

CARIBBEAN FINANCIAL ACTION TASK FORCE

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VIRGIN ISLANDS
CFATF CHAIRMAN 2012 – 2013

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EXECUTIVE SUMMARY

For the second time in the history of our organisation, the Virgin Islands during November 2012 to November 2013 held the Chairmanship of the Caribbean Financial Action Task Force (CFATF), under the astute leadership of Mr. Chernó S. Jallow, Q.C. During this period, the CFATF experienced a year of exceptional successes.

The ever changing demands of the global Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) agenda resulted in a similar increased workload for the CFATF. Taking into account the immediate and future staffing and physical accommodation needs, the CFATF Secretariat successfully engaged an ever accommodating and generous Government of Trinidad and Tobago for the provision of new and expanded premises to house the Secretariat's operations.

The CFATF exercise of introspection, reflection and reform which began in May 2010, was brought to a successful close in November 2013. Nevertheless, the Council of Ministers mandated that the search for organisational efficiencies in all areas of operations should continue.

This call to action was reflected in several areas particularly in relation to the need for timely payment of annual contributions. The institution of surcharges for late payment and a policy of vigorous follow up action led to considerable improvement in the timely submission of annual contributions.

Innovative ideas to enhance the revenue generating capacity of the organisation beyond annual contributions were pursued. These included realising the full economic potential of the Compliance Conferences, making outreach to regional institutions such as Central Banks, and calling upon members to make Extraordinary Contributions.

The core work of the organisation is ensuring membership compliance with the FATF Recommendations. The robust implementation of the CFATF Follow up and International Co-operation Review Group (ICRG) processes took centre stage during the period under review with

laudable results. The principal goal was to encourage expeditious rectification of the outstanding deficiencies identified by Assessors during the Third Round of Mutual Evaluations. An additional objective was to urge Members to embark at the earliest stage, on the process to reform the national AML/CFT architecture in preparation for the Fourth Round of Assessments.

The provision of technical assistance and training became ever more critical to the successes of the Mutual Evaluation Programme; so too was the ongoing financial and human support of our long standing friends and allies, consisting of the Group of Cooperating and Supporting Nations (COSUNs) and Observer Organisations.

In tandem with the inward looking nature of the reform process, the Steering Group began functioning as the organisation's Board of Directors. This entailed making adjustments to the governance structures, modernising the staff profiles and remuneration arrangements and enhancing oversight of the budget preparation and execution processes.

All in all, the CFATF settled into its role as an Associate Member of the FATF, enjoying close and constructive working relations with the standard setter. This was accomplished through active membership participation in FATF activities and outreach efforts as far away as East and Southern Africa, to other FATF Style Regional Bodies (FSRBs) within the global AML/CFT network.

The maturity and confidence with which the CFATF functioned led to commendations from successive FATF Presidents. These acknowledgements provided a welcomed boost to the global reputation and status of the CFATF and validated the courageous decision by the Council of Ministers to embark on the CFATF internal reform agenda.

THE ORGANISATIONAL STRUCTURE

Under the direction of Members, the Chair, Deputy Chair, the Steering Group, the Working Groups, the Group of Cooperating and Supporting Nations, and

the Observer Organisations, the Secretariat, implements the annual Work Programme and general business of the CFATF.

CHAIR/DEPUTY CHAIR

For the period under review, the Chair of the Caribbean Financial Action Task Force (CFATF), was held by the Virgin Islands with the functions being performed by Mr. Chernov S. Jallow Q.C., Director of Policy Research and Statistics Division, Financial Services Commission, Virgin Islands.

With the ascension of a new Chair, the Memorandum of Understanding, the CFATF's constitutional document, mandated the election of a Deputy Chair. Accordingly, The Bahamas was unanimously elected as CFATF Deputy Chair for 2012-2013, with the functions being performed by Senator the Honourable Allyson Maynard-Gibson, Attorney General, The Bahamas.

On assuming their leadership positions, both the Virgin Islands and The Bahamas pledged to work in close collaboration in order to serve the best interests of the CFATF.

THE STEERING GROUP

The CFATF Steering Group which acts as the organization's Board of Directors, reflects the multicultural, multi-lingual diversity of the various member groupings. The Steering Group was established at the Council of Ministers Meeting in October 1997. Over the ensuing years, it has played a critical role in the growth and development of the Organisation.

The Steering Group, which is chaired by the Chairman, is an advisory committee to the Chair, Plenary and the Council of Ministers on a variety of policy matters and issues and also to the Secretariat on any matter related to the administration of the Secretariat or policies which for practical reasons cannot be dealt with by all Members or where the responsibility has been delegated by the Plenary or the Council, as appropriate.

During November 2012 to November 2013, the CFATF Steering Group comprised the following: Chair- Virgin Islands; Deputy Chair-The Bahamas; Outgoing Chair- Venezuela, **Members: Aruba, Barbados, Bermuda, Dominican Republic, Grenada, Guatemala and Turks and Caicos Islands.** The Group of Co-operating and Supporting Nations (COSUNs) was represented on the Steering Group by Canada.

CFATF WORKING GROUPS

Working Groups have been an integral part of the CFATF organisational structure, since its inception. During the period under review, November 2012-November 2013 the CFATF had five (5) established and functioning Working Groups. These were the Heads of Financial Intelligence Units Forum, the Accreditation Working Group (AWG), the Working Group on Typologies (WGTYP), the Working Group on FATF Issues (WGFI), and the International Cooperation Review Group (ICRG).

