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**CARIBBEAN FINANCIAL ACTION TASK FORCE**

**ANNUAL REPORT**

**NOVEMBER 2009 - OCTOBER 2010**

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# EXECUTIVE SUMMARY

The Caribbean Financial Action Task Force (CFATF) since its inception has had and continues to be enriched by its diverse, multi-cultural, multi-lingual heritage with all Members comprising language groupings of English, Spanish, Dutch and French.

During the period under review the Caribbean Basin Region was battered by hurricane Tomas which brought death and destruction to Barbados, Belize, St Lucia and St. Vincent and the Grenadines whilst threatening Haiti and Jamaica which were in its path.

The CFATF had convulsions of its own such as the high level of outstanding contributions from seven members which threatened the day to day operations, the loss of two founder members after eighteen years and the increasing need for all Members to be fully engaged in the CFATF's work and contributing to the global AML/CFT agenda.

The CFATF however is strong, innovative and resilient but most of all calm, deliberate and purposeful in successfully facing its challenges and in this vein, Madame Chair Mrs. Ersilia Th. M. de Lannooy, equipped with the ability to speak Dutch, Spanish, English and French led the CFATF through a period of introspection and change.

Madame Chair de Lannooy set the process in motion for the establishment of the Working Group on Reflection and Improvement and the Financial Advisory Group which were tasked to review organisational operations with a view to attaining maximum efficiency, reduce the level of outstanding contributions, encourage early submission of annual dues, reduce operational costs and improve revenues.

A month before the end of its term as Chair, the Netherlands Antilles was dissolved which resulted in the CFATF gaining as Members, the two newest countries in the world, Curacao and St. Martin.

On assuming the mantle of leadership, the Cayman Islands pledged to continue the work of the Netherlands Antilles, fully supported by a membership willing to embrace change and move in the new direction that was warranted by the prevailing circumstances.

Samuel Bulgin QC, JP, Attorney General of the Cayman Islands, informed by longstanding involvement in CFATF affairs which was in excess of fourteen (14) years brought calm, diplomacy and purposeful direction to the task of entrenching institutional change as follows:

- ◆ Three Working Groups were added to the seven that were already in place which immediately stepped up CFATF's contributions to the global Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) agenda
- ◆ Members in arrears responded positively to his encouragement and significantly reduced the level of outstanding contributions in a very short period of time and
- ◆ Outreach was undertaken to international partners to reinforce longstanding relationships.

Under his direction the dedicated and experienced staff at the Secretariat continued to undertake the business of the organisation in similar efficient fashion as was the case under the Chairmanship of the Netherlands Antilles through amongst other things implementation all aspects of the Mutual Evaluation Programme

and facilitating and delivering Technical Assistance and Training projects.

## THE ORGANISATIONAL STRUCTURE

Under the direction of Members, the Chair, Deputy Chair, the Steering Group, ten (10) Working Groups, the Secretariat, the Group of Cooperating and Supporting Nations, and Observer Organisations undertake the annual Work Programme of the CFATF.

### MEMBERS

The CFATF, since its inception, has had and continues to be enriched by its diverse, multi-cultural, multi-lingual heritage with all Members, comprising language groupings of English, Spanish, Dutch and French, working harmoniously and contributing significantly to the establishment and continued development of our organisation.

At its inception in 1996, twenty one (21) countries signed the CFATF Memorandum of Understanding (MOU) and over the course of its lifetime its membership reached a high of thirty Members. In May 2010 Costa Rica and Panama withdrew their membership thereby reducing the membership complement to twenty eight (28).

On October 10 2010, given the historic changes in the constitutional arrangements in the Kingdom of the Netherlands, the Netherlands Antilles ceased to exist with a further loss to the CFATF membership. However this was short lived as at the November 4th 2010 Ministerial meeting Curaçao and St. Maarten became CFATF Members increasing the ranks to twenty nine (29).

With the approval of Ministers the CFATF Secretariat and Venezuela are making outreach

to Cuba with a view to membership in the CFATF, a move which, if successful, will contribute to the FATF policy of extending the AML/CFT network to all countries around the globe.

### CHAIR/DEPUTY CHAIR

For the period under review the CFATF Chair was held by the Netherlands Antilles with the functions being performed by The Honourable Ersilia Th. M. de Lannooy, Minister of Finance of the Netherlands Antilles. With the advent of the new constitutional arrangements on October 10th 2010 and the admission of Curaçao to CFATF membership, the Cayman Islands undertook the duties of Chair until the November 2010 Ministerial meeting.

Following well established procedures Cayman Islands, with unanimous support from Members in attendance, was elected as Chair, with The Honourable Samuel Bulgin Q C, J P, Attorney General, Cayman Islands Government, being designated to undertake the day to day duties.

With the ascension of a new Chair, the Memorandum of Understanding, the CFATF's constitutive document, mandated the election of a Deputy Chair. Accordingly, the Bolivarian Republic of Venezuela was unanimously elected as CFATF Deputy Chair for 2010-2011 and to warm applause, confirmed its readiness to assume the role of leadership, to work with Chairman Bulgin in the implementation of his Work Programme and to move the organisation forward in order to achieve it fullest potential.

### THE STEERING GROUP

During October 2009 to November 2010 the CFATF Steering Group which, acts as the organization's Board of Directors, reflected the multicultural, multi-lingual diversity of the various Member groupings, and comprised

Netherlands Antilles as Chair, Cayman Islands-Deputy Chair, Outgoing Chair – St. Kitts and Nevis, Dominican Republic, Guatemala, Haiti the United States, the Executive Director and the two Deputy Executive Directors.

The Steering Group for the period 2010-2011 comprises the following: Chair-Cayman Islands; Deputy Chair-Venezuela; Outgoing Chair-Curacao, Members -Bermuda, Guatemala and The Bahamas, Executive Director and the two Deputy Executive Directors.

Given the dissolution of former CFATF Member Netherlands Antilles it was with invaluable help from The Bahamas, that Ministers approved the proposed text, for the amendment of the (MOU) at Section XIII Paragraph 38, to designate the Outgoing Chair as an ex officio member of the Steering Group. The amendment further states that “Where an ex officio member is unable or unwilling to assume membership of the Steering Group, the Council of Ministers may elect another member in its stead”. Accordingly, the election of Curacao to sit as Outgoing Chair was duly undertaken.

# CFATF WORKING GROUPS

Working Groups have been an integral part of the CFATF organisational structure, since its inception, with the formation in March 1996 of the Ad Hoc Working Group to set out the objectives of the organisation, the status of Members, funding and the role of the Secretariat

As at November 2010 the CFATF had seven established Working Groups, namely, the Heads of Financial Intelligence Units Forum, the Accreditation Working Group (AWG), the Ad Hoc Working Group on Typologies, the Trust and Company Service Providers Working Group, the Strategic Plan Working Group, the Working Group on Reflection and Improvement and the Financial Advisory Group.

Since then, pursuant to the mandate of the November 2010 Ministerial Meeting, a further three (3) were added namely, the Working Group on FATF Issues (WGFI), under which umbrella the Working Group on Evaluations and Implementation (WGEI) and the Working Group on Terrorist Financing and Money Laundering function (WGTM), the Working Group on Typologies (CWGTYP) and the International Cooperation Working Group (ICRG).

## HISTORIC DEVELOPMENT OF CFATF WORKING GROUPS

In March 1997 a CFATF Experts Working Group was formed to analyse the results of the first CFATF Typology Exercise and to formulate a proposal to Ministers regarding the revised FATF recommendations.

