



CARIBBEAN FINANCIAL ACTION TASK FORCE

ANNUAL REPORT

November 2010 - November 2011

TAGS: ANNUAL REPORT, FOLLOW UP PROCESS, MUTUAL EVALUATION, TECHNICAL ASSISTANCE

© 2013 CFATF. All rights reserved.

No reproduction or translation of this publication may be made without prior written permission. Requests for permission to further disseminate reproduce or translate all or part of this publication should be obtained from the CFATF Secretariat at CFATF@cfatf.org



TABLE OF CONTENTS

INTRODUCTION	3
EXECUTIVE SUMMARY	4
THE CFATF REFORM AGENDA.....	5
REFLECTION, INTROSPECTION& REFORM.....	5
THE SECRETARIAT	13
THE MUTUAL EVALUATION PROGRAMME	16
THE FOLLOW-UP PROCESS	17
THE FATF INTERNATIONAL COOPERATION REVIEW GROUP INITIATIVE	20
RECOMMENDATIONS TO MINISTERS	20
MEMBERSHIP ISSUES.....	22
TYPOLOGIES EXERCISE PROGRAMME.....	24
BUDGET AND FINANCE	25
FINANCIAL ACTION TASK FORCE	26
CONCUSION.....	28



INTRODUCTION

This Annual Report for the period November 2010 – November 2011 will focus on the following key areas:

- The ongoing process on reflection, introspection and reform with a view to ensuring that the Caribbean Financial Action Task Force is “Fit for Purpose” both as the FATF Style Regional Body (FSRB) for the Caribbean Basin Region and Associate Member of the FATF.
- The Mutual Evaluation Programme and Follow up Process, the importance of Technical Assistance and Training to the rectification of deficiencies identified in the Mutual Evaluation Reports and the impact of the Financial Action Task Force International Co-operation Review Group (FATF ICRG) initiative.
- The proactive role of the CFATF in furtherance of an important goal of the global Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) network, namely to extend the network to all corners of the globe by securing the membership of countries or territories in its geographic sphere that are not yet part of the CFATF family.



EXECUTIVE SUMMARY

The past year was one of the most difficult periods for the CFATF. The process of identifying organizational shortcomings was convoluted and difficult and at times very painful, which was a common thread that was woven into the fabric and was a dominant factor in every aspect of the organisations' work throughout the period under review.

The task at hand was approached with focus and seriousness which dictated that the CFATF could not shirk its responsibilities as longstanding and determined partners with the international community in the fight against money laundering and the financing of terrorism,

It was absolutely essential that we embark upon a bold period of intense self examination and reflection so that we could become even stronger, firmly united and fitter for purpose.

It was felt that without an honest acceptance of this reality, the CFATF would put itself at an unfair and unwarranted disservice which would militate against the an unfair and unwarranted disservice b an unfair and unwarranted disservice best interests of an organization which holds an important historical position in the global AML/CFT network as the first FATF Style Regional Body (FSRB), which is almost as old as the FATF itself and whose documents and experiences have been instrumental in the establishment of other FSRBs.

It is with this in mind that the CFATF confronted its weaknesses and embraced the necessary corrective measures. Critically however, this decision to look inward, allowed us to realize that the CFATF had solid organizational underpinnings which offered a stable platform for great accomplishments in both the short and longer terms.

So it was in this context that Chairman Samuel Bulgin, Attorney General, Cayman Islands, through dynamic and balanced leadership which, aided in significant measure by a dispassionate assessment of the organisations' strengths which were considerable and weaknesses which though not overwhelming needed to be addressed, he shepherded the CFATF through the difficult process of reflection, introspection and reform.

Chairman Bulgin was the man for the time and work ahead and he did so with the skill, determination, diplomacy and purpose which were rewarded with success and unanimous approval and acclaim not only from the



membership but also the CFATF Group of Cooperating and Supporting Nations, Observer Organisations including the Financial Action Task Force Secretariat and importantly the FATF President.

Whilst doing so Chairman Bulgin instituted new initiatives such as:

- The addition of a further three (3) Working Groups to the existing CFATF Working Group structure to undertake the reform agenda;
- The Chairman's Mid Term Report;
- The institution of an Enhanced Sanctions Regime for non payment of Annual Contribution;
- The Experts Review Group with a view to streamlining the discussions of the Mutual Evaluation Reports in Plenary and;
- The CFATF International Cooperation Working Group (CFATF ICRG) which had the potential to expedite the rectification of deficiencies identified in the Third Round Mutual Evaluation Reports and thereby avoid scrutiny by the global AML/CFT network.

