

CFATF-VI

CARIBBEAN FINANCIAL ACTION TASK FORCE



ANNUAL REPORT

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EXECUTIVE SUMMARY

The Mutual Evaluation Programme is the cornerstone of the organisation's business and during the 1999-2000 period the progress achieved in the previous year continued. Mutual Evaluation missions were undertaken to Montserrat, Belize, Anguilla and Suriname. Importantly also the Council of Ministers adopted the Mutual Evaluation Reports of Grenada, St. Kitts and Nevis, Venezuela, Montserrat and Dominica.

These completed Mutual Evaluation Reports provide a valuable indication as to the technical assistance and training needs of Members and are very helpful to the Caribbean Anti-Money Laundering Programme which is now fully operational.

Members, in a clear demonstration of an ongoing commitment to improve their respective anti money laundering frameworks have made heavy demands on the legal, financial and law enforcement expertise which is on offer. It is anticipated that such demands will increase during the next reporting period.

Staying abreast of the methodologies being utilised by the criminal elements with which we struggle is a vital aspect of the CFATF work programme. Accordingly, during October 2000 the CFATF explored the money laundering possibilities in the Free Trade Zones. Part II of this exercise will be undertaken next year and it is anticipated that the result will be the formulation of recommendations for a compliance programme and a code of conduct for operations in this sector.

Like the conclusions and recommendations emanating from the study of Cyberspace and the potential for money laundering in that arena, the CFATF will again be at the forefront of developments in another area which would have considerable benefit to the construction of hemispheric protections against money laundering.

During this year the efforts of the Secretariat saw the full liquidation of all outstanding arrears in the submission by Members of their annual contributions except Nicaragua. A further welcoming development has been the timely submission of annual contributions by Members as compared to previous years. This provided a significant degree of comfort to the operations of the Secretariat, as did the generous additional support from Canada.

In the face of some opposition from traditional funding sources, the Secretariat sought alternative avenues and secured valuable financial support from the Government of Switzerland for the CFATF Conference on the International Financial Services Sector which will be held in Port of Spain, Trinidad during December 5-7, 2000.

The benefits of forging partnerships with other regional institutions paid handsome dividends when the CFATF in conjunction with the United Nations Drug Control Programme (UNDCP), the Caribbean Development Bank and the Government of Grenada led to a symposium in Grenada entitled "Protecting Eastern Caribbean Economies from the Dangers of Criminal Proceeds".

The Caribbean Development Bank in a drive to ensure the strengthening of regional anti money laundering capacity supported efforts by the CFATF and the United Nations Drug Control Programme in laying the groundwork for the creation of a Financial Intelligence Unit for the Organisation of Eastern Caribbean States.

This growing partnership between regional institutions saw a pivotal role for the CFATF through Chairman Robert A. Mathavious' involvement in the formation of the Caribbean Association of Regulators of International Business. This was undertaken in conjunction with Caricom.

The Council of Ministers in Aruba welcomed Mexico, the newest member of the CFATF Group of Cooperating and Supporting Nations and granted Observer Status to the Republic of Haiti and the World Customs Organisation.

Ever mindful of the international obligations that have been undertaken, in recent times the organization has been experiencing higher and more regular attendance by delegates and more active participation in discussions at Plenary and Council Meetings. This spirit of unwavering commitment will move us to maintain our drive not only for sustained administrative improvements in our general operations but also in the adherence by Members to all internationally acceptable anti money laundering benchmarks.

It has been acknowledged that this has indeed been a stressful year for the organisation, preoccupied as we were with the fallout from the FATF Non Co-operative Countries and Territories initiative. Yet our progress was not impeded. We moved forward collectively, keeping our gaze focussed on our commitment to full partnership with the international community in the struggle against international financial crime.

CFATF OVERVIEW

The Caribbean Financial Action Task Force (CFATF) is an organisation of twenty-five states of the Caribbean basin, which have agreed to implement common countermeasures to address the problem of criminal money laundering. It was established as the result of meetings convened in Aruba in May 1990 and Jamaica in November 1992.

In Aruba representatives of Western Hemisphere countries, in particular from the Caribbean and from Central America, convened to develop a common approach to the phenomenon of the laundering of the proceeds of crime. Nineteen recommendations constituting this common approach were formulated. These recommendations, which have specific relevance to the region, are complementary to the additional forty recommendations of the Financial Action Task Force established by the Group of Seven at the 1989 Paris Summit.

The Jamaica Ministerial Meeting was held in Kingston, in November 1992. Ministers issued the Kingston Declaration in which they endorsed and affirmed their governments' commitment to implement the FATF and Aruba Recommendations, the OAS Model Regulations, and the 1988 U.N. Convention. They also mandated the establishment of the Secretariat to co-ordinate the implementation of these by CFATF member countries.

The main objective of the Caribbean Financial Action Task Force is to achieve effective implementation of and compliance with its recommendations to prevent and control money laundering. The Secretariat has been established as a mechanism to monitor and encourage progress to ensure full implementation of the Kingston Ministerial Declaration.

Currently, CFATF members are Antigua & Barbuda, Anguilla, Aruba, The Bahamas, Barbados, Belize, Bermuda, The British Virgin Islands, The Cayman Islands, Costa Rica, Dominica, Dominican Republic, Grenada, Jamaica, Montserrat, The Netherlands Antilles, Nicaragua, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent & The Grenadines, Suriname, The Turks & Caicos Islands, Trinidad & Tobago, and Venezuela.

The CFATF Secretariat monitors members' implementation of the Kingston Ministerial Declaration through the following activities:

- i. Self-assessment of the implementation of the recommendations.
- ii. An ongoing programme of mutual evaluation of members.
- iii. Co-ordination of, and participation in, training and technical assistance programmes.
- iv. Biannual plenary meetings for technical representatives.
- v. Annual Ministerial meetings.

In furtherance of its mandate to identify and act as a clearing house for facilitating training and technical assistance needs of members, the Secretariat works closely with regional Mini-Dublin Groups, the diplomatic representatives of countries with interest in the region, in particular Canada, France, Japan, the Netherlands, the United Kingdom, and the United States, and, finally, international organisations. Included among these international organisations are OAS/CICAD, CARICOM, the Caribbean Customs Law Enforcement Council (CCLEC), the Caribbean Development Bank, the Centre Interministeriel de Formation Anti Drogue (CIFAD), Association of Caribbean Chiefs of Police (ACCP), the Commonwealth Secretariat, and the United Nations International Drug Control Programme (UNDCP).

With the support of and in collaboration with UNDCP, the CFATF Secretariat has developed a regional strategy for technical assistance and training to aid in the effective investigation and prosecution of money laundering and related asset forfeiture cases. The development of this regional strategy by UNDCP/CFATF parallels and is being closely co-ordinated with similar initiatives by the European Commission and efforts arising from the Summit of the Americas Ministerial in Buenos Aires.

The CFATF Secretariat is hosted by the Government of Trinidad and Tobago. The CFATF Chairman is Hon. Edgar (Watty) J. Vos, Minister of Justice & Public Works, Aruba.

Calvin E. J. Wilson, the CFATF Executive Director, is a national of Trinidad and Tobago, and a member of the Bar of England and Wales and Trinidad and Tobago. He was a former Senior Crown Prosecutor in the United Kingdom for eight years and is a member of Lincoln's Inn.

Pierre LAPAQUE, seconded by the Government of France, is the Deputy Director. He comes to the CFATF with fifteen years experience in the French Police with his last posting in Nice as Chief of the Fraud Squad in the French CID.

INTRODUCTION

During this sixth operational year the work of the Caribbean Financial Action Task Force (CFATF) continued its onward progress in an efficient and effective manner despite the turbulence that the Financial Action Task Force (FATF) Non Co-operative Countries and Territories (NCCT) review process has generated.

The organisation's steady and purposeful self assuredness, the dedication and commitment of the Membership to the obligations we have undertaken and the region's solid partnership with the international community in the battle against cross border financial crime remain unshakeable.

For this the CFATF family is indebted to the Government and people of the British Virgin Islands for their warm embrace of and support for the organisation and its goal of securing the economic, political and social well being of the region.

The British Virgin Islands assumed the CFATF Chair at Council Meeting V during October 1999, after a year of considerable challenges but also of solid accomplishments under the direction of George A. McCarthy O.B.E., J.P. Financial Secretary, Cayman Islands Government.

On the passing of the baton, the Honourable Dancia Penn, Attorney General, British Virgin Islands, briefly held the Chair prior to her demitting office and official Government duties.

Ms Penn, a well-respected and widely admired daughter of the region, underscored the importance of the CFATF to the region and promised her wholehearted support to its endeavours.

Immediately thereafter, this commitment to and confidence in the organization was emphatically underlined when the Honourable Eileen Parsons, Deputy Chief Minister and Minister of Health, Education and Welfare, British Virgin Islands Government, presented the Executive Director with a cheque for US\$10,000 as a one off payment in support of the work of the Secretariat.

Pivotal to the organization's confidence and high standing both regionally and internationally has been the skilful guiding hand and the considerable knowledge and expertise of Chairman Robert A. Mathavious, Director of Financial Services, British Virgin Islands.

His leadership, professional expertise in the international financial services arena and wise counsel were vital to the stability of this organisation at a crucial juncture, when the eyes of the international community are fully set on the region and the credibility of the CFATF and the integrity of its Mutual Evaluation Programme were being jeopardised.

The CFATF continues to be recognised as the most successful of the regional organisations created as a result of the desire of the FATF to spread the anti money laundering message to all corners of the globe.

Our friends, the Group of Cooperating and Supporting Nations, applaud the tremendous progress being made and have signaled their intention to continue encouraging and supporting the work of the organisation.

Regionally, the CFATF continues to play an important role, not only in strengthening the anti money laundering infrastructure of Member States but also in providing information and guidance on matters which are germane to regional development.

In this regard the Secretariat will continue to work with the Caricom Heads of Government, the Caricom Secretariat and the recently formed Caribbean Association of Regulators of International Business (CARIB).

The CFATF during this sixth year, continued cementing its ties with regional and international organisations such as the Caribbean Customs Law Enforcement Council, the Caribbean Development Bank, the Commonwealth Secretariat, the Eastern Caribbean Central Bank, the European Commission Drug Control Office, the Offshore Group of Banking Supervisors, Organisation of American States/CICAD, Interpol, Transparency International, the United Nations Office of Drug Control and Crime Prevention, the United Nations Drug Control Programme and the World Customs Organisation.