In March 2002 the Black Market Peso Exchange System Multilateral Working Group was formed

and later elaborated the CFATF Money Laundering guidelines for CFATF Members, Governments, Free Trade Zone Authorities and Merchants.

In March 2002, a Working Group to review the Memorandum of Understanding was also formed.

## HEADS OF FINANCIAL INTELLIGENCE UNITS FORUM

In October 2003, the CFATF Heads of Financial Intelligence Units Forum was formed and since then it has had significant success in extending the channels for the sharing of information both intra regionally and between the region and its international partners. During May 2009 the AWG was established

The Heads of Financial Intelligence Units Forum has since held over thirteen (13) meetings which have been attended by CFATF Members, FATF Secretariat and FATF Members. The Heads of FIUs Forum has played a significant role in advancing intra and extra regional co-operation on AML/CFT issues through the concluding of several Memoranda of Cooperation on information sharing between CFATF and FATF members.

## ACCREDITATION WORKING GROUP

Within the Heads of Financial Intelligence Units Forum is the (AWG) consisting of Anguilla, Barbados, Cayman Islands, Grenada, Guatemala, Jamaica, St. Vincent and the Grenadines, The Bahamas, Turks and Caicos Islands, United Kingdom Security Advisory Team and the CFATF Secretariat which was mandated to design a suitable curriculum for the training and accreditation of financial investigators and analysts.

The overall aim is to ensure that regional capacity to take the profit out of crime is enhanced through the successful investigation and prosecution of criminal activity and the confiscation of illegal proceeds.

Partnering with the CFATF in this critical US\$1.7 Million capacity building initiative are the following:

- ◆ United Kingdom National Police Improvement Agency
- ◆ United Kingdom Security Advisory Team
- ◆ CARICOM IMPACS/ European Commission through whom an in principle commitment of Euros 1 Million has been pledged
- ◆ The Governments of Dominican Republic, Jamaica and Trinidad and Tobago, where training facilities to undertake course delivery will be based

The AWG continues to work towards a roll out date in the first quarter of 2012 for the commencement of this project.

Also within the Heads of Financial Intelligence Units Forum is the Ad Hoc Working Group on Typologies comprising Aruba, Bermuda, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, St. Kitts and Nevis, St. Vincent and the Grenadines and Virgin Islands that prepared the inaugural edition of the CFATF Typologies Publication which is available on the CFATF website.

Based on the mandate from the November 2010 Ministerial meeting, the duties of this Ad Hoc Group will now be undertaken by the (CWGTYP), whose membership consist of Antigua and Barbuda, Trinidad and Tobago, Venezuela and Virgin Islands.

In May and November 2008 respectively the Typologies Publication and the Strategic Plan working groups were formed.

## **TYOLOGIES PUBLICATION WORKING GROUP**

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

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

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

The Working Group was given a mandate to issue updated versions of the Publication

annually between 2010 and 2013. However efforts slowed during 2010 but will change for 2011 given the outcome of the Trust and Company Service Providers Project and the inclusion in the 2010-2011 Work Programme, the undertaking of Typologies Exercises covering the areas of Human Trafficking, the Proliferation of Small Arms and Ammunition and Cross Border Movement of Cash.

Additionally, given the increase in successful prosecutions for money laundering and combating the financing of terrorism cases, the next issue of the CFATF Typologies Publication should include a wealth of information on the current regional vulnerabilities to trans-national organised crime.

## **STRATEGIC PLAN WORKING GROUP**

Established in November 2008, the CFATF Strategic Plan Working Group, which consisted of Guatemala (Chair), Aruba, Bermuda, Curacao, Guyana, St. Kitts and Nevis, United States of America and the CFATF Secretariat, produced the CFATF Strategic Plan which is now published on the CFATF website.

Due to the financial constraints being experienced by the organisation, implementation of some of the initiatives contained in the Strategic Plan could not be undertaken. However the Work Programme during the Cayman Islands' term as Chair calls for a reconvening of the Strategic Plan Working Group, which is open to all Members, COSUNs and Observer Organisation, to consider anew the Strategic Plan in light of the outcome of the deliberations of the Working Group on Reflection and Improvement and the Financial Advisory Group and to map, monitor and implement the various initiatives.

## **TRUST AND COMPANY SERVICE PROVIDERS WORKING GROUP**

At the FATF/CFATF Joint Typology Exercise during November 2009 in the Cayman Islands, representatives from Belgium, Belize, Bermuda, CFATF Secretariat, Cayman Islands, Channel Islands, Italy, the Netherlands, the Netherlands Antilles, St. Vincent and the Grenadines, United States of America, Virgin Islands, as well as industry representatives from the Trust and Company Service Providers (TCSP) sector in one of these jurisdictions, participated in a workshop focused on the TCSP sector.

As an outgrowth of this successful exercise, the Trust and Company Service Providers Working Group was created and has had remarkable success in garnering interest and active participation and support not only from several CFATF Members but also Members from the FATF, other FATF Style Regional Bodies and the Offshore Group of Banking Supervisors.

This CFATF Working Group consists of Bermuda (Chair), Virgin Islands, Cayman Islands, Netherlands Antilles and United States of America and was assisted with contributions from Austria, World Bank, Guernsey and the Offshore Group of Banking Supervisors.

Described as "comprehensive" by the FATF, the CFATF/FATF Typologies Report on Money Laundering Using Trust and Company Service Providers, produced by the Trust and Company Service Providers Working Group was adopted by the FATF and CFATF in October and November 2010 respectively and is now available on the websites of both organizations. The report notes that "The Secretariats of both the FATF and the CFATF provided invaluable assistance throughout the stages of the project."

## **WORKING GROUP ON REFLECTION & IMPROVEMENT**

### **FINANCIAL ADVISORY GROUP**

In May 2010 the Working Group on Reflection and Improvement and the Financial Advisory Group were formed with a mandate to reflect on past performance and provide advice to improve the workings of the CFATF in general including the failure of some members to pay the annual contribution in a timely fashion.

The CFATF Working Group on Reflection and Improvement consists of Jamaica (Chair), Bermuda, Cayman Islands, Curacao, Dominican Republic, Guatemala, The Bahamas, Spain and the FATF Secretariat.

The Financial Advisory Group (FAG) consists of Bermuda (Chair) Cayman Islands, Jamaica, St. Kitts and Nevis, Trinidad and Tobago, Virgin Islands, Canada, United States of America and the FATF Secretariat.

### **WORKING GROUP ON FATF ISSUES**

### **WORKING GROUP ON TERRORIST FINANCING & MONEY LAUNDERING**

### **INTERNATIONAL COOPERATION REVIEW GROUP**

Pursuant to the mandate of the November 2010 Ministerial Meeting a further three were added namely, the Working Group on FATF Issues under which umbrella the Working Group on Evaluations and Implementation and the Working Group on Terrorist Financing and Money Laundering function, the Working Group on Typologies and the International Cooperation Working Group.

CFATF Working Group on FATF Issues (CFATF-WGFI) whose membership consists of

Anguilla, Belize, Bermuda (Co-Chair), Cayman Islands (Co-Chair), Guatemala, Turks and Caicos Islands, Venezuela and Virgin Islands.

◆ CFATF Working Group on Typologies (CFATF-WGTYP), whose membership consists of Antigua and Barbuda, Trinidad and Tobago, Venezuela and Virgin Islands. See Paragraph 21 above.

◆ CFATF International Cooperation Review Group (CFATF-ICRG), which follows the FATF ICRG model and whose membership consists of Antigua and Barbuda, Jamaica, Trinidad and Tobago and Virgin Islands (Chair).

