CFATF
GAFIC
CARIBBEAN FINANCIAL
ACTION TASK FORCE

Fourth Follow-Up Report

Grenada

November 14, 2011

GRENADA – FOURTH FOLLOW-UP REPORT

I. Introduction

1. This report presents an analysis of Grenada's report to the CFATF Plenary regarding progress made to correct the deficiencies identified in its third round Mutual Evaluation Report (MER). The third round Mutual Evaluation Report of Grenada was adopted by the CFATF Council of Ministers in May 2009 in Trinidad and Tobago. Grenada was placed on enhanced follow-up and required to report every Plenary. Grenada's first follow-up report was presented at the Plenary in October 2009. No report was submitted to the Plenary in May 2010. Grenada's Second and Third Follow-Up Reports were presented in November 2010 and May 2011. Grenada has submitted information in the attached matrix on measures taken since the Third Follow-Up Report to comply with the examiners' recommendations. Grenada was rated partially compliant or non-compliant on 10 Core and Key Recommendations and 27 other Recommendations. The Core and Key Recommendations are indicated in italics in the table below.

Table 1; Ratings of Core and Key Recommendations

Rec.	**1**	**3**	**4**	**5**	**10**	**13**	**23**	**26**	**35**	**36**	**40**	**I**	**II**	**III**	**IV**	**V**
Rating	**PC**	**LC**	**C**	**NC**	**LC**	**NC**	**PC**	**LC**	**PC**	**C**	**LC**	**PC**	**NC**	**NC**	**NC**	**PC**

2. With regard to the remaining Recommendations, Grenada was rated partially compliant or non-compliant on twenty-six (26) as indicated below:

Table 2: Non Core and Key Recommendations rated Partially Compliant and Non-Compliant

Partially Compliant (PC)	**Non-Complaint (NC)**
R. 14 (Protection & no tipping-off)	R. 6 (Politically exposed persons)
R. 17 (Sanctions)	R. 7 (Correspondent banking)
R. 20 (Other NFBP & secure transactions)	R. 8 (New technologies & non face-to-face business)
R. 25 (Guidelines & Feedback)	R. 9 (Third parties and introducers)
R. 30 (Resources, integrity and training)	R. 11(Unusual transactions)
R. 31 (National co-operation)	R. 12 (DNFBP – R.5,6,8-11)
R. 32 (Statistics)	R. 15 (Internal controls, compliance & audit)
R. 35 (Conventions)	R. 16(DNFBP – R.13-15 & 21)
	R. 18 (Shell banks)
	R. 19 (Other forms of reporting)
	R. 21 (Special attention for higher risk countries)
	R.22 (Foreign branches & subsidiaries)
	R. 24 (DNFBP – regulation, supervision and monitoring)

	R. 33 (Legal persons – beneficial owners)
	R. 34 (Legal arrangements – beneficial owners)
	SR. VI (AML requirements for money value transfer services)
	SR. VII (Wire transfer rules)
	SR. VIII (Non-profit organizations)
	SR. IX (Cross-border Declaration & Disclosure)

3. The following table gives some idea of the level of risk in the financial sector by indicating the size and integration of the sector in Grenada.

Table 3: Size and integration of Grenada's financial sector
As at June 30, 2011

		Banks	Other Credit Institutions*	Securities	Insurance	TOTAL
Number of institutions	Total #	5	15		23	43
Assets	US$	1,074.6m	131m.		129m*	1,334.6m
Deposits	Total: US$	891.4m	99m.		n.a+	990.4m
	% Non-resident	16.9% of deposits			n.a	
International Links	% Foreign-owned:	% of assets 81%	% of assets	% of assets	% of assets	% of assets
	#Subsidiaries abroad					

* Estimate
+ Not applicable

II. Summary of progress made by Grenada

4. Since the MER, the authorities in Grenada began to assess the various means to achieve compliance. The main focus of the authorities was instituting changes in the legal framework including consolidation of previous statutes, legislative amendments to specific laws and proposals for new legislation. As a result of this process the Money Services Business Act 2009 (MSBA) was enacted in April 2009 and the Insurance Act No 5 of 2010 (IA) in December 2009. Additionally, drafts of a Customs Bill, Customs Regulations and a Financial Intelligence Unit (FIU) Bill have been prepared and will be presented to Parliament shortly. Drafts of a Proceeds of Crime Bil (POCB)l, a Proceeds of Crime (Anti-Money Laundering and Terrorist Financing) Regulations and Proceeds of Crime (Anti-Money Laundering and Terrorist Financing) Guidelines (Guidelines) have also been prepared and are being reviewed.

Core Recommendations

Recommendation 1

5. The situation remains the same as was stated in the Follow-Up Report of December 2010. The authorities advised that the recommendation for pursuing money laundering as a stand-alone

offence had been dealt with in a draft bill and Guidelines which had been gazetted with their use being mandatory by all financial institutions. A copy of draft Guidelines submitted for the present report does not have any reference to money laundering as a stand-alone offence. . With regard to the recommendation for the amendment of the Drug Abuse (Prevention and Control) Act (DAPCA) to include all narcotic drugs and psychotropic substances listed in Tables I and II of the Vienna Convention, the authorities have advised that in July 2011 Cabinet instructed that legislation be anended. The new draft legislation is being finalized and is due for completion by the end of September 2011. With regard to extending the range of predicate offences for money laundering to include all the FATF designated categories it was note in the last follow-up report that a policy decision had to be taken before specific legislation on the relevant offences could be drafted. No further information on this has been submitted for the present report. Given the above all the examiners' recommendations remain outstanding.

Recommendation 5

6. These recommendations include making the Guidelines mandatory and enforceable, CDD measures in cases of suspicion of ML or TF, or doubts about previously obtained CDD, regulation or legislative amendments to verify that anyone acting on behalf of a customer is so authorized, verification of the identity of customers, understand the ownership and control structure of customers, determine the natural persons who ultimately own the customers, etc.

7. The authorities advised in the Follow-Up Report of December 2010 that the Guidelines incorporated CDD measures and that regulation 8 of the Proceeds of Crime (Anti-Money Laundering) Regulations makes complying with the Guidelines mandatory. However, it was noted that this was already indicated in the MER where it was stated that the Attorney General at the time advised the team of advisors that the Guidelines were not legally enforceable and paragraph 60 of the Guidelines stated "these Guidelines are not mandatory or exhaustive".

8. Legislation has been drafted incorporating specific measures concerning the examiners' recommendations. A draft (POCB and Guidelines were submitted for this follow-up report. Section 32 of the POCB provides for the issuing of guidelines with sanctions thereby making the draft Guidelines enforceable once the POCB becomes law and the Guidelines are properly issued. However, while the Guidelines incorporates specific requirements dealing with the examiners' recommended actions for Recommendation 5, these measures will not be in compliance until the POCB is enacted and the Guidelines issued. As such, this Recommendation remains outstanding.

Recommendation 13

9. With regard to the recommendation that the range of predicate offences for ML be extended to include all FATF categories of offences, the authorities had advised in the last follow-up report that a policy decision had to be taken before specific legislation on the offences could be drafted. No new information has been submitted on this issue. . The authorities advise that Cabinet issued a policy directive on July 4, 2011 for the inclusion in the Terrorism legislation of the recommendation to make the reporting of suspicious transactions relating to terrorism mandatory. New draft legislation was being finalized and was due to be completed by the end of September 2011. The other recommendations include requiring the reporting of attempted suspicious transactions and those involving tax matters. While the authorities advised that requirements for the reporting of suspicious transactions are included in the draft Guidelines, these are not enforceable at present as required by the FATF criteria. As such this Recommendation remains outstanding.

Special Recommendation II and IV

10. The authorities advise that a new draft terrorism bill incorporating the examiners' recommendations is due to be finalized by the end of September 2011. . These Recommendations remain outstanding.

Key Recommendations

Recommendations 23

11. The authorities' response to the examiners' recommendation that the Eastern Caribbean Central Bank (ECCB) should review its inspection program to ensure effective compliance of its licensees with AML/CFT obligations was to advise that the ECCB last Guidance Notes for Licensed Financial Institutions was issued in May 1995. However, this response does not address the main issue of the recommendation which arose from the examiners' concern about the limited number of inspections carried out by the ECCB in the four years prior to the MER.

12. As noted in the Follow-Up Report of December 2010, the authorities had referred to subsection (5)(2)(3) of the Grenada Authority for the Regulation of Financial Institution Act 2008 (GARFIN Act) as meeting the examiners' recommendation for the enactment of fitness and probity checks on the directors, shareholders and management of the licensees of Grenada Authority for the Regulation of Financial Institution (GARFIN). However, the referenced subsection deals with fitness and probity checks on the directors of GARFIN rather than on the directors, shareholders and management of the licensees of GARFIN.

13. The authorities also referred to the Insurance Act No 5 of 2010 (IA) which was enacted in December 2009 as meeting the requirement with regard to fitness and probity checks on directors, shareholders and management of insurance licensees. Under the FATF Methodology, fitness and probity checks are applicable at the licensing stage and whenever changes are made in management or controlling shareholding interest. The licensing procedures as set out in sections 13 and 14 of the IA require proposed directors and management of an applicant including the principal representative of foreign company to meet fit and proper requirements as set out in section 201 of the IA. Significant shareholders i.e. those that control twenty percent or more of shareholding are required to be suitable. No definition of suitable is given in the IA.

14. Under sections 201 and 202 of the IA, directors, officers and managers of local insurance companies and principal representatives of foreign insurance companies are subject by GARFIN to assessment of fit and proper status in accordance with criteria specified in section 201(2) of the IA. In determining whether a person is fit and proper, section 201(2) of the IA requires consideration of a person's probity, competence, soundness of judgment, diligence, previous conduct in business or financial matters, history of offences involving fraud or other dishonesty and business practices appearing to be deceitful, oppressive or improper. The above provisions while establishing fitness and probity checks on directors and management of insurance companies does not include controlling shareholders as required by the examiners' recommendation.

15. With regard to fitness and probity checks for money services businesses which fall under the supervision of GARFIN section 6 of the Money Services Business Act 2009 (MSBA) establishes licensing procedures which require assessment by GARFIN of the fit and proper status of the significant shareholders, directors, executive management and officers of an applicant for a money service business licence. A significant shareholder is defined as a person

who alone or with an affiliate exercises or controls ten percent or more of voting shareholding. Section 15 of the MSBA establishes similar requirements prior to the appointment of a director or senior officer of a money service business operator. No requirement is stipulate for changes in significant shareholding. The above provisions for changes after licensing do not include shareholders as required by FATF standards. The above measures are applicable to insurance companies and money service businesses which are only some of the licensees of GARFIN. The recommendation called for the enactment of fitness and probity checks on the directors, shareholders and management of all licensees of GARFIN which include insurance companies, credit unions, building societies, international business companies and money service businesses. . Similar requirements for the licensees of the Eastern Caribbean Securities Regulatory Commission (ECSRC) are not in place.

16. In the Follow-Up Report of December 2010 it was indicated that measures making money value transfer service operators subject to effective systems for monitoring and ensuring compliance with AML/CFT requirements were being put in place. The MSBA enacted in April 2009 established a legal framework for the implementation of a system for monitoring and ensuring compliance with national AML/CFT requirements by money value transfer service providers.

17. Section 4 of the MSBA requires a person to be licensed to carry on money service business in Grenada. The MSBA stipulates licensing, reporting and accounting requirements for money services businesses. In particular, section 18(3) of the MSBA requires licensees to ensure that accounting records and systems of business controls comply with the requirements of the Money Laundering Prevention Act, 1999. Under section 40 of the MSBA, GARFIN is responsible for the administration of the Act and has powers of inspection, access to all necessary documents and records, enforcement powers, and ability to suspend and revoke a licence. The authorities advised that all operators had been properly licensed under the Act and were to be subjected to on-site inspection in the first half of 2011. An off-site supervisory framework was also being rolled out.

18. At present, the authorities advise that there are three money transfer operators in Grenada and that GARFIN has conducted its first inspection of a money service business during the second quarter of 2011. The other two money transfer operators are scheduled for inspections between September and November 2011.

19. The recommendations dealing with the ECCB and the ECSRC are still outstanding. Measures for establishing an effective system for monitoring and ensuring compliance of money service operators substantially comply with the examiners' recommendations. However, the recommendation for the enactment of fitness and probity checks on the directors, shareholders and management of all licensees of GARFIN has only been partially met.

