company Agent is required to submit a certificate issued by an authority as prescribe in 32E of the Companies Ordinance.• The FCU should ensure that all legal persons are made aware of the requirements of the POCO and the Code regarding the procedure for reporting suspicious transactions.	
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34. Legal arrangements – beneficial owners	PC	<p>Persons associated with Legal Arrangements do not appear to be aware of the revised protocol for reporting suspicious transactions.</p> <p>There is no evidence that the FCU held training sessions on matters relative to Legal Arrangements.</p> <p>The deficiencies indentified with regard to beneficial ownership at R5 apply to trustee services.</p>	<ul style="list-style-type: none"> The FCU should ensure that all persons associated with Legal Arrangements are made aware of the requirements of POCO and the MLRA Codes regarding the reporting of suspicious transactions. The FCU should review its training programme to include AML/ CFT training on matters relative to Legal Arrangements. 	<p>Training was arranged in London UK in September 2009 for the Judiciary, Prosecutors and key law enforcement officials.</p> <p>While the FCU is a law enforcement unit and there is some doubt that this falls with their area of responsibility, staff from the FCU have recently given presentations to the money remitters industry and the insurance industry.</p> <p>Now in planning stage for formalized presentation within the remaining industry. And this has been published in the RTCIPF FCU 5 year plan</p>
International Cooperation				
35. Conventions	PC	<p>The Palermo Convention and the Terrorism Financing Convention have not by extension been ratified on behalf of the TCI.</p> <p>Not all relevant aspects of the Conventions have been implemented.</p>	<ul style="list-style-type: none"> TCI should recommend or propose ratification of the Palermo Convention and the Financing of Terrorism Convention on its behalf to the UK Government; particularly as the TCI has enabling legislation under these Conventions already in place and the UK Government has already ratified the said Conventions on its own behalf. 	<p>These matters considered by the MLRA. A request is to be made to the UK Foreign and Commonwealth Office to have these conventions extended to the TCI.</p>
36. Mutual legal assistance (MLA)	PC	<p>Mutual legal assistance will not be provided by the TCI once tax or fiscal matters are involved which do not fall within certain exemptions.</p> <p>The effectiveness of implementation is difficult to assess due to the lack of statistical details.</p> <p>There are no formal administrative procedures except those implemented by the Chief Magistrate further to the MLAO, which would work towards ensuring that assistance would be given in a timely manner.</p>	<ul style="list-style-type: none"> The TCI should consider rendering mutual legal assistance for requests which deal solely or for those portions of the request which deal partially, with tax or fiscal matters. 	<p>TCI authorities signed twelve Tax Exchange Information Agreements in 2009 and are in active negotiations with a number of other OECD countries to sign TIEA before the end of the year. A implementation Ordinance was prepared and has now in force.</p>
37. Dual criminality	C	This Recommendation is fully observed.		

38. MLA on confiscation and freezing	PC	<p>There are no administrative arrangements in place for coordinating actions relating to seizure and confiscation actions with other countries, neither are any arrangements in place in relation to the sharing of the assets resulting from such coordinated efforts.</p> <p>The effectiveness of implementation cannot be ascertained.</p>	<ul style="list-style-type: none"> The TCI Authorities should establish administrative guidelines to accompany legislated provisions which permit the rendering of international assistance by the TCI, so as to ensure that international assistance is given in a prompt and efficient manner. Time frames relative to each procedural step, and other administrative details with respect to the execution of international requests, should be formalised in written guidelines or standard operating procedures. Effectiveness should not depend solely on the commitment and efficiency of the entity or persons responsible for executing a request but on formal systems which can monitor and support such efficiency. 	These matters will be tabled for consideration of the MLRA.
39. Extradition	C	The Recommendation is fully observed	<ul style="list-style-type: none"> The TCI authorities should seek to have extradition requests transmitted directly from the UK Government to the TCI so as to ensure prompt and early attention to such requests. 	These matters will be tabled for consideration of the MLRA.