The CFATF now has ten (10) established Working Groups and during the period under review the Heads of Financial Intelligence Units Forum and its Accreditation Working Group, the Strategic Plan Working Group, the Trust and Company Service Providers Working Group, the Financial Advisory Group and the Working Group on Reflection and Improvement, have been most active, demonstrating the commitment of the Members who engage in various activities with a view to strengthening the work and reputation of the CFATF.

The hallmark of all these Working Groups as they engage to advance the business of the organisation is their continuous reflection of the diversity, multi-cultural and multi-lingual character of the CFATF. Additionally encouraging is the preparedness of some Members to take on challenging projects and demonstrate the leadership qualities that redound to the benefit of the organisation as a whole and which offer sterling examples which can be emulated by all Members.

As Guatemala exemplified the qualities of leadership to which all Members should aspire with its outstanding role at the helm of the Strategic Plan Working Group, which resulted in the first ever CFATF Strategic Plan.

So too did Bermuda shine in its role as head of the Trust and Company Providers Working Group whose output was discussed at the October 2010 FATF Plenary Meeting to widespread acclaim for the quality of the report and the hard work of contributing countries.

Both Guatemala and Bermuda and all the CFATF and FATF Members who participated in both initiatives must be congratulated for advancing the global image and reputation of the CFATF as an effective partner with the international community in the fight against trans national organised crime and the financing of terrorism.

# THE SECRETARIAT

Over the course of the CFATF's lifetime the Secretariat's staff, has proven to be resilient, dedicated, hard working and loyal and have amassed extensive experience and expertise in the requirements of the 40 and 9 Recommendations and the Methodology.

The team of employees at the Secretariat is able to successfully undertake the various components of the Chair's Work Programme, given the collective length of service, demonstrated commitment, expertise and experiences.

These qualities now provide a strong foundation for stability which places the organisation in a significant position to respond to the ongoing and future challenges including an ever increasing workload which is very specialized and intricate.

At the service of Members, COSUNs and Observer Organisations are the following staff members:

**Mr. Calvin Wilson-** Executive Director who joined the Secretariat in February 1998 as Deputy Director

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

**Ms. Dawne Spicer-** Deputy Executive Director in February 2001

**Mr. Roger Hernandez-** Financial Advisor in October 2001

**Ms. Julia James-**Administrative Manager in February 2003

**Mr. Jefferson Clarke-**Law Enforcement Advisor in May 2007

**Mr. Ernesto Lopez-** Deputy Executive Director in September 2008 and

**Ms. Samantha Thompson-**Administrative Assistant in August 2009

In keeping with the new policy endorsed by Ministers in November 2009, the Secretariat's staff will continue with the plan of action to become bilingual in both the official languages of the CFATF namely English and Spanish.

Effective October 30<sup>th</sup>, 2009 and in keeping with the Ministerial mandate, upon engagement, all new staff members must be bilingual in both the official languages of the CFATF engagement.

It is acknowledged that the Secretariat is operating with less than the full complement of staff, undertaking an ever increasing workload and going far beyond the call of duty so as to ensure that the business of the organization continues to be undertaken in a competent fashion, even with the additional responsibilities of co-coordinating the activities of and providing general support to the new Working Groups.

## CFATF LATIN AMERICA

The proposal for the establishment of a Branch Office in Guatemala City, Guatemala, was viewed as being of strategic importance to maintaining the multi-cultural, multi-lingual diversity and integrity of the CFATF as a whole.

The initiative was given the full support of the CFATF Spanish speaking Members **as well as other Members**. The CFATF Secretariat was authorised to continue its dialogue with the authorities in the jurisdiction, further develop

the idea in conjunction with a cost/benefit analysis giving consideration to all available options and report back to the May 2011 Plenary.

# THE ORGANISATIONAL WORK PROGRAMME

## THE MUTUAL EVALUATION PROGRAMME

The Mutual Evaluation Programme is a crucial aspect of the work of the CFATF as it is one of the mechanisms by which the Secretariat ensures that each Member State fulfils the obligations undertaken as a signatory of the CFATF memorandum of Understanding.

Through this monitoring mechanism the wider membership is kept informed as to what is happening on the ground in each Member Country. For the individual Member, the Mutual Evaluation Programme presents a valuable opportunity for an objective assessment by a team of experts, of the anti money laundering and combating the financing of terrorism framework as it exists at the time of the visit.

Since its inception, the CFATF has undertaken two Rounds of Mutual Evaluations of its Members and in early 2005 commenced the Third Round of Evaluations which is due to end in 2012 with the assessment of St. Marteen, one of the two new Members which came into being as a result of the historic constitutional changes in the Kingdom of the Netherlands.

These evaluations, which require an understanding of civil law systems will benefit from the revised policy which allows CFATF Mutual Evaluation Missions to be staffed not only with Examiners from CFATF Member jurisdictions but also with Examiners from the FATF states, from other FATF Style Regional

Bodies (FSRBs) and from the Offshore Group of Banking Supervisor (OGBS).

Indeed Ministers in November 2010 endorsed the recommendation that arrangements should be completed for the two (2) new Members to undergo Mutual Evaluations in 2011 and welcomed the provision of funds for these Missions by Netherlands and the United States of America and a Law Enforcement Examiner for the Mutual Evaluation of Curacao from Canada.

In keeping with this policy of inclusion both the International Monetary Fund (IMF) and the World Bank (WB) undertake assessment Missions to CFATF Member countries as part of their respective Financial Sector Assessment Programme/Offshore Financial Centre Assessment Programme (FSAP/OFC).

Under agreed reciprocal arrangements, the Detailed Assessment Reports coming out of these Missions are accepted by the CFATF as Mutual Evaluation Reports for its Mutual Evaluation Programme, and in tandem CFATF Mutual Evaluation Reports are accepted as Detailed Assessment Reports for the IMF/WB/FSAP/OFC purposes.

At the May **2010** and November **2010** Plenary meetings the Mutual Evaluation Reports on Anguilla, Aruba, El Salvador, Nicaragua, Suriname and St. Vincent and the Grenadines were discussed, adopted as final by Ministers and published on the CFATF Website. Discussion of the Mutual Evaluation Reports on Belize, Guyana and Guatemala was postponed to May 2011.

Taking into account the ongoing global dialogue led by the Financial Action Task Force (FATF) on the preparations for the Fourth Round of Assessments, the CFATF will await the outcome of that process and will commence the next cycle of assessments in 2012/2013

depending on the timetable adopted by the FATF.

## **THE FOLLOW-UP PROCESS**

In the interim, the CFATF will focus activities on the critical Follow-up process. This process can be qualified as an essential part of the Mutual Evaluation Programme and which applies where the Mutual Evaluation Report shows there are significant deficiencies in the country's AML/CFT system.

The Follow-up process affords a valuable opportunity for Member countries to outline to the regional and international community the progress that is being made to implement the recommendations of the Examiners in their respective Mutual Evaluation Reports and facilitates dialogue with the CFATF (COSUNs) and the donor community in order to marry the delivery of technical assistance and training with the deficiencies identified in the various Mutual Evaluation and Follow-up Reports.

The CFATF Follow-up process has a particularly a wide ranging and robust sanctions procedure which has already been implemented with exemplary results. On that occasion a High Level Mission of senior CFATF officials travelled to a CFATF Member, in order to convey the concerns of the Plenary directly to the Government, to encourage the process of reform and to ensure that the jurisdiction agreed to a strict regime for monitoring action on the identified corrective measures with clear timelines, and to report back to the Plenary with clear recommendations on the type of counter measures that should be implemented.