Recommendation 35

20. In the Follow-Up Report of December 2010 the authorities advised that specific legislation would be drafted to extend the range of predicate offences for ML and criminalise all activities in accordance with relevant articles of the UN Conventions. At present, the recommendations are to be incorporated in the new draft bill due to be finalized by the end of September 2011.. The examiners' recommendations remain outstanding.

Special Recommendation I

21. The authorities advise that a new draft terrorism bill is due to be finalized by the end of September 2011. As such, the examiners' recommendation remains outstanding.

Special Recommendation III and V

22. The authorities advise that a new draft terrorism bill incorporating the examiners' recommendations is due to be finalized by the end of September 2011.These Recommendations remain outstanding.

Other Recommendations

Recommendation 6

23. The situation remains unchanged from the last Follow-Up Report. The authorities referred to Appendix Q of the Guidelines with regard to the examiners' recommendations for the establishment of appropriate risk management systems to determine whether a potential customer is a politically exposed person (PEP). However, since the Guidelines are in draft, the requirements of Appendix Q do not satisfy the examiners' recommendations. All examiners' recommendations remain outstanding.

Recommendations 7 and 8

24. There have been no new developments since the previous Follow-Up Report when the authorities advised that the examiners' recommendations were to be addressed in revised Guidelines. As already mentioned these Guidelines are in draft. All examiners' recommendations remain outstanding for both Recommendations.

Recommendation 9

25. The situation remains the same from the last Follow-Up Report. The authorities referred to cited paragraphs of the Guidelines in relation to the recommendation for financial institutions to be required to immediately obtain from introducers necessary information concerning certain elements of the CDD process. However, as already mentioned the Guidelines are in draft.. With regard to the other recommendations, the Guidelines were to be updated to address the relevant concerns. As such all the examiners' recommendations remain outstanding.

Recommendation 11

26. There has been no change since the last Follow-Up Report. The authorities advised that provisions in the draft Proceeds of Crime Bill 2010 addressed the examiners' recommendation for financial institutions to be required to examine the background and purpose of all complex, unusual large transactions or unusual patterns of transactions. Reference was made to section 48 of the Proceeds of Crime Act 2003 (POCA 2003) in relation to this recommendation, however it was noted in the MER that section 48 of POCA 2003 only required financial institutions to pay attention to complex, unusual large transactions or unusual patterns of transactions and did not include the requirement to examine the background and purpose of these transactions. Reference was also made to Appendix E and F of the Guidelines, however, the draft Guidelines submitted for this report contains no appendices..

27. With regard to the examiners' recommendations for the retention of the written findings from the review of complex, unusually large or unusual patterns of transactions, the authorities in the last report indicated paragraph 106 of the Guidelines which were not submitted with the follow-up report and regulation 5(1)(4) of the Proceeds of Crime (Anti-Money Laundering) Regulations 2003. Regulation 5(1)(4) requires the retention of records relating to the opening of an account and transactions and does not include records of the written findings from the review

of complex, unusually large or unusual patterns of transactions. Given the above, all the examiners' recommendations remain outstanding.

Recommendation 12

28. The authorities have advised that Cabinet issued a policy directive on July 4, 2011 for the inclusion of DNFBPs in the draft POCB. The DNFBPs to be included will comprise dealers in precious metals and precious stones, jewellery stores, car dealers, accountants and accounting firms and auditors. It is noted that this list does not include attorneys, notaries, other independent legal professionals, real estate agents and trust and company service providers. New draft legislation was being finalized and was due to be completed by the end of September 2011.

29. With regard to the recommendation for specific training and/or awareness programs to educate DNFBPs about AML/CFT requirements Grenada has submitted a list of training needs to the CFATF for consideration. This list includes required assistance for risk assessment of DNFBPs; formulation of guidance notes; development of supervision regime to include examination manual and procedures, codes of good practice, information sharing and training of supervisors and assistance in the development of private sector outreach programs. The FIU through the medium of the Grenada Information Service Television programming has been engaged in a series of programs to increase awareness of the FATF Recommendations. The above measures only partially satisfy one of the examiners' recommendations i.e. training. As such the examiners' recommendations remain substantially outstanding.

Recommendation 14

30. The authorities advise that the recommendation for the POCA, 2003 to be amended to extend the tipping off offence to include disclosure of the fact that a STR concerning money laundering is being reported or provided to the FIU is addressed under subsection 8(1)(2) of the Financial Intelligence Unit Act 2003. However, the reference subsection only provides protection from criminal or civil liability for the breach of confidentiality to any person, director or employee of a financial institution who submits in good faith any STR, information or report to the FIU. There is no provision for the extension of the tipping off offence. The authorities also refer to a draft FIU Bill 2011 which has not been enacted. As such, this Recommendation remains outstanding.

Recommendations 15

31. The authorities advise that subsections 48(6) and (7) of the POCA 2003 satisfy the recommendation for financial institutions to be required to establish and maintain internal procedures, policies and controls to prevent money laundering and financing of terrorism. Subsection 48(6) requires every financial institution or person engaged in a relevant business activity to develop and implement a written compliance program designed to ensure and monitor compliance with the regulations made under the POCA 2003. The regulations issued under POCA 2003, the Proceeds of Crime (Anti-Money Laundering) Regulations, 2003 (POCAMLR) do not include a requirement for financial institutions to have policies, procedures and controls to prevent money laundering and financing of terrorism. Additionally, while subsection 48(7) of the POCA defines a compliance program, reference is made to the compliance program in subsection 5 and not to subsection 6. This appears to be a drafting error since there is no mention of a compliance program in subsection 48 (5) of the POCA 2003. As such, the legal enforceability of the definition of compliance program in subsection 48(7) to subsection 48(6) is doubtful at best.

32. The authorities advise that subsection 48(7) (d) of the POCA 2003 meets the recommendation for the requirement for financial institutions to develop appropriate compliance

management arrangements which include at a minimum the designation of an AML/CFT compliance officer at management level to be enforceable. As mentioned above subsection 48(7) stipulates a definition of a compliance program referred to in subsection 48(5). As such the enforceability of any part of the definition including the appointment of a staff member responsible for continual compliance with the POCA 2003 and the POCAMLR is cast in doubt.

33. Subsections 48(7)(b) and 48(7)(c) are also referenced with regard to the recommendations that financial institutions should be required to maintain an adequately resourced and independent audit function and train all staff on an ongoing and regular basis on AML/CFT obligations. The same objection noted above is also applicable.

34. In addition to the above the authorities in their response refer to training provided to staff of financial institutions on the various statutes and Guidelines. The requirement for financial institutions to put in place screening procedures to ensure high standards when hiring employees is included in the draft Guidelines which are not enforceable. . Given the above, the examiners' recommendations remain outstanding.

Recommendation 16

35. With regard to the examiners' recommendations, the authorities responses noted under Recommendation 12 are applicable here. Additionally with regard to the recommendation for specific training and/or awareness programs to educate DNFBPs about AML/CFT requirements, the Follow-Up Report of December 2010 indicated that the Supervisory Authority was to initiate training in this area. At present, the authorities advise that training for the DNFBPs is scheduled for the last quarter of 2011. As a consequence, examiners' recommendations remain substantially outstanding.

Recommendation 17

36. The examiners' recommendation for the authorities to amend the POCA and the Money Laundering (Prevention) Act (MLPA) to ensure that sanctions are consistent and broad in range has been included in new draft legislation due for completion at the end of September. This draft legislation will seek to include a broader range of sanctions. This recommendation remains outstanding..

Recommendation 18

37. At present the authorities advise that Cabinet directed on July 4, 2011 that appropriate legislative amendment be prepared to deal with the examiners' recommendations. Legislation is being drafted and is due for completion by the end of September 2011.. Consequently, the examiner's recommendations remain outstanding.

Recommendations 19

38. On July 4 2011, Cabinet directed that the FIU be designated as the authority to which every financial institution will be required to report all currency transactions above the threshold of EC$50,000. A new Bill to incorporate this requirement is due for completion by the end of September 2011. The Guidelines will also be revised to incorporate this requirement. This Recommendation remains outstanding.

Recommendation 20

39. Once the policy decision made on July 4, 2011 for the inclusion of car dealers under the category of relevant business in the new POCB and draft Guidelines is enforceable, AML/CFT obligations will be extended to non- financial businesses and professions other than DNFBPs and will rectify the deficiency with regard to whether consideration had been given to apply FATF Recommendations to non-financial businesses and professions other than DNFBPS. This recommendation remains outstanding.

Recommendation 21

40. As noted in the Follow-Up Report of December 2010 the authorities advised that the Guidelines were to be revised to impose mandatory requirements for financial institutions to pay special attention to business relationships and transactions from or in countries which do not or insufficiently apply the FATF Recommendations.

41. With regard to the recommendation for financial institutions to be required to examine transactions with no apparent economic or visible lawful purpose from countries which do not or insufficiently apply the FATF Recommendations, the authorities advise that section 47(2) of POCA complies in requiring every financial institution to pay particular attention to all complex, unusual or large transactions whether completed or not and to all unusual patterns of transactions and to insignificant but periodic patterns of transactions which have no apparent economic or lawful purpose. As indicated, the above provision as referenced is limited to insignificant but periodic patterns of transactions and does not include all transactions which have no apparent economic or lawful purpose as required. This recommendation is therefore only partially met.

42. The Cabinet directive of July 4, 2011 for the amendment of legislation incorporates the other examiners' recommendations and draft legislation is due to address them. As such, most of the examiners' recommendations remain outstanding.

Recommendation 22

43. The examiners' recommendations include all the essential criteria of Rec. 22. The situation as reported in the previous follow-up report remains unchanged when authorities advised that relevant amendments were being made under the revision of the POCA Regulations. The examiners' recommendations remain outstanding.

Recommendation 24

44. In the Follow-Up Report of December 2010 the authorities had advised that they were considering drafting specific legislation before the end of 2010 to address the examiners' recommendations for a designated competent authority for monitoring and ensuring compliance of DNFBPs with AML/CFT obligations and subjecting dealers in precious metals and precious stones to AML/CFT requirements. In the previous Follow-Up Report of May 2011 they advise that they were considering the possibility of undertaking the responsibility by the end of the second quarter of 2011. While no further information on this deadline has been submitted for this report, the authorities indicate that supervision and monitoring of DNFBPs will be done by the Supervisory Authority Secretariat after the necessary assistance and training has been sourced. Consequently, the examiners' recommendations remain outstanding.

Recommendation 25

45. There is no change from the last Follow-Up Report where the authorities advised that the examiners' recommendation concerning the FIU providing consistent feedback on filed suspicious transaction reports are addressed in a draft FIU Bill. The Guidelines are to be revised to include specific instructions for combating the financing of terrorism. At present, the authorities advise that the FIU holds meetings with financial institutions who reported SARs to the unit on a monthly basis to give face to face feedback on the progress of its investigation. The above measures partially comply with the examiners' recommendations.

Recommendation 30

46. With regard to the first examiners' recommendation concerning the consideration of providing additional financial and technical resources to law enforcement agencies, the authorities advise that units of the Royal Grenada Police Force (RGPF) directly involved in combating ML/TF i.e. Drug Squad Unit, Special Branch, the Coast Guard and the FIU, all receive ongoing training and attend local, regional and international training in AML/CFT organized by the Special Anti-Crime Unit of Trinidad and Tobago (SAUTT) based in Trinidad & Tobago, the Caribbean Regional Drug Law Enforcement Training Centre (REDTRAC) based in Jamaica and the United Kingdom Security Advisory Team (UKSAT), the United States Department of Justice (USDOJ), the Organization of American States (OAS), and the United Nations Office on Drugs and Crime (UNDOC). Opportunities for regional attachment programmes are also utilized by the RGPF. Details on the specifics of the training including the dates of sessions, the number of staff trained at each session, the AML/CFT issues dealt with and the name of the organization providing training should be provided.

47. In addition to the above the authorities have submitted to the CFATF Secretariat a list of training needs for Grenada for consideration. The list includes CFT training for financial and law enforcement authorities.

48. In relation to reviewing measures in place for ensuring that persons of high integrity and good moral character are recruited into the RGPF, the authorities advise that recruitment selection of the RGPF is done at two levels. Vetting is done along with an interview; there is also careful screening of criminal records and community interviews, to access moral standing before the selection process is completed. The officers of the RGPF are guided by a Code of Conduct and the Police Act which mandates the conduct of officers. An officer found to be in breach is subject to a formal disciplinary procedure. The small size of the country makes it relatively easy to investigate any criminal activity of an officer.

