

Chairman's Work Programme 2013-2014

INTRODUCTION

1. The Government and people of the Commonwealth of The Bahamas accept the baton of leadership of the Caribbean Financial Action Task Force (CFATF), with pleasure, humility and a sense of pride at being accorded the honor for a second time, particularly as it occurs on the auspicious occasion of the twentieth anniversary of our distinguished organization.

2. The CFATF is now at a very significant juncture which augurs well for the future. The Reform Agenda has been brought to a successful close and our organization has stronger institutional structures. For this we owe a debt of gratitude to all our former Chairmen who initiated, took us along, and completed the journey of reform. The Secretariat staff and our Members are fully involved in the work of the FATF and we continue to enjoy harmonious relations with our COSUN colleagues, the FATF Secretariat and our longstanding partners in the international donor community.

3. So here we all are, confidently poised, with enthusiasm and a sense of purpose, to pursue the challenge from our Council of Ministers, which demands a continuous search for organizational improvements wherever possible. Ours is indeed a stable organization of which we should be proud.

4. As we look towards the Fourth Round of Mutual Evaluations, our collective aspiration should be to achieve the Highest Levels of Compliance with the FATF Recommendations, a salutary goal, which can only occur if we are well positioned to engage actively with our international partners and to advocate for and serve the Caribbean Basin Region's best interests in the global AML/CFT dialogue.

5. Over the coming year the Commonwealth of The Bahamas will pursue an agenda based on the following key principles which, with the continued cooperation and support of all CFATF stakeholders, will establish a strong Culture of Compliance regionally, as the foundation for the regional transformation and taking us to pioneer status within the global AML/CFT network. These are;

- A well-resourced and robustly supported Secretariat, enjoying job security and implementing the CFATF's agenda with confidence and innovation.
- Financial strength and stability, through timely submission of annual contributions with, where possible, further in kind or extraordinary support for other areas of CFATF's work.
- Active engagement and participation in all aspects of this organization's business by all Members, and here we include our Co-operating and Supporting Nations and Observer Organizations, with whom dialogue, sharing experiences and support are essential.
- Ensuring through the CFATF ICRG and the Follow up process, that all AML/CFT

deficiencies, strategic and otherwise, outstanding from the Third Round of Mutual Evaluations are addressed. Plenary should give consideration to those countries that were assessed late in the third round, mainly Curacao and St. Maarten, which should only apply to those countries that are outside the FATF and CFATF ICRG processes.

- Widespread education and training for both the public and private sectors on the tool kit for the Fourth Round Mutual Evaluation Programme, namely the FATF 2012 Recommendations and Interpretative Notes, the Methodology and the Mutual Evaluation Process and Procedures and critically, in undertaking National Risk Assessments.
- Continuing the CFATF Typologies Programme and participating in the global dialogue on the possible new approaches to undertaking typologies projects in a global rather than a regional context;
- Commencing work on Financial Inclusion and Financial Literacy.
- Finally
- The use of Information Technology systems to undertake our growing workload in a timely, cost effective and efficient fashion

THE SECRETARIAT

6. On behalf of the entire CFATF family we must extend our deepest appreciation to the Government of Trinidad and Tobago for the ongoing support provided at considerable cost to host the Secretariat. Particularly at the critical juncture where expanded facilities are required given the growing workload and increases in the staff complement.

7. Additionally, to demonstrate our solidarity with Trinidad and Tobago and our commitment to a strong and effective CFATF it is important for Members to realize that undertaking the work of the CFATF successfully, depends significantly on the provision of the necessary resources for both the operations of the Secretariat and the delivery of Technical Assistance and Training.

8. With regard to the delivery of Technical Assistance and Training, South-South cooperation using the knowledge and expertise that is available within the membership is an underutilized resource which should be and could be drawn upon more effectively through full participation in the Donors' Forum. Within this framework we can also rely on the ongoing friendship and support of the Group of Cooperating and Supporting Nations (COSUNs) who have made very valuable contributions to the successes of the CFATF over the years.

9. For the operations of Secretariat which is critical, we call upon all Members to ensure that annual contributions are paid in a timely fashion and to consider assigning an official(s) to work with the Secretariat from home base on an ongoing basis or for a limited period of time, or should resources allow, to physically second experts to the Secretariat. Such support, in addition to assisting with the considerable work load that is before us for the Fourth Round of Mutual

Evaluations, will also allow the nominating country to build capacity through knowledge and exposure to the operations of the Secretariat and the Mutual Evaluation process.

10. Finally, it must be underscored that the expertise and experience of the Secretariat staff continue to serve the best interests of this organization and therefore should be appropriately recognized. It is incumbent upon all of us to do everything in our power to ensure that their dedication and loyalty should be rewarded with long term job security including adequate pension arrangements.