The response to the High Level Mission was the enactment of key pieces of AML legislation that were long overdue, a commitment to enact Combating the Financing of Terrorism legislation by a set time frame and to undergo a

strict monitoring and reporting regime to the Plenary.

The sanctions procedure of the Follow-up process also allows for letters either from the Secretariat or the Chair, based on the level of the breach to the offending jurisdiction and a Compliance Report to each Plenary on the overall breaches of the Follow-up Procedures.

During October 2009 and May 2010 the CFATF undertook a review of the Follow-up process with a view to reform and as a first step in this exercise the Secretariat prepared a list of the twenty-two (22) jurisdictions whose Mutual Evaluation Reports had been adopted as final by Ministers.

The list outlined the current category of the Follow-up process in which each Member was placed along with the date on which a report back to the Plenary is required, and where relevant, identifying a request to exit the Follow-up process.

Ministers also endorsed the implementation of a screening mechanism so that only Follow-up Reports with significant issues should be presented to the Plenary and that all Follow-up Reports should be in writing.

Whilst a majority of Members adhere to the tenets of the Follow-up Procedures, there are a small but persistent number of jurisdictions that fail to respond in a timely fashion to requests from the Secretariat for the provision of pertinent information in the agreed format. This it must be said militates against the analyses, preparation, translation and circulation of the Follow-up Reports by the Secretariat within the required timeframe prior to the Plenary.

Members recognise the importance of the Follow-up Process to securing higher levels of compliance with the FATF 40 and 9 Recommendations. In this regard Ministers

endorsed the position that failure to comply with the Follow-up Procedures should be met with corrective measures such as a letter from the Chair.

Proposals for the reform and greater operational efficiency of the Mutual Evaluation Programme and Follow-up Process also included the use of new technologies. Ministers mandated the Secretariat to explore funding options for the development of software that will enhance the CFATF's capacity to effectively monitor the Follow-up process.

As the CFATF comes to the close of the Third Round of Assessments it can take considerable satisfaction that some of its Members are at the top of and within the top ten countries globally in terms of compliance with the FATF 40 and 9 Recommendations.

It must be admitted that the overall levels of Caribbean Basin Region compliance with the international AML/CFT standards is not particularly high but it compares favourably with that of the FATF/FSRB community.

We do however have amongst the CFATF membership Centres of Excellence from which expertise and experiences could continue to be drawn and shared intra-organisationally and which could be emulated by all Members.

It is anticipated that the Fourth Round of Mutual Evaluations would consist of assessments that are focused on rectifying deficiencies identified in:

- ◆ The Third Round Mutual Evaluation Reports;
- ◆ The Key and Core FATF Recommendations;
- ◆ Other deficiencies discerned from a comparison with any amendments to the

international AML/CFT standards since the last Mutual Evaluation Report;

- ◆ Other deficiencies which are discovered through the FATF ICRG initiative in keeping with the particular risk profile of the individual jurisdiction; and
- ◆ Any other identified AML/CFT risks due to future amendments to the international standards.

The Mutual Evaluation Programme is the central area of the CFATF's work. The principal focus for the Caribbean Basin Region for the foreseeable future should be ensuring that all CFATF Members are fully engaged with the expeditious rectification of deficiencies identified in the Mutual Evaluation and Follow-up Reports, thereby raising the levels of regional compliance with the international standards.

The global economic and financial crisis has been particularly problematic for the small economies of the member countries of the CFATF. In light of this and given the dangers that abound from the FATF International Co-operation Review Group Initiative (ICRG) and its consideration of strategic deficiencies, the pace of the reform process and the attendant sanction powers which have economic implications, it will be foolhardy for the CFATF to significantly avert its focus from the task of strengthening the AML/CFT regimes in each of its twenty nine Members.

To do so will be to imperil the fragile economic positions of many of our jurisdictions, jeopardise recent gains that have been secured and enfeeble the strides of many a national reform programme.

It is with these matters in mind that the Secretariat, working closely with and at the

guidance and direction of the Chair and Steering Group, continues to

- ◆ Explore every available avenue to dialogue with CFATF Members and all regional international partners so as to;
- ◆ Garner resources which can assist with the creation and delivery of AML/CFT programmes that can advance the regional agenda to build strong national defences against money launderer and those who finance terrorism.

It is through these discreet and quiet efforts which require tact and diplomacy, hidden from the glare of publicity that the Secretariat continues to encourage Members to advance their reform programmes and to demonstrate to donor partners that their resources are being directed as agreed through administrative arrangements that are effective, efficient, accountable and transparent.

Ongoing success in this area allows the Secretariat to continue arranging the following projects which are integral to the progress of the CFATF Mutual Evaluation Programme.

## **MUTUAL EVALUATION EXAMINERS TRAINING WORKSHOPS**

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

Experience has also shown that ongoing education is the key to meeting these

difficulties, not only for Examiners but also for the staff at the Secretariat as well as relevant stakeholder officials in all Member jurisdictions.

With this in mind, between 2005 and 2009, the Secretariat arranged in Costa Rica, Honduras, Jamaica, Martinique, Nicaragua and Trinidad and Tobago, Training Seminars for Mutual Evaluation Examiners and as at end of 2009 the number of trained Examiners since 2005 totalled three hundred and eleven (311).

During July 12-16 2010 in Guatemala City, Guatemala, with funds provided by the World Bank and Spain, the CFATF Secretariat organised a training workshop for Mutual Evaluation Examiners. This workshop which was attended by officials from the Dominican Republic four attendees (4); El Salvador three attendees (3); Guatemala seven attendees (7); Honduras four attendees (4); Nicaragua five attendees (5); Panama three attendees (3), Spain one attendee (1) and Venezuela three attendees (3). Trainers came from the CFATF Secretariat, and the World Bank.

Altogether six (6) countries attended and thirty (30) public sector officials were trained as Mutual Evaluation Examiners.

A unique facet of this Mutual Evaluation Examiners Training Workshop was the inclusion of twenty (20) fee paying participants from the private sector with backgrounds ranging from Compliance Departments in the Banking, Securities and Risk Management sectors.

The Mutual Evaluation Examiners Training workshops are of critical importance to building capacity within our Member countries through the involvement of the trained Examiners and , but also at the Secretariat and indeed for the overall Mutual Evaluation Programme, by ensuring that all trained Examiners are indeed

available for future Mutual Evaluations Missions.

Accordingly the CFATF Secretariat will continue to work with the FATF Secretariat, the World Bank, International Monetary Fund, Commonwealth Secretariat, as well as our COSUN colleagues from Canada, France, Mexico, Netherlands, Spain, United Kingdom and the United States in order to draw upon the wider expertise and experience on offer for the training of CFATF Examiners.

Indeed the Secretariat is in ongoing dialogue with the Commonwealth Secretariat with regard to a Mutual Evaluation Examiners Training Workshop which could occur in the first quarter of 2011.

Members are urged to involve these Examiners on an ongoing basis in:

- ◆ Developing the national AML/CFT agenda through being involved in the work of the National Anti Money Laundering Committee;
- ◆ Training of public and private sector stakeholders on AML/CFT issues;
- ◆ Preparing for Mutual Evaluation Assessments by assisting in the completion of the Mutual Evaluation Questionnaire (MEQ);
- ◆ Compiling data for national reviews to design and implement an effective risk-based strategy to combating money laundering and terrorist financing;
- ◆ Participating in the preparation of national responses to issues that are being discussed at the CFATF/FATF and other regional and international AML/CFT forums; and

- ◆ Attending as a country representative to CFATF/FATF Plenary Meetings, and participating in CFATF Training Workshops throughout the region.