The FATF in its Annual Report for 1999-2000, recognizes "the significant progress, which had been made by the CFATF over the past twelve months", a process, which coincided with the Chairmanship of the Honourable George A. McCarthy O.B.E., J.P. Financial Secretary, Cayman Islands Government.

The Government of Switzerland in an expression of confidence in the CFATF and its ability to facilitate the technical assistance and training needs of the Members, confirmed the provision of very generous financial and technical support to the CFATF Conference on the International Financial Services Sector which will be held during December 5 - 7, 2000 in Port of Spain, Trinidad.

The Government of Canada, in recognition of the important role that the CFATF plays as the region's leading anti money laundering organisation signaled its confidence, commitment and friendship through increased funding arrangements.

Canada's annual contribution was increased from US\$12,000 to US\$30,000 and a further US\$40,000 per annum for a three-year period was provided for securing the services of a local lawyer to assist with the ongoing work of the Secretariat and the Mutual Evaluation Programme.

THE CFATF MUTUAL EVALUATION PROGRAMME

The principal mechanism for monitoring the implementation of the required anti money laundering measures by the twenty-five member states is the CFATF Mutual Evaluation Programme, which is a core aspect of our work.

The programme is designed to give due recognition where the standard benchmarks are met, to identify weaknesses and to make appropriate recommendations with a view to rectification.

During the 1999-2000 period Mutual Evaluations Missions were undertaken to Montserrat, Belize, Anguilla and Suriname in keeping with the schedule of visits approved by the Council of Ministers pursuant to the mandate that all Members should be evaluated by the end of the year.

The Council of Ministers adopted the Mutual Evaluation Reports of Grenada, St. Kitts and Nevis, Venezuela, Montserrat and Dominica.

Although scheduled for September 2000, the Mutual Evaluation of Nicaragua did not occur despite the best efforts of the Secretariat.

Action here was undertaken with a view to ascertaining Nicaragua's intentions on active participation in the organisation's affairs and paying its annual contributions and outstanding arrears in a timely fashion.

As mandated by Council of Ministers Meeting VI and despite the stated CFATF policy of inclusion, Nicaragua will be automatically suspended from Membership effective March 2001, unless Nicaragua attends Plenary and Council Meetings, participate actively in the affairs of the organisation, makes good their outstanding arrears and pays in a timely fashion their annual contributions to the Secretariat. Costa Rica has agreed to undertake outreach efforts in this regard.

In our continuing goal to improve our ability to undertake the monitoring function effectively the CFATF last year revised the Mutual Evaluation Procedures.

One aspect of these new procedures is the need for Members to give a firm commitment to implement the recommendations of the Examiners in their respective Reports within a set time frame.

This period in general is twelve months and members are required to report back to each and every Plenary on the implementation process until completion.

At the CFATF Plenary Meeting which was held in Port of Spain, Trinidad during March 2000 and in keeping with the agreed obligation, Members presented for the first time, written reports on their implementation of the recommendations. Further presentations were made during the October Plenary in Aruba.

Both the Mutual Evaluation Reports and the subsequent implementation progress reports will assist the efficiency of the Secretariat in its monitoring functions on behalf of the membership as a whole.

Moreover, these implementation progress reports have proven to be very useful to those CFATF Members that took part in the FATF NCCT Review, as a means of demonstrating their commitment to improving their

domestic anti money laundering frameworks, by implementing the recommendations of the Mutual Evaluation Examiners.

The revised Mutual Evaluation Procedures, which were adopted for immediate implementation, at Council Meeting V during October 1999, were utilised in March 2000 at Plenary Meeting XI, during discussions of the Mutual Evaluation of St. Kitts and Nevis.

This became necessary in order to avoid any further delays in the peer review process and to expedite the adoption of the Mutual Evaluation Report of that Member as final by the Council of Ministers.

The Mutual Evaluation of St. Kitts and Nevis occurred during February 22-26, 1999 and the Report was completed and submitted to that Member on May 20th 1999 for review and comment.

Given the delays in securing the formal response of the Government to the Report and the non-attendance of a representative from that Member at Plenary XI, the Secretariat put forward two options for the consideration of delegates.

The first was that discussion of the Report should be postponed in order that a representative of the Government of St. Kitts and Nevis be present.

The second was that in line with the Revised Mutual Evaluation Procedures, the Report should be read in the absence of a representative of St. Kitts and Nevis.

After careful consideration of the matter, delegates decided that the Report should be read and that the Government of St. Kitts and Nevis should provide a formal response at Plenary Meeting XII which did occur. The Report was adopted by the Council of Ministers Meeting VI.

The completed Mutual Evaluation Reports provide a good indication as to the technical assistance and training needs of Members and are very helpful to the Caribbean Anti Money Laundering Programme which commenced its work last year.

The CFATF at Council of Ministers Meeting II in Costa Rica, agreed that the Mutual Evaluation of all twenty-five member states should be completed by the end of 2000.

The programme schedule has, by and large, been kept and, at the end of this year, we will have completed the first round of evaluations of all but one of our member states.

Arrangements are now at an advanced stage for the commencement of the second round of evaluations, which is scheduled to begin in July 2001 and for which a schedule of visits has been approved by the Council of Ministers.

Additionally, both the Self Assessment Questionnaires and the Mutual Evaluation Survey Forms which are both pivotal to the Mutual Evaluation Mission, have been redesigned to take account of the changes required as a result of the revisions of the 40 FATF Recommendations and the 19 CFATF Recommendations.

In its current mandate, the FATF has agreed to initiate a review of the Forty Recommendations.

Accordingly, the CFATF will monitor FATF action in this regard so as to ensure that any changes in the international anti money laundering benchmarks are reflected in our Mutual Evaluation Programme.

The details on how this assignment will be undertaken by the FATF were discussed at the October 2000 meeting of the FATF. In the spirit of international co-operation the CFATF welcomes the inclusion of all FATF-style regional organisations in the consultative process.

No doubt, these widespread and meaningful global consultations will obviate some of the difficulties that arose between the FATF and the regional organisations as a result of the NCCT review. Such an inclusionary approach will also ensure that the revisions to the 40 Recommendations will find ready acceptance globally.

TPOLOGY EXERCISES

In October of this year, as part of our ongoing typology exercise programme, the CFATF explored the money laundering possibilities in the Free Trade Zones and proposed recommendations for a compliance programme and a code of conduct.

Given the current negotiations for a Free Trade Area of the Americas, this body of work will be vital in another area of regional development.

The driving force behind this initiative has been Dr. Greg Petersen of Free Zone Aruba who launched this project idea at CFATF Plenary VI which was held in the British Virgin Islands.

Together with his colleagues Louis Posner and Alfred Boekhoudt they made a presentation advocating a Free Zone Typology Conference and the development of a Model Free Zone Compliance Programme and a Code of Conduct.

In its entirety, this far-reaching initiative would have required considerable funding which was proving difficult to secure.

Accordingly, the scope of the project was somewhat narrowed and funding for this valuable exercise was provided by the Kingdom of the Netherlands and the United Kingdom, with each providing US\$10,000 and £10,000 respectively. CFATF Member Panama, contributed US\$3,000.

Support for this project was also provided by the United Nations Drug Control Programme, who met the expenses of one speaker.

This exercise is to be undertaken in two sections and Part II will be conducted during March 2001 at the next CFATF Plenary Meeting which is scheduled to take place in Port of Spain, Trinidad.

BUDGET AND FUNDING

An ongoing problem over the years has been the failure of some Members to pay their annual contributions in a timely fashion. Concern has also been expressed at the level of outstanding arrears.

Persistent calls have been made by the Council of Ministers and continue to be made by every Chairman for an improvement of this situation because of the serious implications these presented for the credibility of the organisation and the ability of the Secretariat to conduct its business efficiently.

Gladly during this operational year all arrears to 1999 have been fully liquidated except for Nicaragua. We have been told that their inability to pay stems from great difficulties due to the ravages of natural disasters and national reconstruction. However, the Secretariat has not been provided with official confirmation from that Member, despite requests for clarification. In light of this, it must be noted that the annual expenditure has been apportioned between twenty-four rather than twenty-five Members.

A further welcoming development on funding is the fact that the timely submission of annual contributions to the Secretariat by Members improved considerably during this period as compared to previous years. This provided much comfort to the operations of the Secretariat.

The CFATF is an important regional institution with a significant role to play not only in the monitoring and strengthening of the regional anti money laundering capability but also in sustaining the economic, political and social stability of the Caribbean Basin.

In order to undertake this fundamental role, the organisation must be provided with adequate, sustained and timely funding.

During July 19-20, 2000 in Grenada a Forum entitled "Protecting Eastern Caribbean Economies from the Dangers of Criminal Proceeds" was undertaken by The United Nations Drug Control Programme, The Caribbean Development Bank and the CFATF.

Arising out of that Forum, was a number of Recommendations one of which was the recognition of the need to strengthen the role of and increase financial support to the CFATF as a region's leading anti money laundering organisation.

It is therefore imperative that the CFATF continue to be at the forefront of anti money laundering institution building in the region.

However, in order to be successful in this regard, adequate, sustained and timely resources must be forthcoming.

Funding difficulties have also affected the nature and extent of the Chairman's Annual Work Programme, in that vital and necessary activity has had to be deferred during the period under review.

However, given the importance of the work that has to be undertaken in the best interests of the region as a whole, the Secretariat has been seeking out new sources of funding and has been successful to some extent.

CFATF Members are therefore quite pleased with the increased annual contributions of the Government of Canada and their provisions for the engagement of a local lawyer for a three-year period to assist with the work of the Secretariat. Other members of the group of Cooperating and Supporting Nations have been requested to consider meeting the funding requirements of the lawyer for two further three year periods which will take us to completion of the Third Round of Mutual Evaluations.

COOPERATING AND SUPPORTING NATION STATUS (COSUN)

MEXICO

Council IV had considered a request from Mexico to become a member of the CFATF COSUN group. A decision was not possible at that stage given the fact that the Mutual Evaluation of Mexico by the FATF had not been completed.

Confirmation by the FATF of completion of the Mutual Evaluation process was given at Council VI and accordingly the Ministers warmly welcomed Mexico as the newest CFATF COSUN.

All CFATF Members look forward to the positive contributions that Mexico will make to the affairs of this organisation.

OBSERVER STATUS

HAITI

The Plenary was advised of a letter received from the Prime Minister, Republic of Haiti seeking membership in the CFATF. The Plenary was also advised of a letter from United Nations Drug Control Programme,

Caribbean Regional Office inviting the CFATF to participate in a high level mission of regional organizations to Haiti during the December 19-20, 2000.

