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**Speech by FATF President Vladimir Nechaev at the 3rd Caribbean Conference on the International Financial Services Sector**

***3rd Caribbean Conference on the International Financial Services Sector***
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**Introduction**

Honourable Allyson Maynard-Gibson, Attorney General of the Bahamas and Chairperson of the Caribbean Financial Action Task Force,

Honorable Damian Gomez, Minister of State,

Honourable Ministers and Attorneys-General from Caribbean nations,

Distinguished delegates and colleagues,

Thank you for inviting me to attend this very important meeting. This is the second time that I am in the Bahamas during my one year term as FATF President. I have fond memories of Grand Bahama and I enjoy being in Nassau. Hopefully there will be more meetings in the Bahamas in the future.

Regretfully, I was not able to attend the first two days of this conference due to other meetings. However, I have taken a careful look at your agenda to see what you have discussed so far and I will take the opportunity to add some information on the work of the FATF, and the opportunities it provides to the Caribbean.

Today, I would like to commence with brief overview of the FATF, its mandate and membership, and its cooperation within the global network of FATF-style regional bodies. Thereafter I will share some ideas with you on how the Caribbean can improve its input to FATF. I will conclude with an overview of why compliance with the FATF Recommendations is so important for the success of the international financial services sector in this region.

**FATF Private Sector Consultation**

But before I start with these topics, let me update you on the latest FATF activities which took place just a week ago. Last week, the FATF held two important meetings in Brussels. Both involved the private sector.

The first was on [Data Protection and AML/CFT measures](http://www.fatf-gafi.org/topics/fatfgeneral/documents/meeting-data-protection-24-march-2014.html). At the meeting, participants from delegations and the private sector recognised that both AML/CFT and data protection requirements serve important objectives which are not inherently mutually exclusive. However, general data protection requirement may negatively impact effective and risk-based AML/CFT implementation, unless they take into account the specificities of the fight against financial crime. In particular, participants noted that inconsistent legal frameworks across different jurisdictions create implementation challenges, particularly for the private sector. The FATF will remain vigilant so that AML/CFT measures are implemented effectively in all jurisdictions.

The second meeting was the [FATF Private Sector Consultative Forum](http://www.fatf-gafi.org/topics/fatfgeneral/documents/private-sector-march-2014.html), the annual meeting of FATF, FATF-delegations and the private sector. The focus of this year’s meeting was the Risk Based Approach, and the guidance that FATF is preparing for the different sectors. In addition, we discussed virtual or digital currencies, and about formatting of UN – targeted financial sanctions lists. The Forum plays an important role in fostering effective implementation of the FATF Recommendations and it is the place for FATF delegations and participating global and regional private sector bodies to have a frank exchange of views. It may be beneficial for the Caribbean to set up a similar structure under the umbrella of CFATF.

**Mandate and Membership**

A few words of introduction for those who may not be familiar to the FATF. The FATF is the global standard setter on combatting money laundering and the financing of terrorism and proliferation of weapons of mass destruction. The FATF is an inter-governmental body, which was established in 1989 by the Ministers of its Member jurisdictions. The FATF is underpinned by a ministerial mandate, meaning that our actions are directly shaped by what our members decide our objectives should be.

I would like to briefly touch on the evolving membership structure in the FATF. From its establishment in July 1989, the FATF has grown to become a body where 34 member countries, two regional organisations and eight FATF-style regional bodies, or FSRBs, cooperate. The Caribbean FATF is the oldest FSRB.

The regional bodies have gained a stronger status under the new mandate and currently take part in all FATF activities as Associate Members. Together, these members comprise the Global Network of FATF, which currently includes 192 jurisdictions, with 6 more countries on the way to membership. All member and prospective member countries of FATF and of FSRBs have to submit written political level endorsement of the FATF Recommendations and agree to full implementation of them and to undergo a peer assessment of compliance. In return, all countries of the Global Network have access to our documents and meetings. For example, at the most recent February 2014 FATF Plenary meeting, I welcomed 620 delegates representing approximately 115 countries and 20 observer organisations.

The voice of all members of the Global Network is heard at our meetings. As a technical body that sets a standard that is globally applicable we take careful note of the views expressed by FSRB members. I should also stress that, contrary to many outsiders’ expectations, the fact that FSRBs and their members have no official vote in FATF does not limit their ability to provide input. FATF decisions are taken by consensus, and during our meetings sound proposals by FSRBs are picked up by the FATF membership.

At FATF we are well aware of the fact that some voices sometimes incorrectly describe the FATF as a closed shop of countries that imposes its rules on others. The openness of FATF meetings and the cooperative nature of the Global Network shows otherwise.

**CFATF engagement in FATF**

Given that Caribbean nations are rightfully serious about playing an important role in the international financial services sector, active involvement by the region in FATF and compliance with the FATF Recommendations is a necessity. I realise that it is a challenge for smaller nations to keep up with the work and output of so many regional and international bodies. For this reason, I would like to share with you some ideas how the region can efficiently organise its input to FATF.

One of the key priorities of recent CFATF Chairs has been to encourage CFATF members to set up anti-money laundering coordination committees within their countries. I couldn’t agree more with this priority. The FATF Recommendations touch upon so many issues and involve so many agencies that it is not possible to implement the Recommendation effectively without national coordination.

