

**CARIBBEAN FINANCIAL ACTION  
TASK FORCE**

**ANNUAL REPORT  
1996 - 1997**

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## SUMMARY

Costa Rica served as Chair during the third operational year of the Caribbean Financial Action Task Force (CFATF), appointing Minister of Justice Juan Diego Castro as Chairman. During this third operational year, CFATF achievements in both administrative and substantive areas were numerous. Twenty-two Members,<sup>1</sup> including three new Central American governments (Belize, Guatemala, and Nicaragua) subscribed the CFATF Memorandum of Understanding. A work programme including a money laundering typology exercise and a commitment to complete mutual evaluations of all Members by the year 2000, was adopted.

Building upon mandates issued by the October 1996 Council in San Jose, Costa Rica, the Plenary:

- i. Completed stages one and two of the four part money laundering typology programme;
- ii. Added a fifth stage to this money laundering typology programme to be completed in 1998;
- iii. Developed a four year plan to achieve CFATF funding for the Deputy Director position;
- iv. Developed a proposal for a Steering Group which is to assist in the development of internal CFATF policy and procedures;
- v. Reviewed and forwarded to the council mutual evaluation reports for Trinidad and Tobago, Costa Rica, and Panama; and,
- vi. Developed a three year schedule of Mutual Evaluations for all Members.

Mutual evaluation visits to the Dominican Republic and Barbados were completed during the 1996 - 1997 term. Mutual Evaluation visits to St. Vincent and the Grenadines and the Bahamas were scheduled in late 1997. As directed by the Council in Costa Rica, the Secretariat travelled to, met with, and briefed officials in Belize, Guatemala, and Nicaragua which became CFATF Members in 1996. In these visits, the Secretariat also reviewed technical assistance and training needs of these new Members and secured Belize's participation in the Mutual Evaluation of the Dominican Republic.

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<sup>1</sup> As of 8 October 1997, CFATF Members are: Anguilla, Antigua and Barbuda, Aruba, The Commonwealth of the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Dominican Republic, Grenada, Guatemala, Jamaica, Montserrat, Netherlands Antilles, Panama, Nicaragua, Saint Lucia, Saint Vincent and the Grenadines, Turks and Caicos, Trinidad and Tobago, and Venezuela.<sup>2</sup> The MOU was subscribed by: Anguilla, Antigua and Barbuda,

## THE CFATF MEMORANDUM OF UNDERSTANDING

The CFATF Memorandum of Understanding (MOU) was concluded as final by the Council meeting in Costa Rica in 1997 and was subscribed by twenty-one Members.<sup>2</sup> Of these, Belize, Guatemala and Nicaragua were new Members. Through the MOU Members reaffirmed their commitments contained in the Kingston Declaration of 1992, and their commitment to effectively implement the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 40 FATF and 19 CFATF Recommendations adopted in 1990 and 1992, respectively, and, where applicable, the Plan of Action of the Summit of the Americas.

Dominica, Guyana, St. Kitts and Nevis, Suriname, and Venezuela which had participated as Members from the inception of the CFATF were not represented at the Council in Costa Rica because of other unavoidable commitments. Regarding these jurisdictions, the Plenary recommended and the Council resolved to accept their subscription of the MOU as Members.

In Barbados in 1997, Dominica informed the Council of its readiness to subscribe the MOU. Resolving that Dominica, Guyana, St. Kitts and Nevis, and Suriname should be reincorporated as Members as soon as possible, the Council directed the Secretariat to travel to these other jurisdictions in order to secure their subscription.

Venezuela was present at the Council in Barbados in 1997 and subscribed the MOU. In signing the MOU, Venezuela adopted an interpretative note similar in text and identical in substance to a similar note adopted by Jamaica and discussed below. Specifically, Venezuela subscribed the MOU stating:

The Republic of Venezuela

- 1.) Considers the results of the deliberations of the CFATF, in particular of the Mutual Evaluation Programme, as recommendations and under no circumstances legal obligations of the Republic.
- 2.) Notes that its participation in international organisations may require prior Executive or Legislative approval, or both.

The Council in Barbados took note of the fact that Colombia, Jamaica, and Mexico, though represented at the previous year's Council in Costa Rica, did not subscribe the MOU.

In Colombia's case, domestic law prohibits subscription of an MOU which does not conform to international law governing treaties for the establishment of international organisations and which creates funding and other obligations for signatory governments. Acknowledging this legal impediment as well as Colombia's importance to the region, the Council in Barbados determined to find a mechanism that would ensure that country's continued participation in the CFATF programme. Accordingly, the Council adopted a new policy providing that any nation could, at the invitation of the Chairman, join the CFATF as an Observer subject to completion of a positive mutual evaluation. The Council directed the Chairman to issue such an invitation to Colombia, inviting it to join the CFATF as an Observer and to schedule its mutual evaluation for 1999.

In Jamaica's case, subscription of the MOU was delayed pending the CFATF's determination whether that jurisdiction's proposed reservations were acceptable. Following discussion by the Plenary, Jamaica's "reservations" were recast as "interpretative notes" and, as such, deemed acceptable. At the

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<sup>2</sup> The MOU was subscribed by: Anguilla, Antigua and Barbuda, Aruba, The Commonwealth of the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Dominican Republic, Grenada, Guatemala, Montserrat, Netherlands Antilles, Panama, Nicaragua, Saint Lucia, Saint Vincent and the Grenadines, Turks and Caicos, and Trinidad and Tobago.<sup>3</sup> The development and utilisation of new technology in banking has not escaped the attention

Council in Barbados, the Honourable Carl Miller, Minister of State, on behalf of Jamaica signed the MOU subject to the following interpretative note:

“The Government of Jamaica

(1) does not consider that the Memorandum of Understanding establishes the Caribbean Financial Action Task Force as being endowed with international legal personality or as an international organisation but as a forum for consultations; and,

(2) considers the results of the deliberations of the Caribbean Financial Action Task Force as constituting recommendations and not giving rise to legal obligations.”

Mexico declined to subscribe the MOU offering as its reason its desire to join the FATF as a Member and to ally itself to the CFATF as a Co-operating and Supporting Nation (COSUN). The MOU requires that any COSUN have completed a positive mutual evaluation by the FATF or an approved regional body. As “an approved regional body,” the CFATF offered to conduct Mexico’s Mutual Evaluation. Mexico declined this offer, preferring first to resolve its status as a member of the FATF.

#### **EXPANDED CFATF MEMBERSHIP**

As noted above, when the MOU was subscribed in Costa Rica, three new jurisdictions (Belize, Guatemala, and Nicaragua) joined the CFATF. This development was the outcome a CFATF initiative to include as Members all jurisdictions bordering and included within the Caribbean Basin, excepting Cuba.

Following their subscription of the MOU, the Council directed the Secretariat to visit each of these new Members in order to conduct a preliminary needs review and to provide full briefings on the CFATF, its history, programmes, and objectives. These visits were conducted shortly thereafter, March 16 - 22.