49. Additionally, there is a Community Relation Department which is operational; one of its purposes is receiving complaints about police officers. When necessary, complaints are investigated and appropriate action taken. Senior officers of the RGPF are governed by the Police Act and the Public Service Commission Rules and Regulations. Any disciplinary action is taken by the Public Service Commission through the same process administered for all Public Servants.

50. There is zero tolerance for breaches of discipline and criminal activity in the RGPF. Because of the size of the force there is not much room for breaches of discipline to go unnoticed. The specialized units such as the Drug Squad, Special Branch and Coast Guard undergo polygraph tests once every 3 years; they are chosen because they are more susceptible to corruption given that they assist in undercover investigation in ML/TF. While the above

measures should enhance the recruitment of persons of high integrity, information on the number of police officers in the RGPF and those subject to formal disciplinary procedures and charged with criminal activity on a yearly basis for the last three years would aid in assessing implementation

51. The other recommendations for reviewing the training needs of the Office of the Director of Public Prosecutions and providing additional resources to the Attorney General's Office are being addressed. In the previous follow-up report it was indicated that the Office of the Director of Public Prosecutions (ODPP) started receiving technical assistance from UKSAT in strategies to tackle money laundering and terrorist financing in January 2011. The authorities advise that this technical assistance is continuing. It was also noted in the last follow-up report that the Attorney General's Office had its full complement of staff comprising of: the Attorney General, the Solicitor General, 1 senior crown counsel, 1 senior legal counsel, 4 crown counsels, 2 legal drafter persons, and 1 Chief Parliamentary Counsel. In view of the above most of the examiners' recommendations have been substantially met.

Recommendation 31

52. With regard to the Supervisory Authority being given the legal authority to bring together the various agencies on a regular basis to develop and implement policies and strategies to tackle money laundering and terrorist financing, the authorities advise that as a result of a Cabinet meeting in May 2011, the Comptroller of Customs and the National Security Advisor have been appointed to the Supervisory Authority. At a meeting held in June 2011, the Supervisory Authority agreed to invite representatives from the private sector and bankers association to have discussions on AML/CFT issues on a quarterly basis. The first meeting is due to take place during the last quarter of 2011.

53. The key stakeholders meet on a monthly basis or as necessary and work together to ensure mechanisms are in place for monitoring, detecting and preventing money laundering and terrorist financing. In the last Follow-Up Report the authorities advised that data was being compiled by the Secretariat of the Supervisory Authority for the population of a website for the purpose of public education which was due to be in operation by the end of the first quarter of 2011. No information on the status of this measure has been provided for this report. The above actions substantially comply with the examiners' recommendations.

Recommendation 32

54. The examiners' recommended actions include the Supervisory Authority establishing a Secretariat to monitor the implementation of Grenada's AML/CFT regime, the dedication of additional technical resources to the compilation of statistical data and the maintenance of statistics on spontaneous referrals made by the FIU, excise operations including records of seizures, and mutual legal assistance and extradition requests.

55. The authorities advised in the previous Follow-Up Report that a Secretariat had been established by the Supervisory Authority and an administrative officer assigned to the Secretariat. Cabinet approved the appointment of an Executive Director for the Supervisory Authority Secretariat in July 2011. At present, final arrangements are being made for the employment of the Executive Director. With regard to statistics on excise operations, as noted in the previous Follow-Up Report the Enforcement Unit of the Customs Department is responsible for gathering information from all other units within the Customs Department. Mechanisms have been put in place to capture information about false declarations commencing from February 2011. The authorities reported that the Customs Department had one (1) seizure in 2009 and four (4) in

2010. Details as to the nature and size of the seizures would be necessary in assessing implementation. No additional information on this matter has been submitted for this report.

56. Statistics on mutual legal assistance requests have been submitted as follows:

Table 4: Mutual legal assistance requests for 2009 – 2011

Year	No of MLATs received	No completed	No pending
2009	**3**	**3**	**0**
2010	**6**	**6**	**0**
2011	**5**	**0**	**0**

Table 5: Egmont Requests for 2009 -2011

Year	No of Egmont Requests received	No completed	No pending
2009	**8**	**8**	**0**
2010	**9**	**9**	**0**
2011	**17**	**15**	**2**

Table 6: Spontaneous Referrals made by FIU to foreign authorities

Year	Regional Requests Made	International Requests Made	No completed	No pending
2010	21	6	17	10
2011	4	2	4	2

57. In addition to the above, one extradition request from the UK was received in 2011. At present, the matter is before the Court. Information on the length of time taken to respond to MLATs and other requests should be submitted to give an idea as to the timeliness of the response.

Recommendation 33

58. There has been no change since the Follow-Up Report of December 2010 when the authorities advised that further discussions were planned to determine specific measures to

address the examiners' recommendation concerning bearer shares issued under the International Companies Act. Additionally as noted in the December 2010 report while reference is made to sections 149 to 156 of the Companies Act providing for financial disclosure these sections do not require companies to submit information on beneficial ownership as stated in the examiners' recommendation.

59. Reference is also made to the Companies Regulations No. 2 of 1995 with regard to timely notification of changes of particulars of a company. However, no copy of said legislation was provided for verification. Additionally reference is made to sections 195 to 200 of the Companies Act which detail requirements for notification by a company in its share register of changes in beneficial ownership. However, the examiners' recommendation is based on the lack of legislation requiring the filing or notification of changes in beneficial ownership with the Registrar of Companies. The sections referenced by the authorities do not have such requirements and this recommendation remains outstanding. As such, all examiners' recommendations remain outstanding.

Recommendation 34

60. With regard to the recommendation for the authorities to put in place measures for the registration and monitoring of local trusts in accordance with FATF requirements, the authorities advise that there is a National Registry and a Registrar of Companies appointed under the Companies Act. However, no information as to the exact functions of the National Registry or the Registrar of Companies in relation to local trusts under the Companies Act has been provided for this report. Additionally, the authorities advise that section 17 of the International Trusts Act 1996 provides for the registration and monitoring of local trusts. However, section 17 refers specifically to international trusts rather than local trusts. Consequently the examiners' recommendations remain outstanding.

Special Recommendation VI

61. As reported in the previous Follow-Up Report the examiners' recommendations have been substantially met. The examiners' recommended actions include enacting legislation for money service providers that meet FATF requirements, introducing systems for monitoring money value transfer service operators and requiring them to maintain a current list of their agents and making GARFIN's supervisory sanctions proportionate and dissuasive.

62. With regard to legislation for monitoring money service providers, the MSBA was enacted in April 2009 and establishes a legal framework for the implementation of a system for monitoring and ensuring compliance with national AML/CFT requirements by money value transfer service providers. The MSBA stipulates licensing, reporting and accounting requirements for money services businesses. In particular, section 18(3) of the MSBA requires licensees to ensure that accounting records and systems of business controls comply with the requirements of the Money Laundering Prevention Act, 1999. Under section 40 of the MSBA, GARFIN is responsible for the administration of the Act and has powers of inspection, access to all necessary documents and records, enforcement powers, and the ability to suspend and revoke a licence for breaches of the Act.

63. In accordance with the recommendation for monitoring systems GARFIN has introduced quarterly reporting, submission of audited financial statements and on-site inspections. At present the authorities advise that a system of off-site and on-site supervision has been implemented by GARFIN. The first inspection of a money services business was conducted during the second quarter of 2011. The other two money service businesses are due to be inspected between September and November 2011.

64. In the Follow-Up Report of December 2010, the authorities advised that money service operators were required to maintain a current list of their agents. However, there is no provision in the MSBA for this requirement and no other law, regulation or guideline has been cited as authority for this obligation. This recommendation remains outstanding.

65. With regard to the recommendation concerning GARFIN's sanctions, section 38(2) of the MSBA details GARFIN's sanctions to include the following:

a) Imposing conditions or further conditions or amending or revoking any conditions on a licensee as required.

b) Suspension or removal of a director or officer of a licensee

c) Appointing a person to advise on or assume control of a licensee's affairs

d) Requiring a licensee to take or refrain from or discontinue any action CARFIN considers necessary

e) Revoking the licence

66. The above sanctions are applicable among other things for breaches of any provision of the MSBA and criteria for prudent management set out in section 41 of the MSBA. These sanctions can be applicable for breaches of AML/CFT obligations under section 18(3) of the MSBA. The above sanctions should provide for a range of applicable penalties in addition to criminal ones available under the Money Laundering Prevention Act.

67. Except for the recommendation requiring money value transfer service operators to maintain a current list of their agents which has to be verified, all recommendations have been complied with substantially.

Special Recommendation VII

68. The situation remains unchanged since the Follow-Up Report of December 2010 when the authorities advised that further discussions were planned to determine specific measures to address the examiners' recommendation for the implementation of enforceable measures in accordance with the requirements of SR. VII and to establish a regime to effectively monitor the compliance of financial institutions. The examiners' recommendation remains outstanding.

Special Recommendation VIII

69. The situation remains unchanged from the previous Follow-Up Report. With regard to the recommendation for the mandatory registration of non-profit organizations (NPOs), the authorities advised that NPOs must be registered under sections 326-327 of the Companies Act (CA), and are subject to approval by the Attorney General's Office and documents are filed at the Corporate and Intellectual Property Office. However, as noted in Grenada's MER, while sections 326-327 of the CA allow for the incorporation of NPOs, it is not mandatory. Additionally, the approval of the Attorney General is essential only to determine whether the company qualifies for the status of a non-profit company. This recommendation therefore remains outstanding.

70. Other recommendations include a review of the adequacy of laws governing NPOs, outreach to the NPO sector, an effective NPO supervisory regime, record keeping and retention requirements and development of investigative expertise in NPOs. In relation to a review of the adequacy of the laws and outreach to the NPO sector, the authorities advised in the last Follow-

Up Report that discussion was ongoing regarding the susceptibility of NPOs to terrorist financing and the viability of public awareness and outreach. The authorities further advised that an investigation of an NPO occurred during 2008. No further details have been provided. Irrespective of the above no measures dealing effectively with any of the examiners' recommendations have been put in place. As such, the examiners' recommendations remain outstanding.

Special Recommendation IX

71. The authorities advised in the Follow-Up Report of December 2010, that a declaration system with a threshold of US$10,000 had been implemented for incoming passengers at Maurice Bishop International Airport. Additionally, ION scanners capable of detecting whether an individual was in contact with drugs were in use at the same airport. In the last Follow-Up Report, the authorities advised that Grenada was sourcing appropriately trained dogs to form canine units. These measures comply with the examiners' recommendations to implement a declaration system to be used in conjunction with the disclosure system and the increased use of specific technical expertise such as canine units, x-rays and scanners. The authorities advised that there were 4 drug seizures during 2010. Additional information regarding the results of such measures i.e. number of declaration forms and persons or drugs uncovered by the scanners should be submitted to demonstrate effectiveness in future follow-up reports.

72. In accordance with an examiner recommendation the authorities advised in the Follow-Up Report of December 2010, that Customs officials were trained in the use of passenger screening systems to analyze behaviour of potential currency carriers as part of standard operating procedures. Approximately 30 Customs officers received training in customer profiling during 2010. Training in counterfeit currency identification had been provided by the RGPF to Customs personnel. Similar training was provided by the FIU during the first quarter of 2011. Ongoing training in combating money laundering and terrorist financing for Customs officials is also carried out. While these measures are in accordance with examiners' recommendations, details as to the dates of training and numbers of personnel trained in all the relevant courses or seminars would aid in assessing implementation.

73. In the Follow-Up Report of December 2010, the authorities advised that the examiners' recommendation for penalties under the Customs Ordinance to be amended to make them more dissuasive had been adopted and incorporated in the draft Customs Bill 2010 which was due to be enacted by the first quarter of 2011. At present, the Bill is still awaiting enactment.

74. The recommendation requiring the authorities to review legislation concerning the making of false disclosures/declarations to ensure that these are strict liability offences remains outstanding. In the previous Follow-Up Report , the authorities indicated that they had been advised that making false declarations/disclosures strict liability offences may be unconstitutional and therefore the Customs Department decided not to pursue this recommendation at the time. No additional information has been submitted for this report.