40. Other forms of co-operation	PC	<p>No MOUs in place between the FSC and other similar bodies or by the FCU with FIUs which require MOUs for the exchange of information</p> <p>It cannot be ascertained whether assistance by certain competent authorities including the Attorney General's Chambers and the FSC ,was given in a rapid, constructive and effective manner due to lack of statistical detail.</p> <p>Considerations which apply under the FSCO before regulatory assistance is given are onerous when taken conjunctively.</p>	<ul style="list-style-type: none"> The TCI Authorities should stipulate specific standard operating procedures inclusive of targeted time frames with regard to the execution of requests for assistance received by foreign competent authorities. The FSC should consider entering into MOUs with other foreign supervisory authority to ensure that the exchange of information to combat ML/FT can effectively be executed with other foreign jurisdictions. 	<p>These matters are under review, but the FCU has not refused any request for the signing of MOU's with countries that require them.</p> <p>The FSC Ordinance 2007 adequately allows the exchange of information with foreign regulators. In 2009 the FSC dealt with four requests. These were handled expeditiously and no problems were encountered.</p>
9 Special Recommendations				
SR.I Implement UN instruments	PC	The Terrorist Financing Convention has not been ratified or fully implemented.	<ul style="list-style-type: none"> All the provisions of the United Security Council Resolutions should be fully implemented, for example, authorising access to frozen funds for the purpose of meeting the 	These matters will be tabled for consideration of the MLRA. The TCI has already requested the extension of relevant

			defendant's basic expenses and certain fees in accordance with UNSCR 1452.	sections of the UK Terrorist Financing Act.
SR.II Criminalize terrorist financing	PC	<p>Penalties for terrorist financing offences at the summary level are lenient.</p> <p>The elements of directing terrorism as required by Article 2(5) of the Terrorist Financing Convention, are undefined in the laws of the TCI.</p> <p>Inconsistent mens rea requirements for terrorism offences.</p> <p>The effectiveness of the CFT regime is difficult to assess in the absence of any STRs or investigations on FT.</p>	<ul style="list-style-type: none"> The TCI Authorities should review the penalty for terrorism and terrorist financing offences at the summary level to determine whether it accords the spirit and intent of the anti-terrorism legislation and indeed if these sanctions are in fact effective punishment and hence sufficiently dissuasive. Directing terrorism as an offence should be defined in the laws of the Turks and Caicos Islands. The TCI Authorities should consider amending the mens rea requirement for the offences in the Terrorism UN Order and the Al Qa'ida Order so that they are consistent with the description set out in the Anti-Terrorism Order. 	A draft amendment Bill to the POCO has been prepared. The Amendment will, inter alia, address the deficiencies identified in this section of the matrix. It is anticipated that these be in operation before 31 st May 2010.
SR.III Freeze and confiscate terrorist assets	LC	<p>Ineffective implementation of a strong CFT regime:</p> <ul style="list-style-type: none"> no formal or administrative provisions to ensure that freezing of funds and assets will be carried out without delay; no procedures which apply directly to persons inadvertently affected by freezing orders; no procedures for authorizing access to frozen funds for incidental costs or expenses; and <p>no clear procedures for the communication of lists of suspected terrorists to the financial sector.</p> <p>De-listing procedures are not publicly known.</p>	<ul style="list-style-type: none"> The TCI should establish administrative systems, which complement the CFT legislative framework, such as standard operating procedures which outline time frames for certain processes to take place. Clear administrative guidelines as to who has responsibility for the lists of suspected or named terrorist and whether such lists are in fact circulated in the TCI in order to alert financial institutions of suspected terrorist whose accounts they may be holding, should be implemented. The TCI should also provide for authorizing access to frozen funds and assets for the payment of incidental expenses when a freezing order is made and a person inadvertently affected by a freezing order should have a clear process of redress. 	The TCI Authorities will keep this matter under review but are of the view that the POCO amply covers the freezing of funds for any criminal conduct.
SR.IV Suspicious transaction reporting	PC	The awareness amongst financial institutions for the misuse of TCI's financial system for the financing of terrorist is low thereby affecting the effectiveness of the CFT regime.	<ul style="list-style-type: none"> The reporting of STRs with regard to terrorism and the financing of terrorism should include suspicion of terrorist organisations or those who finance 	A general AML/CFT training is being planned in coming months. A proposed agenda item will focus on STR reporting.

			<p>terrorism.</p> <ul style="list-style-type: none">• The obligation to make a STR related to terrorism should include attempted transactions.	