#### **THE CFATF MONEY LAUNDERING TYPOLOGY PROGRAMME**

Following several typology exercises, the FATF in June 1996 issued revised Forty Recommendations. The revisions made were designed to ensure that the Recommendations adequately address money laundering as it occurs worldwide and that they are broadly enough stated so as not to require future revision.

Meeting in Costa Rica, the Council took note of the Revised FATF Forty Recommendations and the fact that money launderers in the Caribbean also employ established and new banking technologies, domestic and offshore banks as well as non-bank financial institutions and other businesses. Equally important, the Council acknowledged that launderers’ methods continually evolve in order to evade anti-money laundering measures and therefore resolved to study and understand this crime in all of its facets. The Council mandated the Plenary to initiate a Typology Exercise, form a working group, review the FATF and CFATF Recommendations, and to propose any necessary revisions and/or interpretative notes.

This Typology Exercise, which was conducted in Port of Spain, February 27 and 28, 1997, focused on money laundering through domestic financial institutions. However, this first exercise established that money launderers do not limit themselves to domestic financial institutions. Launderers use established and new banking technologies, domestic and offshore banks and businesses, non-bank financial institutions, and other entities. Their methods evolve continually to evade counter measures by governments and the private sector and therefore must be closely studied in all areas where it occurs.

For these reasons, the Plenary resolved to include in its typology exercise not only domestic financial institutions but to examine as well money laundering in three other areas: a) The casino and gaming industry; b) Offshore banks, financial intermediaries, International Business Corporations; and, c) non-bank financial institutions.

In July, Stage Two of the CFATF Typology Exercise, the Casino Regulatory Conference (Money Laundering Risks), was held in Aruba. Experts from the U.S. FinCEN, the U.K. Gaming Board, Aruba, the Bahamas, Canada, Costa Rica, and the private sector considered:

- (i) money laundering risks of the casino/gaming industry;
- (ii) alternative regulatory approaches to address these risks; and
- (iii) the minimum legal and regulatory requirements necessary to avoid and/or control these risks.

In addition to identifying the money laundering risks inherent in the casino and gaming industry, as well as studying several regulatory regimes, the Conference shed light on other potential problem areas including Internet gaming and other commercial ventures, as well as Cybercurrency.

As one of the speakers noted: a Kittitian developed the software for Internet gambling; service providers for Internet gambling are located in the Caribbean; and, service providers for other ongoing Internet commercial ventures are also located in the Caribbean. Antigua and Barbuda, St. Kitts and Nevis, St. Vincent and the Grenadines, and the Turks and Caicos are identified as jurisdictions where there is significant Internet activity.

CFATF Member jurisdictions identified as having financial institutions conducting on-line services on the Internet include Antigua and Barbuda and Trinidad and Tobago.

Other jurisdictions with financial institutions having home pages on the Internet include Barbados, Bermuda, the British Virgin Islands, the Dominican Republic, Jamaica, Grenada, and Trinidad and Tobago.<sup>3</sup> Services offered by banks in these jurisdictions operating on the Internet include current/V.I.P. accounts, certificate of deposit accounts, foreign exchange, investment management, letters of credit, on-line incorporation and other corporate services.

The dilemma for Caribbean and other governments is that Internet gaming, banking, and other activities are happening largely without any controls. With Internet gaming, companies are cognisant of laws in jurisdictions which might affect their activities and seek to avoid those which are unfavourable or unclear. Jurisdictions like the United States and many in Europe are likely to be avoided because of existing regulations affecting casino, gaming and other activities over telephone lines.

In the absence of any other recognised jurisdiction providing the legislative base, then it is natural that a provider will go to any place where they are accepted. The next alternatives are island countries in the Caribbean and the Pacific where gaming is legal.

This CFATF Typology Exercise in Aruba focused on these issues and others which are the subject of an ongoing heated debate in the United States, Europe, and New Zealand. Apart from the question of how money laundering might occur through the Internet, there were also raised related conflict of law questions: where does an Internet fraud, money laundering, or other crime occur - in the country where the server is located or where the victim resides?

These and related issues have been considered in reports issued by the FATF, the Group of Ten, the G-7 Heads of State, and private sector organisations in Europe, the United States, New Zealand and elsewhere. These and related issues were brought home to the Caribbean in the CFATF and FinCEN Casino and Gaming Regulatory Conference in Aruba which briefly reviewed internet gaming issues.

Taking note of these findings by the Plenary in the Casino and Gaming Regulatory Conference, the Council in Barbados concluded that the CFATF cannot now sit idly by. Taking further note of revised FATF Recommendation 13 which provides that "Countries should pay special attention to money laundering threats inherent in new or developing technologies that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes" the Council resolved to add a fifth phase to the CFATF Typology Exercise.

The Council mandated that the Secretariat, in close collaboration with the Commonwealth Secretariat and officials from the U.S., U.K., and other interested jurisdictions co-ordinate a Workshop on the Internet and Cybercurrency. This workshop has been scheduled for May 5 - 7, 1998.

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<sup>3</sup> The development and utilisation of new technology in banking has not escaped the attention of Caribbean bank supervisory authorities. The Central Bank of the Bahamas is hosting the XV Annual Conference of Caribbean Bank Supervisors October 16 - 18, 1997, where the Eastern Caribbean Central Bank, the Bank van de Nederlandse Antillen, and the Central Bank of Belize will join in discussing "Technological Innovations and the Implications for the Supervision of the Financial System."<sup>4</sup> CFATF Article X, 5: "The Plenary may establish working groups to undertake specific tasks."<sup>5</sup>

## STAFFING OF THE SECRETARIAT

Formerly Deputy Executive Director, A. Carlos Correa, seconded by the U.S. Department of the Treasury - FinCEN, was appointed Executive Director of the Secretariat. To fill the Deputy post vacated by Mr. Correa, the Council in Costa Rica resolved to appoint a candidate from one of the Member jurisdictions and directed the Plenary to form a Selection Committee and to invite from Members nominations of candidates for this post.

As directed by the Council, a job description was prepared and circulated and a Selection Committee formed. The selection committee comprising the Chair, the Deputy Chair, the Secretariat's Executive and Deputy Directors, and Trinidad and Tobago approved a candidate for the post. However, in the absence of available funding, this post went unfilled.

Recognising that the work of the Secretariat had to continue, the Plenary authorised the Secretariat to hire an attorney to work as a legal/executive assistant. The Plenary further instructed the Secretariat to develop a budget and funding proposals for the Deputy Director post.