A national coordination mechanism, if successfully implemented, will involve the financial intelligence unit, Ministries of finance, justice and foreign affairs, law enforcement bodies, the prosecution service, customs, tax authorities, financial supervisors and regulators, regulators of non-financial businesses such as casinos, security and intelligence services, self-regulatory bodies and so on. It should also involve private sector representatives when relevant; who should realise that compliance with the FATF Recommendations is a public and private sector interest. In addition, it is important that national coordination is supported at the political level, and that there is political accountability at every stage.

It is equally important for this region to organise itself at the regional level. We are currently witnessing a consolidation of Spanish speaking Central American and Caribbean nations in GAFISUD, the FSRB for Latin America. This presents a vulnerability for CFATF. For example, fewer members for CFATF means that the level of contributions to CFATF for the remaining members may need to rise. Yet, it is important to realise that regional consolidation also allows for greater synergy and will lead to efficiency gains for the Caribbean as a whole.

I would suggest that the region exploits regional commonalities through better use of the intergovernmental structure that CFATF offers. Much can be done to make even better use of CFATF than currently is the case, even if this means more pooled resources for the organisation to cover for new tasks. This includes updating each other on recent national and international developments, discussing and exchanging practical examples of compliant implementation of the FATF Recommendations, a more extensive coordination to prepare joint input to FATF, and undertaking technical assistance coordination. All of this will lead to efficiency gains for CFATF members and will reinforce CFATF’s standing in FATF.

**The need to comply with the FATF Recommendations**

The theme of this conference is “The Caribbean Engaging the World in Financial Services”. I think this is a very important topic. I have carefully read the conference programme and I would like to highlight a sentence from the welcome message from the Honourable Mr Ryan Pinder, Minister of Financial Services of the Bahamas.

In his welcome statement, Minister Pinder indicates that “the strengths and success of the Caribbean’s financial services sector will continue to be determined by the individual actions of our countries which impact the reputation of the region collectively”.

I subscribe to these words, and I would like to explain to you what this means in my view in practice for the Caribbean region in relation to the FATF Recommendations.

First of all, let us take a look back at the previous round of mutual evaluations which took place approximately between 2004 and 2010. In this round, CFATF, FATF, other FSRBs, IMF and World Bank all used the same Methodology for assessing the compliance with the FAFF Recommendations. Over 170 countries were assessed.

What strikes us when we compare the results from the evaluations is that, in general, CFATF countries achieved low ratings for compliance with the FATF Recommendations. This is despite the fact that in discussions at CFATF Plenary meetings some delegations suggested that some of the ratings  were considered relatively generous when compared to the underlying deficiencies.

At the same time, I should stress that some other CFATF members achieved relatively high ratings, and that some countries that initially received lower ratings have successfully addressed their deficiencies. This is an indication that the FATF Standard is not too high for the Caribbean.

Minister Pinder’s words do not only remind us of the need to cooperate with each other to assist in the implementation of the FATF Recommendations. They also remind us of the need to hold each other accountable for failure to implement the FATF Recommendations.

The FATF has found that publicly identifying countries, through our ICRG process, has put additional pressure on countries and resulted in important reforms in these countries. Of the 48 countries that FATF has publicly identified, 12 have already made sufficient progress to be removed from our lists, and we expect many more to exit the process over the coming year.

As former CFATF Chair Mr Cherno Jallow from the Virgin Islands envisaged, the Caribbean has set a positive example among FSRBs through the active use of its CFATF’s International Cooperation Review Group to issue public statements on CFATF members that insufficiently implement the FATF Recommendations.

I welcome the fact that CFATF puts pressure on its own members through its own ICRG process. As part of this process, the CFATF has issued a series of statements regarding some of its members; this additional pressure has worked in the case of Dominica, while the FATF has noted the recent CFATF statements on Belize and Guyana. I do like to clarify the role of FATF regarding CFATF public statements.

The FATF does not formally endorse CFATF statements through incorporation into FATF’s list. The FATF and CFATF are independent bodies and we each have our own procedures. The FATF will assess country risks on an ongoing basis and review countries through our ICRG process. At some point, we may take a closer look at countries listed by CFATF through our ICRG process, particularly if the CFATF wishes us to do so. But for now, we have trusted CFATF to deal with the issue itself. I see this as a sign of the trust that the CFATF has built with the FATF. In the meantime, we automatically publish the CFATF’s statements on our website, because we support CFATF’s mechanism in general, and we believe that CFATF’s statements contain important information that is relevant for stakeholders outside the Caribbean region.

I hope this explanation clarifies our policy. Coming back to the original issue that Minister Pinder raised, there is one important lesson that should be drawn from CFATF’s public statements, and that is that they work. They work in terms of encouraging countries to adapt legislation, but most importantly they work to improve the public image of the Caribbean as a region that is serious in its efforts to comply with the international standards which it helped draft and has endorsed at the highest political level.

**Conclusion**

Madam Chair, I have spoken about the FATF, its mandate, about CFATF’s input to FATF, and about the need for international financial services sector to operate in a compliant region. I cannot stress enough that the international financial services sector in this region, with its small home markets, cannot flourish if the FATF Recommendations are not effectively implemented, and if non-compliance is not addressed within the region.

Many more interesting issues could have been raised this morning, but my time today is limited and I would also not deprive you from the possibility to ask questions, now or at the end of this morning session.

I would like to thank you for your attention and for the opportunity to speak to you today.