Plenary XII recommended to the Council of Ministers that Haiti be accorded Observer status, which would allow for the strengthening their money laundering structures as they witness the CFATF process.

Additionally, the Plenary recommended the authorization for high-level CFATF representation in the mission of regional organizations to Haiti.

WORLD CUSTOMS ORGANISATION

Plenary XI was informed that the Secretariat had received an application from the World Customs Organisation indicating their interest in becoming an Observer in our Organisation.

Mr. Shoichi Asano, WCO Technical Officer, made a presentation on the role of this body in the fight against money laundering and the reasons for their interest in obtaining Observer Status.

Plenary XI considered these representations and agreed that this application should be submitted to Council VI for approval. At Plenary XII a further presentation was made by Mr. Richard Geleijnse. Ministers endorsed the recommendation of the Plenary and the World Customs Organisation was formally granted CFATF Observer Status.

CONFERENCE ON THE INTERNATIONAL FINANCIAL SERVICES SECTOR

During 5 – 7 December this year, the CFATF will be hosting in Port of Spain, Trinidad a major Conference on International Financial Services, where both regional and international experts will be sharing vital information on this sector to public officials and private sector practitioners.

When the idea of this Conference was first suggested by the Secretariat, inter alia, as a means of generating revenues for the Secretariat, although being fully supported by the Membership, it did not enjoy the ready support of the Group of Cooperating and Supporting Nations.

However, at the Council of Ministers Opening Ceremony on the assumption of the British Virgin Islands to the CFATF Chairmanship, the Chair of the proceedings, The Honourable Dancia Penn, Attorney General, British Virgin Islands, as she then was, reaffirmed the Conference proposal as part of the Work Programme for the 1999-2000 period.

Madame Chair Penn emphasised the importance of the proposed Conference on the International Financial Services sector to countries in the region who are seeking to diversify their revenue streams from agriculture and tourism.

The guiding factor of the proposed Conference she stressed, was the provision of valuable information to both public sector officials and private sector practitioners, on the acceptable international standards which were vital to the proper supervision and regulation of the sector and the importance of adhering to them.

Accordingly, the Secretariat energetically went about the task of sourcing the necessary funding and was successful in securing the assistance of the Government of Switzerland who has agreed to generously provide a significant amount of the proposed expenditure along with at least four top experts.

The CFATF membership wishes to express profound appreciation to the Government of Switzerland for their generosity at this critical time of need.

Our thanks must also be extended to the Government and people of Montserrat, the first CFATF Member to readily demonstrate its support of this endeavour financially through a pledge of US\$3,000.00 which

provided important encouragement to the early efforts of the Secretariat. CFATF Member Panama pledged a further US\$1,000.00 demonstrating its confidence in and commitment to the work of the Organisation. Anguilla and Belize provided US\$1,000.00 each and the British Virgin Islands, matching the words of Madame Chair Penn contributed US\$6,000.00.

The growing partnership between the CFATF and the Caribbean Development Bank saw the commitment of up to US\$10,000.00 to ensure attendance to the Conference by two delegates from each of its eight jurisdictions comprising the Organisation of Eastern Caribbean States.

Additional funding and assistance has been provided by quasi-governmental organisations and private sector concerns in Trinidad and Tobago such as commercial banks that responded quite readily to requests for support.

Our thanks must also be extended to the Tourism and Industrial Development Company of Trinidad and Tobago, the Republic Bank of Trinidad and Tobago, The Royal Bank of Trinidad and Tobago and Scotiabank Trinidad and Tobago.

This Conference is a major event at a crucial time for the CFATF family of nations, and will take place during December 5-7, 2000, Trinidad Hilton, Port of Spain Trinidad. The target audience will be public sector officials engaged in the supervision and regulation of the sector, and private sector employees and other professionals such as bankers, stockbrokers, trustees, lawyers, accountants, insurers, company managers, registered agents and academics.

For this particular CFATF Conference a registration fee is necessary and this would allow for the provision to all delegates, the Conference materials, papers, coffee breaks and lunch during the three days.

The registration fee for the Conference will be one hundred and fifty dollars US\$150.00 for each public sector official of those CFATF Members who did not contribute to the Conference Budget. This fee will also apply on a similar basis to all CoSuNs and Observer Organizations.

Where a CFATF Member State contributes to the Conference Budget then all public sector officials who are nominated will attend free of charge. This will also apply on a similar basis to all CoSuNs and Observer Organizations.

Sending experts to make presentations at the Conference will be considered as a contribution to the Conference Budget.

The registration fee for participants coming from the private sector will be three hundred dollars US\$300.00.

Presentations will explore:

- The importance of International Financial Services to the region as countries seek to diversify revenue flows from agriculture and tourism;
- The seriousness of the regional commitment to solid partnership in the international struggle against drug trafficking and money laundering and the protection of our financial, political, judicial and social institutions from being corrupted and overwhelmed by the criminal element;
- The concerns expressed by other countries about the proliferation of financial crimes and other risks as occurs in the sector and the importance of sustained international co-operation; and
- Improving awareness of the acceptable supervisory and regulatory standards pertaining to the area, banking soundness and the implications of non-adherence.

Sessions will cover money laundering and other financial crimes; the current methodologies being utilized by criminals to launder illicit funds, the need for sustained international co-operation and the impact of the following initiatives:

- The work of the Organization for Economic Co-operation and Development on tax havens and harmful tax regimes;
- The work of the Financial Action Task Force on Non Co-operating Countries and Territories;
- The United Nations Offshore Forum;
- The United Kingdom White Paper Review and other initiatives from the European Union;
- The work of the Financial Stability Forum.

Given the current status of all the initiatives which are impacting on the sector and the continuous publication of various lists by various international organizations, this Conference is very timely indeed. In fact the formulation of a regional position is presently engaging the attention of all sections of society in the Caribbean Basin Region.

The format promises to be very interactive with case studies, videos and adequate question and answer sessions which will cover key areas in the regulation and supervision of the sector and issues of due diligence, know your customer and very importantly, international cooperation.

The Conference will be covered, both in the months leading to and immediately after the set dates, by at least two major international offshore publications, as well as by all types of media across the Caribbean Basin Region. This will also include some Spanish-speaking countries in Central and South America. We are also seeking to arrange coverage by the international press.

CFATF/CARIBBEAN ANTI-MONEY LAUNDERING PROGRAMME

In March 1999 in Port of Spain, Trinidad, during the Chairmanship of the CFATF by George McCarthy, Financial Secretary, Cayman Islands Government, the CFATF/ Caribbean Anti Money Laundering Programme was formally launched. Brian J. Reynolds OBE. was appointed Programme Manager.

Funding for this Programme is being provided by the European Commission, Cariforum, the United States of America and the United Kingdom. The demands on the Programme continue to grow as beneficiary Member States continue to access the considerable expertise on offer.

Following the recruitment of the Financial Sector Adviser (October, 1999) and the Legal/Judicial Adviser (November, 1999) the Programme became fully operational towards the end of that year. The three sub-programmes are inter-related and have developed as follows:

Legal/Judicial (Fitz-Roy Drayton)

This particular sub-programme has proved to be the foundation for the other two sub-programmes and essential for a holistic approach to anti-money laundering efforts. Until individual countries have their laws and regulations in place, it is not possible to take forward other aspects of money laundering prevention and detection. Mr. Drayton has visited or has been in contact with all countries within the scope of the Programme to offer advice and assistance. His work has shown that some countries had no anti-money laundering legislation whatsoever whilst others had part or comprehensive legislation although investigations have been rare. A number of countries have been provided with draft legislation, legal drafting assistance and advice in respect of case investigation and preparation of court papers.

Throughout the year a number of conferences/seminars have been arranged or attended and presentations made to sensitise the audiences to the legal ramifications in respect of money laundering. Many of these have been variously linked to other sub-programme training.

Additionally, training courses have been held for members of the legal profession to include: Attorneys General, Directors of Public Prosecutions and staff, Magistrates and Judges.

Financial Sector (Manuel Vasquez)

Early contact was made with the various Caribbean Banking and Financial Organisations throughout the region (Eastern Caribbean Central Bank, etc.) to advise them of our Programme and objectives. Again the early objective was to sensitise Financial Organisations to all aspects of anti-money laundering practices and how their respective industries could train staff to identify suspicious or unusual financial transactions.

Various multi-discipline conferences/seminars have been held for both on and offshore banking jurisdictions, particularly emphasising 'due diligence' and 'know your customer' practices.

Work programmes for staff, at various levels, have been developed with dedicated video inputs. Initially piloted in Belize, they are now ready for wider distribution throughout the region.

In liaison with the Law Enforcement sub-programme, a model for Financial Intelligence Units has been developed which can be easily amended to take account of the expected throughput of suspect transactions and the various agencies involved. Several countries have requested advice on the appropriate 'reporting procedures' and assessments and suitable recommendations have been made.

Law Enforcement (Barnard Humphris)

The longest running and consequently the most established sub-programme has been very active in training Police and Customs Officers in money laundering investigative techniques. Basic courses have been held in Jamaica, Barbados and Martinique for officers of junior ranks. These have been arranged in three parts: distant learning, two-week residential courses concerned with the intensive theory of such investigations and, finally, an attachment to an established Financial Investigative Unit. Once so trained, a student becomes an 'accredited investigator' and is registered with our office. This record is available for other investigators throughout the region and elsewhere to enable officers to get in touch with colleagues and assist investigations knowing that their opposite number is trained to the same level of ability in money laundering cases.

In September 2000, a course for Supervising Officers (Inspectors/Superintendents of Police and Customs' equivalent) was held in Trinidad to acquaint the participants with details of training courses and developments in money laundering investigations. The main purpose of this course was to identify the support needed for their junior officers in this type of investigation.

Additionally, the Law Enforcement Adviser has visited a number of countries to assist in the early stages of case investigation. A cadre of retired accredited investigators has been identified for employment on a consultancy basis, to assist with both protracted money laundering investigations and the formation of Financial Intelligence Units. To date, such services have been used in three separate locations.

Overview

Following initial promotion for the Programme, the requests for assistance have steadily grown. The circulation of so-called 'blacklists' of countries has done much to alert the need for improved anti-money laundering systems. As a consequence, the demand for advice and assistance has increased dramatically and this will involve wider use of consultants to ensure that the Programme objectives are met and are timely.