The Plenary meeting in July in Aruba, among other things, reviewed the Secretariat's proposed budgets and gratefully acknowledged a contribution of US\$ 90,000 from the Netherlands to be paid out in three annual instalments of US\$ 40,000 for 1998, 30,000 for 1999, and 20,000 for the year 2000. The Plenary also gratefully acknowledged France's offer to second a Customs officer, to the post of Deputy Director. However, noting its resolve that the Deputy Director be paid by the CFATF and not any other source, and its resolve to staff the position with a national of one of the Member jurisdictions, the Plenary resolved to recommend to the Council that:

- a.) The CFATF establish a fund for costs of the Deputy Director position;
- b.) The contribution from the Netherlands be earmarked for this fund for the Deputy Director post as disbursed (i.e. \$40,000 in 1998; \$30,000 in 1997; and \$20,000 in the year 2000);
- c.) The CFATF establish a four year programme of graduated increases in annual dues from Members to complement the Netherlands' contribution during the first three years and to fully fund the Deputy Director post in year 4 (i.e. 2001);
- d.) Each CFATF Minister secure authorisation from his/her respective government to make a firm and clear commitment to specific increases in their annual contributions to be paid by January 15 of each year for funding of the Deputy Director post; and,
- e.) Finally, in order to determine the additional amount each Member should contribute, the Secretariat was directed to develop a budget setting forth projected costs for the Deputy Director post.

As directed by the Plenary, the Secretariat developed a four year plan for the Council's review. During the course of discussion of the four year plan, France and the United Kingdom advised the Council that they would make additional contributions to the CFATF of US\$ 25,000 and 20,000, respectively. These additional contributions were incorporated into the plan which was approved by the Council as amended.

Each Member undertook a commitment to provide additional funding as required to complement the contributions from the Netherlands, the United Kingdom and France. Specifically, the Council resolved that each Member would contribute a pro-rata share of the difference between the contributions and the total annual cost of the Deputy Director post.

The Council mandated that the position of Deputy Director be advertised regionally as a four year term based on one year renewable contracts. Also as directed by the Council, applications are to be accepted from October 20 through November 20 and a candidate identified, interviewed, and appointed effective January 1, 1998.

#### **THE EUROPEAN COMMISSION (E.C.) AND U.S. FUNDED REGIONAL PROJECT**

In early 1996 the UNDCP Regional Office (Barbados) engaged and provided funding to the CFATF Secretariat to conduct a needs assessment for Caribbean jurisdictions and to develop a regional technical assistance and training programme to address these needs. The report prepared by the Secretariat proposed projects affecting the judicial, bank regulatory, and law enforcement sectors. This report was reformulated and approved in late 1996 by UNDCP as a "Project Idea." The CFATF Council in Costa Rica also reviewed and approved the Project Idea, the role proposed for the Secretariat as the administrative office for implementation, and the formation of a Steering Group to oversee co-ordination.

At the Council Meeting in Barbados, the E.C. and the U.S. announced their joint funding (4 million ECU and US\$ 500,000, respectively) of a regional training and technical assistance initiative based upon the CFATF proposal and the subsequent "Project Idea" by UNDCP. The E.C. initiative described as a "Caribbean Regional Anti-Money Laundering Programme (1997 - 2001)" proposes legal and judicial, enforcement agency, and financial sector projects

As proposed by the E.C./U.S. team of consultants comprising experts from the United Kingdom, the United States, and Jamaica, this initiative is to be implemented by the CFATF restructured into two branches. The first branch is described as the current Secretariat in Trinidad which is to carry on with its current mandate including mutual evaluations, self assessments, typology exercises and related matters. The second branch, as proposed by the consultants, is to be established in Barbados.

As described by the consultants, several countries within the region possess the necessary attributes for location of the proposed new branch of the CFATF, but "Barbados would appear to be ideal." As "one of the principal centres of business and commerce in the (region)" with good international and regional communications, and host to all major donor agencies, Barbados is recommended by the consultants as the logical venue for the new CFATF "programme management" office.

Following announcement of this E.C./U.S. initiative, a copy of the Draft Project Proposal for the European Commission was distributed to all CFATF Members represented at the Council. Comments regarding the proposal were invited before Monday, 10 November.

## **THE CFATF STEERING GROUP**

At Plenary IV the Executive Director reported receipt of letters from the FATF Secretariat and President Carpentieri expressing concern regarding certain banking practices in one Member's jurisdiction and legislation enacted by another. The FATF suggested it might be appropriate if the Secretariat contacted authorities in the relevant jurisdictions to ascertain whether any action had been taken or was intended with respect to the banking practices in question and to seek clarification of the import of the legislation at issue.

The Secretariat shared these letters with the affected jurisdictions and invited their responses.

In discussing these matters, Plenary IV noted that the only available mechanisms for addressing possible deficiencies in Members' anti-money laundering programs are Mutual Evaluations and the invocation of either Recommendation 21 or Section VII, paragraph 4(x) of the CFATF MOU. Plenary IV also acknowledged that Mutual Evaluations are time consuming and that no criteria had been developed for the invocation of Recommendation 21 or Section VII of the MOU.

The Plenary concluded, therefore, that the CFATF had no mechanism for responding expeditiously to situations of the type raised by the letters from the FATF, nor to address other internal administrative matters.

As set forth in detail below, the Plenary meeting in Aruba determined that a Steering Group is required to serve as a Ministerial Level consultative mechanism for expeditiously resolving CFATF internal policy and other matters requiring immediate attention.

### **Formation of the Steering Group**

Drawing on Article X, Section 5, of the MOU,<sup>4</sup> the Plenary therefore formed a Steering Group:

- 1.) Comprising the Chairman, the Chairman-designate, the CFATF Executive and Deputy Directors, one COSUN, and three CFATF Members.
- 2.) To include the COSUNs on a rotating basis, with the Government of the Netherlands was designated as the first COSUN representative; and,
- 3.) with the Cayman Islands, the Netherlands Antilles, and Trinidad and Tobago as the initial CFATF Members.

The Plenary further resolved that the Steering Group shall:

- 1.) Advise the Secretariat regarding issues of policy which arise and require action prior to meetings of the CFATF Council of Ministers;
- 2.) Through the Secretariat consult with Members at the Ministerial Level on all significant matters relating to internal CFATF policy; and,
- 3.) At annual meetings of the CFATF Council of Ministers, provide a full briefing on its activities and, when appropriate, formulate recommendations for the Council.

## **MUTUAL EVALUATION PROGRAMME**

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<sup>4</sup> CFATF Article X, 5: "The Plenary may establish working groups to undertake specific tasks."<sup>5</sup> At the time of the

The CFATF Mutual Evaluation Programme made significant progress this year. Mutual Evaluation reports for Panama, and Trinidad and Tobago were endorsed by the Plenary and, following review, accepted as final by the Council. Because Costa Rica was not represented at the Council, its Mutual Evaluation report was noted and its adoption as final was deferred until the next Plenary. Summaries of Panama's and Trinidad and Tobago's reports are annexed hereto as Attachments A and B, respectively.

Also during this term, Examiners completed two mutual evaluation visits to the Dominican Republic (August 25 - 29) and Barbados (September 8 - 12). Two other CFATF Members, St. Vincent and the Grenadines (October 20 - 24) and the Bahamas (November 10 - 14), were also scheduled for Mutual Evaluation in 1997.