The hallmark of all the CFATF 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 to demonstrate the leadership qualities that redound to the benefit of the organisation as a whole. Such active involvement in the work of the CFATF offers sterling examples which can be emulated by all Members.

HEADS OF FINANCIAL INTELLIGENCE UNITS FORUM

The CFATF Heads of Financial Intelligence Units (FIU) Forum was established in October 2003. 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.

The Heads of FIUs Forum has held over seventeen (17) meetings which have been attended by CFATF

Members, FATF Secretariat and FATF Members as well as CFATF Observer Organisations.

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.

At the November 2012 meeting the Heads began discussions on the limitations of the current structure of the Heads of FIU Forum and during 2013 they agreed that there was need for the Forum to adopt a formal structure centered on the permanent position of Chairperson in order to effectively advance the regional FIU agenda. Consequently the decision was made to adopt the CFATF method for determining its chairperson that is to say the Chairperson of the Heads of FIUs will be the Director of the FIU of the current CFATF Chairman. Consequently the first Chairperson of the CFATF Heads of FIU Forum was Mr. Basil Collie of The Bahamas. A sub-group comprising Directors from Barbados, Bermuda, British Virgin Islands and Trinidad and Tobago were convened to develop the terms of reference and work plan for the Chairperson. These terms of reference were approved by the November 2013 Plenary and are currently in effect.

Of special significance is the nineteen (19) MOUs agreed to and signed by the regional Heads during 2013. This not only deepened and widened the potential for regional co-operation but highlighted the tremendous success that the CFATF Heads of FIUs Forum has become.

ACCREDITATION WORKING GROUP

The Heads of FIUs Forum during May 2009, established the Accreditation Working Group (AWG), which has been functioning with the aim of determining the framework for the Accreditation and Training Programme. The AWG is the driving force for advancing the Accreditation and Training Project for 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 capacity building initiative, are the CARIFORUM, the European Commission through which Euros 1.2 Million has been pledged and the United Kingdom Security Advisory Team. Additional partners are the Governments of Dominican Republic, Jamaica and Trinidad and Tobago, where training facilities to undertake course delivery will be based,

The Accreditation and Training Programme for 207 Financial Investigators and Analysts will commence in the second quarter of 2015 and will consist of four modules as follows;

- Introductory Module for Investigators and Analysts
- Financial Intelligence and Analysis
- Financial Investigations
- Criminal Forfeiture/Confiscation
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WORKING GROUP ON TYPOLOGIES

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 and terrorist financing, 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, the emerging cyberspace technologies and through Free Trade Zones.

The CFATF Working Group on Typologies (CWGTYP) is mandated as part of the 2012/2013 Work Programme, to undertake Typologies Exercises covering the areas of Human Trafficking, the Proliferation of Small Arms and Ammunition and Cross Border Movement of Cash.

WORKING GROUP ON FATF ISSUES

Pursuant to the mandate of the November 2010 Ministerial Meeting, the CFATF Working Group on FATF Issues (CWGFI) was established so that the CFATF could effectively follow and participate in the activities of the FATF Working Group on Evaluations and Implementation and the FATF Working Group on Terrorist Financing and Money Laundering.

During the 2012/2013 period, the CWGFI concentrated efforts on sensitizing members on the revised FTAF 40 Recommendations, including preparing members for the Fourth Round of mutual evaluations.

INTERNATIONAL COOPERATION REVIEW GROUP

The November 2010 CFATF Council of Ministers authorised the creation of the CFATF International Co-operation Review Group (CFATF-ICRG) with a view to active participation by the CFATF in the FATF review Process.

The CFATF ICRG was mandated to encourage CFATF members to adopt a serious approach to reforming their AML/CFT regimes in full compliance with the FATF 40 plus 9 Recommendations.

Ministers also empowered the CFATF ICRG to ensure that CFATF Members and the CFATF as an organization adhered to the Follow up Procedures, through the ability of the CFATF ICRG to make recommendations for sanctions in the event of non-compliance.

During its November 2013 meeting in Free Port, The Bahamas, the CFATF ICRG sent letters to jurisdictions that potentially could be referred to CFTF ICRG for arrears in contributions.

In keeping with its serious approach to encouraging membership compliance, the CFATF ICRG issued a Public Statement during November 2013 in relation to Belize and Guyana due to insufficient progress in addressing identified deficiencies, whilst at the same time commending Dominica for the significant progress that it was making in that regard.

GROUP OF COOPERATING AND SUPPORTING NATIONS (COSUNS)

The Group of Cooperating and Supporting Nations (COSUNS) consist of Canada, France, Mexico, Netherlands, Spain, the United Kingdom, and the United States of America, all of whom are FATF members. The COSUNS continue to play a significant role in the growth and development of the CFATF, contributing both human and financial resources to all CFATF endeavours.

OBSERVER ORGANISATIONS

Observer Organisations are regional, multilateral and hemispheric organisations approved by the Council of Ministers which actively support or otherwise are interested in the objectives of the CFATF.

CFATF Observers include the Asia Pacific Group, CARIFORUM, CARICOM Secretariat, Caribbean Development Bank, Central American Bank for Economic Integration, Commonwealth Secretariat, Eastern and Southern Africa Anti Money Laundering Group, EGMONT Group, Financial Action Task Force, Financial Action Task Force of South America, International Monetary Fund, The World Bank Group and the United Nations Office of Drug Control and Crime Prevention.