11. Yes, the global economic and financial crisis continue to affect our fragile economies. We have rightfully and effectively pursued cost cutting austerity measures, which have reached the limit of available possibilities. We must heed the call of Madame Chair de Lannooy at the May 2010 Plenary Meeting and Special Ministerial II in August 2011 to guard against the erosion of the Reserve Fund and to explore other methods of increasing revenues which are available and which we must consider.

FINANCIAL STABILITY

12. The CFATF acknowledges that the global economic and financial crisis continues to impinge negatively on the level of resources that assessor bodies in the global AML/CFT network could call upon from their membership to meet day to day operational costs and indeed to draw upon from donor countries and agencies, in order to deliver the full range of technical assistance and training projects that will be necessary given the resource intensive requirements of the Fourth Round of Assessments.

13. Yet, it is the primary responsibility of all CFATF Members to ensure that the annual contributions which fund the organization's work are submitted to the Secretariat as they fall due and that there is no build-up of arrears at the end of each year.

14. It should be noted that the CFATF has had considerable success in this regard during 2011 and 2012 and in keeping with the Ministerial mandate we must strive to secure even greater success in every aspect of the CFATF's operations during the next twelve months. Where possible, Members are encouraged to make Extraordinary Contributions over and above the annual contributions. It must however be emphasized that these are completely voluntary.

15. It must be noted that the CFATF has pursued valiant and commendable efforts at cost cutting measures with a view to reducing operational expenses.

16. However, given the growing workload of the global AML/CFT network, austerity measures on their own, will not facilitate the ultimate goal of attaining the highest levels of compliance by the end of the Fourth Round of Assessments, which as is widely recognized, and which we must again emphasize, will be very resource intensive.

17. Since 2000, the Secretariat proposed and Ministers agreed to the CFATF pursuing a programme of AML/CFT training for the private sector and this remit has been undertaken with

enthusiasm and the results have positively impacted the CFATF's financial position.

18. The ability of Members to attain the highest levels of compliance with the FATF standards during the Fourth Round pivots on the full engagement of all national stakeholders including the private sector.

19. As is recognized in the Objectives of the Russian Presidency during FATF XXV, since "Financial institutions and other private businesses are in the frontline in detecting money laundering and the financing of terrorism. It is very important that they are well informed about current rules and efficient methods to detect and report suspicious transactions and to conduct risk assessments".

20. The Commonwealth of The Bahamas therefore calls upon all CFATF Members to fully engage with the Secretariat so that the rich potential for generating revenue for the CFATF through the delivery of Compliance Conferences and sector specific AML/CFT training seminars and workshops could be vigorously pursued in the next twelve months and beyond.

21. Based on past performance, this is a viable mechanism that would facilitate the long term financial stability of our organization without placing additional financial burdens on the membership at this critical time.

MEMBERSHIP PARTICIPATION AND COOPERATION

22. Following extensive discussions at the Nicaragua Plenary meeting there was an outpouring of volunteers to participate in the various CFATF Working Groups and it is anticipated that this positive attitude will translate consistently into active involvement not only in the CFATF context but also in FATF and other AML/CFT fora.

23. The friendship and financial support of the COSUNs as well as from our other partners in the international donor community, have been and will continue to be of significant importance to the success of the CFATF. We will continue to work with them during the preparations for and throughout the Fourth Round so that the wider goal of protecting the international financial system can be achieved.

24. Membership participation can also extend to assisting the Secretariat with disseminating pertinent information on the CFATF, such as this Work Programme on a rolling basis, nationally, regionally and internationally, utilizing the national communications departments and global public relations arrangements where applicable so as to avoid directly impacting the annual budget and annual membership contributions.

RECTIFYING THIRD ROUND DEFICIENCIES AND PREPARING FOR THE FOURTH ROUND OF MUTUAL EVALUATIONS

25. The Third Round of Mutual Evaluations has been brought to a close and it is here that we must accept that further work has to be urgently undertaken. At the end of the Third Round of Mutual Evaluations there is good news through the favorable accomplishments of some Members. In these jurisdictions, our Centers of Excellence, the Culture of Compliance is strong, the levels of compliance with the FATF Recommendations are high and can be emulated by other CFATF members.

26. However, institutionally, the average level of compliance by the CFATF membership was a less than satisfactory forty (40) percent. The CFATF ICRG is recognized by our international partners as an effective vehicle to encourage and persuade expeditious AML/CFT reform and must continue its robust and successful approach.

27. I trust that Members will unanimously agree that the CFATF must strive for and attain the highest levels of compliance with the FATF Standards at the end of the Fourth Round and thereby erase the memory of a less than stellar performance at the close of the Third Round.