While acknowledging the progress achieved in the Mutual Evaluation Programme, the Plenary nevertheless noted its dissatisfaction and took determined steps to ensure continued and more rapid progress in the CFATF's Mutual Evaluation Programme. As directed by the 1996 Council in Costa Rica, the Plenary established and presented to the Council meeting in Barbados a three year schedule for mutual evaluations. (Attachment C) The Plenary noted that Members would, as mandated by the Council, undergo mutual evaluations as scheduled except in compelling circumstances.

## **EXTERNAL RELATIONS**

### **FATF**

In order to reaffirm and to enhance the close co-operation between the FATF and the CFATF, Fernando Carpentieri, President of the FATF, was invited to address the Council in Costa Rica. This was the first time in the history of the two organisations that this had occurred. Mr. Carpentieri reviewed the history of the FATF, stressing the importance of the its Mutual Evaluation, Typology Exercise, External Relations and other programmes. He commended the CFATF for its work, in particular its continuing mutual evaluations and typology exercises, and invited closer collaboration in the future.

In the months that followed, this closer collaboration continued and was marked by several important developments. First, in December 1996 the CFATF was invited to participate as an Observer in the FATF Mutual Evaluation of the United States. Justice Anthony Smellie, Puisne Judge, Judicial Grand Court, Grand Cayman, served as the CFATF Representative/Observer. Justice Smellie participated fully in the Mutual Evaluation process, engaging U.S. officials in dialogue regarding their anti-money laundering programme, and providing his written comments to the FATF examiners. Following on this initiative, Justice Smellie was invited to attend the FATF Plenary in February as a member of the CFATF Delegation and to be present during the discussion of the U.S. Mutual Evaluation Report.

Justice Smellie's presence at the discussion of this Mutual Evaluation Report marked a further opening of the organisations' respective Mutual Evaluation programmes. Both the FATF and CFATF formally agreed to permit full reciprocal access to one another's Mutual Evaluation reports. They agreed further to permit delegates from their respective Secretariats to be present at Mutual Evaluation discussions.

In June 1997, President Juan Diego Castro addressed the FATF Plenary in Rome, reporting on the ongoing CFATF Mutual Evaluation and Money Laundering Typologies programmes.

This opening of the organisations' respective programmes in 1996 - 97 will continue apace in 1997 - 98. In a letter dated 1 October 1997, President Jean Spreutels has made clear to Chairman-designate Simmons, the FATF's desire and willingness to participate as Observers in CFATF Mutual Evaluations of certain jurisdictions at the CFATF's request. In a separate discussion conducted at the September FATF Plenary, it was agreed that the FATF could co-ordinate training classes for Mutual Evaluation Examiners for the CFATF, the Council of Europe, and other organisations (OGBS) which are now conducting or will soon undertake Mutual Evaluations of their Members.

### **DUBLIN GROUP MEETINGS**

During the course of 1997, the Secretariat attended meetings of the Dublin Group convening in Port of Spain and Barbados. Members of the Dublin Group include Ambassadors from Canada, France, Japan, the Netherlands, the Federal Republic of Germany, the United States, and the United Kingdom and UNDCP and E.C. representatives accredited to Trinidad and Tobago and Barbados. They convene regularly to discuss and to ensure co-ordination between their respective training and assistance initiatives. The CFATF Secretariat, since its establishment in Trinidad, has been a regular member of these two groups, attending all their meetings and advising them of CFATF initiatives and the training and technical assistance needs of Members.

### **UNDCP**

The Secretariat and the UNDCP Regional Office in Barbados have enjoyed over the course of several years and continue to have a close working relationship. Working through and outside the forum provided by Dublin Group Meetings, the Secretariat and UNDCP have been significant contributors to the regional dialogue on drugs control and training and technical assistance in this area and with respect to related money laundering and asset forfeiture investigations and proceedings.

In early 1996, UNDCP engaged the CFATF Deputy Director as a consultant to conduct a regional needs assessment and to develop a proposal for a regional project for training and technical assistance. The work conducted by the CFATF Deputy Director evolved into a "Project Idea" approved by UNDCP Vienna. Following further study by international consultants, these two documents, the CFATF Proposal and the Project Idea, then served as the basis for the Caribbean Region Anti-Money Laundering Programme, a draft project proposal for the European Commission. This draft project proposal has been adopted by the E.C. and the U.S. for funding and implementation.

The described initiative led by UNDCP with CFATF assistance has now evolved into the Draft E.C. and U.S. Funded Regional Project Proposal described supra at page ten.

In addition to the foregoing initiative, the CFATF participated fully in the UNDCP Caribbean Programme in Support of the Barbados Plan of Action. Specifically, the Secretariat has provided the UNDCP Regional Office for inclusion in the Caribbean Co-ordination Mechanism (CCM) Database information regarding Mutual Evaluations conducted to date and those scheduled for the future. Additionally, the Secretariat is compiling and before year end will forward to UNDCP for inclusion in the AMLID database drug control, bank regulatory, and anti-money laundering legislation of all CFATF Members that have undergone Mutual Evaluation.

## **PUBLIC SPEAKING**

During 1997, the Secretariat received and accepted numerous invitations to address conferences convened by regional governments as well as private sector organisations. The Secretariat made presentations on money laundering methods and countermeasures, the CFATF Recommendations and programmes to: police cadets at the REDTRAC Training Centre in Jamaica; regional police, customs, and immigration officers in training at the Barbados Regional Police Training Academy; and, customs and immigration officers in Trinidad and Tobago.

Additionally, the Secretariat arranged for legal experts from Member jurisdictions to address conferences. For example, in May 1997, the University of Florida, College of Law, sponsored the 8th Annual Oceana Conference on Caribbean Measures Against Money Laundering. This two-day conference held in Curaçao, Netherlands Antilles, addressed Global Money Laundering, Offshore Financial Centres, Handling of Suspicious Transactions, and Anti-Money Laundering Measures. The Secretariat was joined at this conference by Ingrid Bullard, Banking Supervisor, St. Lucia. The Secretariat and Ms. Bullard, representing the CFATF, spoke regarding anti-money laundering measures and experiences in the Caribbean.

In August 1997 the Secretariat arranged for Justice Anthony Smellie of the Cayman Islands and Mrs. Maureen Crane Scott, Registrar of Corporate Affairs and Intellectual Property, Barbados, to represent the CFATF at the Hemispheric Conference on the Prevention of Money Laundering in Panama. This conference, organised by the Bankers' Association of Panama, addressed, among other matters, Caribbean Region Initiatives to Combat Money Laundering.

Mrs. Scott, in collaboration with Mrs. Desiree Cherebin, Director, Bank Supervision Department, Central Bank Barbados, spoke regarding laws and other norms governing the domestic and offshore sectors, as well as practical measures taken and problems encountered by banks. Justice Smellie spoke regarding money laundering and asset forfeiture matters and the various constitutional, legal and other challenges these face.

## **INTERNATIONAL ORGANISATIONS**

In addition to the E.C., the FATF, and UNDCP mentioned above, during 1997, the Secretariat maintained close relations with OAS/CICAD, the Offshore Group of Banking Supervisors, CCLEC, CIFAD, and REDTRAC.