THE CFATF REFORM AGENDA

REFLECTION, INTROSPECTION & REFORM

The catalyst for this period of reflection, introspection and reform which began in May 2010, were as follows:

- The extraordinarily high levels of outstanding contributions which starkly militated against the efficient and effective undertaking of the affairs of the CFATF
- The withdrawal from CFATF membership of founder Members Costa Rica and Panama
- Shortcomings in the operations of the organization and the need for increased human and financial resources for the Secretariat, and
- Less than full and active participation by the memberships as whole

Embracing the initiative set in motion by Former Chair Mrs. Ersilia TH. M. de Lannooy, Minister of Finance, Netherlands Antilles as it then was, Chairman Bulgin brought the required calm and due deliberation to the



CFATF's reform process and his Chairman's Report to Plenary and Ministers on the implementation of the Work Programme during his period as Chair, captures the essence of the experiences of the CFATF over the past year.

Accordingly, in May 2010 the Working Group on Reflection and Improvement (WGRI) and the Financial Advisory Group (FAG) were formed with a mandate to reflect on past performance and provide advice to improve the workings of the CFATF in general, including the failure of some members to pay the Annual Contribution in a timely fashion.

The CFATF Working Group on Reflection and Improvement (WGRI) consisted of Jamaica (Chair), Bermuda, Cayman Islands, Curacao, Dominican Republic, Guatemala, The Bahamas, Spain and the FATF Secretariat.

The Financial Advisory Group (FAG) consisted of Bermuda (Chair) Cayman Islands, Jamaica, St. Kitts and Nevis, Trinidad and Tobago, Virgin Islands, Canada, United States of America and the FATF Secretariat.

The FAG and WGRI were mandated to review organizational operations with a view to attaining maximum organizational efficiency, reduce the levels of outstanding annual contributions, encourage early submission of annual dues, reduce operational costs and improve revenues.

The overall aims and objectives of reform project were to achieve a strong and robust CFATF playing an effective role in the global AML/CFT network and fully in step with its international partners in the fight against transnational organized crime and the financing of terrorism.

Both Working Groups set about their mandate with enthusiasm and purpose, which resulted in meaningful and far reaching Recommendations which were presented to the November 2010 Ministerial Meeting in the Cayman Islands, the FATF June and October 2011 Plenary Meetings in Mexico and Paris respectively and importantly the CFATF Special Ministerial II in August 2011 in Miami, which was called specifically to consider and endorse the CFATF Action Plan for reform.

As a founder Observer Member of the CFATF, the input from the FATF Secretariat was critical to the expedition with which the CFATF advanced its reform agenda. So too were the involvement of Canada and the observations of other Members of the CFATF Group of Co-operating and Supporting Nations (COSUNs) currently chaired by the United States, all of whom took a keen interest in encouraging and facilitating CFATF achievements with this important initiative.

The CFATF was certain that with the ongoing input and support from the FATF Secretariat, those FATF members who are part of the CFATF Group of Cooperating and Supporting Nations, the wider FATF community



as well as our fellow FSRB/Associate Members, the organization would successfully overcome the identified challenges.

The valuable support and friendship of CFATF Observer Organizations such as the Commonwealth Secretariat, European Commission, the International Monetary Fund, World Bank, United Nations Counter Terrorism Executive Directorate, United Nations Office on Drugs and Crime and the Inter American Development Bank were also pivotal to success on this front.

In order to effectively monitor the overall implementation process and the timely preparation of the envisaged periodic reports which were essential to the reform agenda, a Master Action Plan was prepared which outlined in chronological order all the various initiatives which had to be undertaken and the timelines that were agreed.

The CFATF Master Action Plan came at a timely juncture for the organization as it allowed for critical appraisal of the following:

- Ongoing operations and performance of the organization;
- Recommendations that were formulated to bring about effective and sustained organizational change;
- Measures that had been implemented thus far and;
- The course of action with realistic and firm time lines that would ensure full and expeditious completion of the reform agenda.

Indeed the CFATF was commended by the FATF June 2011 Plenary for the speed with which it moved to develop its Action Plan for reform and the CFATF COSUNs openly offered their encouragement and support. The FATF October 2011 Plenary also favourably commented on the pace of the CFATF reform programme in recognition of the number of items Action Plan items that were completed at that stage.

The CFATF, in sharing experiences at the October 2011 FATF Plenary, spoke openly and indeed proudly on the implementation of its reform agenda, the benefits that were achieved in a short time frame and suggested that this process should be undertaken by other FATF Associate Members.