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SR.V International cooperation	LC	<p>There are no formal administrative procedures which have been established to ensure mutual legal assistance is given in a timely manner.</p> <p>Deficiencies noted with regard to Recs. 36 and 38 are also applicable to this Recommendation.</p>		<p>These matters will be tabled for consideration of the MLRA.</p> <p>Administrative procedures in relation to TIEA's, are set out in the Tax Information Exchange Ordinance 2009.</p>
SR.VI AML requirements for money and value transfer services	PC	<p>Money service providers have not yet been licensed within the TCI.</p> <p>The AML/CFT legislative framework applicable to money service providers has not been effectively implemented.</p> <p>The deficiencies noted with regard to Rec. 5 as it pertains to customer identification such as lack of proper beneficial ownership requirements; Rec. 6 PEPs and Recs. 11 and 21 transaction monitoring also apply to money service providers.</p>	<ul style="list-style-type: none"> The FSC should establish contact with the money service providers' industry, to start the licensing process of the relevant companies. The FSC should assess the current level of compliance with AML/CFT rules and regulations by the money service provider and develop a plan to improve the current compliance level. The FSC should develop guidelines, issue instructions and provide for training to guide money service providers into the effective execution of their responsibilities under the recently enacted AML/CFT legislative framework. In order to execute the abovementioned, the FSC should appropriately resource a department within the Commission that is responsible for the effective execution of the MTO. 	<p>The licensing of money service providers has commenced. New applications for their business area are also being received.</p> <p>A unit within the Banking Department has been created and is responsible for the effective implementation of money service providers under the legislative framework.</p>
SR.VII Wire transfer rules	NC	<p>There are no measures in place to cover domestic, cross-border and non-routine wire transfers.</p> <p>There are no requirements for intermediary and beneficial financial institutions handling wire transfers.</p> <p>There are no measures in place to effectively monitor compliance with the requirements of SR VII.</p>	<ul style="list-style-type: none"> It is recommended that the TCI review its legislative and regulatory provisions to take consideration of all requirements of the recommendation particularly domestic, cross-border and non-routine wire transfers. Additionally, TCI should review its legislative and regulator framework to ensure that there is monitoring of compliance by financial insinuations and the implementation of effective, proportionate and dissuasive sanctions for non compliance with SR VII. Appropriate legislation should be enacted as soon as possible. 	<p>These matters are currently under review.</p> <p>The draft amendment Bill to the POCO and draft Regulations converting some aspects of the Code into regulations, together with a new code have been prepared. It is anticipated that these be in operation before 31st May 2010.</p>
SR.VIII Nonprofit organizations	NC	<p>TCI Authorities have not addressed the non-profit organizations that can be used for FT purposed in their</p>	<ul style="list-style-type: none"> TCI should consider the review of their legislative framework to provide for laws 	<p>These matters are currently under reviewed.</p>

		<p>legislative framework.</p> <p>There is no requirement for NPOs to maintain information on the nature of their activities or on the persons who control or direct their activities and to make this information available to the public.</p> <p>There are no sanctions against non-profit organisations for failure to comply with AML/CFT measures.</p> <p>There is no requirement for NPOs to maintain relevant information on domestic and international financial transactions for at least five (5) years and make such information available to the law enforcement authorities.</p> <p>No measures to ensure that NPOs can be effectively investigated and that required information can be gathered.</p> <p>Regulatory bodies have not issued any guidance notes to regulated entities to increase awareness for the relevant risks of non-profit organizations as FT vehicles.</p> <p>The FCU has not provided any guidance to NPOs regarding the reporting of suspicious transactions.</p> <p>There has not been any training for NPOs.</p> <p>There is no point of contact with regard to obtaining international requests for information on NPOs.</p>	<p>and regulations that relate to counter arrest the possible abuse of NPOs for the financing of terrorism.</p> <ul style="list-style-type: none"> • The TCI Authorities should ensure that regulatory bodies make their regulated entities vigilant of the risks for abuse of non-profit organizations for the purpose of financing terrorism. • NPOs in the TCI should be required to maintain information on the purpose and objectives of their stated activities and on the persons who own or control or direct those activities and make such information available to the public. • The TCI Authorities should ensure that there are sanctions in place against NPOs that do not comply with AML/CFT oversight measures. • NPOs should be required to maintain the relevant required information on domestic and international financial transactions for a minimum period of five (5) years and make such information available to the relevant law enforcement authorities such as the FCU. • The FCU should ensure that all NPOs are made aware of the revised procedures for reporting suspicious transactions. • The FCU should revise its training programme to include AML/ CFT training for NPOs. • A specific point of contact should be established with regard to international request for information on NPOs. 	<p>All known NPO's are aware of their responsibilities.</p>
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SR.IX Cash Couriers	NC	<p>The recently enacted POCO has had no time to be effectively implemented.</p> <p>The Immigration Department has not established any MOUs with its counterparts abroad.</p> <p>There are no provisions for Authorities in the TCI to notify other countries when there is unusual movement of gold, precious metal and precious stones from their jurisdictions.</p>	<ul style="list-style-type: none"> • The Immigration Department should seek to establish MOUs with Immigration Departments in other jurisdictions. • The TCI Authorities should notify other countries when there is an unusual movement of gold, precious metals or precious stones from their jurisdictions 	These matters are under review by the relevant Department.
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