The Secretariat was represented at meetings hosted by each of these organisations and participated in training initiatives sponsored by REDTRAC. Further, the Secretariat collaborated closely with OAS/CICAD in the development of their money laundering typology study and took steps to ensure their presence at similar studies conducted by the CFATF.

A visit to CIFAD organised by the Dublin Group based in Barbados provided the Secretariat with a valuable opportunity to apprise itself of training resources available through that organisation. In the development of the Regional Project Idea for UNDCP, the Secretariat consulted closely with the CCLEC, seeking their input on proposed training initiatives for the customs authorities in the region. Also during the development of this Regional Project Idea for UNDCP, the Secretariat visited REDTRAC in Jamaica and explored its potential as a possible resource for proposed training. Also in Jamaica, the Secretariat participated in an anti-money laundering seminar for police recruits in training at REDTRAC.

Finally, in June, the Secretariat attended a meeting of the Offshore Group of Bank Supervisors in Jersey. There, the Secretariat was able to secure the collaboration of the OGBS in the development and presentation of the International Finance Typology Exercise scheduled for March 1998, and to establish contact with representatives of the Group of 10 (Basle Committee) for the same purpose.

## SUMMARY OF THE PANAMA MUTUAL EVALUATION REPORT

### Programme

1. The team of examiners visited Panama from July 8 to 10. This document summarises the Examiners report on their conclusions and recommendations.

### OVERVIEW

2. Panama's economy is based on the service sector and focused on banking, trade, and tourism. Its GDP rose by 3.6% in 1994, a moderate growth over the last three years. As customary, the financial services sector registered greater activity than other sectors.

### THE DRUG TRAFFICKING SITUATION

3. Panama has been used as a transshipment point for drugs and in recent years has seen a dramatic increase in the domestic market for crack, a low-priced cocaine derivative. Coca is grown in Panama. Marijuana eradication programs have been developed with the assistance of the United States.

4. Panama's anti-drug legislation is forceful and comprehensive. Drug seizures comprise cocaine (95%), marijuana (4%), and crack (1%). Sixty percent of these were seized in Panama province, the remainder was seized in the province of Colón.

5. The judicial system seems to function speedily. The Special Prosecutor's Office for Drug-Related Offences processed 93% of the 1,350 cases it received. In 1995, 51 convictions were secured - 17 for possession, 27 for domestic trafficking and 7 for international trafficking. Similarly, a total of 1,657 persons were arrested on drug-related charges in 1995.

### THE MONEY LAUNDERING SITUATION

6. Money laundered in Panama is generated by illicit activities (fraud, arms trafficking, narcotics trafficking, kidnapping, extortion, robberies, etc.). Authorities acknowledge this problem, although they do not believe that it is as pervasive as has been reported by the media.

7. Panama's economy is particularly vulnerable because its financial system uses US dollars. This situation is attenuated by the predominant role of Panamanian banks. The entire economy is tied into the banking system which makes it possible to access information, movements, and transactions for all other financial service providers and other economic entities and sectors.

### THE INSTITUTIONAL ANTI-MONEY LAUNDERING FRAMEWORK

8. Panama defines drug money laundering as a crime which is penalised with prison terms ranging from 5 to 10 years.

9. At the time of the visit, three money laundering cases were before the courts. Two were in the investigation phase and a ruling was awaited on the third. At that time, no one had ever been convicted of money laundering.

10. Agencies are involved in the fight against money laundering are: the High-Level Presidential Anti-Drug Money Laundering Committee comprised of representatives of the banking and trade sectors, the Colón Free Zone, and public officials appointed in their personal capacity; the Financial Analysis Unit (UAF) which will gather, analyse and disseminate data regarding suspicious transactions, as well as drug money operations or patterns of activity; the National Committee for the Study and Prevention of Drug-Related Crimes (CONAPRED); and, the National Banking Commission (CBN).

### **THE FINANCIAL SECTOR**

11. The CBN has a staff of sixty-five (65), thirty-one of whom are responsible for supervising the one hundred and eight (108) banks<sup>5</sup> operating in Panama at March 31, 1996.

#### **The National Banking Commission and the Banking Sector**

12. The CBN comprises seven (7) members: the Ministers of Planning and Economic Policy (Chairman), and Finance and the Treasury; the General Manager of the Banco Nacional de Panamá; three banking officials; and, one Government-appointed member.

13. The Commission is responsible for granting operating licenses to all banks (domestic, offshore, and representative offices).

14. All banks in Panama must have B\$1,000,000.00 paid-up share or allotted capital permanently held in Panama. Banks in which seventy-five percent (75%) of the shares are owned by nationals or non-nationals with over five (5) years' continuous residence may begin operations with two hundred and fifty thousand balboas (B\$250,000.00). However, this must be increased over ten years to the minimum of one million balboas.

15. Offshore banks must at all times maintain unencumbered assets in Panama amounting to no less than two hundred and fifty thousand balboas (B\$250,000.00).

16. The CBN keeps records of bank shareholders. There is no limit on the shares individual can control, but these cannot be transferred without prior CBN approval. Bearer shares are not permitted.

17. The banking system is supervised by the CBN which can require all documents and reports. Inspections must be conducted biannually and include monitoring for compliance with applicable legal and other norms. Banks must submit by the 20th of every month financial statements on asset and liability positions at the end of the preceding month.

18. The CBN's powers are not unlimited (account records may not be inspected), and the unauthorised release of bank records may result in civil and criminal sanctions. However, where a money laundering case is involved, this limitation does not apply. Where it is found that a bank has broken the law, it cannot be audited unless a minimum of five CBN members vote in favour of this action.

19. Under Order No. 41 of February 13, 1990, any bank operating in Panama is obliged to exercise due diligence as necessary to prevent drug money laundering. In order to meet this objective, all banks must adequately identify and report cash transactions involving in excess of ten thousand balboas (B/.10,000) or its foreign equivalent.

20. These reports must also be filled out for in amounts of over five thousand balboas (B/. 5,000) which total ten thousand balboas (B/. 10,000) within one working week.

21. Until late 1994, these forms were maintained by banks and made available to the CBN. As of January 1995, these forms are forwarded to the CBN on a weekly basis. These contain the name and Identification Card number for individuals, or the Taxpayer's Single Registration (RUC) number for legal entities and must be kept by the bank for a period of five (5) years. They are to be presented to Inspectors authorised by the Commission upon request.

### **Non-Bank Financial Institutions And Other Companies**

22. Act No. 20, November 24, 1986, regulates and defines financial entities as "individuals or (persons) which offer ... loans or financing facilities in money". These entities fall under the supervision of the Ministry of Trade and Industry.

23. Savings and loans co-operatives are supervised by the autonomous Panamanian Co-operatives Institute (*Instituto Panameño de Cooperativas - IPACOO*P).

24. Resident agents must know their client and keep adequate records in order to identify said client to a competent official upon request.