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 was 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 and places the organisation in a significant

position to respond to the ongoing and future challenges. The workload of the CFATF is very specialized, intricate and ever increasing.

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 Executive Director

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

Ms. Dawne Spicer- Deputy Executive Director in February 2008, who joined the Secretariat as a Legal Advisor in 2001

Mr. Roger Hernandez- Financial Advisor since October 2001.

Ms. Julia James-Administrative Manager, since August 2009, who joined the Secretariat as an Administrative Assistant in February 2003.

Mr. Jefferson Clarke-Law Enforcement Advisor since May 2007.

Ms. Samantha Thompson-Administrative Assistant since August 2009.

Ms. Carmen Solano- Translator/Administrative Assistant since May 2012.

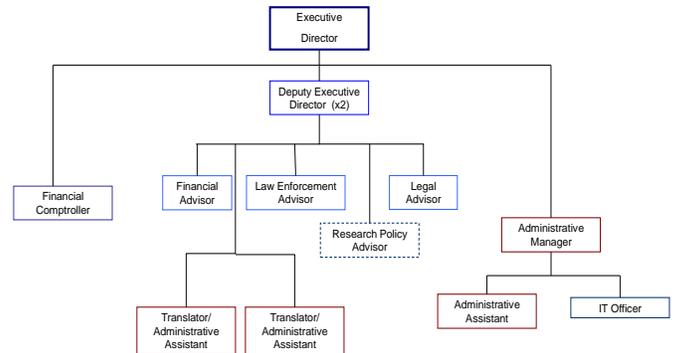
Ms. Magdalene Walcott- Financial Comptroller since July 2012.

Mr. Eduardo Gamero- Information Technology Officer since September 2012.

Mrs. Diana Firth, Deputy Executive Director since May 2013, and

Ms. Ana Folgar Caceros, Legal Advisor since September 2013.

CFATF STRUCTURAL ORGANISATIONAL CHART



During the period under review the Steering Group interviewed and appointed a second Deputy Executive Director, Mrs. Diana Firth, to better serve our Spanish speaking membership after the departure of Deputy Executive Director Ernesto Lopez. The CFATF was able to find a replacement for the Legal Advisor who commenced work in September 2013 and was involved in the Fourth Round of Mutual Evaluations training processes.

Chairman Cherno Jallow C.Q. expressed his thanks and appreciation to Guatemala, Venezuela, Virgin Islands and the CFATF Secretariat whose representatives actively reviewed the applications, conducted the interviews, and came up with recommendations of candidates which was considered by the Steering Group as the best.

PREMISES

Through the continued kindness and generosity of the Government of Trinidad and Tobago, the Secretariat in December 2013 was relocated to very spacious premises on Level 21, Nicholas Tower, Independence Square, Port of Spain, Trinidad and Tobago.

The process entailed undertaking a detailed review of the CFATF Headquarters Agreement with the Government of Trinidad and Tobago (GOTT) with a view to entering into a partnership arrangement with another international organisation in Port-of-Spain in order to share and reduce costs, or to relocating the

CFATF Secretariat to a larger and more suitable accommodation.

One of the principal drivers was the growing needs of the CFATF as a consequence of the dynamic global AML/CFT agenda. Another influential factor was the future needs of the organisation and its membership as a whole.

After considerable thought, the idea of sharing premises with another international organisation in Port-of-Spain was explored and considered not to be feasible. Given the urgency of the matter, the Secretariat staff, at the earliest opportunity engaged in constructive and fruitful dialogue with the GOTT, culminating in the GOTT identifying larger and more comfortable premises to relocate the Secretariat.

Formal approval for this was given in September 2013 and actual entry into the new premises occurred in early December 2013. In light of ongoing financial constraints, the Council of Ministers in August 2013 approved a small budget of USD \$10,200.00 for refurbishment of the new premises.

STAFF REMUNERATION

The following initiatives were undertaken during the period under review in relation to staff remuneration:

- (a) Streamlining the salary scales and job descriptions of the CFATF Secretariat staff in order to bring about synergy in the overall remuneration package of staff and ensure greater efficiency in the work of the Secretariat. This task was undertaken by the Steering Group and completed in February 2013.
- (b) Conducting a comparative analysis of the CFATF's volume and nature of work in relation to other FSRBs. The CFATF gathered all relevant information with respect to the other FSRBs, however the completion of this task was tied to ongoing work within the FATF Global Network Co-

ordination Group (GNCG). Accordingly, during the period under review there was nothing further for the CFATF to perform in the short term as the comparative analysis relates to and affects all the other FSRBs.

- (c) The task of carrying out a needs assessment of sustainable capacity development and training of CFATF employees was completed in February 2013, and was carried out in tandem with a review of the Secretariat staff job descriptions. The result was the training of four staff in areas relevant to their specific assignments. A long term training programme was also developed to be implemented by the Executive Director of the CFATF.

THE ORGANISATIONAL WORK PROGRAMME

THE CHAIRMAN'S WORK PROGRAMME 2012-2013

During the period under review, all activities for the CFATF pivoted from the Work Programme for 2012-2013 presented by Chairman Cherno Jallow Q.C. on behalf of the Virgin Islands, which began its term as CFATF Chair on November 15th 2012.

The principal goal of the Work Programme was to carry forward the good work of previous Chairmen and bring to a successful close the CFATF programme of reflection, introspection and reform.