75. In the previous Follow-Up Report, the authorities advised that the Customs Department, the FIU, the RGPF and the Office of the Director of Public Prosecutions have a close working relationship and meet from time to time. Two Customs officers were assigned to the FIU and Customs was involved in joint investigations with the FIU. Additionally, the Customs Department was made a member of the National Security Committee in 2010.

76. With regard to the recommendation for the Customs Department to explore the involvement of airline and vessel senior management in currency interdiction operations, the authorities indicated in the previous Follow-Up Report that plans were in place for the Customs

Department to engage the airlines in a series of meetings to put a policy in place by the end of the first quarter of 2011. No information on details of such policy and the role of the airlines has been provided for this report.

77. With regard to the examiners' recommendation for Customs to report all incidences of currency interdiction where untrue disclosure/declarations are made to the FIU, the authorities advised in the last Follow-Up Report that the Enforcement Unit of the Customs Department had the responsibility for record keeping and reporting on a case by case basis. No information on the number of incidences of currency interdiction involving false disclosure/declarations reported to the FIU has been provided for this report.. The above measures demonstrate substantive implementation of the examiners' recommendations.

III. Conclusion

78. Since the finalization of the MER in May 2009, the authorities in Grenada have sought to implement measures to deal with some of the examiners' recommendations. As noted above, the main focus of the authorities in Grenada are measures designed to change the AML/CFT legislative framework either by enacting, amending or drafting legislation. This process is well advanced with the enactment of two pieces of legislation and preparation of six other statutes three of which should be enacted shortly. Further discussions and decisions are planned to determine measures for those recommendations that have not been addressed. As a result of the above, Recs. 23, 30, 31, 32, SR VI and SR IX have been substantially complied with. Given the remaining outstanding recommendations, Grenada should remain on enhanced follow-up and be required to report to the next Plenary in May 2012 on measures to implement recommendations in the MER.

Matrix with Ratings and Follow Up Action Plan 3rd Round Mutual Evaluation
Grenada

Forty Recommendations	Rating	Summary of factors underlying rating	Recommended Actions	Undertaken Actions
Legal systems				
1. ML offence	PC	• The list of psychotropic substances in DAPCA is not in accordance with the list under the Vienna Convention • The list of predicate offences for ML does not cover five (5) of the FATF's designated category of offences, particularly trafficking in human beings and migrant smuggling, counterfeiting and piracy of products, environmental crime and piracy or terrorist financing offence of providing or receiving money or other property in support of terrorist acts. • The low number of ML convictions suggests ineffective use of ML provisions given the wide range of measures available under the legislation.	• The authorities should consider pursuing ML as a stand-alone offence. • Schedules I to III of DAPCA should be amended to include all narcotic drugs and psychotropic substances listed in Tables I and II of the Vienna Convention. • The authorities should extend the range of predicate offences for ML to include all the FATF designated categories of offences i.e. trafficking in human beings and migrant smuggling, counterfeiting and piracy of products, environmental crime and piracy and the terrorist financing offence of providing or receiving money or other property in support of terrorist acts.	Part IV (s.125-127) of the draft Bill deals specifically with this offence Anti-Money Laundering Guidelines has been Gazetted and its use is mandatory by all financial institutions Submission was made to Cabinet for initial policy direction. Cabinet directed amendment to legislation on 4th July, 2011. The new Draft Legislation is being finalized by the Consultant and should be completed by the end of September 2011.
2. ML offence – mental element and corporate liability	LC	• The low number of money laundering convictions suggest ineffective use of ML provisions	• The authorities should consider consolidating the three pieces of legislation governing money laundering. Having the MLPA,	The Consolidation of the Poca /ML bill is in the process of finalization by the Consultant. It is expected before the end of September 2011. The new FIU Bill is in its final stages before the Houses of Parliament. It is expected to be passed

			POCA 1992 and POCA 2003 in force with differing penalties for ML and definitions for certain key terms will give rise to confusion and has affected the ability of law enforcement and prosecutorial authorities to aggressively pursue ML offences.	by the next sitting.
3. Confiscation and provisional measures	LC	• Ineffective implementation of the forfeiture and freezing regime.	• Given the high rate of drug-related offences occurring in Grenada, authorities should place greater emphasis on the automatic confiscation mechanism following conviction available to the DPP in accordance with POCA 1992 and 2003	Clause 14 of the draft Proceeds of Crime Bill contained in Part II addresses this area To date 12 Production Orders have been served on Institutions and 10 restraint orders on properties in investigation, confiscation and forfeiture.
Preventive measures				
5. Customer due diligence	NC	• CDD measures are required when there is suspicion of money laundering and only with one-off transactions • CDD measures for wire transfers are for occasional transactions over US$10,000 rather than over the FATF US$1,000 limit.	• Competent authorities may consider carrying out a national risk assessment to determine the risk of money laundering and terrorist financing to enable the application of reduced or simplified anti-money laundering and counter terrorist financing measures. • Competent authorities should consider making the Guidelines mandatory and enforceable with effective, proportionate and dissuasive sanctions.	CDD measures are found throughout the Anti-money Laundering Guidelines e.g. Verification of subject para.40 onwards Methods of verification para.64 onwards Para. 35 onwards (know your customer) etc. Moreover, there are best practices in place within the internal working of many financial institutions. Some have established their own 'risk assessment department to work in conjunction with the Compliance Department thus ensuring that the requirements of the ECCB Guidelines, The National ML guidelines, the 40 plus nine recs and its own internal policies are adhered to. Regulation 8 of the Proceeds of Crime (Anti-Money

		• CDD measures are not required when there are doubts about the veracity of previously obtained due diligence	• Regulations or legislative amendments should be introduced to require CDD measures when there is suspicion of money laundering or terrorist financing and for occasional transactions over US$1,000 that are wire transfers.	Laundering) Regulations makes complying with the Guidelines mandatory. Regulation 9 makes it an offence to carry on a business without complying with the requirements of these Regulations.
		• No provision to verify that any person purporting to act on behalf of the customer is so authorized, and identify and verify the identity of that person	• Regulations or legislative amendments should be introduced for financial institutions to be required to undertake CDD measures where there are doubts about the veracity or adequacy of previously obtained CDD.	CDD measures dealing specifically with verification are found throughout the Anti-money Laundering Guidelines. It is expected that the new legislation, POCA/ML Act will adequately address identification and verification issues of CDD.
		• No requirement in law or regulation for the verification of identification of customers	• Regulations or legislative amendments should be introduced for financial institutions to be required to verify that any person purporting to act on behalf of the customer is so authorized, and identify and verify the identity of that person.	Regulation. 4 (1) of the Proceeds of Crime (Anti-Money Laundering) Regulations addresses the issue of 'Identification procedures'. Identification and verification procedures are also currently enforced by financial institutions. Presently financial institutions in Grenada require to two to three pieces of identification; proof of address i.e. a utility bill to verify same; a reference letter from another financial institution or a job letter; A questionnaire is required to be filled out by the customer, with regard to proposed monthly or expected activities on the account. Background checks/ verification of information is done through a swift Alliance programme which is a secure network for transmitting wire transfer messages between them. This method is quick and reliable.
		• No provision to understand the ownership and control structure of customers that are legal persons or legal arrangement	• Financial institutions should be legislatively required to verify the identification of customers.	
		• No provision to determine the natural persons that ultimately own or control the customer	• Financial institutions should be required to understand the ownership and control structure of customers that are legal persons or legal	The Anti-money Laundering Guidelines will be updated to address the issues raised relevant to this particular area

			arrangements	
		• No requirement for financial institution to obtain information on the purpose and intended nature of the business relationship	• Financial institutions should be legislatively required to determine the natural persons that ultimately own or control the customer	
		• No legislative provision for financial institutions to conduct ongoing due diligence to include scrutiny of transactions and ensuring that CDD documents and information are kept up-to-date	• Financial institutions should be required to obtain information on the purpose and intended nature of the business relationship.	
		• No requirement for financial institutions to perform enhanced due diligence for higher risk categories of customer	• Legislative amendments should be introduced to require that financial institutions and other relevant persons apply ongoing due diligence measures to their client base. This should include scrutiny of transactions and ensuring that CDD documents and information are kept up-to-date.	
		• The exemptions for reduced or simplified CDD measures are not justified on the basis of low risk	• Financial institutions should be required to perform enhanced due diligence for higher risk categories of customers.	
		• No requirement for financial institutions to limit simplified or reduced CDD measures to non-resident customers from countries that the authorities are satisfied are in compliance with FATF Recommendations	• Financial institutions should be required to limit the application of simplified or reduced CDD measures to non-resident customers from countries that the authorities in Grenada are satisfied are in compliance with FATF	Regulation 4(1)(b) of the Proceeds of Crime (Anti-Money Laundering) Regulations Paragraph 86 of Anti-Money Laundering Guidelines addresses this issue Due diligence measures are undertaken by financial institutions. Compliance Officers are mandated to ensure that all documents submitted by customers are accurate and complete, this information is verified and kept.
		• No provisions prohibiting simplified CDD measures		

		whenever there is suspicion of money laundering or terrorist financing • No requirement for financial institutions to apply CDD measures to existing customers on the basis of materiality and risk.	Recommendations. • Simplified CDD measures should be prohibited whenever there is suspicion of money laundering or terrorist financing. • Financial institutions should be required to terminate a business relationship if the verification of a customer cannot be completed. • Financial institutions should be required to perform CDD measures on existing clients and to conduct due diligence on existing relationships at appropriate times. Financial institutions should also be required to review and consider closing existing accounts where due diligence is inadequate against the requirements of Recommendation 5.	
6. Politically exposed persons	NC	• No requirement for financial institutions to have appropriate risk management systems to determine whether a potential customer, a customer or the beneficial owner is a PEP. • No requirement for financial institutions to obtain senior management approval for establishing a business relationship with a PEP or continuing one with a customer	• Financial institutions should be required to have appropriate risk management systems to determine whether a potential customer, a customer or the beneficial owner is a PEP. • Financial institutions should be required to obtain senior management approval for establishing a business relationship with a PEP or continuing one with a	Appendix Q of the Anti-money Laundering Guidelines addresses this issue. Moreover, various financial institutions have implemented internal guidelines and measures to strengthen their compliance in this area. For e.g. an account for a PEP will not be opened unless it is approved at a Senior Managerial Level. Clear guidelines are set to determine the persons who fall within this category and the treatment given to them by the financial institution.

		who becomes a PEP. • No requirement for financial institutions to take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs. • No requirement for financial institutions to conduct enhanced ongoing monitoring on relationships with PEPs	customer who becomes a PEP. • Financial institutions should be required to take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs. • Financial institutions should be required to conduct enhanced ongoing monitoring on relationships with PEPs. • Grenada should undertake steps to sign the 2003 United Nations Convention against Corruption.	
7. Correspondent banking	NC	• No requirement for financial institutions to gather sufficient information about a respondent institution to understand the nature of the respondent's business and to determine from publicly available information the reputation of the institution and the quality of supervision.. • No requirement for financial institutions to have written procedures to obtain and assess the anti-money laundering procedures and CDD procedures of a respondent institution. • No requirement for financial institutions to obtain approval from senior management to establish new correspondent	• Financial institutions should be fully aware and document a respondent institution's circumstances: - this should include details of its business, management, regulated status and other information that may be publicly available or available upon request for the purposes of establishing a relationship. • Financial institutions should be required to have written procedures to obtain and assess the anti-money laundering procedures and CDD procedures of a respondent institution. • Financial institutions should be required to obtain approval from senior management to establish new correspondent relationships in all	The Anti-money Laundering Guidelines will be updated to address the issues raised relevant to this particular area. However many financial institutions have established best practices internal guidelines in this area. For example moneys are held on trust, information on the corresponding is verified, if it is determined that the correspondent bank is non-compliant then the accounts would be closed.