25. Like banks, non-bank financial institutions and other companies must report to the UAF transactions in cash and cash equivalents in amounts of over B/10,000.00 or its foreign equivalent. Non-bank financial

institutions include: money changers or remitters; finance companies; insurance and reinsurance companies; Free Zone companies; casinos and the lottery; and, savings and loans co-operatives.<sup>6</sup>

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<sup>6</sup> The Panamanian Cooperatives Institute (IPACOO) supervises the 386 cooperatives operating in Panama at the time of the visit. Of these, 187 are savings and loans cooperatives. The activities of cooperatives are

26. Act. No. 46 which imposes these obligations has not been implemented by regulation. At the time of the visit, draft regulations were awaiting approval. These regulations also envisage the creation of obligatory "know your customer" principles.

#### **Funds Transfers And Wire Transfer Agencies**

27. All money transfers, including those by remitters, are conducted through banks. Inter-Bank Agreement No. 33 requires banks to keep reports of all transfers received and forwarded. These records must identify the ordering, intermediary, and beneficiary banks, and give details of the transfer. Intermediary and beneficiary banks must keep information on accepted transfers. The beneficiary bank must keep a copy of the payment instrument, record the identity of the ultimate beneficiary, any third party intervening for the beneficiary, and any non-customer beneficiary. In this last case, the bank must verify the identity of the beneficiary.

28. This Agreement, a "gentlemen's agreement", does not have the power of law. Apart from this Agreement, transfers are also governed by regulations which require reports on

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governed by Act No. 38.<sup>7</sup> See for example Cabinet Order No. 41 of February 13, 1990; Agreement No. 5-90 of

transactions involving over \$10,000 cash and which require customer/account holder identification.

### **The Stock Market**

29. The stock market is regulated by the National Securities Commission (CNV). According to the CNV and the Stockbrokers' Association: securities are purchased with monetary instruments, never cash; no anomalies have been noted; nor has there been any evidence of a money laundering problem in this area.

30. Neither the CNV nor the Association has published regulations or guidelines aimed at detecting or preventing money laundering, nor have they published any customer identification regulations.

31. The Examiners were struck by what seemed to be a total lack of awareness in this sector regarding the problem of money laundering and its possible effects on the stock market in Panama.

### **Banking/Professional Secrecy and Suspicious Transactions**

32. Panamanian law establishes confidentiality without prejudice to the power of relevant authorities to require information in accordance with existing laws.

33. Act No. 46 of 1995 obliges banks to "...Report directly and on their own initiative to the Financial Analysis Unit ... any (suspicion) ... (of) money laundering stemming from ..." drug-related activities and exempts banks and their personnel from liability for such reporting.

### **The Financial Analysis Unit**

34. The Financial Analysis Unit (UAF) can access information related to narcotics trafficking. Act No. 46 of 1995, not yet implemented at the time of the visit, requires certain persons (previously identified) to report transactions in cash and cash equivalents in amounts of over B/. 10,000 to the UAF. Banks must report to the National Banking Commission (CBN) and the UAF any transaction suspected to be related to drug-related activities.

35. The information obtained from these entities and/or from public bodies is analysed to identify suspicious or unusual transactions, as well as drug money laundering patterns. This information, the analysis and results thereof may be disclosed only to the President of the Republic, through the Executive Secretary of the National Security Council.

### **The Judicial Technical Police (PTJ)**

36. The Judicial Technical Police (PTJ) investigates drug trafficking and related money laundering. A Financial Investigations Unit set up in 1990 as part of the Office of Public Prosecutions is conducting several investigations. This unit works directly with the UAF, and relations were seen to be excellent and well coordinated.

37. Financial investigators have been recruited for their knowledge of the banking sector or legal matters, along with technical and specialised narcotics investigators.

38. All police agencies can make use of undercover agents, wiretapping, controlled delivery, plea bargaining, international assistance, and witness/informant protection.

39. Art. 29 of Act No. 23 of 1986 provides for freezing assets and, equally important, provides that the accused drug trafficker/lauderer must show that licit origin of the frozen asset(s).

### **PRIVATE BANKING ASSOCIATIONS**

40. The Banking Association of Panama (ABP) and the Panamanian Banking Association (APABancos) play an important anti-money laundering role. They have published a Code of Conduct, established norms for handling cheques and negotiable instruments and transfers, and implemented a system of self-monitoring.

41. Inter-Bank Agreements expand upon generally accepted principles for “know your customer” and “due diligence” programs which banks are required to implement. Failure to comply will not result in civil or criminal action, but violators may be expelled.

42. The CBN requires banks to appoint a compliance officer responsible for ensuring compliance with applicable legal and industry norms.

### **THE COLON FREE ZONE**

43. The Colón Free Zone, under the jurisdiction of the Ministry of Trade, is managed by the Free Zone Administration. Any duly registered person may operate in the Free Zone. An application must be signed by a legal representative and accompanied by: articles of association; the names of the members of its board of directors and its managers; a certificate that all taxes are paid; banking references; photocopy of a passport or other document identifying the legal representative; and, such other information which the Zone Administration may require.

44. Commercial operations in the Zone must be recorded on the prescribed form and reported. The form records, *inter alia*: the entry/exit number; the name of the importing/exporting/shipping companies; the goods' origin/destination; and, the signatures of the purchaser/seller and the inspecting customs officer.

45. Panamanian customs is present and responsible for safeguarding the ports of entry and exit in the Zone. Customs examines shipments entering the Zone at random and uses specially trained sniffer dogs.

46. In 1994, the Zone Users' Association adopted Regulations of Conduct which govern all members and which seek to prevent any criminal activities.

### **CONCLUSIONS**

Panama has built a high-calibre structure to combat money laundering, beginning with an ad-hoc structure exclusively for advising the President on anti-money laundering measures. The police and Special Prosecutor's Office have a wide range of instruments and the financial sector has also been armed with legally required “due diligence” and “know your customer” programs. Other regulations<sup>7</sup> have provided the CBN with the necessary tools for monitoring compliance. Finally, inter-bank agreements represent a commitment to anti-money laundering efforts by domestic and offshore banks in Panama.

The non-bank financial institution sector has not been neglected: their transactions channelled through banks will be duly recorded and their weekly reports on transactions amounting to or exceeding the ten thousand balboas (B/. 10,000) will enable the CBN and the UAF to detect money laundering and unusual or suspicious transactions. This inter-institutional co-ordination appears to be quite cohesive. It should enable the authorities to deal with money laundering in a relatively satisfactory manner.

Certainly, Panama's efforts are in their initial stages. These must be improved upon and must focus more on operational aspects. Nevertheless, Panama has the necessary legal weaponry and expects to acquire other tools to improve its fledgling efforts.