The other items on the British Virgin Islands Work Programme identified the following priorities:

- (a) Ensuring timely payment of members' annual contributions to the CFATF in order to better address the CFATF's operational activities;
- (b) Tightening the sanctions regime for non-payment or late payment of annual contributions by effecting amendments to the Memorandum of Understanding (the CFATF's constitutional document);

- (c) Ensuring greater members' participation in the work of the CFATF, including in the various working groups;
- (d) Gradually preparing members for the Fourth Round of Mutual Evaluations and strengthening the work of the CFATF International Cooperation Review Group (ICRG) to ensure timely compliance with AML/CFT reform action plans;
- (e) Initiating dialogue with regional financial institutions to commit to the work of the CFATF and making appropriate financial contributions to the organisation;
- (f) Encouraging regional organisations to attend CFATF Plenary meetings and take their rightful positions in the work of the organisation;
- (g) Promoting the holding of compliance conferences on AML/CFT issues in member countries which could also double as a fund raising exercise for the CFATF;
- (h) Monitoring ongoing work in the FATF in relation to the issue of corruption and money laundering to ensure appropriate regional sensitisation on the subject in order to be properly prepared for any necessary reforms in this area;
- (i) Making an outreach to other FATF Style Regional Bodies (FSRBs) to exchange experiences that could aid the efficient and effective functioning of the CFATF;
- (j) Supporting the enhancement of the development and reform of the CFATF website in order to make it more user-friendly so that members can utilise it more; and
- (k) Encouraging the provision of technical assistance between members and specific facilities as may be requested from members from time to time.

THE MUTUAL EVALUATION PROGRAMME



The Mutual Evaluation Programme is a crucial aspect of the CFATF's work 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.

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

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 three Rounds of Mutual Evaluations of its Members. In early 2005 The CFATF commenced the Third Round of Mutual Evaluations which came to a close at the end of 2012 with the assessment of St. Maarten.

With the end of the Third Round of Assessments, the CFATF 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 average 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.



Yet we do 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.

THE FOLLOW-UP PROCESS

The CFATF Follow-up process can be qualified as an essential part of the Mutual Evaluation Programme and applies where the Mutual Evaluation Report shows that 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.

It also 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 for the Third Round of Mutual Evaluations has a number of reporting

regimes depending on the progress being made by countries in rectifying the outstanding deficiencies identified in their respective Mutual Evaluation Reports. Progress is encouraged and enforced through a wide ranging and robust sanctions procedure which has already been implemented with exemplary results.

At the close of the period under review, viz. November 2013, the following chart provides an insight into the progress countries were making with their individual reform programmes.

Biennial	Enhanced	Regular Expedited	Regular
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Cayman Islands	Belize	Anguilla	Antigua & Barbuda
Virgin Islands	Dominica	Barbados	Aruba
	Dominican Republic	El. Salvador	Bermuda
	Grenada	Jamaica	Curacao
	Guyana	St. Kitts and Nevis	Guatemala
	Haiti		
	St. Vincent & the Grenadines	St. Lucia	Honduras
	Suriname	St. Maarten	Montserrat
			Nicaragua
	Trinidad and Tobago		The Bahamas
	Turks and Caicos Islands		Venezuela

The global economic and financial crisis has been particularly problematic for the small economies of the member countries of the CFATF. The FATF

International Cooperation Review Group (ICRG) considers the pace of reform in rectifying strategic deficiencies has sanction powers which have economic implications.

Accordingly, the CFATF membership must be mindful of the considerable dangers of averting their focus from the task of expeditiously and appropriately strengthening the national AML/CFT regimes.

Doing otherwise will imperil the fragile economic positions of many of our jurisdictions, jeopardise recent gains that have been secured and enfeeble the strides being made by national reform programmes.

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, continued to explore every available avenue to dialogue with CFATF Members and all regional international partners.

The aim was to garner resources which could 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.

One of these avenues for facilitating such an outcome was the CFATF International Cooperation Review Group (CFATF ICRG) initiative. In tandem with the Follow up process, this framework is firmly directed to expediting the pace of national efforts to rectify the deficiencies identified in the Third Round Mutual Evaluation Reports.

THE CFATF INTERNATIONAL COOPERATION REVIEW GROUP (CFATF ICRG) INITIATIVE

The CFATF ICRG was mandated to bring all CFATF Members into full compliance with the FATF 40 and 9 Recommendations with particular reference to those CFATF members that had met the criteria for review by FATF ICRG but were yet to be reviewed.

These countries were encouraged to develop and implement Action Plans with appropriate remedial

measures, to address the existing deficiencies with the necessary speed before they were reviewed by the FATF.

Success in this regard was dependent on the level of cooperation from the countries as they developed and adhered to the timelines of the Action Plans to undertake the reform process.

The CFATF ICRG's mandate also include providing advice in terms of how best compliance may be achieved given the group's familiarity with the FATF ICRG review process and encouraging affected countries to fully utilize the window of opportunity to rectify the deficiencies ahead of the commencement of the FATF review.

The CFATF ICRG recognized that the FATF ICRG review process had serious implications for individual jurisdictions and that it was important that the CFATF as a whole adopted a serious approach to reforming their AML/CFT regimes in keeping with the FATF 40 plus 9 Recommendations. In this regard, particular consideration had to be given to compliance levels with the FATF Core and Key Recommendations.

The Council of Ministers also empowered the CFATF ICRG to ensure that CFATF Members adhered to the Follow up Procedures through the ability of the CFATF ICRG to make recommendations for sanctions in the event of non-compliance.