		relationships in all cases. • No requirement for financial institutions to document the respective AML/CFT responsibilities of each institution in cross-border correspondent relationships • No requirement for financial institutions to be satisfied that respondent financial institutions have performed all the normal CDD obligations on customers who have access to" payable-through accounts" and can provide relevant customer identification data upon request	cases. • Financial institutions should document the respective AML/CFT responsibilities of each institution in cross-border correspondent relationships • Financial institutions should be satisfied that respondent financial institutions have performed all the normal CDD obligations on customers who have access to" payable-through accounts" and can provide relevant customer identification data upon request.	
8. New technologies & non face-to-face business	NC	• No requirement for financial institutions to have policies in place that mitigate the misuse of technological developments by money laundering and/or terrorist financing schemes. • No requirement for financial institutions to have written procedures and a suitably robust risk management framework that mitigates the risks associated with non-face to face transactions. Measures for mitigating risks should include specific and effective CDD procedures that apply to non-face to face customers	• Financial institutions should be required to have policies in place that mitigate the misuse of technological developments by money laundering and/or terrorist financing schemes. • Financial institutions should be required to have written procedures and a suitably robust risk management framework that mitigates the risks associated with non-face to face transactions. Measures for mitigating risks should include specific and effective CDD procedures that apply to non-face to face customers.	The Anti-money Laundering Guidelines will be updated to address the deficiency relevant to this particular area. However various financial institutions have their own internal procedure to govern this area. Documents relating to non face to face business must be original and must be notarized, and must emanate from the holder of an account at the Bank. A letter signed by the customer can be faxed to the financial institution requesting a particular transaction to be carried out; an officer at the financial institution must be able to identify the customer. However the financial institution must receive the original letter within two weeks of the receipt of the faxed letter. In addition some financial institutions have established their own 'risk assessment department' whose function to ensure that requirements of the Guidelines are adhered to. This department is headed by a Manager who is charged with the

				responsibility of ensuring the effective day to day operations of the department
9. Third parties and introducers	NC	• No requirement for financial institutions relying upon a third party to immediately obtain from the third party the necessary information concerning certain elements of the CDD process (criteria 5.3 to 5.6) • No requirement for financial institutions to take adequate steps to satisfy themselves that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay • No requirement for financial institutions to satisfy themselves that the third party is regulated and supervised (in accordance with Recommendations 23, 24 and 29) and has measures in place to comply with the CDD requirements set out in R.5 and R.10 • Unable to assess whether competent authorities in determining the list of countries that are recognized as having AML regimes equivalent to Grenada, used information as to	• Financial institutions should be required to immediately obtain from introducers the necessary information concerning certain elements of the CDD process (criteria 5.3 to 5.6). • Financial institutions should be required to test agreements with third parties to ensure that CDD held satisfies the provisions of Recommendations 5 and 10. This testing should also confirm whether information can be provided by the third party without delay. • Financial institutions should be required to satisfy themselves that the third party is regulated and supervised in accordance with Recommendations 23, 24 and 29. • Competent authorities should consider the issuance of a list of jurisdictions that adequately apply the FATF Recommendations, for third parties that may operate in foreign jurisdictions. • Amendment to legislation or guidance to stipulate that the verification and identification of a client remains the responsibility of the financial institution, regardless of whether or otherwise it has relied on	Anti-Money Laundering Guidelines from paragraph 56-63 covers 'reliable introductions' paragraph 64-82 covers 'methods of verification' Para 106 (Anti-money Laundering Guidelines) 7 years and Regulation 5 (1)(4) Proceeds of Crime (Anti-Money Laundering) Reg. No. 22 of 2003 The Anti-Money Laundering Guidelines will be updated to address the deficiency in this area.

		whether these countries adequately applied FATF standards • No specific provision that ultimate responsibility for customer identification and verification remain with the financial institution relying on the third party.	a third party to conduct the verification and identification of the client •	
10. Record keeping	LC	• No legislation to require financial institutions to maintain records of account files and business correspondence for a period of at least five years after the completion of a business relationship.	• Amend legislation to require financial institutions to maintain records of account files and business correspondence for a period of at least five years after the completion of a business relationship.	Para 106 (Anti-money laundering guidelines) 7 years and Regulation 5 (1)(4) Proceeds of Crime (Anti-Money Laundering) Reg. No. 22 of 2003 N.B records are kept for 7 years after the closure of an account
11. Unusual transactions	NC	• No requirement for financial institutions to examine the background and purpose of large, complex and unusual transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose and to set forth their findings in writing. • No requirement to maintain written records from the findings of reviews of complex, unusually large or unusual patterns of transactions for competent authorities for at least five years	• Guidance and legislation should be amended to require financial institutions to examine the background and purpose of all complex, unusual large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose and to set forth their findings in writing. • Guidance and legislation should be amended to require financial institutions to retain written findings from the review of complex, unusually large or unusual patterns of transactions for no less than five years.	Provisions 123-133 of the new draft POCA/ML Bill and section 48 of POCA 2003 addresses anti-money laundering issues. Guidance is also found at para 87-105 up to reporting to the FIU. Appendix E of the Guidelines set out an internal report form when there is a suspicious transaction (*which includes reasons by reporting officer why transaction was regarded as suspicious or not*). Appendix F set out the form for a disclosure to the FIU. Apart from the 2003 Anti-money Laundering Guidelines issued by the Supervisory Authority, each financial institution have its own internal controls to deal with unusual transactions, e.g. persons are required to fill out 'source of funds' forms once the deposit/transaction is in excess of US $10,000.00 for individual customers. These forms are in the custody of the compliance officer, whose job it is to verify the information provided by the customer. At times, some financial institutions own internal controls insist that customers are required to provide their source of funds for

				way less than the reporting threshold to the tune of $500 EC. Para 106 (Anti-money laundering guidelines) 7 years and Regulation 5 (1)(4) Proceeds of Crime (Anti-Money Laundering) Reg. No. 22 of 2003
12. DNFBP – R.5, 6, 8-11	NC	• Dealers in precious metals and precious stones are not included in the AML/CFT regime • Deficiencies identified for financial institutions with regard to Recs. 5, 6, 8 to 11 are also applicable to DNFBPs. • Lack of awareness of requirements by DNFBP resulting in ineffective implementation of AML/CFT obligations	• Deficiencies identified for financial institutions with regard to Recs. 5, 6, 8 to 11 are also applicable to DNFBPs. Specific recommendations in the relevant sections of this report will also apply to DNFBPs. • Authorities should consider specific training and/or awareness programs to educate DNFBPs about AML/CFT requirements	On 4th July, 2011, Cabinet issued a policy directive for inclusion in the POCA Legislation. All DNFBP's listed in the schedule of persons engaged in relevant business transactions will be included in the new POCA/ML Legislation. (The schedule will include;- Dealers in Precious Metals and Precious Stone, Jewellery Stores, Car Dealers, Accountants and Accounting Firms and Auditors). The new Draft Legislation is being finalized by the Consultant and should be completed by the end of September 2011. The Authority is aware that specific training is required to plan and effectively administer education programs and as such, Grenada has submitted its list of training needs to the CFATF for consideration. The list includes required assistance for risk assessment of DNFBP's; formulation of guidance notes; development of supervision regime to include examination manual and procedures, codes of good practice, information sharing and training of supervisors and assistance in the development of private sector outreach programs. Notwithstanding, this FIU, through the medium of the Grenada Information Service (GIS TV) Television programming has been engaged in a series of sensitization programs to include the 40 plus nine recommendations. The subject is recognized and the new POCA/ML legislation will also address this concern.

			• Dealers in precious metals and precious stones should be subject to AML/CFT requirements in accordance with FATF standards	
13. Suspicious transaction reporting	NC	• The obligation to submit suspicious transaction reports does not apply to the proceeds of all FATF predicate offences. • Requirement to report STRs relating to the financing of terrorism is discretionary and does not include funds used for terrorism or by terrorist organisations or those who finance terrorism • No requirement to report all suspicious transactions including attempted transactions regardless of the amount of the transaction. • No requirement to report suspicious transactions regardless of whether they are thought, among other things to involve tax matters. • The reporting of suspicious	• The authorities should extend the range of predicate offences for ML to include all the FATF designated categories of offences by criminalising trafficking in human beings and migrant smuggling, counterfeiting and piracy of products, environmental crime and piracy and the terrorist financing offence of providing or receiving money or other property in support of terrorist acts. • The TA should be amended to make the reporting of suspicious transactions relating to financing of terrorism mandatory and include funds used for terrorism or by terrorist organisation or those who finance terrorism • All suspicious transactions, including attempted transactions should be legislatively required to be reported regardless of the amount of transaction • The requirement to report suspicious	On 4th July, 2011, Cabinet issued a policy directive for inclusion in the Terrorism Legislation. The new Draft Legislation is being finalized by the Consultant and should be completed by the end of September 2011. The reporting of suspicious transactions is covered in the Anti-money Laundering Guidelines. Paragraph 92-99 'reporting suspicious transactions'. Paragraphs 100-105 'Reporting to the FIU'. It should be noted that even though the customer did not complete the transaction with the financial institution, it can still be reported to the FIU as 'suspicious', if so determined by the compliance officer. A financial institution is granted a 14 day period within which to file a report of a suspicious transaction.

		transactions is ineffective.	• transactions should apply regardless of whether they are thought, among other things to involve tax matters.	
14. Protection & no tipping-off	PC	Tipping off offence does not include disclosure of the fact that a STR concerning money laundering is being reported or provided to the FIU	• The POCA, 2003 should be amended to extend the tipping off offence to include disclosure of the fact that a STR concerning money laundering is being reported or provided to the FIU	Addressed within the ambit of FIU ACT 1, 2003 Sec. 8 (1) (2) and the new FIU Bill 2011.
15. Internal controls, compliance & audit	NC	No requirement for financial institutions to establish and maintain internal procedures, policies and controls to prevent money laundering and financing of terrorism.	○ All financial institutions should be required to establish and maintain internal procedures, policies and controls to prevent money laundering and financing of terrorism.	POCA 23 OF 2003, Section 48 (6), (7) stipulates that Financial Institutions are required by law to establish and maintain internal procedures policies and controls to prevent ML/TF. Further all licenced financial institutions are also required by the ECCB to have their own internal procedures and guidelines to ensure compliance in this area.
		No requirement for financial institutions to develop appropriate compliance management arrangements which include at a minimum the designation of an AML/CFT compliance officer at management level is not enforceable.	○ The requirement for financial institutions to develop appropriate compliance management arrangements which include at a minimum the designation of an AML/CFT compliance officer at management level should be enforceable.	This is in place. Section 48 (7) (d) All Financial Institutions are required to establish in as part of their compliance control, "appointment of a staff member responsible for continual compliance with POCA Act and regulations. Training is provided for staff in this area which covers topics such as '*a basic introduction to money laundering*', '*money laundering legislation – The Proceeds of Crime Act 2003; The Proceeds of Crime (Anti-Money Laundering Regulations 2003 and The Anti-Money Laundering Guidelines 2003*, '*The risks associated with money laundering*' etc…..
		No requirement for AML/CFT compliance officer and other appropriate staff to have timely access to customer identification data and other CDD information, etc is not enforceable.	○ The requirement for AML/CFT compliance officer and other appropriate staff to have timely access to customer identification data and other CDD information, etc should be enforceable.	

		No requirement for financial institutions to maintain an adequately resourced and independent audit function to test compliance with the procedures, policies and controls. No requirement for financial institutions to train all staff on an ongoing and regular basis to ensure that employees are aware of money laundering and terrorist financing mechanisms, as well as the requirements of anti-money laundering and counter-terrorist financing laws and their obligations under these laws. The requirement for financial institution to put in place screening procedures to ensure high standards when hiring employees is not enforceable.	○ Financial institutions should be required to maintain an adequately resourced and independent audit function to test compliance with the procedures, policies and controls. ○ All financial institutions should be required to train all staff on an ongoing and regular basis to ensure that employees are aware of money laundering and terrorist financing mechanisms, as well as the requirements of anti-money laundering and counter-terrorist financing laws and their obligations under these laws. ○ The requirement for financial institution to put in place screening procedures to ensure high standards when hiring employees should be enforceable	Some financial institutions have independent auditors who are hired to ensure on-going compliance. POCA 23 of 2003, Section 48 (7) (b) Section 48 (7) (c) stipulates. Staff receives ongoing training through local and regional workshops and seminars. Financial Institutions Internal Control system :- - Know your employee and money laundering Guidelines Para 115 – 117 (a)
16. DNFBP – R.13-15 & 21	NC	• Dealers in precious metals and precious stones are not included in the AML/CFT regime • Deficiencies identified for financial institutions with regard to Recs. 13 to 15 and 21 are also applicable to DNFBPs.	• Deficiencies identified for financial institutions with regard to Recs. 13 to 15 and 21 are also applicable to DNFBPs. Specific recommendations in the relevant sections of this report will also apply to DNFBPs. • Authorities should consider specific training and/or awareness programs to educate DNFBPs about	Supervisory Authority to initiate training in this area Policy decision taken and the new Draft Legislation is being finalized by the Consultant and should be completed by the end of September 2011. Training for DNFBP's is scheduled for 4th quarter of 2011.