### **RECOMMENDATIONS**

- a. The effective and efficient implementation of Panama's legal and institutional structure should be enhanced without delay.
- b. Panama should identify and categorise other types of money laundering linked to crimes other than drug trafficking.
- c. Rather than report suspicious transactions to a political body, the UAF should report to a neutral body such as the Office of Public Prosecutions.
- d. At the time of the visit, the UAF's acting director was also Compliance Officer at a bank operating in Panama. Such obvious conflicts of interest should be avoided.
- e. Panama should consider increasing the penalties for money laundering crimes, as these are quite lenient.
- f. Non-bank financial institutions should also report suspicious transactions.
- g. Panama is and should be held up as a model for Central American countries.
- h. The National Securities Commission and the Association should study money laundering as it may affect Panama's stock market and publish and implement appropriate guidelines.
- i. Inter-Bank Agreement No. 33, the only guideline which applies specifically to transfers of funds, should be enacted into law. Given that significant money laundering is conducted through money transfers, more than moral suasion is required. Finally, the record keeping norms embodied in this Agreement should be made applicable to banks and to remittance companies as well.

**SUMMARY OF THE TRINIDAD AND TOBAGO MUTUAL EVALUATION REPORT**

**PROGRAMME**

1. The evaluation team visited Port of Spain, Trinidad, between Tuesday 18 April and Friday 21 April 1995 and interviewed government and non-government officials.

**The Drugs and Money Laundering Situation**

2. Marijuana is cultivated in Trinidad and Tobago which is also a trans-shipment centre for cocaine. There have been significant seizures of drugs and marijuana and cocaine are available locally, although "crack" is more widely abused. There is no evidence that other illicit drugs are available.

3. Money laundering arises primarily from the domestic drug trade and from 'transit' trafficking. Penetration of the economy by criminals was limited by currency controls until they were removed in recent years. These controls would have been a disincentive for those seeking a non-supervised environment. Even so, foreign criminal investment is not believed to be significant. Authorities suggest that money laundering is carried out through banks, import/ export activity and cash-generating businesses. The state-run lottery may provide another means for laundering.

**Anti-Money Laundering Strategy**

4. Trinidad and Tobago has ratified the 1988 Vienna Convention, participated in OAS/CICAD, and participated in the development of a common approach to Central Bank Guidelines.

**Elements of the Financial Sector**

5. The Central Bank supervises commercial banks, finance companies, trust companies and merchant banks. These submit periodic reports; other financial institutions report voluntarily.

6. Central Bank regulations in respect of money laundering have been issued. The Inspector of Banks has circulated Draft Guidelines on Money Laundering enforceable through moral suasion. The Central Bank believes that enforceable regulations will be necessary.

7. On site examinations address money laundering. Suspected money laundering is reported to the Minister of Finance or the Governor of the Central Bank who report to the police. Where depositor's interests are threatened, the Central Bank may revoke the licence of the institution.

8. Non-bank financial institutions fall under the supervision of the Ministry of Finance.

9. Insurance Companies' non-compliance is penalised on a per day basis. But, there are no requirements for insurers to pay special attention to the source of cash, nor are insurance companies required to employ anti money laundering measures .

10. Credit Unions' money laundering reporting requirements have been put in place.

## **Laws and Regulations**

11. The Dangerous Drugs (Amendment) Act, 1994, prohibits the laundering of drug trafficking proceeds for the purpose of avoiding prosecution or a confiscation or a forfeiture order.
12. It is also illegal for a person to conceal, dispose, disguise, transfer bring into or remove from Trinidad and Tobago, any such money or property.
13. Disclosure of suspicions is voluntary, but potential criminal liability is risked by those who may be involved in a suspicious transaction but fail to report it.
14. Assets of any person against whom a prosecution for a drug trafficking offence has been or is about to be instituted may be restrained. Confiscated assets are paid into a consolidated fund.
15. A Court, subject to the rights of innocent third parties, shall order the forfeiture of the proceeds of drug trafficking that are part of the estate of a deceased person, or which has been abandoned.
16. International co-operation is assured by the Extradition Act and the Dangerous Drugs (Amendment) Act, 1994. To fully comply with The Vienna Convention, Trinidad and Tobago will have to enact further legislation for Mutual Legal Assistance.
17. The Dangerous Drugs (Amendment) Act 1994 does not explicitly provide for the restraint of assets on behalf of foreign governments, although it does contemplate enforcement of an external confiscation forfeiture order by a court of a designated country. This procedure has not yet been tested.
18. The Office of Strategic Services (OSS ) is the Central Authority, OSS is an intelligence gathering and dissemination agency. Its quasi-judicial role as a Central Authority may need to be reviewed.
19. An inter-ministerial team is soon to be convened to negotiate bilateral Mutual Assistance Treaties and Extradition Agreements with other countries.
20. There are no mechanisms in place for the international sharing of confiscated assets. However, there is no bar to the receipt of assets resulting from forfeiture proceedings in other countries.
21. Commercial banks have formed an ad hoc Money Laundering Committee comprising OSS and the Central Bank. Banks have adopted a 'Money Laundering Prevention Agreement' which establishes procedures for declaring the source of cash deposits when these exceed TT\$40,000.
22. Banks have established staff training, received the OSS money laundering booklet, and instituted procedures for suspicious transactions reporting and voluntary requirements for records and customer identification. Identification requirements have not been applied retroactively.

23. Only suspicious transactions involving drug money need be reported. This causes banks discomfort which cannot easily determine whether a suspicion is accurately based on drug related activity. While happy with voluntary reporting, there is fear of retaliation.

24. Senior customs or police officers at ports can detain any cash exceeding TT\$20,000 if there is a reasonable suspicion that it is or represents the proceeds of drug trafficking.

25. The Government has indicated that it will consider extending the range of predicate offences to other serious crimes, and it may also consider making suspicious transactions reporting mandatory.

26. Amendments under consideration would also include admission of surveillance videotapes and the videotaping of testimony for the protection of witnesses, as well as permit electronic surveillance.

### **Agencies Involved in Combating Money laundering**

27. Responsibility for investigating money laundering and drug trafficking lies with the Organised Crime and Narcotics Unit (OCNU) of the police which has six officers trained as financial investigators. The Director of Public Prosecutions (DPP) manages applications for the restraint or confiscation of drug-related assets, and the prosecution of money laundering offences.

28. The Office for Strategic Services (OSS) in the Ministry of National Security gathers intelligence; advises on anti-money laundering strategy; develops public education programmes; and maintains communication with corresponding foreign agencies. In 1994 the OSS published a booklet on Money Laundering intended to educate the general public and has two legal officers to assist the OCNU.

29. OSS' Financial Intelligence Unit receives and analyses voluntary reports of suspicious activity, conducts follow-up, and determines whether to forward it to the police, OCNU, or other agency.

30. The police and Customs can detain cash at the border on reasonable grounds for suspecting that it represents the proceeds of drug trafficking. No detentions or forfeitures have yet been made.

31. OSS co-ordinates the nation's anti-money laundering programme. OSS has established dialogue with the non-bank financial sector where there has been a lack of awareness of vulnerability to exploitation by money launderers.

### **Legal framework**

32. The revised money laundering offence is a considerable improvement, and combined with the powers for investigation and confiscation provides an effective means for the courts to deal with drugs cases.