In making this recommendation, the CFATF acknowledged that it would not have been able to effectively undertake such an in depth self examination exercise without the ability to draw upon the processes and



procedures of fellow Associate Members who responded positively and constructively by sharing pertinent information in response to a questionnaire geared towards collating relevant data.

Thankfully and beneficially, this willingness to assist in the case of the Asia Pacific Group, Eastern And Southern Africa Anti Money Laundering Group and Moneyval, extended to extensive private conversations with CFATF Chairman Samuel Bulgin and CFATF Executive Director Calvin Wilson and an invitation to visit the Asia Pacific Group Secretariat.

An important facet of the information gathering and information sharing exercise was a visit by to the FATF Secretariat during September 12-15, 2011 where discussions were also held with officials from the Organization for Economic Cooperation and Development on finance and budget matters.

Executive Director Calvin Wilson and CFATF Deputy Executive Director Dawne Spicer also met with FATF Executive Secretary Rick McDonnell on the margins of the FATF October 2011 Plenary and CFATF Law Enforcement Advisor Jefferson Clarke who also functions as Information Technology Advisor, also met with the FATF Information Technology Expert.

These meetings were all very valuable to the CFATF reform process and the CFATF family would like to extend its deepest appreciation to Executive Secretary Rick Mc Donnell and all his staff but in particular to Mr. Richard Berkhout for arranging the meetings and engendering an atmosphere conducive to constructive and friendly discussions.

With wide ranging and relevant data at its disposal and the extensive support and guidance of the global Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) network consisting of the FATF and FATF Style Regional Bodies, the CFATF was able to agree upon and implement extensive and far reaching decisions in pursuit of its ongoing reform programme in the following areas:

- Amendments to create a hybrid governance and oversight apparatus whereby Ministers will decide on key matters such as financial policy, and strategic and institutional matters with technical AML/CFT matters being left to the Plenary;
- One Chair for the Plenary and Council of Ministers who must be a Minister but not excluding, delegating Plenary Chairmanship to a senior person with more technical knowledge of Plenary matters;

- The Chairmanship should reflect the diversity of the CFATF with sub regional representation at the Steering Group level based on language, geographical location, economic ties and commonality of interests;
- The exclusion of the Secretariat from formal membership of the Steering Group but with the Executive Director attending Steering Group meetings in a consultative capacity;
- Increasing the size of the Steering Group to eleven (11) Members, in order to facilitate the effective oversight and leadership of all aspects of CFATF affairs;
- The readiness to explore alternative funding mechanisms;
- Undertaking a comparative analysis of living costs, salary and other arrangements with other regional and international organizations;
- Giving consideration to copying the CFATF into another regional or international organization;
- Expanding the membership criteria to include all countries and territories from within as well as from outside the Caribbean Basin Region and Central America;
- Establishment of the post of Audit and Administrative Advisor, whose primary role will be financial management;
- Implementing modern budgeting and audited financial reporting practices;
- Revision of the constitutive documents such as the Memorandum of Understanding, Operations Manual and the Mutual Evaluation Process and Procedures;
- Establishing Terms of Reference for the Steering Group;
- Reviewing the operations of the Secretariat;
- Establishing Working Groups to distil work into Policy Papers; and
- The re configuration of the activities during Plenary, that two (2) days are devoted to Working Group Meetings and two (2) days to the Plenary activities.

Pursuant to the mandate of the November 2010 Ministerial Meeting and in keeping with the spirit of reform to ensure full participation in all aspects of the FATF work by CFATF Members, a further three (3) Working Groups were added to the existing CFATF Working Group structure namely:

- The Working Group on FATF Issues, (WGFI) under which umbrella the Working Group on Evaluations and Implementation (WGEI) and the Working Group on Terrorist Financing and Money Laundering function (WGTM);



- The Working Group on Typologies (WGTYP) and;
- The International Cooperation Working Group. (ICRG)

The membership of the CFATF Working Group on FATF Issues (CFATF-WGFI) consisted of Anguilla, Belize, Bermuda (Co-Chair), Cayman Islands (Co-Chair), Guatemala, Turks and Caicos Islands, Venezuela and Virgin Islands.

The membership of the CFATF Working Group on Typologies (CFATF-WGTYP), consisted of Antigua and Barbuda, Trinidad and Tobago, Venezuela and Virgin Islands; and

The CFATF International Cooperation Review Group (CFATF-ICRG), which follows the FATF ICRG model whose membership consist of Antigua and Barbuda, Jamaica, Trinidad and Tobago and Virgin Islands (Chair).