		• Lack of awareness of requirements by DNFBP resulting in ineffective implementation of AML/CFT obligations	AML/CFT requirements • Dealers in precious metals and precious stones should be subject to AML/CFT requirements in accordance with FATF standards	
17. Sanctions	PC	• Sanctions under the POCA and MLPA are inconsistent in severity Additionally, the application of sanctions has to go through the courts and no broad range of sanctions are available for breaches of statute	• Authorities should amended the POCA and the MLPA to ensure that sanctions are consistent and broad in range	The new Draft Legislation is being finalized by the Consultant and should be completed by the end of September 2011. This will also seek to address a broader range or sanctions.
18. Shell banks	NC	• No provision to prevent the establishment of a shell bank. • No provision applicable to financial institutions to prevent them from entering into or continuing correspondent relationships with shell banks. • No requirement for financial institutions to satisfy themselves that respondent financial institutions in a foreign country do not permit their accounts to be used by shell banks.	• Legislative amendments should be effected to prohibit the establishment and licensing of a shell bank. The amendment should also require an entity licensed under the Offshore Banking Act, 2003 to have its mind and management within Grenada. • Amend legislative provisions to prevent financial institutions from entering into or continuing correspondent relationships with shell banks. Amend legislation to require financial institutions to satisfy themselves that respondent financial institutions in a foreign country do not permit their accounts to be used by shell banks.	Submission was made to Cabinet for initial policy direction. Cabinet directed amendment to legislation on 4th July, 2011. The new Bill is being finalized by the Consultant and is expected before the end of September 2011. New legislation is being drafted to address the defect identified.
19. Other forms of reporting	NC	• The authorities have not considered the feasibility and	• Competent authorities should consider the feasibility and utility of	The new Bill is being finalized by the Consultant and is

		utility of implementing a system where financial institutions report all transactions in currency above a fixed threshold to a national central agency.	implementing a system where financial institutions report transactions in currency above a prescribed threshold to a centralised national authority.	expected before the end of September 2011. On 4th July, 2011, Cabinet directed that the FIU be designated as the authority under which every Financial Institutions report all transactions in currency above the threshold of EC$50,000. Guidelines will be amended to reflect this. The FIU will then be responsible for dealing with both SARs and LCTRs.
20. Other NFBP & secure transaction	PC	• Unable to assess whether consideration has been given to apply FATF recommendations to non-financial businesses and professions other than DNFBPs		Policy decision taken by cabinet on 4th July, 2011. The new Draft Legislation is being finalized by the Consultant and should be completed by the end of September 2011.
21. Special attention for higher risk countries	NC	• Requirement for financial institutions to pay special attention, to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations is not enforceable. • No measures to ensure that financial institutions are advised of concerns about the weaknesses in the AML/CFT systems of other countries. • No requirement for financial institutions to examine transactions with no apparent economic or visible lawful purpose from countries which do	• Mandatory requirements should be imposed on financial institutions to pay special attention, to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations. • Effective measures should be put in place to ensure that financial institutions are advised of concerns about the weaknesses in the AML/CFT systems of other countries. • Financial institutions should be required to examine transactions with no apparent economic or visible lawful purpose from countries which do not or insufficiently apply the	The Anti-money Laundering Guidelines will be updated to address the issues raised relevant to this particular area. Submission was made to Cabinet for initial policy direction. Cabinet directed amendment to legislation on 4th July, 2011. Drafting of new Legislation is now in progress and is expected before the end of September 2011. Section 47 (2) of POCA No. 3 of 2003 requires <u>every</u> Financial Institution or persons engaged in business activity to pay particular attention to all complex, unusual or large transactions whether completed or not and to all unusual patterns of transactions, and to insignificant but periodic patterns of transactions, which have no apparent economic or

		not or insufficiently apply the FATF Recommendations and make written findings of such available to assist competent authorities. • Authorities in Grenada are not able to apply appropriate counter-measures where a country continues not to apply or insufficiently applies the FATF Recommendations	FATF Recommendations and make written findings of such available to assist competent authorities. Authorities in Grenada should be empowered to apply appropriate counter-measures where a country continues not to apply or insufficiently applies the FATF Recommendations	lawful purpose. The new draft legislation will address the deficiency identified.
22. Foreign branches & subsidiaries	NC	• The requirement for financial institutions to ensure that their foreign branches and subsidiaries observe anti-money laundering and counter terrorist financing measures consistent with Grenada is not enforceable. • No requirement for financial institutions to pay particular attention to foreign branches and subsidiaries in countries which do not or insufficiently apply the FATF Recommendation to ensure they observe measures consistent with home country requirements and the FATF Recommendations. • No requirement for branches and subsidiaries of financial institutions in host countries to apply the higher standard where minimum AML/CFT requirements of the home and	• The requirement for financial institutions to ensure that their foreign branches and subsidiaries observe anti-money laundering and counter terrorist financing measures consistent with Grenada should be enforceable. • Financial institutions should be required to pay particular attention to foreign branches and subsidiaries in countries which do not or insufficiently apply the FATF Recommendation to ensure they observe measures consistent with home country requirements and the FATF Recommendations. • Branches and subsidiaries of financial institutions in host countries should be required to apply the higher standard where minimum AML/CFT requirements of the home and host countries differ.	This area does not apply to the majority of banks in Grenada (except for the one indigenous bank) because they are all subsidiaries with their head office situated outside of Grenada; this requirement is therefore for the head offices to implement. Relevant amendments are being made under the revision of the POCA Regulations.

		host countries differ. • No requirement for financial institutions to inform their home supervisor when a foreign branch or subsidiary is unable to observe appropriate anti-money laundering and counter-terrorist financing measures because it is prohibited by the host country's laws, regulations or other measures.	• Financial institutions should be required to inform their home supervisor of when a foreign branch or subsidiary is unable to observe appropriate anti-money laundering and counter-terrorist financing measures because it is prohibited by the host country's laws, regulations or other measures.	
23. Regulation, supervision and monitoring	PC	• Limited number of inspections by ECCB in the last four years is ineffective to ensure compliance of its licensees. • No indication in law that fitness and probity checks on directors, shareholders, management of licensees, is a requirement for the licensees of the ECSRC. • No requirement in law for fitness and probity checks on directors, shareholders, management of licensees, is a requirement for the licensees of GARFIN • No supervisory regime and by extension, no reporting obligations are in place for	• The ECCB should review its inspection program to ensure effective compliance of its licensees with AML/CFT obligations • Legal provisions should be enacted for fitness and probity checks on directors, shareholders, and management of licensees of the ECSRC and GARFIN. • Money value transfer service operators should be subject to effective systems for monitoring and ensuring compliance with national AML/CFT requirements	The ECCB's last Guidance Notes for Licensed Financial Institutions was issued May 1995. Already in place by GARFIN (s.5(2)(3) and the Banking Act section 26 Also in place is the Insurance Act No. 5 of 2010 section 201 and the Money Services Business Act Schedule II Form B. Money transfer operators are subject to the Money Services Business Act No. 10/2009 and therefore under the supervisory authority of GARFIN. All operators have been properly licenced. There are three (3) Money Transfer Operators in Grenada. GARFIN has conducted its first inspection of money services business during the 2nd quarter of 2011. Other scheduled visits will take place during the 3rd quarter 2011. the other two entities are scheduled between September and November 2011.

		money service business.		Money Services Operators are monitored by GARFIN under the Money Services Business Act No. 10, 2009. Reporting is being established and training is also being conducted by GARFIN.
24. DNFBP - regulation, supervision and monitoring	NC	• Dealers in precious metals and precious stones are not included in the AML/CFT regime • There is no designated competent authority with responsibility for monitoring and ensuring compliance of the DNFBPs with the AML/CFT requirements.	• The authorities should designate a competent authority with the responsibility for monitoring and ensuring compliance of DNFBPs with AML/CFT requirements. • Dealers in precious metals and precious stones should be subject to AML/CFT requirements in accordance with FATF standards	Specific legislation can be drafted to cover these areas, we are also exploring the possibility of undertaking the responsibility by the end of the 2nd quarter of 2011. Supervision and monitoring of DNFBP's would be done by the Supervisory Authority Secretariat after the necessary technical assistance and training has be is sourced.
25. Guidelines & Feedback	PC	• The FIU has not provided consistent feedback on suspicious transaction reports filed by financial institutions. • Guidelines do not include instructions covering terrorist financing	• The FIU should provide financial institutions and DNFBPs with consistent feedback on filed suspicious transaction reports. • The Guidelines should include specific instructions relating to the requirements for combating the financing of terrorism	Section 6 (2) of draft FIU Bill – The FIU holds meetings with Financial Institutions who would have reported SARS to the Unit on a monthly basis to give face to face feedback on the progress of its investigations. The Anti-Money Laundering Guidelines will be updated to address the deficiency in this area
Institutional and				

other measures				
26. The FIU	LC	• Annual reports do not include analysis of typologies and trends • The increasing number of ongoing investigations suggests that the FIU is not performing effectively	• The authorities should act promptly in appointing a FIU Director. The absence of a director significantly hampers the functioning of the Unit. • There should be specified grounds for the removal of the director. • The annual report of the FIU should include an analysis of trends and AML/CFT typologies. • The FIU along with the Supervisory Authority should consider undertaking an education drive in order to inform reporting parties and the general public on various typologies and trends and other matters related to AML/CFT. • The FIU should consider reviewing its work processes so that there are unambiguous roles between analysts and investigators and in doing so consideration should be given to sourcing additional specialized training for financial intelligence analysts. •	Section 15 of draft FIU Bill Cabinet have since approved the appointment of a Director of FIU with effect from 1st June, 2009. The Officer has since been functioning in the capacity. Section 16 of new drafted FIU Bill Clause 18 of new drafted FIU Bill A slot is secured on Government Information Service (GIS) Television and "Wee FM" Radio where live weekly programming is aired; Section 6 of draft FIU Bill Regular weekly programming/interviews continues hosted by different FIU Officers each week (2009-present) The second Schedule of the FIU Report deals with analysis of trends and Typologies Section 9 of draft FIU Bill. Presently there is one analyst and one other person is being groomed. This is ongoing. Programmes are aired every Wednesdays on GIS TV. Whenever the FIU observes certain new trends and typologies the Institutions are informed by way of letters and in some cases during monthly meetings. Training has been sought through the US and the FIU has one person involved in analytic work.

27. Law enforcement authorities	LC	• The decision to postpone or waive the arrest of suspected persons and/or the seizure of money is taken on a case by case basis and is not laid down in any law or procedure	• Competent authorities should consider developing a standard operating procedure, delineating the parameters within which they should operate when the decision is made to postpone or waive the arrest of suspected persons and/or the seizure of money or to use special investigative techniques. • Greater priority should be given to the investigation of ML / TF cases by the Police and the DPP's Office.	Further discussions were planned to determine specific measures in these areas Already in place. There is one person specifically appointed at the DPP's Office to deal with ML/TF cases. She is presently being trained by a UK expert in that field from UKSAT (United Kingdom Security Advisory Team) Police officers attached to the FIU have received specific training by UKSAT in this area and have also worked closely with them on related investigations. During 2009- 2010 officers also received training in financial investigation at the Regional Police Training Centre in Jamaica. Other workshops attended were : ▪ Sub-regional workshop for Caribbean on Counter Terrorism Financing, - June 2010 – Bahamas; ▪ Combating Counterfeit products – Trinidad – Sept. 2010. Between February and March 2011, two officers will receive training in Financial Investigation and suspect interview.
28. Powers of competent authorities	LC	• Unable to assess whether the RGPF has specific legislative power to take witness statements.		The Police Act Cap. 244 of the 1990 laws of Grenada, and Section 22 (3) and Judges Rules of 1989 gives the RGPF general powers to investigate crime including the power to take witness statements.
29. Supervisors	LC	• GARFIN's powers of	• The GARFIN Act should be	The GARFIN Act only creates or establishes the GARFIN

		enforcement and sanctions are inadequate since there are no ladder of enforcement powers	amended to provide for ladder of enforcement powers	Authority. It's enforcement powers comes from each individual piece of legislation for which it is responsible. The enforcement powers in each piece of legislation are satisfactory.
30. Resources, integrity and training	PC	• The RGPF does not have adequate technical, financial and human resources • Members of the RGPF and Office of the DPP involved in AML and CFT are not adequately trained.	• Grenadian authorities should consider providing additional financial and technical resources to law enforcement agencies.	The Vision of the RGPF is to maintain a professional force, emphasizing modernization through training and development of personnel by making use of science and technology while working with the community and regional and international organizations, to meet the needs of a changing society. The Government of Grenada endorses this vision and is endeavoring to provide adequate support both technically and financially to facilitate successful operations of the RGPF. It is important to note that there are always newer and more modern technology evolving. Through its own resources, that of Financial and Technical Assistance from donor countries (FATF), and counterpart funding, the Government of Grenada and RGPF and endeavors to keep abreast with the technological advancement in its effort to combat ML/TF. Units of the RGPF directly involved in combating ML/TF i.e. Drug Squad Unit, Special Branch, the Coast Guard and the FIU, all receive ongoing training and attend local, regional and international training in AML/CFT organized by SAUTT based in Trinidad & Tobago, REDTRAC based in Jamaica and UKSAT, USDOJ, OAS, UNDOC, just to name a few. Opportunities for regional attachment programmes are also utilized by the RGPF. The ODPP recently received training in ML/TF by