The Council of Ministers also mandated that the CFATF ICRG should be more intrusive and firm with CFATF Members in order to achieve higher levels of compliance with the FATF 40 plus 9 Recommendations.

The CFATF ICRG provided regular reports to the CFATF Plenary and Ministerial Meetings giving updates on developments with the work of the CFATF ICRG process in order to ensure greater synergy and a more robust approach to the review of Members' performance of their AML/CFT reform obligations.

TECHNICAL ASSISTANCE AND TRAINING

The ongoing delivery of Technical Assistance and Training projects to all CFATF jurisdictions is critical to strengthening national and regional capacity. It is also important to facilitating the expeditious rectification of the deficiencies identified in the Mutual Evaluation and Follow-up Reports, as well as avoiding being publicly identified as a country having strategic deficiencies which pose a threat to the international financial system.

The CFATF Donors' Forum is a mechanism which seeks to match membership AML/CFT needs with available donor resources. In this setting the CFATF ICRG and CFATF donor partners sought to bring a sense of urgency to the national reform efforts.

The CFATF Donors Forum also allowed the CFATF ICRG to draw on the CFATF's long and rich history of intra-membership training and technical assistance. Here those CFATF Members whose AML/CFT regimes demonstrated a high level of compliance with the FATF 40 plus 9 Recommendations were called upon to participate in the Technical Assistance and Training exercises.

This facilitated south – south cooperation by drawing on the expertise within the CFATF membership with the CFATF Secretariat acting as coordinator. For example, the Gaming Board of The Bahamas was engaged to assist CFATF ICRG jurisdictions, where relevant, over a period of time.

This initiative on membership co-operation is fully supported by the CFATF Steering Group; members have been made aware of this arrangement and have been encouraged to make use of it by submitting specific requests through the CFATF Secretariat which will interface with the relevant jurisdictions that may be able to provide such assistance.

MEMBERSHIP PARTICIPATION

In relation to Members' participation in the work of the CFATF; the CFATF has seen tremendous

improvement in the last year. More members volunteered to serve in the various Working Groups than ever before and participation has been exemplary. Members recognised that the credibility of the organisation in part hinges on Members taking the right decisions in relation to their peers.

Consequently, for the first time at the May 2013 Plenary the decision was taken to issue public statements against three Members whose AML/CFT reform processes were considered to be either too slow or not meeting the threshold as outlined in their respective action plans.

As an organisation of Members, the CFATF does not relish in such action, but the credibility of the organisation rests on the shoulders of its Members to engage in open and frank discussions and to take the right decisions. The CFATF ICRG has been instrumental in assisting Members under its review and exerting appropriate firmness to encourage necessary reforms.

Drawing on his prior experience of the CFATF ICRG process when he chaired the working group, Chairman Cherno Jallow Q.C. engaged with the CFATF ICRG Co-Chairs to discuss issues and provide appropriate policy guidance.

The strength and valuable work of the CFATF ICRG has been recognised at the FATF level and all CFATF stakeholders together must continue to recognise and support the work of the CFATF ICRG, especially as the organisation steers its Members away from the follow-up process and prepares them for the Fourth Round of Mutual Evaluations.

In preparation for the Fourth Round of Mutual Evaluations (MEs), the CFATF has been very active in its involvement in the finalisation of the revised FATF Recommendations and the Methodology as well as the Procedures to be used in relation to the MEs.

The CFATF has prepared a schedule of the MEs to be conducted of its Members commencing in 2015 and ending in 2021, however, discussions continue on the funding arrangements for MEs - a process that was not yet concluded at the close of the period under review.

In preparation for the MEs, Member countries will be trained on how to conduct National Risk Assessments (NRAs), considering that taking a risk-based approach is now a requirement under the revised Recommendations (Recommendation 1) and permeates practically all the Recommendations in terms of ensuring effectiveness.

The first training seminar on the NRAs will be conducted in the British Virgin Islands from 9 – 11 December, 2013 for eleven CFATF Members, to be followed in February 2014 by another for the Spanish speaking Members and the last one for the remaining Members to be conducted hopefully by March 2014.

The World Bank had agreed to assist in the conduct of the training and some funding had been secured, but the Secretariat continues to actively engage its partners for further funding.

Another critical aspect of the preparations that are required for the Fourth Round is identifying the role of senior government officials on Mutual Evaluation Missions for the Fourth Round of Mutual Evaluations.

This is designed to ensure that identified officials will be appropriately trained and will be in a position to bring significant value to the Mutual Evaluation process (which forms the core functions of the CFATF).

Whilst the pool of officials is limited, a programme has been established to steer this process forward, with the acknowledgment that the biggest challenge will be retaining officials to participate in Mutual Evaluations after they have been trained. There is ongoing work within the FATF on the same subject and the CFATF will enhance its own regime if the FATF process identifies elements not already covered or considered.

THE CFATF WORKING GROUPS

Chairman Cherno Jallow Q.C. recognised the central role that the CFATF Working Groups play in the life and successes of the CFATF and the tremendous and time consuming assignments which require

dedication and commitment that are undertaken by public sector officials who volunteer their services.

In extending his profound thanks and appreciation to the Chairs and Co-Chairs of the various working groups of the CFATF and their members– the ICRG, WGFI, WGTYP and the Heads of FIUs Forum, he noted that the assignments that these Working Groups carry out contribute in no small measure to the maturity, credibility, strength and sense of purpose of the CFATF.