Reflecting over the year, it is obvious that overall, many worthwhile developments have been witnessed in a number of countries. Many are planned to follow in the months to come. A few countries have difficulties that will take longer to manage but, it is the intention of the Programme members to do everything within their power, to assist all countries throughout the region to improve their ability to deal with the increasing number of money laundering cases coming to notice.

CFATF ROAD SHOW

As part of the Chairman's Work Programme for the 1999-2000 period, the Secretariat was tasked to commence arrangements for a region wide, sustained public education campaign on the nature of our work and the dangers of drug trafficking and money laundering, to the fabric and well being of Member states.

Accordingly, the CFATF in association with the United Nations International Drug Control Programme (UNDCP), the Government of Grenada and the Caribbean Development Bank held a Forum in St. George's Grenada, on July 19 – 20, 2000 to discuss "Protecting Eastern Caribbean Economies from the Dangers of Criminal Proceeds".

The objective of the Forum which was chaired by CFATF Chairman Robert Mathavious was to sensitise businessmen and bankers active in the offshore sector to the dangers of tolerating the acceptance of money from criminal organizations and its impact upon legitimate commercial activities and financial institutions.

A report on the Recommendations and Proceedings could be obtained from the Secretariat.

Continuation of this work is vital to the regional efforts of securing sustained institutional capacity building across the CFATF Membership. The Secretariat therefore, will be seeking appropriate assistance from the international donor community in the 2000-2001 period. Already indications of interest have been expressed by one country which, to the Secretariat, is extremely encouraging.

CARIBBEAN ASSOCIATION OF REGULATORS OF INTERNATIONAL BUSINESS (CARIB)

Chairman Robert A. Mathavious attended and played a pivotal role at the Special Meeting mandated by the Caricom Heads of Government on G-7 Initiatives Against Offshore Financial Centres held in St. Kitts and Nevis July 15-16, 2000.

Here it was agreed that there was a need to coordinate and oversee the effective regulation and supervision of the Caribbean Financial System in accordance with international best practices.

To this end it was decided to set up a nineteen-member body called the Caribbean Association of Regulators of International Business (CARIB), one of whose members was to be a representative of the Caribbean Financial Action Task Force.

This decision was later endorsed by the Bureau of the Conference of Heads of Government of the Caribbean Community and it was also proposed that a five person Steering Committee of CARIB should be set up in order to expedite matters. A member of the CFATF Secretariat was proposed as a Member of that Committee.

The inaugural meeting of CARIB was held in Port of Spain, Trinidad during August 11-12, 2000 and was attended by the CFATF Executive Director.

The meeting explored possible strategies for dealing with issues emanating from the listing of a number of Caribbean countries by the Financial Action Task Force, The Organization for Economic Cooperation and Development and also the Financial Stability Forum.

FINANCIAL INTELLIGENCE UNIT FOR THE ORGANISATION OF EASTERN CARIBBEAN STATES

On July 23rd 2000 CFATF Chairman Robert Mathavious met with representatives from the United Nations Global Programme Against Money Laundering (GPML) and the Caribbean Development Bank to discuss the prospects for the establishment of an FIU in the Organization of Eastern Caribbean States.

The CFATF, with a view to improving the regional anti money laundering capacity, had indicated that there was a need for such an entity in the sub-region. Following the meeting, a request for assistance in its formation was presented to the GPML, who secured the services of Egmont to assist in developing a response.

A mission from the GPML and a representative from the Egmont Group came to the region during the period September 15-18, 2000 and met with Attorneys General, other senior government officials from all but one OECS State as well as representatives of the donor community with a view to securing the necessary support for the venture and devising a plan as to the way forward on the issue.

The Forum which was chaired by Robert A. Mathavious, took place on September 18th 2000 and was attended by both the Executive and Deputy Directors of the CFATF Secretariat. From it came a mandate for an application to the CDB for the retention of a consultant who would be required to report within a three-month time frame on the following issues.

- 1) Review existing state of FIUs in the OECS Member States taking into consideration developments in other parts of the world.
- 2) Conduct a study for the establishment of a central FIU for the OECS States to assist in the coordination of the collection, analysis and dissemination of financial information between countries in the region and between the region and other jurisdictions throughout the world.
- 3) Recommend information on the form of FIU; its functions, powers and authority; organizational structure; resource and legislative requirements as well as the level of funding required for its longevity.

It is understood that the CDB is very enamoured to the project and we can look forward to a positive response.

A short report on this initiative is available through the Secretariat.

THE FATF NON CO-OPERATIVE COUNTRIES AND TERRITORIES (NCCT) REVIEW

As we look towards the new century, the CFATF is acknowledged as an important regional institution with a significant role to play. This recognition is a much welcomed development as it provides the vital oxygen of encouragement as we continue to progress in our growing achievements after only six operational years.

It is therefore, very unfortunate indeed, that the FATF NCCT Review and its hasty implementation process brings with it, potentially disastrous, devastating and destabilising unintended consequences. This assessment was emphatically asserted by Chairman Mathavious at his address to the FATF Plenary Meeting in June this year on the very day that the list of countries described as non co-operative was published. Appendix A

This point of view was in keeping with the sentiments of regional experts of CFATF Member States who had participated in discussions with FATF Executive Secretary, Mr Patrick Moulette and the then Chair of the Review Group of the Americas, Mr Joseph Myers at the CFATF March 2000 Port of Spain, Trinidad Plenary Meeting. These sentiments were conveyed to the FATF through a letter to its President dated April 17th 2000. Appendix B.

The peer review process of the CFATF Mutual Evaluation Programme is gaining in maturity and is proving effective in guiding member countries to implement changes which are in keeping with international standards. We have achieved significant progress and we acknowledge that indeed there is much more to accomplish given the ever changing methodologies and the use of sophisticated technology by the criminal organisations against which we struggle.

The First Round of CFATF Mutual Evaluations is on schedule for completion at the end of the year 2000 as mandated and was undertaken with the benchmarks being the 1990 Forty Recommendations and the 1992 CFATF Recommendations. Indeed some Members had already implemented legislation which surpassed these benchmarks and were in line with the 1996 Revised FATF Forty Recommendations. Here, among other things, the predicate offences for money laundering were extended beyond drug trafficking to all serious crimes and the reporting of suspicious transactions had become mandatory.

It is clear therefore, that had the CFATF Mutual Evaluation Programme proceeded along its normal course, some of the changes which are being required by the FATF NCCT Review would have been implemented during the Second Round for which preparations are at an advanced stage. Issues such as the adequacy of resources for the regulation and supervision of the international financial services sector would have been addressed within the context of the five-year technical assistance and training regime of the Caribbean Anti Money Laundering Programme.

Recently in order to maintain the momentum of Member States adhering to the required international benchmarks, the CFATF membership agreed to provide progress reports on the implementation of the recommendations of the Examiners in their respective Mutual Evaluation reports. Commencing with the March 2000 Port of Spain Plenary, several countries made their progress reports and are committed to doing so at each and every Plenary until the implementation process has been completed.

The six CFATF Members that were placed on the FATF NCCT list have spared no effort in implementing the legislation required to rectify the identified deficiencies in their anti money laundering framework. Further, CFATF Members after review of the twenty-five point NCCT criteria have already begun to implement necessary legislative changes.

A review of progress made by FATF countries as regards compliance with the forty Recommendations indicates that after ten years, its Membership still has levels of non-compliance to several significant Recommendations that are too high. The CFATF is now in its sixth operational year. This comparison is not outlined for the sake of being confrontational but only as a means of advocating that further thought should have been given to the overall international scenario when assessing the anti money laundering framework that exists within jurisdictions that are Members of the CFATF.

It is a credit to all Members of this organization that despite the whirlwind of initiatives that is swirling around the international community and the serious implications they present to our continued economic stability, that Members have stood together, self assured and committed to the cause of combating money laundering and adhering to the obligations that have been undertaken.

The CFATF Membership will continue to call for a cementing and intensification of the spirit of co-operation, constructive dialogue and mutual respect. All nations of the international community have to continue working together, sharing experiences, in order that the anti money laundering network could be spread to all corners of the globe.

In this context therefore, and with a view to the way forward, delegates at the October 2000 Plenary and Council of Ministers Meetings which were held in Aruba, conveyed to the FATF Executive Secretary and the outgoing Chair of the Review Group for the Americas, further concerns about this ongoing FATF NCCT initiative.

These centered on -

- the lack of an exit strategy providing a clear signpost for listed countries to secure de-listing;
- the need to clarify the nature of the relationship between the FATF and the CFATF; and
- the value of the CFATF Mutual Evaluation Reports.

The general tenor of these discussions was constructive and very encouraging, as genuine efforts were made in a search for avenues by which both organisations could move beyond the acknowledged stresses and strains which hover over our relations.

FATF officials acknowledged that,

The NCCT initiative was a global rather than a regional initiative and emphasised that there was no intention to undermine the CFATF as an organisation. In fact both the Executive Secretary and the Chair of the review Group for the Americas conveyed the satisfaction of the FATF of the significant and rapid progress made by Caribbean jurisdictions. Such progress was described as exceptional and was ascribed to the prevailing CFATF culture.

The FATF fully respects the Mutual Evaluation Programme of the CFATF and other regional organisations and that particular weight was placed on the Mutual Evaluation and Progress Reports which had been made available to the FATF Review Groups. Indeed, the comprehensive information in these Reports served the process well in that countries that had been examined and potentially could have been listed were not included in the list.

The NCCT initiative would be of limited duration and of limited scope and that the way ahead will be informed by the lessons learnt during the first round of the review in that fewer countries would be examined and that the review period will be longer allowing for greater dialogue and review of pertinent information.

The global partnership had been severely tested and that repairing the relations between the FATF and the CFATF and the other FATF style regional bodies had been accorded priority status in the FATF 2000-2001 mandate because harmonious relations were very important and crucial to the overall FATF strategy of spreading the anti money laundering network to all corners of the globe. Indeed, discussions in this regard had already begun in earnest at the last FATF Plenary in Madrid and would feature significantly in Paris during the next FATF Plenary.

The exit strategy as publicly stated in the FATF press release of October 5th 2000 was a priority and required more debate as it was indeed difficult to articulate globally what would be the criteria for securing de-listing. The way forward required a determination on a case by case basis. However it was incumbent on the FATF to continue the dialogue and to articulate clearly those points that will get countries off the list.

CFATF members expressed their commitment and resolve to be full partners in order to ensure that the events of the past were not repeated because they could have a severe impact on the global efforts to which both organisations are committed.