		• Integrity of RGPF is of concern due to number of officers involved in breaches of discipline and criminal activity	• Authorities should consider reviewing the measures in place for ensuring that persons of high integrity and good moral character are recruited into the RGPF and that there is continuous monitoring of officers professionalism, integrity and lifestyle.	UKSAT. Recruitment Selection of the RGPF is done at two levels. Vetting is done along with an interview, there is also careful screening of criminal records and community interviews, to access moral standing before selection process is completed. The officers of the RGPF is guided by a Code of Conduct and the Police Act which measures the conduct of its officers. If an officer is found to be in breach, a formal disciplinary procedure is administered. Because of the size of the country it is relatively easy to investigate any criminal activity of an officer. Additionally, there is a Community Relation Department which is operational; one of its purpose is receiving complaints on Police Officers. If necessary the complaints are investigated and appropriate action taken. With respect to Senior Officers of the RGPF, i.e Inspectors upwards, they are governed both under the Police Act and the Public Service Commission Rules and Regulations. Any disciplinary action is taken by the Public Service Commission through the same process administered for all Public Servants. There is also the constant monitoring of actions. Moreover the integrity of the RGPF is not one of grave concern since there is zero tolerance for breaches of discipline and criminal activity. Because of the size of the force there is not much room for breaches of discipline to go unnoticed. The specialized units such as the Drug squad, Special Branch and Coast Guard under go polygraph tests once every 3 years, they are chosen because they are more susceptible to corruption given that they assist in undercover investigation in ML/TF.

				The ODPP continues to receive Technical Assistance from UKSAT during 20111. Grenada has submitted its list of training needs to the CFATF for consideration. The list included CFT training for financial and law enforcement authorities. We await information from CFATF as regards to the general Technical Assistance and Training Martix which should have been considered by the Donor's Forum, on any assistance offered to member countries in these specific area.
			• Authorities should consider reviewing the training needs of the ODPP as well as RGPF. The CID which is primarily responsible for investigating financial crime is inadequately trained in that area.	The RGPF Drug Squad division receives ongoing. external training in this area.
				The Attorney General's Office now has its full allocation of staff . Current staffing as follows : - Attorney General - Solicitor General - 1 Senior Crown Counsel - 1 Senior Legal Counsel - 4 Crown Counsels - 2 Legal Drafters - 1 Chief Parliamentary Counsel
		• Attorney General's office is understaffed and under-resourced	• The authorities should consider providing additional staff and resources to the Attorney General's office.	

31. National co-operation	PC	• There are no effective mechanisms in place to allow policy makers to cooperate with each other	• The Supervisory Authority should be given the legal authority to bring together the various authorities on a regular basis to develop and implement policies and strategies to tackle ML and TF. The provision of public education on issues of ML and TF should be added to their responsibilities.	The Supervisory Authority was established under Section 50 of POCA No 3 or 2003. The members are as follows: -The Permanent Secretary, Ministry of Finance -The Director of Public Prosecutions -The Permanent Secretary of the Ministry responsible for Police (National Security) -The Commissioner of Police -The Executive Director of GARFIN -The Accountant General, Ministry of Finance -The Attorney General -The Director of FIU Two new members have been appointed to the Grenada Supervisory Authority. The Comptroller of Customs and the National Security Advisor. This decision was made at a meeting of the Cabinet held on 7th May, 2011. It was taken with the consideration that all major stakeholders should be engaged in strategic planning to tackle the underlying issue of ML/TF At a meeting of the Supervisory Authority held on 30th June, 2011, the Authority agreed to invite representatives from the Private Sector and Bankers Association to have discussions on AML/TF issues on a quarterly basis. The first meeting is expected to take place during the last quarter of 2011. These key stakeholders all work together in ensuring mechanisms are in place for the monitoring, detection and prevention of money laundering and terrorism financing in Grenada.

				The committee carry out monthly meetings or meet twice per month when necessary The compilation of data is presently in progress by the Supervisory Authority Secretariat for the population of a Website for the purpose of Public Education which should be in operation by the end of the first quarter of 2011.
	PC	• No established mechanism for the review of the effectiveness of Grenada's AML/CFT systems	• The Supervisory Authority may wish to consider setting up a secretariat to monitor the implementation of Grenada's AML/CFT Regime.	This recommendation has been met. An administrative Officer has been assigned to the Secretariat. The Authority is now seeking the approval for the appointment of an Executive Director for the Secretariat (terms of reference are in place). Cabinet approved the appointment of an Executive Director for the Supervisory Authority Secretariat on 4 July, 2011. Final arrangements are now being made for the employment of the Executive Director.
		• No information about spontaneous referrals made by the FIU to foreign authorities	• The authorities should maintain statistics on spontaneous referral made by the FIU to foreign authorities	Comprehensive stats. are maintained on spontaneous referrals made by the FIU to foreign authorities. <u>Regional request</u> – 2010 - 21 request made :- (15 received, 6 pending) 2011 – 4 request made (3 completed 1 pending) <u>International Request</u> -

				2010 -6 request made :- (2 received, 4 pending) 2011 – 2 request made (1 received, 1 pending)
		• Statistics on the total number of cross-border disclosures or the amount of currency involved were not available.	• Comprehensive statistics should be maintained on all aspects of Customs and Excise operations including records of seizures; these statistics should be readily available for use by Customs and other LEAs.	Mechanisms are already in place as it relates to the compilation of statistical records on seizures. During the year 2009 there was one Seizure and in 2010 there were 4 seizures carried out by customs. The Enforcement Unit has the responsibility of information gathering from the various units within customs. Additionally, mechanism are also being put in place to capture information relative to false declarations regarding currency operations and this is schedule to commence February 2011.
		• Statistics submitted do not contain sufficient information on mutual legal assistance requests	• It is recommended that additional technical resources be dedicated to the compilation of statistical data to provide more comprehensive and timely presentation of statistics	A comprehensive data base is available at the FIU on MLA and extradition request received made and granted. The following stats. are available :- MLAT – 2010 – 6 requests received (all completed) MLAT – 2011 - 5 request received (all completed) Egmont - 2009 - 8 received (all completed) Egmont -2010 – 9 received (all completed) Egmont – 2011 - 17 received (15 completed, 2 pending) Extradition – 2011 – 1 request from UK - matter is before the Court
			• The authorities should maintain comprehensive statistics on MLA	

			and extradition request received, made and granted.	
33. Legal persons – beneficial owners	NC	• No measures in place to ensure that bearer shares issued under the International Companies Act are not misused for money laundering • No legislative requirement for the disclosure of beneficial ownership of companies • Insufficient resources delegated to the functions of the Registrar of Companies. • No mechanism to ensure the timely filing of annual returns. • No access to current information on companies' beneficial ownership to competent authorities due to the failure of companies to file annual returns. • No legislation requires the filing or notification of changes to the particulars, including beneficial ownership, of companies.	• Appropriate measures should be taken to ensure that bearer shares issued under the ICA are not misused for money laundering. • There should be statutory requirements for the provision of information on the beneficial ownership of companies. • Adequate resources should be delegated to the functions of the Registrar of Companies and Intellectual Property. • A mechanism should be developed to ensure the timely filing of annual returns as well as the timely access by competent authorities and other relevant parties to the current information on companies' beneficial ownership. • Legislative amendments should be introduced to require the timely notification of any changes in the beneficial ownership of companies, along with changes to other particulars.	Further discussions were planned to determine specific measures in these areas. The Corporate Affairs and Intellectual Property Act No. 19 of 2009 has been established to deal specifically with intellectual property which has the meaning assigned to it under the Convention establishing the World Intellectual Property Organization signed in 1967. The office is staffed with various personnel trained in this field and is headed by a newly appointed Registrar of Companies who has the functions of the Registrar under the Companies Act.. Under the Companies Act (s.149-156) addresses the issue of 'financial disclosure' The Companies Regulations No. 2 of 1995 provides for a notice of change of address of directors, registered office etc. any change in particulars must be filed at the CAIP Office. Section 195 to 200 speaks to the time frame with which you should give before effecting transfer of shares and debentures in relation to company changes, section 213 – 237 applies.
34. Legal arrangements –	NC	• No system of central registration or national registry where records	• Authorities should put in place measures for the registration and	There is National Registry and a Registrar of Companies, appointed under the Companies Act.

beneficial owners		of local trust are kept • No requirement for the filing/keeping of adequate and accurate information on the beneficial ownership and control of local trusts • The requirement for trust service providers to obtain, verify and retain records of the details of trusts or other similar legal arrangements in the Guidelines is not enforceable.	monitoring of local trusts in accordance with FATF requirements. • Authorities should consider including adequate and accurate information on the beneficial ownership and control of trusts as part of the registration process for local trusts	Section 17 of the International Trust Act No. 40 of 1996 provides for registration and monitoring of local trusts, however no trust companies exist in Grenada.
International Co-operation				
35. Conventions	PC	• All designated categories of offences are not adequately addressed in the range of predicate offences • Not all relevant articles of the Conventions have been fully implemented	• The authorities should extend the range of predicate offences for ML to accord with the FATF Designated Categories of Offences. • The authorities should amend relevant legislation to cover all the activities required to be criminalised in accordance with the Conventions	Changes are to be reflected in the new draft bill which is being finalized by consultant, this is expected by the end of September 2011.
38. MLA on confiscation and freezing	LC	• There is no provision under MLACMA for the tracing and restraining of instrumentalities intended for use in the commission of an offence. • The authorities should establish arrangements for coordinating	• Grenadian authorities should consider putting in place mechanisms for the determining of the best venue for the prosecution of defendants when issues of dual jurisdictional conflict arise. • The MLACMA should be amended to include provisions for the tracing	Section 14 & 15 of MLACMA deals with this area MLACMA Act 14 of 2001, Section 27 refers to Assistance to countries in the tracing property derived from crime etc.