As an organization it is incumbent on the CFATF to recognize the non-financial contribution that these dedicated and committed officials carry out on behalf of its members.

A call was issued to all CFATF Members to join the Working Groups to share in the responsibility of running the organization, especially those that currently did not have any representation on any of the working groups, to seriously consider volunteering their services for the common good of the CFATF.

FINANCE

OUTSTANDING CONTRIBUTIONS-2012-2013

The high levels of outstanding contributions from the membership which stood in excess of United States dollars (USD) \$200,000.00, was the principal driver for the process of introspection, reflection and reform which commenced in May 2010.

Accordingly for the period under review the focus of the Council of Ministers, Plenary, the Steering Group and the Secretariat was the financial health of the CFATF as a whole.

During 2012-2013 there was extensive consultations between the Steering Group and the Secretariat on a whole range of issues including the implementation of the Operational Work Plan and Budget 2013 with a view to continuing the rigorous cost cutting measures which were in place at the start of the reform process.

Led by Chairman Mr. Cherno Jallow Q.C., the Secretariat pursued a robust chase-up campaign with those Members who were still in arrears for 2012 by not submitting their annual contribution for that year in a timely fashion.

In this regard, the two CFATF members that had outstanding contributions as at the November 2012 Plenary eventually effected payment soon after dialogue was established with the respective authorities.

However, in order to ensure that contributions were remitted on a timely basis, the Steering Group devised proposals to amend the CFATF Memorandum of Understanding (MOU), to provide for a surcharge for late payment of contributions and the application of appropriate sanctions. These amendments to the MOU were subsequently approved by the Ministerial Council.

As at November 2013, the majority of CFATF Members had effected early payment of their contributions, with only two Members with outstanding contributions. However, the CFATF is confident that the outstanding contributions would have been paid shortly thereafter as efforts continue to dialogue with the Members concerned.

It was recognised that Members' annual contributions were not sufficient to fully cover all of the CFATF's operational expenses. Additionally, bearing in mind the 2011 Ministerial Council decision that annual contributions must not be raised for at least five years, the CFATF initiated steps for raising funds to supplement the annual contributions and establish a reserve fund.

Prior to the period under review, the CFATF Secretariat had initiated the process of organising and conducting Compliance Conferences. Accordingly, Member countries had been encouraged to promote the convening of such conferences in their jurisdictions.

During 2012-2013, Compliance Conferences were held in Barbados and the Virgin Islands. The profits earned were either shared with the organisers in the jurisdictions concerned on an agreed percentage basis or received in full by the CFATF after defraying costs.

The CFATF raised the sums of USD \$25,336.00 (from the Barbados Compliance Conference) and USD \$68,000.00 (from the Virgin Islands) which was rounded up to USD \$70,000.00 by the BVI Financial Services Commission.

These conferences have proven to be extremely useful, and based on the experience of the one held in the Virgin Islands, the private sector participants thought that they should be organised annually. Over the years since its inception in 2000, the hosting of Compliance Conferences has contributed to CFATF revenues and it is anticipated that in the future this trend will continue as a viable and indeed reliable source of additional income for the CFATF. All CFATF Members have been encouraged to dialogue with the Secretariat to arrange for such conferences in their jurisdictions, because having such conferences is a win-win situation that should be wholeheartedly embraced. The Compliance Conferences are not simply for revenue generation, but most importantly they provide the opportunity to educate the private sector and other stakeholders on the established standards on AML/CFT.

Another mechanism for generating revenue was CFATF outreach to regional financial institutions and organisations. In pursuit of this endeavour, the CFATF developed a Business Case document which was presented by Chairman Cherno Jallow Q.C. and the Executive Director Calvin Wilson at the CARICOM Central Bank Governors Meeting in Belize City in May 2013.

Essentially, the document presented the need for greater involvement of regional financial institutions in CFATF affairs given that they all have a stake in the continued viability of the organisation. Accordingly, they were invited to consider making financial contributions to the CFATF.

By the end of the period under review, the CFATF had not received any firm commitment for financial contribution. However, it was agreed that this dialogue would be followed up through further contact, and suggestions were made that it might be better that individual approaches be initiated to ensure an in-depth discussion of the issues contained in the document. This matter is to be advanced by the CFATF Secretariat.

Chairman Chernó Jallow Q.C. at the opening of the November 2013 Plenary lamented his grave concern with regard to the absence of regional organisations and financial institutions at CFATF Meetings. It is hoped that his clarion call for closer engagement with the CFATF will at some point in the near future resonate with the relevant institutions and that they will take their rightful places as Observers within the CFATF.

Following the successful hosting of the XXXVI Plenary in the Virgin Islands in November 2012 which was wholly underwritten by the Virgin Islands (save for the air fare of the Secretariat staff and their per diems), the Steering Group endorsed the Chairman's proposal that for the future, Members hosting Plenary meetings would be encouraged to underwrite the whole or part of the costs associated with the plenaries.

This would reduce the cost to the CFATF as the organisation continues to stabilise its financial position in the long term. As a consequence, Nicaragua was able to undertake this challenge during the last Plenary held in May 2013 in Managua and the Bahamas followed with the hosting of the November 2013 Plenary.

The CFATF's overall financial position as at November 2013, was shown to be sounder, compared to what it was at the commencement of the reform process in 2010.

Frugal financial management, following the appointment in July 2012 of a qualified accountant to take on the role of Financial Comptroller, is recognised as the most viable tradition that the CFATF must tread.