Consideration is also being given subject, to the availability of resources, to placing all the materials used on Mutual Evaluation Examiners Training Workshops and updated from time to time as they are amended, on a secured portion of the CFATF website in order to keep Examiners up to date on new developments in the AML/CFT arena.

It is anticipated that through this mechanism, colleagues in the wider global AML/CFT community such as the COSUNs, the IMF, the World Bank, FATF and Commonwealth Secretariats as well as to the Secretariats of the other FATF-Style Regional Bodies will share their expertise and experiences with the region.

This mechanism would allow salient issues that arise and the manner in which they are resolved in the Mutual Evaluation Reports of all Assessment Bodies, to be shared on an expedited basis for the benefit of those CFATF Members who do not attend FATF Plenary meetings or those of other FSRBs.

## **THE MUTUAL EVALUATION QUESTIONNAIRE**

One of the particular challenges within the Mutual Evaluation Programme is the ability of Members to complete the MEQ, which is critical to the success of any Mutual Evaluation Mission

Since April 2007 the Secretariat has been organising MEQ training seminars which have added considerably to the CFATF Mutual Evaluation Programme and facilitated a greater understanding of the requirements of the Methodology and the Recommendations which in turn has led to active, constructive and

increased participation by Members when Mutual Evaluation Reports are being discussed at Plenary Meetings.

In this regard the ongoing partnership with the Commonwealth Secretariat allowed for the provision of funds for the engagement of two Technical Assistant Consultants to assist officials in Montserrat and Belize to complete the MEQs and prepare for the Mutual Evaluation Missions to their respective jurisdictions during February and April 2010.

## **STRATEGIC IMPLEMENTATION PLANNING FRAMEWORK**

The Strategic Implementation Planning Framework (SIP) is aimed at providing assistance to countries in prioritizing and sequencing the implementation of the recommendations in their Mutual Evaluation Reports on the basis of each jurisdiction's risks/vulnerabilities with regard to Money Laundering and the Financing of Terrorism (ML/FT) and the 'core' FATF Recommendations.

Sponsored by the Government of Canada and the World Bank the capacity of the Secretariat to undertake its mandate to deliver Technical Assistance and Training to its Members was strengthened in this area through the attendance of both Deputy Executive Directors Dawne Spicer and Ernesto Lopez at a Train the Trainers workshop on the SIP Framework in Malaysia in April 2009.

Drawing upon the experiences and knowledge gained in Malaysia and demonstrating to donors the added value of their initial investment, Deputy Director Lopez with funds provided by Spain, organized a SIP Workshop in Managua, Nicaragua during July 2010.

For Nicaragua the benefit of the SIP framework training should be instantaneous as the valuable

knowledge could be put to work within the context of the CFATF Follow Up process where the jurisdiction is under an enhanced monitoring regime.

The added value component of the Malaysia investment was reinforced further when with the sum of CAN \$244,550.00 provided by the Government of Canada and with additional assistance from the World Bank both Deputy Executive Directors Spicer and Lopez conducted two (2) workshops on the SIP framework simultaneously in English and Spanish for the benefit of sixty-nine (69) officials from thirteen (13) CFATF Member countries, Antigua and Barbuda, Barbados, Dominica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, St. Kitts and Nevis, St. Lucia, Suriname, Trinidad and Tobago, and Venezuela.

The partnership with Canada, the World Bank and the CFATF on this SIP Framework is demonstrable success of the effective use of donor funding and the dissemination of knowledge to a wider regional audience beyond the confines of the initial Malaysia trainees.

In the CFATF context one of the trainees from the Nicaragua SIP framework workshop was part of the team of trainers who conducted the Port of Spain, Trinidad and Tobago workshops. Nicaragua should be proud that one of its officials could be seen as an example of the principle of receiving instructions on the one hand and passing on knowledge to a larger community of officials on the other, to the benefit of the Caribbean Basin Region as a whole.

It must be noted that Guatemala did utilise the SIP Framework on its own volition, in preparation for its Mutual Evaluation by the CFATF during June 8-19 2009 and one of its officials who was central to the implementation of that exercise, participated in the Port of

Spain, Trinidad and Tobago workshops as a Trainer. In like fashion as outlined above in the case of Nicaragua, Guatemala should be equally proud of its role in disseminating pertinent information to officials from fellow CFATF Members and assisting them in advancing their respective reform processes.

It is anticipated that the thirteen (13) countries which participated in the Port of Spain, Trinidad and Tobago workshops will be examined during the early stages of the Fourth Round. Exposure to the knowledge available at the SIP workshops will be crucial to the rectification of the deficiencies identified in their Mutual Evaluation Reports and beneficial to the overall preparations for the Fourth Round of Assessments.

The overall CFATF experience with the SIP Framework is extremely positive and instructive in that it sends an important and powerful message to the Government of Canada, the World Bank and all other CFATF donor partners, that their commitment of valuable resources and investment in building human capacity and potential in the Caribbean Basin Region will continue to pay handsome dividends.

Additionally, from an administrative point of view, the Government of Canada, the World Bank and all other CFATF donor partners can rest assured that funds placed at the disposal of the CFATF for AML/CFT projects will continue to be administered in a transparent and accountable fashion.

As part of the follow up process to this exercise the CFATF will review compliance with the terms and conditions of the Contract of Commitment by individual participants and their jurisdictions and will share these with our Members and donor partners with a view to making adjustments for future programmes here necessary, but more so to ensure that

participants and countries are held to their obligations where necessary.

## **PRE MUTUAL EVALUATION WORKSHOPS**

Taking into account the onset of the Fourth Round of Assessments, the future Work Plan of the CFATF would entail:

- ◆ Working with each jurisdiction on an individual basis in order to customize the assistance that could facilitate early diagnosis of areas of concern;
- ◆ Taking the necessary corrective action at the earliest opportunity prior to the Mission;
- ◆ Identifying areas which could benefit from the Risk Based Approach and where necessary the Low Capacity Countries Guidance, and
- ◆ Examining the SIP so as to best ensure a high level of compliance with the AML/CFT standards as reflected in the Mutual Evaluation or Follow-up reports.

In order to effectively accomplish these goals it is the intention of the Secretariat to draw upon the experiences of the Pre Mutual Evaluation Regional Workshop which was held in El Salvador during July 19-23 2010 in order to assist CFATF countries prepare for Mutual Evaluation.

Funding for the workshop was provided by Spain and the International Monetary Fund. This funding facilitated the attendance of four (4) delegates each from Antigua and Barbuda, Bahamas, Barbados, Bermuda, Cayman Islands, Dominican Republic, Jamaica and Trinidad and Tobago, all of whom will be evaluated early in stages of the Fourth Round of CFATF Mutual Evaluations.

# TECHNICAL ASSISTANCE & TRAINING

The ongoing delivery of Technical Assistance and Training projects to all CFATF jurisdictions is critical to strengthening national and regional AML/CFT capacity, facilitating the expeditious rectification of the deficiencies identified in the Mutual Evaluation and Follow-up Reports, as well as avoiding the public identification as a country having strategic deficiencies which pose a threat to the international financial system through the FATF ICRG initiative.