		seizure and confiscation actions with other jurisdictions. • There are no asset-sharing arrangements in place between Grenada and other countries.	and restraining of instrumentalities intended for use in the commission of an offence. • The authorities should establish arrangements for co-ordinating seizure and confiscation actions with other jurisdictions. • The authorities should consider making arrangements with other countries for the sharing of funds forfeited and seized.	FIU Act No. 5 of 2001 and Article 1, 12 & 16 of the MLACM(GOG and US) Address this recommendation. Memorandum of Understanding has been signed with the following countries between 2009 and 2010 - Netherlands Antilles (Curacao) Aug. 3rd, 2005 - Canada - (FINTRAC) Financial Transactions and Reports Analyst Center of Canada –April 21, 2010 - St. Vincent - July 26th, 2010 - St. Maarten - May 2011 Regional legislation is on its way for the establishment of such by jurisdictions from a CARICOM level, this is spearheaded by UKSAT (United Kingdom Security Advisory Team) .
40. Other forms of co-operation	LC	• The EIA and the FIUA do not address whether requests are refused on the sole ground that it is considered to involve fiscal matters.	• Consideration should be given to making amendments to FIUA and the EIA to state specifically that requests should not be refused on the sole ground that the request pertains to fiscal matters	New FIU Bill clause 29 (1) deals with Disclosure to foreign Financial Intelligence Units
Nine Special Recommendations		**Summary of factors underlying rating**		
SR.I Implement UN	PC	• No requirement to freeze terrorist	• The authorities should implement	

instruments		funds or other assets of person in accordance with UN Resolutions (S/RES/1267(1999) and (S/RES/1373(2001).	the United Nations Security Council Resolutions relating to the prevention and suppression of terrorist financing (S/RES/1267(1999) and S/RES/1373(2001).	New draft terrorism bill is being finalized by consultant; this is expected by the end of September 2011.
SR. II Criminalise terrorist financing	NC	• Criminalisation of terrorist financing does not include all offences in the Annex to the Terrorist Financing Convention. • The terrorist financing offences do not cover the provision/collection of funds for an individual terrorist. • The terrorist financing offence of fund-raising is not subject to any sanctions and therefore is not a predicate offence for money laundering. • The terrorist financing offence of fund-raising does not apply regardless of whether the person alleged to have committed the offence is in the same country or a different country from the one in which the terrorist/terrorist organization is or the terrorist act occurred/will occur. • Effectiveness of terrorist financing regime is difficult to	• Schedule 2 of the TA should be amended to include the treaties on the Convention on the Physical Protection of Nuclear Material and the International Convention for the Suppression of Terrorist Bombing. • The TA should be amended to include the terrorist financing offences of the provision/collection of funds for an individual terrorist. • The TA should be amended to provide sanctions for the terrorist financing offence of providing or receiving money or other property in support of terrorist acts. • The TA should be amended to provide for the terrorist financing offence of fund-raising to apply regardless of whether the person alleged to have committed the offence is in the same country or a different country from the one in which the terrorist/terrorist organization is or the terrorist act occurred/or will occur	New draft TA is being finalized by consultant to incorporate these recommendations; this is expected by the end of September 2011.

		assess in light of the absence of investigations, prosecutions and convictions for FT		
SR.III Freeze and confiscate terrorist assets	NC	• No provision in TA for the freezing of property other than restraint orders • No provision for freezing of terrorist funds or other assets of designated persons in accordance with S/RES/1267(1999) and S/RES/1373(2001). • No provision in TA to provide for the confiscation of property used in connection with the commission of the terrorist financing offence of fund-raising under section 8 of TA. • No mechanism available where victims of offences committed under the TA are compensated consistent with Article 8 of the Terrorist Financing Convention. • No clear guidance issued to financial institutions concerning their obligations in taking action for freezing accounts in relation to the circulated lists of terrorists and/or terrorist organisations.	▪ The TA should be amended to allow for the freezing of terrorist funds or other assets of persons designated by the United Nations Al-Quaida and Taliban Sanctions Committee in accordance with S/RES/1267(1999). ▪ The TA should be amended to provide for the freezing of terrorist funds or other assets of person designated in the context of S/RES/1373(2001). ▪ The Taliban should be added as a proscribed organisation under the TA. ▪ The authorities should issue clear guidance to financial institutions concerning their obligations in taking action for freezing accounts in relation to the circulated lists of terrorists. ▪ The TA should contain procedures for the de-listing of names of proscribed organisations and terrorists listed in the Schedule to the TA. ▪ The TA should be amended to provide for the authorising of access to funds or other assets that were	New draft TA is being finalized by consultant to incorporate these recommendations; this is expected by the end of September 2011.

		• No publicly-known procedure for the de-listing of names of proscribed organisations and terrorists listed in the Schedule to the TA • No procedures for authorising access to funds or other assets that were frozen via restraint orders, necessary for basic expenses and the payment of certain types of fees in accordance with S/RES/1452(2002). • Difficult to assess effectiveness of mechanism for ensuring compliance with TA due to lack of statistics	frozen via restraint orders, necessary for basic expenses and the payment of certain types of fees in accordance with S/RES/1452(2002). ▪ The TA should be amended to provide for the confiscation of property used in connection with the commission of the terrorist financing offence of fund-raising under section 8 of TA. ▪ The TA should be amended to provide a mechanism where victims of offences committed under the TA are compensated consistent with Article 8 of the Terrorist Financing Convention.	
SR.IV Suspicious transaction reporting	NC	• Requirement to report STRs relating to the financing of terrorism is discretionary and does not include funds used for terrorism or by terrorist organisations or those who finance terrorism • No requirement to report all suspicious transactions including attempted transactions regardless of the amount of the transaction. • No requirement to report suspicious transactions regardless of whether they are thought,	• The TA should be amended to make the reporting of suspicious transactions relating to financing of terrorism mandatory and include funds used for terrorism or by terrorist organization or those who finance terrorism. • All suspicious transactions, including attempted transactions should be legislatively required to be reported regardless of the amount of transaction The requirement to report suspicious transactions should apply regardless	New draft TA is being finalized by consultant to incorporate these recommendations; this is expected by the end of September 2011.

		among other things to involve tax matters.	of whether they are thought, among other things to involve tax matters	
SR.V International co-operation	PC	• Not all FT offences are covered by mutual legal assistance mechanisms • The terrorist financing offence of fund-raising is not an extraditable offence • The provision/collection of funds for an individual terrorist is not an offence and is not extraditable.	• The provision/collection of funds for an individual terrorist should be criminalized under the TA. • The TA should be amended to include penalties that are proportionate and dissuasive for the terrorist financing offence of fund-raising. • The provision/collection of funds for an individual terrorist should be criminalized under TA.	New draft TA is being finalized by consultant to incorporate these recommendations; this is expected by the end of September 2011.
SR VI AML requirements for money/valueTransfer services	NC	• No systems in place for monitoring MVT service operators and ensuring that they comply with the FATF Recommendations • Deficiencies noted with regard to Recs. 4-11, 13-15 and 21-23 are also applicable to MVT service operators • No requirement for licensed or registered MVT operators to maintain a current list of their agents to be made available to the designated competent authority • Sanctions applicable with regard to GARFIN's supervisory function are not proportionate or	• Legislation for money services providers that meets the FATF requirements should be enacted. • Introduce systems for monitoring MVT service operators and ensuring that they comply with the FATF Recommendations. • Licensed MVT service operators should be required to maintain a current list of their agents to be made available to the designated competent authority. GARFIN's supervisory sanctions should be made proportionate and	Money Services Business Act No. 10 of 2009 (electronic copy provided A System of off-site and on-site supervision has been effectively implemented. GARFIN has conducted its first inspection of money services business during the 2nd quarter of 2011. Other scheduled visits will take place during the 3rd quarter 2011. The other two entities are scheduled between September and November 2011. MVT operators fall under the Money Services Business Act No.10/2009. GARFIN has introduced quarterly reporting, submission of audited financial statement and site inspection as a means of monitoring MVT service operators. Already in place.

		dissuasive.	dissuasive	Supervisory sanctions are considered proportionate and dissuasive - refer section 46 Money Services Business Act which lists penalties as $50,000 or two years in prison or both.
SR VII Wire transfer rules	NC	• No requirement for ordering financial institutions to obtain and maintain full originator information for all wire transfers of US$1,000 and above • No requirement for ordering financial institutions to include full originator information along with cross-border and domestic wire transfers • No requirement for intermediary and beneficiary financial institutions in the payment chain to ensure that all originator information that accompanies a wire transfer is transmitted with the wire transfer • No requirement for beneficiary financial institutions to adopt effective risk-based procedures for identifying and handling wire transfers that are not accompanied by complete originator information.	• The authorities should institute enforceable measures in accordance with all the requirements of SRVII and establish a regime to effectively monitor the compliance of the financial institutions with said enforceable measures.	Further discussions were planned to determine specific measures in these areas

SR.VIII Non-profit organisations	NC	• Registering of NPOs is not mandatory. • No review has been undertaken of the adequacy of domestic laws in relation to non-profit organisations (NPOs) to determine whether they are (i) susceptible to being used by terrorist organisations or (ii) particularly vulnerable to terrorist activities. • No outreach to NPOs to protect the sector from terrorist financing abuse. • No effective supervisory regime to monitor non-compliance and sanction violations of oversight measures. • No record keeping and retention requirements for NPOs. • No investigative expertise with regard to examining NPOs suspected of either being exploited by or actively supporting terrorist activity.	• The authorities should make the registering of NPOs mandatory. • The authorities should undertake a review of the adequacy of domestic laws in relation to non-profit organisations (NPOs) to determine whether they are (i) susceptible to being used by terrorist organisations or (ii) particularly vulnerable to terrorist activities. • The authorities should undertake outreach to the NPO sector with a view to protecting the sector from terrorist financing abuse. • An effective supervisory regime should be established to monitor non-compliance and sanction violations of oversight measures. • Record keeping and retention requirements should extend to NPOs. Authorities should develop investigative expertise with regard to examining NPOs suspected of either being exploited by or actively supporting terrorist activity.	Non profits companies must be registered in Grenada under the Companies Act No. 35 of 1994 (section 326-327) which deals specifically with non profit companies. Applications for the setting up of non profit organistions are sent to the Attorney General's Office for approval in accordance with the above act. All documents relating to Non profits organizations are filed at the Corporate and Intellectual Property Office Discussion is ongoing regarding the susceptibility of NPO's to Terrorist financing. Public awareness/ education outreach would address the issue During the year 2008 one such investigation was carried out
SR.IX Cross Border Declaration & Disclosure	NC	• Penalty for false disclosure/declaration is not dissuasive	• Customs should consider implementing a declaration system to be used in conjunction with the	A declaration system has been implemented at Maurice Bishop International Airport. The declaration form covers (incoming) passengers the threshold is US $10,000.00.

			disclosure system for incoming and outgoing passengers. The threshold should not be higher than EUR/US15000.00	Additionally customs is currently reviewing its policies and procedures to improve efficiency in reporting untrue declaration to the FIU.
		• Domestic cooperation between customs and other agencies is insufficient • Information-sharing among Customs and other law enforcement authorities is inadequate. • Customs' participation in AML/CFT is not sufficient	• Consideration should be given to the increased use of specific technical expertise such as canine units (that can sniff for concealed currency), x-rays and scanners. These activities should be well funded. • Customs should explore the involvement of airline and vessel senior management in currency interdiction operations. • Customs officials should be trained in the use passenger screening systems to analyse behaviour, appearance and communication style of potential currency carriers. In so doing baseline questions should be identified to identify red flags. •	ION Scanner (mobile equipment) is in use at Maurice Bishop International Airport, it is used to detect whether an individual was in contact with drugs. Grenada is in the process of sourcing canine dogs to assist in this area. The customs is presently enhancing their training policy to ensure that the use of the ION Scanners is maximized. There were 4 drug seizures during 2010. Plans are already in place for Customs to engage the airlines in a series of meeting to put policy in place. This is expected to be effected by the end of the first quarter 2011.
		• Unable to assess whether systems for reporting cross-border transactions are subject to strict safeguards. • Unable to assess effective of disclosure system due to	• Authorities should review legislation concerning the making of false disclosures/declarations to ensure that these are strict liability offences. • Penalties under the Customs Ordinance should be amended with the aim of making them dissuasive	Customs officials are trained as part of their standard operating procedure in this area. Approximately 30 Customs Officers received training in passenger profiling during 2010. Please note that the relevant sections of Customs Department now have the responsibility to record in detail all breaches of the Customs Act since implementing the recommended measures.

		insufficient statistics	• Consideration should be given for the provision of training in counterfeit currency identification to Customs Personnel, especially those working the ports.	We have been advised that making false declaration/ disclosures, strict liability offences may be unconstitutional and therefore the customs department is not pursuing that recommendation at this time.
			• Customs should consider fostering closer relationships with the FIU, the RGPF and ODPP	This recommendation has been adopted and implemented in the draft Customs Bill 2010 which is submitted to the Attorney General's Office and should be passed during the first quarter of 2011.
			• There is a need for increased participation by the Customs Department in combating money laundering and terrorist financing.	Training has been provided to customs officials in this area by the Royal Grenada Police Force, and additional training will soon be provided by the FIU during the first quarter of 2011 in Counterfeit Currency Identification..
			• Customs Authorities should also give consideration to reporting all incidences of currency interdictions where untrue disclosures/declarations are made to the FIU, whether or not administrative or criminal proceedings are being considered.	These organizations have a close working relationship and do meet from time to time. Two Customs Officers are presently assigned to the FIU. The customs are also presently involved in joint investigations with the FIU. Customs officials receive ongoing training in this area. The Enforcement Unit of the Customs Department have the responsibility for record keeping and reporting on a case by case basis.

				It must be noted that in 2010 the Customs has been included as a member of the National Security Committee.