Accordingly, CFATF Members put forward the following views for consideration as part of the ongoing dialogue:

That, every country both inside and outside the industrialised countries setting should be judged on the basis of the same criteria and be held to the same accountability so as to ensure a level playing field in the assessment process.

That the CFATF be able to provide observers to the FATF Mutual Evaluation process as was the case of Justice Anthony Smellie of the Cayman Islands at the Mutual Evaluation of the United States of America.

That, with a view to showing respect to their processes, regional bodies should deal with the deficiencies which are found to exist in the anti money laundering structures of Members within their grouping and this task should not be undertaken by outside organisations.

That there be greater speed in the communication between the FATF Review Groups and the listed countries and that the face-to-face meetings be arranged with greater expedition.

That the CFATF Steering Group and the CFATF COSUNs should meet in order to explore ways in which increased communication and open and respectful dialogue between the CFATF and the FATF could be taken forward.

That the benchmarks which would be utilised for the Second Round of Mutual Evaluations by the CFATF viz. the Revised 40 FATF and 19 CFATF Recommendations and the 25 point FATF NCCT criteria, should be approved by both organisations so that the way forward could be clear and that there would be no imposition of alternative benchmarks into that process by the FATF until the Second Round is completed.

That the CFATF welcomes and fully supports the FATF's intentions to include the FATF- style regional organisations in the proposed review of the 40 Recommendations and that the dialogue here should be meaningful on both sides with full input from CFATF Members.

CFATF Members welcomed Canada's recognition and appreciation of the position of CFATF nations in that the FATF NCCT exercise had serious cost implications for the listed and non-listed countries and had the consequence of shifting internal priorities. Canada was encouraged to continue bringing good and clear counsel to CFATF deliberations.

The obvious benefits of open, respectful and sensitive dialogue will be an easier journey as we in the region, along with our international partners, travel along the road of seeking the fullest co-operation among sovereign nation states in the fight against international financial crime.

EXTERNAL RELATIONS

FATF

As in preceding years, the FATF continued to work in close co-operation with the CFATF. During 1999-2000, under the Presidency of Portugal the FATF continued to focus on three main areas: (a) spreading the anti-money laundering message to all continents and regions of the globe, (b) improving members' implementation of the Forty Recommendations, and (c) strengthening the review of money laundering methods and counter-measures.

Promoting a wider implementation of anti-money laundering measures was an important part of the year's work, and the admission of Argentina, Brazil and Mexico as full members of the FATF, following successful mutual evaluations, was a major addition to the global anti-money laundering network. The FATF also continued to actively participate in and support the various activities of regional bodies involved in the fight against money laundering, and particularly the CFATF.

The FATF continued to monitor the implementation of the Forty Recommendations by its own members, and in February 2000, the FATF decided to suspend Austria as a member in June 2000 unless action was taken on the issue of anonymous passbooks. Following this unprecedented move, the Government of Austria took the necessary measures to avert suspension of membership. At the same time, the first phase of the important work on non-cooperative countries and territories was completed. This resulted in the publication of a report describing the process and naming jurisdictions considered to be non co-operative.

The FATF continued to support the significant progress that has been made by the CFATF in the last year. Spain joined the CFATF as a COSUN, and Mexico began the process of taking the necessary steps to become a

COSUN. The President of FATF-XI, Gil Galvao, was invited to address the Council at its meeting in the British Virgin Islands held on 19-21 October, 1999. He described the ongoing work of the FATF, including the mutual evaluations of new members, the typologies exercise, and the work on non co-operative countries and territories. He welcomed the overall efforts of the CFATF and particularly its enhanced mutual evaluation procedures, and also noted the important contribution of the CFATF in providing a role model for other regional groups. In addition, the FATF Secretariat continued to participate in, support and contribute to all CFATF Plenary meetings.

In keeping with the spirit of fostering ever closer and deepening relations, co-operation with the FATF was also marked by the invitation to the CFATF Chairman, Mr. Robert Mathavious to address the FATF Plenary in June 2000. Whilst expressing his gratitude to be afforded the opportunity to continue the CFATF/ FATF tradition, he also conveyed warm fraternal greetings from the Membership of the CFATF.

Mr. Mathavious noted the continuing efforts of the CFATF to strengthen the anti-money laundering framework of the region, particularly through the mutual evaluation process, and commented on the general programme of work of the CFATF. He expressed concern regarding the FATF Non Co-operative Countries and Territories process and urged that there be consultation and dialogue with all affected states. He also reaffirmed the strong process of co-operation and mutual support that exists between FATF and CFATF.

The full text of Chairman Mathavious' speech is provided in the Appendix A.

In keeping with established tradition the FATF- XII President Mr. José M. Roldán was invited to address Council Meeting VI which was held in Aruba during October 19-20, 2000.

DUBLIN GROUP MEETINGS

Members of the Dublin Group include Ambassadors from Canada, France, Japan, The Netherlands, The Federal Republic of Germany, The United States, The United Kingdom and UNDCP and EC representatives accredited to Trinidad and Tobago and Barbados.

These meetings facilitate the efficient co-ordination of technical assistance and training initiatives throughout the region.

In seeking the best interests of the Organisation and in keeping with the CFATF Memorandum of Understanding the Secretariat continued to attend these meetings during 1999-2000, in order to provide pertinent information on the technical assistance and training needs of the Membership.

Courtesy calls to the Secretariat were made by H.E.M. Baron van Aerssen, Ambassador, Kingdom of the Netherlands, His Excellency Ulrich Nitzschke, Ambassador, Federal Republic of Germany and His Excellency Hans Linton, Ambassador, Ambassador of Sweden.

PUBLIC SPEAKING (Attachment)

Please see the attached document which provides an outline of the engagements undertaken by both the Executive Director and the Deputy Director.

UNDCP Cooperation with CFATF

During the course of 2000, UNDCP and CFATF have cooperated closely on a series of initiatives, thus continuing to build a mutually supportive working relationship.

CFATF was invited to participate at the UN Offshore Forum held in the Cayman Islands on 30-31 March, 2000 where the representatives from the major offshore identified minimum performance standards. Prior to the Forum itself, the CFATF Chairman was apprised of the objectives of the UN Offshore Forum.

The UN Global Anti- Money Laundering Programme has sent advisory missions to Bahamas, Barbados in connection with the establishment of FIUs and have provided resident mentors to Antigua, Barbados and Jamaica to provide advice on specific cases as well as structures of FIUs. UNDCP fielded a mission to Haiti in September, 2000 to provide advisory assistance on the draft money-laundering bill.

UNDCP has a project to provide training and advisory assistance to the police, prosecutors and the judiciary in the Dominican Republic through a resident international advisor. A database to aid investigations will also be developed through the project.

UNDCP in collaboration with the Legal Affairs Committee of CARICOM has prepared a draft Mutual Legal Assistance Treaty which will facilitate cooperation among prosecutors and investigators between Caribbean jurisdictions. UNDCP will organize together with the Organization of Eastern Caribbean States, a workshop for central authority officials in St. Lucia in November to prepare a guide in order to handle external requests.

UNDCP together with the CDB and CFATF organized a forum in Grenada on 19-20 July, 2000 for officials from the financial services sector of the Eastern Caribbean which resulted in the 18 concrete recommendations. Among the most important was the establishment of a regional clearance house for due diligence searches, a database for vetting prospective investigators and an information sharing protocol between financial service regulatory authorities. The series of workshops to sensitize the private sector to their reporting obligations and to the danger of accepting criminal proceeds was also endorsed.

UNDCP and CFATF have consulted closely on the Free Trade Typology Exercise held during the Plenary XII session in Aruba with UNDCP financing the participation of the feature speakers.

INTERPOL's relationship with CFATF November 1999 - October 2000

During this year, FOPAC worked to continue INTERPOL's involvement in the Caribbean area. To accomplish this, a FOPAC officer has participated in each Plenary and Typology session with an attempt to not only be present but to add to the session with whatever knowledge INTERPOL had available. INTERPOL has taken a proactive posture in promoting the activities of the CFATF to our other member countries by providing information in our FOPAC Bulletin and conferences as well as direct positive references during any media contacts and interviews conducted. Mr. Lapaque of the CFATF Secretariat was a key speaker at the 9th International Conference on Assets Derived from Crime which FOPAC hosted at the INTERPOL General Secretariat in Lyon on the 26 and 27 October 1999. As part of a continuing effort to educate INTERPOL member countries, the FOPAC Bulletin will provide a focus on the CFATF and its accomplishments in an upcoming bulletin.

INTER AMERICAN DEVELOPMENT BANK

During the first semester of the present year, in a joint effort with OAS/CICAD, the IDB facilitated the training of banking supervision officials and bank employees in detection of money laundering transactions in Colombia, Chile, Argentina, Uruguay and Peru. Building on the training of trainers principle endorsed by the program, the courses are currently being replicated by the public authorities in all five countries. An additional effort will be made to develop the course in Bolivia and Ecuador before the end of the year. Eventually, revenue from licensing to private institutions the use of the materials developed for the courses, will allow for additional training in Brazil, Venezuela and Paraguay.

IDB and OAS/CICAD are considering an additional program for the next year, directed at strengthening the ability of the judiciary to sanction money laundering. Training will be provided for a more thorough understanding on the part of judges and prosecutors of the new domestic laws and regulations as well as of the international agreements, principles and standards that make up the current framework of anti-money laundering policies. Since the project complements the previous initiative in that it balances the preventive aspect of money laundering detection with the sanctioning component of implementation of justice and judicial cooperation, the project will benefit the same above mentioned seven countries.

In addition, two technical cooperation projects in support of the financial sector in Trinidad and Tobago address money laundering issues as part of the effort to consolidate supervision of financial activities in the country. Another recent initiative along similar lines in terms of coordination of supervisory entities has been approved for Jamaica in partnership with the Caribbean Development Bank. The project also incorporates components for the establishment of a special unit for dealing with financial crime prevention and for reviewing the commercial court process.

The Bank and OAS/CICAD have also engaged in an analysis of best practices associated with FIUS that will lead to a diagnosis and comparative view of such institutions.

The Bank also has under consideration additional procedures to incorporate anti-money laundering components in all operations related to the financial sector of beneficiary member countries. The Bank also included the topic of "The role of banking supervision in preventing money laundering in the Caribbean" in the agenda of the Conference on Transparency and Development in Latin America and the Caribbean hosted at Headquarters earlier this year.