In exploring mechanisms which will facilitate this goal, Ministers encouraged the following initiatives:

- ◆ Completion of the Technical Assistance and Training Needs and Availability of Resources Questionnaire by all Members and stakeholders in the donor community so that relevant data could be collated by the Secretariat and a Matrix of Needs and Resources prepared covering the Caribbean Basin Region;
- ◆ Reconvening of the CFATF Donors Forum on the margins of each Plenary meeting so that Members could arrange horizontal cooperation amongst themselves as well as meet Donor countries and Donor organisations for the consideration of specific country focussed proposals;
- ◆ The formation of National Anti Money Laundering Steering Committees as a mechanism for the collating of domestic Technical Assistance and Training Needs with a view to effective participation in the Donors Forum.

- ◆ The need for jurisdictions to provide the Secretariat with the names of public sector officials across the AML/CFT disciplines who should have access to all documents being circulated by the CFATF so as to build domestic capacity in these areas.

## THE CFATF TRAINING & ACCREDITATION PROGRAMME

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

The Heads of Financial Intelligence Units Forum formed the AWG which was mandated amongst other things to design a suitable curriculum with clear distinctions between the basic and advanced courses, provisions for the administrative FIUs and accreditation of FIU investigators and analysts encompassing a period of in-house training within an active FIU through a partnership with the CFATF, REDTRAC and a Spanish speaking training institution.

Assisting the development of this initiative was the United Kingdom Security Advisory Team (UKSAT) which had been undertaking work in the Eastern Caribbean which included training aimed at Regional investigators, prosecutors and the judiciary. At the October 2009 Plenary UKSAT proposed a process, involving standardized training, that if accepted could lead to the accreditation of Regional financial investigators and analysts.

Consequently, the UKSAT was asked to invite the National Police Improvement Agency (NPIA) of the United Kingdom to conduct a Regional Needs Analysis, at no cost to the

Region, which was completed and circulated to FIU Heads in April of 2010

The Regional Needs Analysis determined that in light of:

- ◆ The similarities in the crime priorities of CFATF members;
- ◆ The highly developed nature of regional cooperation;
- ◆ The limited or in many instances the non-existence of restrictions against the sharing of information; and
- ◆ The generic nature of FIU and AML/CFT legislation,

that a structured regional approach to the training of financial investigator and analysts was needed if the current situation where there is little or no focus on the analysts of the administrative type FIUs, and the fast rate of attrition of trained financial investigators were to be addressed.

A proposal was developed as follows:

- ◆ The creation of an accreditation team at the CFATF Secretariat
- ◆ The delivery of train the trainer courses at three regional hubs in the Dominican Republic, Jamaica and Trinidad and Tobago and
- ◆ The development of four training modules specifically designed by the NPIA with the advice of the AWG and input from member FIUs.

This proposal which included elements of a system of continuous professional development was accepted by the FIU Heads.

Drawing upon the encouragement of Ministers for the pursuit of training initiatives with other players in the donor community the Secretariat has engaged and will continue in dialogue with representatives of UKSAT, CARICOM IMPACS, CARIFORUM and the European Community Delegation at meetings in Antigua and Barbuda, Barbados, Brussels and Port of Spain in order to source funding for this important regional project.

Given the proposed budgetary provisions required for the deployment of Training and Accreditation Programme and the level of funds that will be made available through CARIFORUM it is anticipated that there will be a shortfall. However the UKSAT Team has agreed to continue working with the Secretariat in order to explore alternative avenues for funding. Failing this, consideration will be given to scaling back the parameters of the Accreditation Training Course.

The Team of officials who will be engaged to implement this initiative will be based at the CFATF Secretariat and in anticipation of the increased staff level and the need for additional physical space the Secretariat has consulted with the Government of Trinidad and Tobago which has generously agreed to provide additional space for the operations of the Secretariat.

One of the important outcomes of this ongoing dialogue is the establishment and development of closer working relations between the CFATF Secretariat and CARICOM IMPACS which is an institution of CARICOM a longstanding CFATF Observer Organisation, and the nerve centre of the crime and security Management framework with primary responsibility for developing, implementing, managing and monitoring the strategies and projects within CARICOM's Crime and Security Agenda.

Further, it became apparent that the structures and work programs of both CARICOM

IMPACS and the CFATF can be utilised in a stronger collaborative framework to advance the Region's AML/CFT regime and to develop their human and institutional capacity in this crucial area.

Accordingly, in June 2010 the Tenth Meeting of the Council for National Security and Law Enforcement approved the proposed co-operation between CARICOM IMPACS and the CFATF. In response CFATF Ministers at the November 2010 Ministerial Meeting approved the grant of Observer Status with the CFATF to CARICOM IMPACS and authorised the Secretariat to sign a Memorandum of Understanding (MOU) to implement collaborative strategies with a view to strengthening the Region's crime and security agenda.

One of the potential benefits in the near term is the possibility of the CFATF through its MOU with CARICOM IMPACS becoming a beneficiary organisation for budget support, which given prevailing financial conditions would be particularly welcomed.

During the period under review, the members of the CFATF Group of COSUNS, Canada, France, Mexico, Netherlands, Spain, United Kingdom and the United States continued their longstanding and ongoing support for the CFATF through a wide range of Technical Assistance and Training Programmes which have been pivotal in strengthening AML/CFT capacity throughout our membership.

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

The following provides a snapshot of the AML/CFT projects that were implemented with

the assistance of donor partners over the past twelve (12) months.

## **CANADA**

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

Country specific and regional Strategic Implementation Planning Framework Workshops in Managua, Nicaragua and Port of Spain, Trinidad and Tobago respectively as described above.

## **SPAIN**

The continuation of nine (9) AML/CFT courses coordinated by the Secretariat, for the benefit of the Spanish speaking Members

## **COMMONWEALTH SECRETARIAT**

Funds provided for the engagement of a Technical Assistance Consultant to assist Belize and Montserrat in prepare preparing for their CFATF Mutual Evaluations by completing the answers to the MEQ prepared by the national authorities for submission to the CFATF Secretariat ahead of the on-site Missions

Funds provided for the engagement of a Technical Assistance Consultant to review the CFATF Third Round Mutual Evaluation Reports in order to determine areas of strengths and weaknesses which will assist the CFATF to prepare for the Fourth Round of Assessments and to participate in the global dialogue within the FATF on preparations for the Fourth Round. The timeframe for completion of this exercise is set for January 2011.

Dialogue is ongoing between the CFATF and the Commonwealth Secretariat for a Mutual Evaluation Examiners Training Workshop which will be organised during the first quarter of 2011.

## **INTERNATIONAL MONETARY FUND**

Funding was provided under the AML/CFT Topical Trust Fund (TTF) for a Pre Mutual Evaluation Regional Workshop which was held in El Salvador during July 19-23 2010 in order to assist CFATF countries prepare for Mutual Evaluation.

Four delegates each from Antigua and Barbuda, Bahamas, Barbados, Bermuda, Cayman Islands, Dominican Republic, Jamaica and Trinidad and Tobago, all of whom will be evaluated early in stages of the Fourth Round of CFATF Mutual Evaluations attended.

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

It is therefore anticipated that all participating countries should be able to effectively demonstrate the benefits derived from this workshop through exemplary performance during the CFATF Fourth Round Mutual Evaluation Missions

## **WORLD BANK**

Organising Pre-Assessment Training Workshops in order to help countries prepare for their Mutual Evaluations by improving/enhancing the quality of the answers to the MEQ prepared by the national authorities ahead of the on-site missions and in tandem

contribute to the quality of the eventual Mutual Evaluation Reports.