28. It is therefore advisable that all CFATF Members cooperate with the CFATF ICRG, so as not to detract from the international standing of the CFATF as a whole. Members must ensure that all Third Round deficiencies are expeditiously rectified before the commencement of the Fourth Round.

29. Failure to start with a clean slate may make preparations for the Fourth Round that more burdensome, because it is accepted that the Fourth Round will require the commitment of a significant amount of resources given the emphasis that will be placed on assessing effectiveness.

30. The Fourth Round also requires a full understanding of the relevant requirements by all CFATF stakeholders and this can only be achieved through an ongoing and ambitious training programme for the Secretariat staff, the public and private sectors and Examiners.

31. Our collective goal must be to attain at least seventy five (75) percent compliance . In order to get there we must continue with our partnership with the FATF Secretariat, the COSUNs, IMF, World Bank and all our other regional and international friends and allies in a concerted programme of activities over the next year.

32. Striving for and attaining this target is in the long term economic security interests of the Caribbean Basin Region. It is critical to the ability of our Members to attract and maintain Foreign Direct Investment, to generate revenues for governments through receipts from corporation and personal taxation, to maintain high levels of employment so that consumer spending is high which in turn will keep the national and regional economies buoyant, thereby ensuring high standards of living for citizens and importantly to maintain regional peace and security.

33. We have a considerable amount of work ahead of us, but we should not be daunted by the

task. Each and every one of us must constantly advocate this message and use our influence to secure the full and active involvement of all relevant regional institutions to this cause.

THE CFATF TYPOLOGIES PROGRAMME

34. On the issue of Typologies, the outcome of the June 2013 FATF Plenary meeting indicates that new approaches are being explored which could entail a greater focus on methods/techniques rather than predicate offences, the possibility of conducting a stock-taking of prominent ML/TF cases on the global level and having strategic analysis and discussion of those cases, the provision of general guidance on conducting typologies work, the need for further coordination in order to have more global participation in typologies projects rather than several regional projects and developing criteria for joint typologies projects.

35. It is important for the CFATF whilst pursuing existing Typologies work, to participate in this global dialogue through the presence of the relevant officials from the membership as well as Secretariat staff so as to inform future CFATF work in this area.

FINANCIAL INCLUSION

36. Her Majesty Queen Maxima of the Netherlands and the United Nations Secretary General's Special Advocate for Inclusive Finance for Development attended the FATF June 2013 Plenary Meeting in order to speak with and engage the FATF on her work. Her central message is that financial inclusion enables and accelerates progress towards numerous national priorities such as job creation, equitable growth, poverty alleviation, health education, food security and more.

37. Financial Inclusion and effective and proportionate AML/CFT regimes are mutually reinforcing objectives and as such will remain an important facet of FATF work for the foreseeable future.

38. In some countries of the Caribbean Basin Region, the advent of mobile payments is facilitative of financial transactions between the public service, vulnerable citizens and inaccessible rural communities. However, there are associated risks and the FATF Guidance on A Risk Based Approach to Prepaid Cards, Mobile Payments and Internet based Payment Services is a useful in terms of mitigating the AML/CFT risks and reinforcing the need for financial literacy for some sections of the population

39. The CFATF has not undertaken any work in this area. However, in order to assist CFATF members where Financial Inclusion and Financial Literacy are important to the national economy, and to determine the AML/CFT risks and guard against the vulnerabilities, the CFATF, during the next twelve months, should consider whether this work can be taken forward as part of the CFATF WGTYP agenda or whether a new Working Group to concentrate solely on this issue should be formed.

INFORMATION TECHNOLOGY

40. Building on the positive responses from the membership on the improvements to the CFATF Website, the Document Distribution System and the Knowledge Platform for the Compliance Conferences, the Secretariat has begun work on a new platform which when operationalized around mid-2014, will among other things, provide each CFATF Member with a unique space, where preparations for their respective Mutual Evaluation Mission could commence even where the scheduled date is in 2020 or 2021.

41. Critical to the effective functioning of the system will be an official in each country that will be tasked to coordinate the flow of information from the country to the platform which will be managed from the innovative Information Technology Department at the CFATF Secretariat. This can be easily achieved in a cost effective fashion by assigning this portfolio to the designated authority or linking it to the coordinating mechanism that is required in FATF Recommendation 2 that is mandated to review national policies.

42. It is anticipated that the use of Information Technology will allow the overall workload of the CFATF to be undertaken more efficiently and will see a significant reduction of the cost of each Mutual Evaluation Mission, the overall Mutual Evaluation Programme and the annual contribution of each CFATF Member.

CONCLUSION

43. A new and exciting world beckons the CFATF. I look forward to working with Incoming Deputy Chair El Salvador in implementing this Work Programme which I commend for your consideration and endorsement.