During the year 2000, the Bank has attended Plenary Meetings of both the FATF and CFATF and of the Group of Experts of CICAD. The Bank has also followed closely and with great interest the creation of GAFISUD which is expected to be formalized next December. The Bank's action reflects the guidelines that the countries have agreed upon in these and other fora such as the Meetings of Ministers of Finance of its member countries (Cancun, February 2000) where clear mandates have been issued for further commitment and cooperation on the part of the regional Banks in combating money laundering.

CARIBBEAN DEVELOPMENT BANK

The Caribbean Development Bank (CDB) views financial sector development as critical to the region's overall development. In this context, CDB has been playing a meaningful role in financial sector development in its Borrowing Member Countries (BMCs). The bank has been involved in direct institutional strengthening initiatives across the region, and has also identified key areas of focus with respect to financial sector development. For example, CDB has been a partner with the Inter-American Development Bank in the development of a regional risk management programme for financial institutions in CDB's BMCs.

With regard to the key issues affecting the members of the Caribbean Financial Action Task Force (CFATF), CDB has supported several initiatives in the last eight months. In March of this year, the bank financed the participation of representatives from its BMCs at a "Forum on Money Laundering in Offshore Financial Centres" that was held in the Cayman Islands. As a follow-up to that activity, and in recognition of the critical need to involve both government and non-governmental sectors in the fight against money laundering, CDB supported a seminar to sensitise bankers and members of the business community in the Eastern Caribbean on the dangers of dirty money convened by the United Nations Drug Control Programme in July 2000.

CDB has also been involved in discussions with officers of United Nations Office for Drug Control and Crime Prevention, CFATF and representatives of Eastern Caribbean governments on the need to establish a sub-regional Financial Intelligence Unit (FIU) in the Eastern Caribbean. In this context, CDB financed a one-day seminar in Trinidad to discuss this issue with the Attorneys General from the Eastern Caribbean and other key officials.

SUMMARY OF THE MUTUAL EVALUATION OF DOMINICA

1. Like elsewhere, the main drugs of choice in Dominica are marijuana and cocaine. Dominica does produce some marijuana, however, most of the illicit drugs come from other islands via fast boats and sometimes ferries. During the last few years in the Commonwealth of Dominica, there has been an increase in drug trafficking and in the number of drug users. The development of the drug situation is considered as highly sophisticated and as part of international criminality.
2. The prevailing view from the policymakers is that there is no significant degree of money laundering in Dominica. However, according to the law enforcement authorities there, money laundering does exist. Based on information received, it is obvious that there was clear evidence of money laundering based on the improved lifestyles of certain individuals of dubious backgrounds. Due to the lack of training and specialised skills (forensic, accounting...) of the actors involved, it appears that the Proceeds of Crime Act as it pertains to the application of the confiscation and forfeiture orders has had no success in this regard.
3. The Attorney General in co-operation with the Magistrate and the Commissioner of Police is responsible for the supervision of the fight against crime, including the money-laundering problem.
4. The Drugs (Prevention of Misuse) Act, 1988 (The Drugs Act) criminalises money laundering as required by the Vienna Convention. It does so by making it an offence to assist another to retain the proceeds of drug trafficking. The penalty for this offence is a fine of EC\$5,000 and imprisonment for two (2) years on summary conviction or a fine of EC\$50,000 and imprisonment for fourteen (14) years on conviction on indictment. At present, only money laundering related to drug trafficking is a criminal offence.
5. The Proceeds of Crime Act, 1993 provides for the forfeiture or confiscation of the proceeds of crimes listed in the Act's schedule. The scheduled offences to which the Act applies include drug possession and trafficking, money laundering and organised fraud. The Act also provides for the application of restraint orders and monitoring orders. There is no seized assets fund and all seized cash is placed in the consolidated fund in accordance with Dominica's constitution. This Act should be thoroughly reviewed for any constitutional and operational deficiencies (as providing for mandatory suspicious transaction

reporting by both banking and non-bank financial institutions and other relevant industries such as real estate, car rental agencies etc), and redrafted accordingly.

6. The Extradition Act, 1980 provides for the extradition of any offence “. . .against the law relating to dangerous drugs, narcotics and psychotropic substances.” Accordingly, drug trafficking and drug money laundering are extraditable offences. Dominica will extradite its nationals where there is reciprocity.
7. Dominica has a Mutual Legal Assistance Treaty with the United States of America and expects to conclude a similar treaty with the United Kingdom. Dominica also has a Maritime Enforcement Agreement (Shiprider Agreement) with the United States of America.
8. The supervision of the Financial Sector in Dominica is shared by at least four regulatory authorities. The Commercial Banks operating in Dominica are supervised by the Eastern Caribbean Central Bank (ECCB) in accordance with the Banking Act 1991, while the Ministry of Finance supervises the existing offshore banks. Insurance companies and Credit Unions are supervised by the Supervisor of Insurance in the Ministry of Finance and the Department of Co-operatives respectively. In view of the fact that Dominica is a relatively small jurisdiction, the existence of some four separate regulatory authorities in the financial sector may not be ideal.
9. The International Business Unit (IBU) (staff of 4) has been administratively established (i.e. through Cabinet decision) by the Government to regulate and supervise the offshore banking sector, Internet gaming, International Business Corporations (IBCs), economic citizenship and exempt insurance. In that regard, the IBU has a committee comprising former bankers, an attorney and the manager of the IBU who performs the necessary checks on applications. It must be noted, that Offshore Banks are not required to have a physical presence in Dominica.
10. The main requirement in respect of anti-money laundering procedures and policies are contained in the Proceeds of Crime Act and the Mutual Assistance in Criminal Matters Act, 1990. However, it would appear that the provisions of these Acts are not fully implemented. In particular, the regulations under the Proceeds of Crime Act still have not been enacted. Moreover, even among the members of the financial community there seems to be a lack of knowledge of the requirements of the Act.
11. There is no integrated financial policy comprising mechanisms to check for and combat money laundering in all financial institutions in Dominica. The ECCB has issued Anti money laundering Guidance Notes for the financial institutions that they regulate. It would appear that there are no similar Guidance Notes issued by the IBU in respect of Offshore Banks. Accordingly, Offshore Banks have no knowledge about anti-money laundering policies and/or instructions. Fine-tuning of the guidelines for financial institutions in the framework of effectuating the anti money laundering policy in Dominica and the effective implementation thereof should be done.
12. Suspicious transactions are not reported. The banks are not clear as to what constitutes a suspicious transaction. Only one bank has a Compliance Unit which is responsible for an internal test of suspicious cases and suspicious characters.
13. The Police Force consists of 435 police officers, including seventeen (17) in the drugs section. The Police Act bestows vast powers on the Police to fight crime in Dominica and to assist other law enforcement institutions such as Customs, in the performance of their tasks. However, law enforcement institutions have an absolute shortage of specialists (legal and financial experts) to expose, investigate and prosecute cases of money laundering.
14. Customs employs a staff of over 92 and is supervised by the Minister of Finance and the Financial Secretary. The day-to-day management is with the Comptroller of Customs. Customs has investigative power for the entire territory of Dominica and hence is authorised to trace, investigate and make inquiries about offences under the Customs Act for the benefit of the Director of Public Prosecutions. In the area of drug control, Customs monitors drugs interdiction activities at the border and on the waters

by seeking to interdict the import, export and transshipment of drugs. Customs may carry on supporting activities in the fight against money laundering by means of information transfer although this role should be a more active one.

15. Although there are sufficient legislative enactment products such as the Proceeds of Crime Act, the Drugs (Prevention of Misuse) Act, the Customs Act and the Police Act, these laws are insufficiently applied to combat money laundering in Dominica. The existing legislative enactments are approached as isolated instruments by the different units. There is no interrelation in the application of the laws to make the most of the existing laws. To date, law enforcers have not investigated a single case involving money laundering. There is a strong need for training and the establishment of a Financial Intelligence/Investigative Unit to detect and combat money laundering, to co-ordinate, monitor, implement and evaluate anti-money laundering activities and bridge the void that exists between law enforcement and the financial sector.

SUMMARY OF THE MUTUAL EVALUATION OF GRENADA

1. The drug situation in Grenada is a matter of serious concern locally. Though only a few major drug trafficking and money laundering arrests were made over the last years and concrete data are missing, the general impression of most law enforcement institutions is that drug trafficking and drug transshipment occur on a regular basis in Grenada. It involves marijuana as well as cocaine. Cocaine comes mostly from Colombia and Venezuela destined for Europe, USA and the UK. Marijuana comes mostly from other islands. The approximate amount of cocaine seized during the last ten years is 26 kilos.
2. The prevailing view is that there is no significant degree of money laundering occurring in Grenada. Officials, despite being concerned with the situation, do not consider the problem as major.
3. The Minister of Legal Affairs and the Minister of Finance are responsible for the prevention of drug crime and money laundering problems in Grenada.
4. The Grenadian laws in the area of drug and drug related crimes as well as money laundering are basically broad and solid in their concepts. However, they meet the CFATF standards only to a certain extent because some laws are not yet enforced or not complete.
5. Numerous laws address the problems of drug crime and money laundering. The Government has also put in place laws concerning the onshore banking system and the offshore business.
6. At the time of the Mutual Evaluation, the Money Laundering Act 1999, the Extradition Act 1998 and the Mutual Assistance in Criminal Matters (Commonwealth Countries) Act 1998 were, though enacted, not yet in force. The Money Laundering Act should be in force soon. Grenada ratified the Vienna Convention in November 1990.
7. The crime of money laundering comes under Section 61 of the Proceeds of Crime Act 1992 as well as Section 3 of the Money Laundering (Prevention) Act.
8. According to the second schedule of the Money Laundering Act, the proceeds of crime that can be laundered can stem from a wide scope of predicate offences, such as acts that occurred outside Grenada and would, had they occurred in Grenada, have constituted an offence under the Drug Abuse Act or an offence which is punishable in Grenada with imprisonment for a term of five years or any greater punishment.
9. Money laundering, pursuant to the Money Laundering Act, is based on the subjective test of knowing or believing the illicit origin of money or property. Sections of the Proceeds of Crime Act bear a

somewhat different mental element, as they state that criminal liability is also possible if the defendant ought reasonably to know that certain proceeds have an illicit origin. The Proceeds of Crime Act, however, only covers drug-related offences. The Money Laundering Act has a broader scope, covering all drug offences as well as offences punishable by imprisonment of five years or more. The Money Laundering Act also covers foreign offences, punishable with the same imprisonment if double criminality is realized.