Conducting Mutual Evaluation Missions to CFATF Members during the Fourth Round of CFATF Assessments

Participating in CFATF Regional or country specific SIP Framework (SIP) Workshops. The World Bank Capacity Enhancement Train the Trainers Programme to build institutional capacity through the delivery of a set of 8 modules covering the main aspects of AML/CFT).

Phase 1 entails training of participants in eight (8) modules covering the main aspects of AML/CFT

Phase 2 entails the organization of Video Conference where the modules delivered in phase 1 are presented by the participants trained in phase 1,

The November 2010 Plenary noted the ongoing commitment of the World Bank to assist with the CFATF Mutual Evaluation Programme as well as Technical Assistance and Training initiatives for CFATF Members such as the SIP Framework Project and projects for Judges, Prosecutors and Investigators operating in the Criminal Justice System, and the availability of training materials on the World Bank's website such as the Asset Recovery Handbook and Financing of Terrorism vulnerabilities in the Non Profit Organisation sector.

# TYPOLOGIES

## EXERCISES

Since February 1996, the CFATF has been conducting a number of Typology Exercises which allow for the sharing of information collated by various bodies involved in the fight against money laundering, with the aim of increasing awareness of the attendant risks to the Caribbean Basin Region.

These exercises have explored money laundering activity in Domestic Financial Institutions, the Casino and Gaming Industry, through International Financial Transactions conducted in both Domestic and Offshore Institutions and the Emerging Cyberspace Technologies and AML/CFT vulnerabilities of Free Trade Zones.

The FATF Typologies Report-Money Laundering vulnerabilities of Free Trade Zones (FTZ) March 2010 at Paragraph 4 of the Executive Summary states:

“Although this is the first global report to address Free Trade Zones, this is not the first time that the money laundering and terrorist financing vulnerabilities of FTZs have been identified. Through the work of the CFATF and Aruba, a number of best practice elements have been developed.”

The FATF Project Team that produced the report was co-chaired by Belgium and the United States and was comprised of Aruba, Australia, the CFATF, Singapore and the World Customs Organization.

The FATF Typologies Report-Money Laundering vulnerabilities of Free Trade Zones (FTZ) March 2010 references:

- ◆ The Money Laundering Prevention Guidelines for CFATF Member Governments, Free Trade Zone Authorities and Merchants-2001;
- ◆ The March 2002 Recommendations produced by the Black Market Peso Exchange System Multilateral Experts Working Group consisting of United States, Panama, Venezuela, Colombia and Aruba;
- ◆ The Kings Cross Investigation from Netherlands Antilles, a Case Study on Trade Based Money Laundering/Black Market Peso Exchange.

# ADMINISTRATION AND FINANCE

the CFATF Best Practices and Operations Manual will be reviewed during 2011.

## ADMINISTRATION

### BEST PRACTICES & OPERATIONS MANUAL

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

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

The CFATF Best Practices and Operations Manual is now a reality, is now available on the CFATF Website and covers areas such as Members, Official Languages, Headquarters Agreement, The Secretariat-Venue and Staffing, Plenary and Ministerial Meetings, Steering Group, Annual Contributions, The Mutual Evaluation Programme, Working Groups, Technical Assistance and Training Representational Duties/Overseas Travel Arrangements, Budget, Banking, Accounting and Record Keeping.

Given the deliberations of the Working Group on Reflection and Improvement, it is likely that

# FINANCE

## OUTSTANDING CONTRIBUTIONS- 2008/2009/2010

The period under review was demonstrative of the precarious nature of the CFATF's financial arrangements and the urgent need for the funding arrangements of the organisation to be reviewed and placed on a stronger foundation.

The November 2010 Plenary, noted with considerable concern that as at October 31<sup>st</sup> 2010 the total outstanding annual contributions from Members for **2008/2009/2010** stood at \$206, 229.08 as follows:

- 2008- \$6,939.73;
- 2009-\$70.1288.00 and
- 2010 - \$129, 001.35

The Secretariat provided a report to Ministers that it had undertaken considerable chase up efforts by letter and telephone and that the Deputy Chair had written to and contacted personally by phone, the relevant Members who were advised that reports to the November Plenary will be required on the reasons for the level of outstanding arrears and the steps that would be taken to liquidate them. In response Antigua and Barbuda and Grenada liquidated the outstanding balances and Nicaragua made a partial payment.

In light of the widespread concerns Ministers approved for immediate implementation against those Members that have contributions arrears, a range of sanctions for non-payment as follows:

- ◆ Sanctions for non-payment will be decided by each Plenary, as required, and where sanctions are agreed, they will be communicated in a letter from the Chair

immediately after the conclusion of the Plenary;

- ◆ Level 1 Sanctions: No member with arrears shall occupy a leadership position – Chair, Deputy Chair or member of Steering Group;

- ◆ Level 2 Sanctions: No member with arrears for two consecutive Plenary meetings shall participate in Working Groups or organization-funded training activities of the CFATF or shall vote on key issues during Plenary or Ministerial discussions;

- ◆ Level 3 Sanctions: Where non-payment is a persistent issue, namely where non payment is outstanding for three or more Plenaries, the CFATF shall request the Member in question to send a high-level delegation to the Plenary to provide an explanation and to seek a high level commitment to liquidate the outstanding sum. If payment is not made within 30 days of the high-level delegation, and or the Member does not attend the Plenary then Plenary shall recommend the suspension of CFATF membership to Ministers and referring the jurisdiction to the FATF/ICRG process. Where payment is made the sanctions will be lifted automatically;

- ◆ The Steering Group interpreted *persistent* as failure to pay over three plenary meetings;

- ◆ Where the decision for suspension is made at the May Plenary the consideration and approval of the recommendation by Ministers should be undertaken through the Round Robin process and where relevant the Chair should write a letter to the FATF President.

In further action to underpin the new sanctions regime, ameliorate the parlous financial position and to preclude future occurrences, Ministers agreed on the following course of actions;

- ◆ The Secretariat should undertake strategic interventions with relevant jurisdictions in order to develop an Action Plan for repayment and to document such efforts so that informed decisions can be taken;
- ◆ The procedures should be simple so as not to impose undue burdens on the relevant country or the Secretariat;
- ◆ The composition of any High level delegation should include such officials who can make firm decisions as to payment;
- ◆ Given the recurrence of this non payment issue there needs to be a structural review as to how annual contributions are determined using the models of the FATF and other FSRBs.

As at the end of the period under review, annual contributions were still outstanding from St. Lucia, St. Vincent and the Grenadines, and Suriname.

## **THE UN-AUDITED FINANCIAL STATEMENTS FOR 2009**

In a departure from the norm due to staffing and other problems with the accounting process, management accounts rather than Audited Financial Statements for 2009 were presented for consideration by the Plenary which along with Ministers noted concerns about the delay, but welcomed the Secretariat's indications that the Audited Financial Statements for 2009 would be ready for circulation by November 30<sup>th</sup> 2010

Ministers endorsed the position that the Audited Financial Statements should be completed by November 30<sup>th</sup> 2010 and circulated to all delegations. Ministers further mandated that Audited Financial Statements should be presented annually to the May Plenary meeting within a format that would allow for easy historical comparisons for 2008, 2009 and 2010 in one document.

## **BUDGET REVIEW 2010 AND 2011**

### **BUDGET 2010**

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

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

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

## **BUDGET 2011**

The draft Budget for 2011 as prepared by the Secretariat and extensively discussed in Plenary was approved by Ministers subject to amending the provisions in relation to National Insurance to be in line with the 2009 figures and the inclusion of the unused portion of Spain's annual contribution towards AML/CFT projects for Spanish speaking Members as part of its annual contribution for the following year where applicable.