The establishment of the BAC is seen as creating the necessary oversight into how the finances of the organisation are managed and accounted for.

Thus the 2014 Budget was drastically reduced from an initial deficit of more than USD \$75,000.00 to a mere USD \$3,865.00. Furthermore, the CFATF has developed budget projections for a five year period (up to 2017) keeping in focus the organisation's long term financial needs and thus allowing for responsible financial planning and management.

BUDGET REVIEW 2013

The Operational Work Plan and Budget for 2013 was premised on the provision of adequate human and financial resources for the CFATF Secretariat which is critical to the ability of the CFATF to operate in an effective fashion, mindful of the need for qualified staff, higher work quality and the overall increasing workload.

The provisions in the annual budget for 2013 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.

THE AUDITED FINANCIAL STATEMENTS FOR 2012

During 2013, the CFATF continued its policy of the Council of Ministers being presented with and adopting the Audited Financial Statements on an annual basis.

In keeping with the mandate from Ministers, the Secretariat ensured that the Audited Financial Statements for 2012 were circulated before and presented at the May 2013 Plenary meeting.

Special Ministerial Meeting IV which was held in August 2013 endorsed the Audited Financial Statements for 2012.

CFATF REFORM PROCESS

The formulation of the Caribbean Financial Action Task Force CFATF Reform Process came against a backdrop of a two year period of introspection and self-examination which was initiated by former Chair Mrs. Ersilia de Lannooy of the Netherlands Antilles as it then was in May 2010, resolutely continued thereafter by former Chair Honourable Samuel Bulgin Cayman Islands and successfully brought to a close by Chairman Mr. Manuel Gonzalez, Venezuela and Chairman Cherno Jallow, QC, Virgin Islands.

The process entailed a review of the organisation's governance, administration and leadership structures to ensure that it could effectively and efficiently undertake its mandate as the regional institution for AML/CFT compliance.

Throughout the Reform Process, the CFATF had the fullest support from the CFATF Group of Cooperating and Supporting Nations (COSUNs), who every step along the way welcomed the advances of the CFATF reform programme.

The principal goal during the period under review was to carry forward the good work of previous Chairmen which began in May 2010 and bring to a successful close the CFATF reform programme and the attendant reporting obligations to the FATF Plenary on progress made with specific areas of reform.

The CFATF is of the strong conviction that having achieved this goal, it is now better poised to move forward with confidence to entrench and sustain the reform achievements of the last two years plus.

The Organisation remains resolute in its determination not to turn the clock back, but to forge ahead to strengthen regional and global efforts in effectively combating activities relative to money

laundering, terrorist financing and proliferation financing, and indeed all forms of financial crime.

At the close of his term in November 2013, which saw the formal end of the CFATF Reform Process, Chairman Cherno Jallow Q.C. commented on the need for continuing the Reform Process into the future and being confident that the positive reforms already achieved will be sustained in the long term.

He recalled the difficulties experienced during the process of reform but expressed his confidence that the CFATF was fully determined to ensure that there was no reversal to the achievements gained thus far and that the CFATF would continue to be strengthened in its governance structures and administration.

THE STEERING GROUP

Since assuming the Chairmanship of the CFATF, the Virgin Islands ensured a regular monthly meeting of the CFATF Steering Group in order to complete the remaining items on the organisation's reform agenda and to push forward the initiation of certain actions considered necessary for the efficient and effective governance of the organisation.

Both the Budget and Audit Committee (BAC) and the Human Resource Committee (HRC) (both being sub-committees of the Steering Group) were established during the period under review.

The BAC, comprising The Bahamas, Barbados, Bermuda and Virgin Islands, essentially reviews monthly financial management reports generated by the Secretariat and reviews the budget to advise the Steering Group as necessary. This serves as an effective check and balance with regard to the CFATF Secretariat expenditures and also helps to build efficiency into the system thereby shortening the Plenary discussions on financial matters.

The HRC, on the other hand, deals with human resource matters relative to the effective functioning of the Secretariat. Its immediate tasks were to review the existing performance appraisal system in order to ensure an effective regime with a balanced remuneration framework and to research and

develop an appropriate pension plan for the Secretariat staff. This sub-committee comprised Bahamas, Virgin Islands and Canada.

One of the very important initiatives related to the Steering Group was the endorsement of the call to all Members to make extraordinary financial contributions to the CFATF in order to supplement the organisation's budgetary commitments and help to establish a reserve fund.

Two Members, The Bahamas and Virgin Islands contributed USD \$30,000.00 and USD \$60,000.00 respectively, with other members pledging to respond positively. The CFATF will continue dialogue with Members to encourage the making of extraordinary contributions. The CFATF membership was further encouraged to do all that was necessary to strengthen and sustain the financial position of the organisation.

A Reserve Fund was re-established with the extraordinary contributions received during the period under review, and the BAC was tasked to develop appropriate policies with regard to other monies that would be remitted to and form part of the Reserve Fund, and how it was to be administered. The agreed objective was to build the Reserve Fund to an appreciable level to serve as a viable cushion for the long term financial sustainability of the CFATF.

In order to prevent frequent amendments to the CFATF MOU, the Council of Ministers in August 2013 endorsed amendments which enabled the making of By-Laws by the Steering Group subject to the approval of the Ministerial Council, and allowed for the staggering of appointments of members of the Steering Group.