10. At the time of the Mutual Evaluation, the Proceeds of Crime Act had never been used. This Act enables the seizure, restraint, forfeiture and confiscation of property connected with the proceeds of crime. A conviction, however, is required. The Money Laundering Act also enables the seizure and retention of any material which is likely to be connected to money laundering and was found on the basis of a search warrant, as well as the freezing, forfeiture and confiscation of assets suspected to be the proceeds of crime.
11. The identification duty for financial institutions towards their clients is regulated in the Money Laundering Act. The Offshore Banking Act also contains provisions. The provisions of both Acts, however, cannot guarantee a valid customer-identification.
12. The Mutual Legal Assistance in Criminal Matters Act covers the demands of Section 5 of the Vienna Convention within the Commonwealth. The Act enables assistance in the identification, restraint and confiscation of assets to other Commonwealth countries. The Act, however, is not yet in force, as well as the MLAT with the USA and France (which is at the first stages of negotiation). Money Laundering is an offence for which extradition will be possible (Section 24 of the Money Laundering Act).
13. Under the Law, the financial institutions have the right of disclosing information to law enforcement authorities if this information is relevant to an investigation/prosecution.
14. In Grenada the financial sector comprises commercial banks, including branches of international financial institutions, registered domestic insurance companies, registered co-operative societies and credit unions. None of these financial institutions has ever reported any incident of suspicious transactions to the Authorities and there is no formal procedure in place. Domestic banks are supervised by the Eastern Caribbean Central Bank from their Headquarters in St Kitts.
15. The Registrar of Offshore Services regulates Grenada's offshore sector. This includes the incorporation of international companies, the processing of applications for licences in respect of offshore banks, international trusts, international insurance companies, the licensing of international betting companies and the necessary supervisory and regulatory functions as mandated under the various statutes. The Office of the Registrar of Offshore Services should be adequately resourced with trained staff to properly carry out its duties.
16. The industry comprises licensed banks, licensed trust companies, international companies, Company Managers, Internet gaming companies and an offshore insurance company. To date no reporting of suspicious money laundering activities has ever been made by the Offshore Sector.
17. In the licensing procedures in the Offshore Banking Act only directors are subject to examination but not the beneficial owners of the company incorporated to be licensed as a bank. An amendment to the Act should be prepared on this point. In addition, the procedures regarding the identification of the customers should be improved.
18. There is a need for company managers to know the beneficial owners of all companies that they incorporate or for whom they provide management services, and particular attention should be paid to the issuance of bearer shares which is allowed in Grenada.

19. In addition to the duties outlined above, the Office of the Registrar of Offshore Services processes applications for economic citizenship under a programme introduced in 1997. The improvement of due diligence procedures is necessary in this area.
20. Under the Money Laundering Act, the Minister of Finance should appoint the Supervisory Authority. This body should urgently create a clear Code of Practice for all institutions involved in the financial system.
21. Under the Money Laundering Act, financial institutions should keep a record of all business transactions. They should also pay special attention to all complex and unusual/large transactions and report them when necessary.
22. It is necessary to implement a Financial Intelligence Unit (FIU) that would be in charge of processing and analysing all the information related to money laundering and drug trafficking obtained by the Police.

SUMMARY OF THE MUTUAL EVALUATION OF MONTSERRAT

1. Montserrat is a Caribbean British Dependant Territory (39 square miles) which was largely destroyed by the "Soufriere Hills" Volcano between 1995 and 1997. Since the volcanic eruption, this country, a dependant territory of the United Kingdom, has received very important support from the British Government by way of financial and technical assistance.
2. Montserrat seems to have a "slight" drug problem, particularly in the years following the volcano crisis. Marijuana was considered to be the sole or principal drug in use, although, there were some rumours that cocaine was present. However, due to the lack of human and financial resources to guard the island's coastline, the Governor and Chief Minister agreed that transshipment of drugs via the island is a real threat.
3. According to the interviewees "no money laundering" is taking place in the country. However, many of the persons interviewed conceded that prior to the volcano crisis there was indeed some money laundering.
4. The Proceeds of Crime Act 1999 is "an Act to provide for the forfeiture or confiscation of the proceeds of certain crimes, for the prevention of money laundering and for matters connected therewith". It is clearly intended to be a more far-reaching and comprehensive attack on drug trafficking and money laundering. It significantly enhances Montserrat's anti-money laundering legal framework. Most importantly, the Act creates money laundering offences which are predicated on "criminal conduct" meaning all indictable offences except those for drug trafficking, which are already covered by the Drugs (Prevention of Misuse) Ordinance 1989.
5. The Governor in Council has the discretion to set up the Code of Practice and Reporting Authority. The powers and duties of the Authority can also be determined by the Governor. The purpose of the Authority is to ensure the effective implementation of the provisions of the Proceeds of Crime Act. The Act does not impose any duties to report any suspicious transactions but this is a matter which could be the subject of a Code of Practice that should cover the banks, other financial institutions and financial services providers such as lawyers and accountants. (The Financial Secretary promised introduction of such a code within six months).
6. The Ministry of Finance and The ECCB are the principal government agencies for the supervision of and the enforcement of measures to prevent and to detect money laundering and other financial crimes affecting the financial system.

7. There was neither an Anti-Money Laundering Committee nor any Anti-Money Laundering Initiatives in place at the time of the Mutual Evaluation and general awareness of money laundering appeared to be low. This was reinforced in several interviews including those with officials of the Police Department, Customs Service, Chamber of Commerce and Government.
8. The new Proceeds of Crime Act and accompanying regulations will seek to address the customer identification, record keeping, training and suspicious transaction reporting issues.
9. The Governor grants and revokes licences pursuant to the two aforementioned Banking Ordinances (Governor-in-Council for the commercial banks and at its discretion under the Offshore Banking Ordinance). The Financial Services Centre (regulator for the offshore sector) and The ECCB (regulator for the domestic banks), following due diligence, advise the Minister of Finance who recommends the applications to the Governor for approval and issuance of licences. Accordingly, there is a need for the establishment of an effective and well-trained regulatory/supervisory body to enforce the proposed Proceeds of Crime Act and which is prepared to use the means already available to counter money laundering and to identify signs that it is taking place.
10. The ECCB is mandated to supervise all domestic banks in its common territories (including Montserrat). As of the date of the evaluation, it had not issued to its banks a standard code of conduct to govern their operations. However, Montserrat's Financial Secretary has bought into the idea of producing a unified code of conduct as a necessary tool for the Financial Sector. In addition, thinking should be given to the establishment of a well-trained regulatory/supervisory body to enforce all the existing Acts and counter money laundering.
11. It seems that local practitioners do not often follow the ECCB Anti-Money Laundering Guidance Notes preferring instead to implement their own brand of controls.
12. Exchange Controls in Montserrat appeared to be relaxed as one could make unrestricted transactions up to EC\$250,000. Further, local residents were allowed to establish foreign currency accounts on the condition that they be fed entirely with foreign currency resources. This avenue could plausibly be used to launder funds.
13. There were no requirements for becoming an agent for local and international business companies and also no restrictions as to who can serve as a registered agent. Further, no registry was kept for registered agents. However, in practice, only the accountants and lawyers seemed to be involved in the business.
14. The Royal Montserrat Police Force has a strength of approximately (70) seventy officers. However, because the Police also act as and can be called on to undertake Immigration, Fire, Ambulance and S.A.R. (search and rescue) duties, in addition to Court and driving duties, the effective daily manpower is reduced. The Force has a Drug Squad of two (2) full time officers. In addition, there are no officers identified or trained in financial investigations and, at the time of the evaluation, the Force relied on the assistance of other forces for assistance in financial investigations. Furthermore, there is a strong need for training.
15. The Montserrat Customs Department is made up of twenty staff - one Comptroller of Customs assisted by three senior officers. Training has been limited in the last few years and should be increased. Customs is at the front line of law enforcement in the illegal importation of drugs. There is also a need for technical equipment.
16. The law enforcement branches ought to be suitably equipped with boats and facilities necessary for the successful execution of their duties, especially at the ports of entry and for coastline surveillance. The salaries of the personnel need urgent review to ensure that the integrity of the officers remains intact.
17. The Attorney General's Office should be adequately staffed and trained to be able to tackle the challenge of addressing the provisions of the Proceeds of Crime Act.

18. There should be specific action taken to educate the general public about legislative and policy initiatives on money laundering.

SUMMARY OF THE MUTUAL EVALUATION OF ST. KITTS AND NEVIS

1. St. Kitts and Nevis is not a drug producing country but could be considered a 'transshipment point' for drugs entering the United States of America. In 1997 150 kilograms and in 1998 679 grams of powdered cocaine were seized. Cannabis is cultivated on St. Kitts and Nevis as is evidenced by the number of annual seizures. In 1996 **32,954** 1997 **126,293** 1998 **8,036** cannabis plants were discovered and destroyed. Money laundering on a local level includes deposits of cash into the banking system and the purchase of high value items i.e. vehicles for cash No cases have been brought for money laundering against any individuals independent of the charge of drug trafficking.
2. The Drugs (Prevention of Misuse) Act, 1986 (as amended) (DPMA) criminalizes drug trafficking or being in possession of a controlled drug for the purpose of drug trafficking. It is an offence for a national to assist in laundering the profits of a drug offence taking place outside St. Kitts. The Proceeds of Crime Act 1993 focuses on the proceeds of drug related and fraud offences generally and not on other unlawful activity. It also identifies money laundering as a crime. Adequate provisions exist in terms of the forfeiture and confiscation of drugs and the proceeds of drug related crime by virtue of Section 5 (1) (a) and (b) of POCA and Section 28 (2) of DPMA respectively.
3. The Mutual Legal Assistance in Criminal Matters Act, 1993 (MLA) provides for confiscation orders to be made; assistance in obtaining evidence; assistance in locating persons; search and seizure of articles or things; tracing property; assistance in arranging attendance of persons in other jurisdictions to answer criminal charges and restraining orders. The MLA operates on the basis of mutual cooperation based on treaties signed between the Government of St. Kitts and Nevis and Commonwealth countries and other states. To date no regulations have been made for effecting the provisions of the MLA. It appears that the MLA is limited in its application because of the need for convictions to be made before assistance can be rendered.
4. Extradition treaties exist between St. Kitts Nevis and the United Kingdom, the United States and other countries and allows for extradition of St. Kitts-Nevis nationals to be made where drug and money laundering offences are alleged but requires that a prima facie case is to be made out by the requesting State. The Government has taken steps to seek foreign assistance in drug interdiction and money laundering. A Maritime Counter-Drug Operations Agreement has been signed as at April 13, 1995 between the United States of America and the Government of St. Kitts and Nevis.
5. The Banking Act 1991 governs the domestic banking system and gives legal ratification and authority at the member state level to the establishment and operation of the Eastern Caribbean Central Bank (ECCB) as the Central Bank for St. Kitts and Nevis and the other member countries of the Organisation of Eastern Caribbean States. (OECS). The Ministry of Finance and the Financial Services Department are responsible for the licensing and registration of banks, finance companies, insurance companies and other non-deposit taking financial institutions.
6. The other major sub-sector of the financial sector is offshore banking and finance. It is characterized by a split jurisdiction, one distinct segment in St. Kitts and the other in Nevis. The St. Kitts segment of the offshore finance sector of the Federation is defined by the Companies Act 1996 and related legislation on Trusts and Limited Partnerships. In Nevis over 15,000 offshore companies are registered and the Nevis Island (Government) Administration has been active in promoting the offshore sector since 1984. Nevis has its own set of laws establishing the legal framework for the sector, separate and apart from the laws enacted by the Federal Parliament and which are operating in St. Kitts. One offshore banking license only was recently issued to one of the two indigenous banks.