In light of the general concerns about the level of outstanding arrears and with a view to avoiding future occurrences Ministers mandated that invoices for the annual contribution for 2011 should be sent out to all Members by November 30<sup>th</sup> 2010 and that payment should be sent to the Secretariat by January 31<sup>st</sup> 2011 or by April 30<sup>th</sup> 2011 at the latest or at any stage before where possible.

Taking into account the impact that the global economic and financial crisis on the ability of Members to meet the annual contribution as they fell due, there was a call that consideration should be given to alternative formulas for calculation of the annual contributions which should allow for graduated payments so as to alleviate the burden on small jurisdictions.

Other considerations in keeping with the ongoing cost cutting regime included the possibility for Members to meet the costs of some CFATF activities, such as the costs of **their** respective Mutual Evaluation Mission, participation of their officials in the peer review of other jurisdictions as part of the CFATF

Mutual Evaluation Programme and hosting the Plenary/Ministerial Meetings. Additional cost cutting measures canvassed included the possibility of employing a full time translator who may or may not be housed at the Secretariat

Whilst cost cutting measures were the principal focus Ministers also noted the call from Dominica that care should be taken to avoid the erosion of the Reserve Fund and that there was a need to generate new revenue streams, the latter being in step with the remit of the Financial Advisory Group which was constituted and requested to prepare Terms of Reference prepared for endorsement by the CFATF in order to implement the recommendations of the review of the organisation's finances and to work in conjunction with the Working Group on Reflection and Improvement in order to improve the overall operational efficiency of the organisation.

Mindful of the reputational risk for the CFATF that were attendant on the financial difficulties that were being experienced during the period under review, Members were requested to heed the call that they should actively participate in all aspects of CFATF affairs and should guard against any actions that would place in jeopardy the CFATF's Associate Member Status with the FATF.

# EXTERNAL RELATIONS

## FINANCIAL ACTION TASK FORCE ASSOCIATE MEMBER UPDATE

In February 2008 the CFATF became the fifth Associate Member of the FATF, a significant accomplishment which gives the region a voice in determining the global AML/CFT agenda through the participation of five (5) CFATF members on a rotating basis at the Working Group and Plenary meetings of the FATF.

In this regard CFATF participation at FATF Plenary meetings has been as follows:

- ◆ London February 2008 -Virgin Islands and The Bahamas
- ◆ Brazil November 2008 -Barbados and Panama
- ◆ Paris February 2009 -Barbados, Bermuda, The Bahamas and Turks and Caicos Islands
- ◆ Lyon June 2009- Bermuda, British Virgin Islands and Panama
- ◆ Paris October 2009 –Bermuda
- ◆ Paris/Amsterdam/Paris February/June/October 2010- Bermuda, Dominican Republic, Honduras, the Bolivarian Republic of Venezuela and Virgin Islands

- ◆ Paris, October 2010- Bermuda, Cayman Islands, Venezuela and Virgin Islands.

Between 1999 and 2010 whilst holding the CFATF Chair, the Cayman Islands, Aruba, Virgin Islands, The Bahamas, Jamaica, Panama, Guatemala, and Netherlands Antilles, attended FATF Plenary meetings.

Immediate past Chair Mrs. Ersilia Th. d. Lannooy, Netherlands Antilles attended the FATF June 2010 Plenary Meeting in Amsterdam and participated in the inaugural meeting of the Presidents of the FATF and the FSRBs and was accompanied by Bermuda and the Executive Director.

Over the years, representatives from CFATF Members Bermuda, Cayman Islands, Dominican Republic, Guatemala, Jamaica, Panama, St. Kitts and Nevis, the Bahamas, Trinidad and Tobago, Turks and Caicos Islands, Venezuela and Virgin Islands attended FATF Plenary and Working Group meetings.

Since 1997 the CFATF Secretariat has attended all FATF Plenary meetings and participated in the majority of Working Group meetings.

Currently, the FATF agenda includes several key issues which are under consideration and for which there should be regional input particularly in relation to the lessons being learnt from implementation of the CFATF Third Round of Mutual Evaluations and preparations for and nature of the Fourth Round of Mutual Evaluations.

The Secretariat continues to urge strong involvement by the CFATF membership in all aspects of the FATF agenda using as examples such as:

- ◆ Barbados' participation as an Examiner for the Mutual Evaluation of Netherlands

- ◆ Netherlands Antilles' participation in the Mutual Evaluation of Ireland and
- ◆ Jamaica's participation in the Mutual Evaluation of Canada.

## **THE FATF INTERNATIONAL COOPERATION REVIEW GROUP INITIATIVE**

In June 2009 the FATF, the global standard setting body for anti-money laundering and combating the financing of terrorism adopted new procedures for identifying jurisdictions with strategic anti-money laundering and counter terrorist financing deficiencies.

The aims of this initiative which is being managed by the FATF (ICRG) is to protect the international financial system from money laundering and the financing of terrorism risks and to encourage greater global compliance with the international standards for AML/CFT.

CFATF Members Antigua and Barbuda, Costa Rica, Dominican Republic, Honduras, Trinidad and Tobago and Venezuela were reviewed as part of this process Costa Rica and Dominican Republic exited the process after the initial Prima Facie Review stage. However Antigua and Barbuda, Honduras, Trinidad and Tobago and Venezuela continue to be considered under Targeted Review.

The CFATF Secretariat has thus far attended all the meetings of the FATF ICRG including Face to Face Meetings in Buenos Aires, Argentina, Lima, Peru and Miami, United States and has drawn upon the extensive experience of the FATF Non Co-operative Countries and Territories Initiative in order to undertake its representational role both at FATF Working Group and Plenary levels, on behalf of the

organisation in general and with these six (6) CFATF Members in particular.

The CFATF Secretariat assisted the process by undertaking to write up the Prima Facie Reports of these six (6) jurisdictions and to serve as a conduit for relevant legislation and information so that an accurate picture of the respective country's AML/CFT regime is at all time available or the FATF ICRG.

Moreover the CFATF Secretariat has on an ongoing basis provided necessary advice and assistance on legislation and preparation of Action Plans, as well as co-ordinating the delivery of relevant Technical Assistance as the jurisdictions under review continued with the national AML/CFT reform process.

In the case of Antigua and Barbuda this entailed at the specific request of the Prime Minister, the Attorney General and the Chair of the Board of the Financial Services Regulatory Commission (FSRC) to engage a team of Regional and International Consultants to undertake a review of the FSRC in light of the fallout of the Stanford affair.

In this regard the CFATF Secretariat using its knowledge of the region and global alliances was able to quickly assemble a Group of Experts from St. Lucia, Bermuda, Canada and the Commonwealth Secretariat to undertake the required review and to secure a commitment from the Commonwealth Secretariat to provide further support for the implementation of the recommendations of the Consultants thereafter.

In the case of Honduras, the CFATF Secretariat co-ordinated with the World Bank and the United Nations Office on Drugs and Crime to undertake a review of proposed Combating the Financing of Terrorism Legislation

The CFATF Secretariat and Venezuela are making outreach to Cuba with a view to

membership in the CFATF, a move if successful, will contribute to the FATF policy of extending the AML/CFT network to all countries around the globe.

# CONCLUSION

The call for organisational introspection during the period under review was opportune and has the potential to significantly serve the best interests of the CFATF through the creation of stronger and more robust organisation fully equipped to undertake the regional AML/CFT agenda in conjunction with its regional and international partners.