### **Regulatory issues**

33. There are no formal licensing requirements for Estate Agents, Company and Trust Managers. This is an area of vulnerability and the tightening of systems in the Banking sector without corresponding adjustments elsewhere may result in the shifting of money laundering activity.

34. The Inspector of Banks appears to lack a statutory anti money laundering role with specific regard to money laundering. The Draft Guidelines on Money Laundering may need regulations to be truly effective.

35. The regulators of the other financial sectors have not yet developed an effective response to money laundering.

#### **Financial Institutions**

36. Although there is no association to develop policy, banks have developed standards. These standards for customer identification, record keeping and reporting of suspicious activity have not been applied by non-bank financial institutions.

37. Reporting of suspicions is voluntary. The examiners' attention was drawn to the fact that Trinidad and Tobago has a relatively small population where "everybody knows everybody." The fact that witnesses have been threatened, assaulted, and even murdered has engendered some fear.

#### **Law Enforcement Issues**

38. OSS and OCNU relations could be improved and OCNU could make better use the OSS. Any lack of communication between enforcement agencies will hamper the drug interdiction strategy.

39. Although the basic laws exist, there has been limited progress in implementation. No convictions for money laundering have been obtained. Nor has any property been restrained.

40. OCNU's target selection strategy is not clearly defined and the D.P.P. is hampered by a shortage of experienced counsel. OSS should assume an enhanced role in asset restraint and forfeiture applications. The recent appointment of a legal advisor within the police service may assist.

41. Finally, it is generally accepted among government agencies that legislation permitting electronic surveillance is necessary.

#### **CONCLUSIONS**

42. There has been a substantial increase in drug trafficking and cash flows. The floating of the currency, removal of currency controls, and lotteries may create money laundering opportunities.

43. The legislative framework for the prosecution of local offences is adequate and meets convention obligations. There are proposals under consideration which could enhance interdiction but the main drawback is the lack of a fully co-ordinated implementation strategy.

44. There is an immediate need for enhanced practical co-operation between the enforcement agencies. The Police should establish a proactive strategy. Training and resource needs can only be identified/addressed if this strategy is accurately defined.

45. Standards affecting banks should be extended where appropriate to non-bank financial institutions. National organisations and professional bodies should develop regulations and guidelines.

46. Statutory provisions to enhance the anti-money laundering role and authority of the Supervisor of Insurance, Inspector of Banks and Commissioner of Co-operatives should be considered.

47. The enactment of the Mutual Legal Assistance law and the establishment of a Central Authority together with the appropriate bilateral administrative arrangements should be given priority.

## STATEMENT OF TRINIDAD AND TOBAGO ON THE MUTUAL EVALUATION REPORT

In view of the unavoidable delay in the presentation of the Mutual Evaluation Report to the Council, it is necessary to provide a summary of major developments in the interim period. Since April 1995, the following significant improvements have occurred:

1. Central Bank Guidelines to commercial banks came into effect in July 1995. Guidelines are the product of collaboration between the Central Bank and the banking sector and are in accord with the decisions of the regional Central Bank Supervisors.
2. Legislation is being drafted to expand money laundering to include the proceeds of all serious crimes.
3. A Mutual Legal Assistance Treaty (MLAT) as well as extradition and maritime counter-drug treaties have been signed between the United States and Trinidad and Tobago. MLATs are pending with Colombia and Venezuela.
4. The Strategic Services Agency Act enacted in October 1995 established the Strategic Services Agency (SSA). The main functions of which is to provide a central point for the receipt of all disclosures, develop such disclosures, and inform the appropriate Services for action. A Financial Intelligence Unit established within the SSA has received 34 disclosures from banks in 1995 and 39 in 1996.
5. Trinidad and Tobago is giving high priority to the expansion of the predicate offences for money laundering, and is considering mandatory suspicious transactions reporting. Special legislation for special courts to deal with drug trafficking and firearms cases is also being drafted.
6. Restraint orders under the Dangerous Drugs Act, 1991, as amended have been used on two occasions, resulting in two restraint orders in 1995. Seven production orders have also been secured and confiscation and forfeiture orders would be filed soon.
7. Since 1994, ninety-seven (97) suspicious transactions disclosures have been made by the banks to the SSA.
8. The "ad hoc Money Laundering Committee" established by the Commercial Banks has evolved into the Inter-Bank Anti-Money Laundering Committee. The Committee meets quarterly basis and has been involved in the development of a training programme for bank employees.
9. Firm decisions have been taken with respect to the refurbishing of marine units for the Coast Guard and Customs, and Immigration Divisions.
10. Arrangements are in progress for a command and control system for the direction of marine interdiction units, whose operations would be enhanced through the expansion of radar surveillance equipment.

11. A multi-agency task force for the investigation and prosecution of major traffickers will be established. The task force will also investigate money laundering and implement Asset Confiscation provisions. The inclusion of a prosecutor in the task force, is expected to prove more effective than traditional arrangements.

**CFATF  
MUTUAL EVALUATION CALENDAR  
1997 - 2000**

**1997:<sup>8</sup>**

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<sup>18</sup> Mutual Evaluation Dates for 1997 were previously agreed with, not randomly assigned to, the Dominican Republic, Barbados, and Bahamas. When the 1997 Calendar was first circulated, October 20 - 24 was proposed to but never

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confirmed by St. Vincent and the Grenadines. This jurisdiction, having had previous notice of and discussions regarding

1.)	Dominican Republic	August	25 - 29
2.)	Barbados	September	8 - 12
3.)	St. Vincent & the Grenadines	October	20 - 24
4.)	Bahamas	November	10 - 14

**1998:**

1.)	Antigua and Barbuda	March	9 - 13
2.)	Turks & Caicos	April	13 - 17
3.)	Bermuda	June	8 - 12

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these dates, was assigned them by the Secretariat.<sup>9</sup> At Plenary IV the Honourable Velon John, Minister of Legal Affairs -

- |     |                          |          |         |
|-----|--------------------------|----------|---------|
| 4.) | Saint Lucia <sup>9</sup> | July     | 13 - 17 |
| 5.) | Saint Kitts & Nevis      | August   | 10 - 14 |
| 6.) | Nicaragua                | November | 9 - 13  |

**1999:**

- |     |                        |          |         |
|-----|------------------------|----------|---------|
| 1.) | Jamaica                | March    | 8 - 12  |
| 2.) | Dominica               | April    | 12 - 16 |
| 3.) | British Virgin Islands | July     | 12 - 16 |
| 4.) | Venezuela              | August   | 9 - 13  |
| 5.) | Grenada                | November | 8 - 12  |

**2000:**

- |     |            |          |         |
|-----|------------|----------|---------|
| 1.) | Montserrat | January  | 10 - 14 |
| 2.) | Guyana     | March    | 13 - 17 |
| 3.) | Belize     | April    | 10 - 14 |
| 4.) | Anguilla   | July     | 10 - 14 |
| 5.) | Guatemala  | August   | 7 - 11  |
| 6.) | Suriname   | November | 13 - 17 |