7. The Proceeds of Crime Act 1993 and the Mutual Legal Assistance in Criminal Matters Act 1993 make provision for financial institutions to report suspicious transactions, to provide information pursuant to orders duly made by the court and to freeze financial assets held by banks on behalf of account holders convicted or accused in drug trafficking or money laundering cases.
8. Responsibility for the enforcement of the laws relating to drug trafficking and money laundering lies primarily with The Royal St. Christopher and Nevis Police Force which has a total established strength of **476** officers. **421** officers police St. Kitts and **55** officers police Nevis. Assistance is provided by the St. Christopher and Nevis Defence Force and Customs and this assists in meeting the lack of a sea going capability by the police. The Defence Force consists of two units, an Infantry Unit of **76** personnel and a Coast Guard Unit of **30** personnel. It is the Coast Guard Unit that has a sea going capability with the use of two boats, a 110' cutter and a 40' cutter.
9. The Director of Public Prosecutions (DPP) has the ultimate responsibility for all criminal prosecutions in St. Kitts and Nevis. Presently, the DPP has a staff of one in addition to himself and during Assize sessions a second staff member is assigned to the Department. The Department does not have any lawyers experienced in or trained to conduct money-laundering prosecutions.
10. It is recommended that a national anti-money laundering policy statement should be drawn up, enabling legislation to be enacted and institutional arrangements to be put in place to improve coordination and administration of a national programme on the control of drug trafficking and money laundering. Present legislation should be strengthened by revising and updating existing laws governing mutual legal assistance, the control of the proceeds of crime, the law on confidentiality, the regulation and supervision of the non bank sector along similar lines for banks and the adherence to accepted due diligence practices in the offshore sector.
11. The supervisory and regulatory authorities for the offshore sector require strengthening and there is a need for the separation between these departments and the promotion and marketing of the jurisdiction. Resources need to be put in place to provide training and assistance for banking and non-bank financial institutions to combat money laundering and to implement the Recommendations of the FATF and CFATF.
12. The St. Kitts and Nevis Government should allocate more resources to the general operations of the Police Force in the areas of training, increasing the strength of the Drugs Squad and in consultation with the Customs Department, the creation of a Canine Unit. The Royal St Christopher and Nevis Police Force should, as a matter of priority, form a unit along the lines of similarly formed Financial Investigation/Intelligence Units within the Egmont Group context.

SUMMARY OF THE MUTUAL EVALUATION OF VENEZUELA

1. Venezuela is essentially a country of transit and cultivation but on a small scale. Its territory is characterised by areas of inaccessibility and a 1200 kilometre-long boundary with one of the major drug-producing countries of the continent. The Venezuelan government has made efforts to eradicate marijuana, poppy and cocaine plantations but cultivation continues. To date, no drug processing or manufacturing laboratories has been discovered in Venezuela.
2. Venezuela has defined money laundering - called "legitimation of capital" in the legislation - as any banking, commercial or investment activity, of seemingly legal nature, used to transfer sums of money or profits obtained from the illegal transnational industry of drug trafficking, for the purpose of making them appear to have been derived from legitimate sources. The offence in question is limited to laundering of money or legitimation of capital derived exclusively from narcotics and not from other illegal activities.
3. Venezuela has also concluded a series of international instruments with various countries, conducive to the control and suppression of money laundering and other related activities, as well as agreements for co-operation and co-ordination of actions in the struggle against this crime and others derived from it.

Although several of these instruments are awaiting ratification and are not yet in force, it is desirable that the relevant measures be taken in order that they may become law as soon as possible.

4. At the time of the evaluation, there were no individuals under sentence for the offences mentioned, although there are at least five cases or investigations in the instructional phase, not to mention those others being studied and investigated by the Guardia Nacional or the Criminal Police (PTJ).
5. The Venezuelan Congress is discussing and analysing a draft Organic Law against Organised Crime, which will seek to fill part of the legislative gap in this area. This should cover prevention and repression of money laundering and give authority to numerous official bodies in that respect.
6. In Venezuela, bank secrecy does not exist for the purpose of investigation of the offence of money laundering.
7. The Public Prosecutor's Office (*Ministerio Público*) does not have specialised prosecutors to investigate suspected money laundering. In addition, the major problem they encounter, is the great difficulty in establishing the causal relationship that must exist between the suspected activities of money laundering and the offences of drug production, trafficking or consumption.
8. The Office of Superintendent of Banks and other Financial Institutions (headed by a Superintendent appointed and removed by the President) is a body with a legal personality and its own budget, created under the General Law on Banks and other Financial Institutions and reporting administratively to the Ministry of Finance. It is functionally, administratively and financially autonomous. This body grants and removes licences to supervised institutions. It also has monitoring and prosecutorial functions and takes decisions regarding intervention, liquidation and merger of the financial institutions it supervises. It controls transfer, purchase and sale of shares in the supervised institutions, which require its previous authorisation. This body supervises all banks and most of the Non Bank Financial Institutions.
9. The UNIF (National Financial Intelligence Unit) has been operating as a department of the Office of the Superintendent of Banks and other Financial Institutions since 1997. It became a member of the EGMONT Group in May of this year.
10. All supervised institutions have to submit, within fifteen calendar days of the monthly closing, a report on transactions carried out by their clients in current accounts, savings accounts, cash funds or other similar products amounting to four million five hundred thousand bolivars or more (some exceptions are accepted).
11. In addition, the declaring institutions must fill out and return to the UNIF a form entitled "SUSPICIOUS TRANSACTION REPORT", in the case of negotiations or transactions with no apparent justification. This report must be submitted within 30 calendar days of the transaction. Up to the time of the mutual evaluation visit, the UNIF had received 1434 suspicious transaction reports.
12. When the analysis of the suspicious transaction report is complete, it is submitted to the competent authorities for criminal investigation as considered feasible. At this point in the process, there do not seem to be clear enough criteria to determine which of the three investigative bodies should be in charge of the investigation: the Guardia Nacional, the PTJ or the Public Prosecutor himself.
13. A Superintendent of Insurance, the National Securities Commission and The National Casino, Bingo Hall and Slot Machine Commission are in charge of the monitoring and supervision of their respective sectors. These bodies should have more powers.
14. Different agencies are in charge of the repression of drug trafficking and money laundering. The "Guardia Nacional" is a military organization with police functions. The Organic Law on Narcotic and Psychotropic Substances gives it powers to operate against illegal drug trafficking and to investigate laundering of money derived from it. Within the Guardia Nacional there is an elite body known as the Anti-drug

Command, whose main task is to combat the traffic in narcotic and psychotropic substances and investigate laundering of money derived from it. This Command has a strength of 456, distributed over all the regional commands of the Guardia Nacional, particularly airports, ports and the states on the Colombian border. Within the structure of the Command there is an Anti-Money Laundering Unit called the "Department against Legitimation of Capital", situated at the main office in Caracas. It has a staff of five. There is also a Unit with three persons in each of the regional Commands.

15. The "Cuerpo Tecnico de Policia Judicial" is a police force, set up under the Criminal Investigation Police Law and the Organic Code of Criminal Procedure. Its powers in the area of drugs and money laundering are conferred by the Organic Law on Narcotic and Psychotropic Substances. It has national jurisdiction and its strength is six thousand seven hundred members, spread over the whole country. Within the PTJ there is a unit called the General Anti-Narcotics Directorate, whose main function, like that of the Anti-Drug Command of the Guardia Nacional, is to combat the drug traffic and investigate laundering of money derived from it. Within the Directorate there is an anti-money laundering department with a staff of five, which operates in the city of Caracas.

16. According to the officials of the “Guardia Nacional” and the “Cuerpo Tecnico de Policia Judicial” certain weaknesses which limit the efficiency of investigations, such as staff shortages, lack of adequate technical equipment, need of training and staff turnover exist in both structures.
17. The legislative basis of the Public Prosecutor’s office is the Organic Law of Public Prosecutions, and the powers conferred by the Organic Code of Criminal Procedure, which empowers it to order the criminal police to undertake investigations. Under its direction they take the necessary measures to determine the commission of offences and identify perpetrators and accomplices, in fulfilment of their duty as representatives of the State in criminal matters. At the time of the examination, the Public Prosecutor’s staff numbered 421 prosecutors, for the entire country, eighty of them in the Caracas metropolitan area. Since the coming into force of the new Organic Code of Criminal Procedure, there is no special jurisdiction in the area of drugs and money laundering. There is a strong need for more prosecutors and the specialisation of some of them to these offences.
18. Furthermore, rivalry between the Anti-Drug Command of the Guardia Nacional and the General Anti-Drug Directorate of the PTJ is said to be an obstacle to co-ordination and collaboration in the exchange of information. It would be advisable to establish a single Anti-Drugs Police Force, and, therefore, a police unit solely responsible for investigation of money laundering, trained and equipped with the necessary budgetary and human resources.
19. In addition, the lack of regulations to govern the movement of cash and other bearer financial instruments through ports, airports and across frontiers is an obstacle to an effective policy on money laundering.
20. The Venezuelan Government should clearly define procedures for responding to requests for information from foreign authorities, when these requests fall within the co-operation policies established by the Vienna Convention, in order to provide prompt and timely answers.

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