As a consequence, the incoming Steering Group which was due to take office after the November 2013 Plenary will see the offices of the non-ex officio members appropriately staggered such that not all terms of office will come to an end at the same time. This feature was particularly relevant for continuity purposes.

EXTERNAL RELATIONS

FINANCIAL ACTION TASK FORCE

In February 2008 the CFATF became the fifth Associate Member of the FATF, a significant accomplishment which gave 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.

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

During the period under review, the FATF agenda included several key issues which were under consideration and for which regional input was desirable. This was particularly important 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 continued to urge strong involvement by the CFATF membership in all aspects of the FATF agenda, and indeed throughout the period under review the presence of CFATF members at FATF Plenary meetings has been significant as has been their input in the issues facing the global AML/CFT network.

THE FATF SECRETARIAT

The CFATF and FATF have excellent relations with the working experience between staff of both Secretariats. FATF Secretariat Policy Advisor Mr. Richard Berkhout, contributes to the strengthening of the relationship between both organisations.

During the period under review the CFATF took a particular interest in relation to the monitoring of FATF work on corruption as it relates to money laundering and the CFATF Secretariat actively participated in the anti-corruption exercise as the FATF continued to engage with the G-20 Anti-Corruption Working Group.

On 12th October, 2013 the FATF convened a meeting in Paris to continue its work on this subject jointly with the G-20 Anti-Corruption Working Group by discussing the FATF “Best Practices Paper on the Use of the FATF Recommendations to Combat Corruption” which essentially sought “to identify key challenges in determining the beneficial ownership of legal persons and arrangements in corruption cases, including the problems caused by the lack of beneficial ownership information, and what effective measures can be implemented to overcome these challenges, and to build on the previous discussions between the FATF and the G20 on issues related to combating corruption, and leveraging synergies between AML/CFT and Anti-Corruption efforts”.

Chairman Cherno Jallow Q.C. has noted that this subject will continue to be a priority matter for the organisation continuing into the future because the journey does not end with the Virgin Islands’ Chairmanship; it is just beginning.

As a direct outcome of the process of introspection, reflection and reform, the CFATF during the period under review, witnessed a significant number of CFATF Members attending FATF Plenary meetings and Chairman Cherno Jallow Q.C. has expressed his desire that this renewed interest will continue, as it enables our Members to learn first-hand of the ongoing developments within the FATF which, hopefully, they could share with peers within the CFATF.

THE FATF GLOBAL NETWORK CO-ORDINATION GROUP

In June 2012, Ms. Dawne Spicer, CFATF Deputy Executive Director was elected Co-Chair of the FATF Global Network Co-ordination Group (GNCG) which was established in February 2012 to deal with relations between the FATF and the FATF Style Regional Bodies (FSRBs).

The remit of the GNCG includes attempting to resolve problems identified in the operations of the FATF/FSRB, and it also is responsible for developing and exchanging best practices in this area.

During this year, the CFATF undertook an outreach to one of the FSRBs, namely the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) with Chairman Cherno Jallow Q.C. and Executive Director Calvin Wilson attending the ESAAMLG Plenary meeting in April 2013 in Arusha, Tanzania, to discuss and share experiences, especially considering the fact that the CFATF was instrumental in assisting with the establishment of ESAAMLG many years ago. Chairman Cherno Jallow Q.C. has encouraged that this constructive dialogue will be replicated in the coming years.

THE GROUP OF CO-OPERATING AND SUPPORTING NATIONS

The CFATF COSUNs, all of whom are FATF members, continued to play a significant role in the growth and development of the CFATF, contributing both human and financial resources to all CFATF endeavours for which the CFATF membership is enormously appreciative.

During November 2011-November 2013 Canada was the COSUN Representative to the CFATF and collectively, the COSUNs continued to support the work of the CFATF through the application of their annual contributions to the following activities:

CANADA

Canada contributed USD \$30,000.00 which was utilised to support the attendance of CFATF Secretariat at CFATF events such as the National Risk Assessment Workshop which was held in the Virgin Islands and FATF events such as FATF Plenary meetings and the FATF Public Consultative Forum. Decisions are to be taken after dialogue between the Secretariat and Canada.

FRANCE

During 2013 France contributed USD \$40,095.00 which was used for the provision of technical assistance and training on AML/CFT issues as well as the Mutual Evaluation Programme in keeping with the terms of a formal agreement between France and the CFATF.

MEXICO

During the period under review Mexico provided USD \$15,000.00, to support the attendance of CFATF Secretariat at CFATF events such as the National Risk Assessment Workshop which was held in the Virgin Islands and FATF events such as FATF Plenary meetings and the FATF Public Consultative Forum.

SPAIN

Spain's contribution for 2013 was USD \$93,204.00 for the delivery of eight (8) AML/CFT courses coordinated by the Secretariat, for the benefit of enhancing AML/CFT capacity within the CFATF Spanish speaking Members.

UNITED STATES OF AMERICA

During 2013 the United States of America provided USD \$25,297.00 which was used towards the costs for the development of the CFATF Website.

CONCLUSION

The achievements of the CFATF for November 2012-November 2013 under the Chairmanship of the Mr. Chernov Jallow Q.C., Virgin Islands was aptly captured at the Opening Ceremony of CFATF Plenary Meeting XXXVII in The Bahamas during November 2013 in the congratulatory words of FATF President Mr. Vladimir Nechaev who noted that "At this meeting, I am able to state without a doubt that CFATF should now be perceived as one of the best in its class".