The establishment and effective operations of these Working Groups are important to CFATF adherence to the obligations of being an Associate Member of the FATF. The new structures commenced at the May 2011 Honduras Plenary Meeting with inaugural meetings and continued at the November 2011 Plenary Meetings as an entrenched feature of the CFATF Plenary week, as similarly occurs throughout the global AML/CFT network.

Central and indeed indispensable to the efficiency with which the process of reflection, introspection and reform was undertaken over the period under review was the seriousness with which Chairman Samuel Bulgin approached his responsibilities as CFATF Chair, particularly at a time when it was vital that the CFATF membership, its friends and allies had to work together in a concerted fashion in order to ensure that the long term future of the CFATF was secure and that the positive outcomes of this period of introspection were indeed sustained.

In this regard Chairman Samuel Bulgin was of the view that a recommitment to and endorsement of the CFATF and the importance of its work from highest political levels across the Caribbean Basin Region were indispensable to sustainable success.

Consequently in seeking expeditious amelioration of the less than full participation by some Members in the organisation's business, Chairman Bulgin wrote to Ministers of Governments and Attorneys General encouraging them to convey the seriousness of the CFATF's position to their Presidents, Prime Ministers and Premiers and to



have senior officials attend CFATF Plenary meetings in light of the far reaching consequences of the decisions being made.

Equally importantly he reached out to Heads of Governments through the Office of the Honourable Thomas Tillman, Prime Minister of Grenada and the then Chair of the Caribbean Community who in turn conveyed Chairman Bulgin's correspondence to his colleague Heads of Governments.

In a welcomed development which augured well for the future, Chairman Bulgin's efforts were rewarded with a Statement by The Honourable Kamla Persad Bissessar, Prime Minister of Trinidad and Tobago at the Twenty Second Inter-Sessional Meeting of the Conference of Heads of Governments of the Caribbean Community on Combating Money Laundering and the Financing of Terrorism – Relationships with the Caribbean Financial Action Task Force, encouraging amongst other things, enhanced support for the CFATF, which was shared on the instructions of Chairman Bulgin with the wider CFATF membership.

Indeed Chairman Bulgin concluded that subsequent invitations to the Executive Director to attend meetings of regional institutions for Central Bank Governors and Bank Supervisors and Regulators to provide status reports on CFATF activities were a direct result of the greater exposure of the CFATF to the CARICOM Heads of Governments a development which the CFATF had to seek to entrench.

The expectations of these outreach and advocacy efforts were that:

1. Appropriate human and financial resources will be provided to the CFATF Secretariat so that it can undertake its core functions and provide support to the Chair, Steering Group and the entire CFATF Membership and;
2. Securing greater financial stability for the CFATF in the long term through contributions to a Special Purpose Fund which will be available to accommodate any future unusual or unforeseen financial emergencies and which will also build on the existing Accumulated Fund.

Another integral part of the process of self examination and reform was the need to enhance membership commitment to the core work of the CFATF, the Mutual Evaluation Programme including the Follow up Process and the urgent need to expedite the pace with which deficiencies identified in the Third Round Mutual Evaluation



Reports are rectified with the ultimate goal being the attainment of higher levels of compliance with the FATF Recommendations. Central to this goal was the establishment and effective functioning of National Anti Money Laundering Steering Committees.

Chairman Bulgin was a strong advocate for the establishment of National Anti Money Laundering Steering Committees (NAMLAC) for their value in:

- Enhancing national levels of compliance with the FATF 40 and 9 Recommendations,
- Bringing together all stakeholders who should have access to FATF materials and the opportunity to provide comments based on national experiences
- Enhancing inter agency co-operation domestically, and
- Constituting a forum for effectively deploying Technical Assistance and Training (TA) resources such as the Strategic Implementation Planning (SIP) Framework seminars.

Indeed the reports presented to Plenary Meetings by Aruba and the Dominican Republic on the usefulness of the NAMLAC forum are encouraging and should be emulated throughout the CFATF membership.

Dominican Republic reported that its National Anti Money Laundering Committee had been instrumental in that jurisdiction exiting the FATF ICRG initiative after the Prima Facie review stage which was a significant accomplishment.

Aruba also reported that its National AML/CFT Strategy Group consisted of Ministers and was Chaired by the Prime Minister which was indicative of the solid political commitment that continued to steer the country in its Follow up obligations to the FATF and CFATF.

Another important aspect of the reform agenda during the Cayman Islands term as Chair was the re configuration of the activities during the Plenary week whereby two (2) days are devoted to Working Group Meetings The reform program extended to the CFATF Working Group structure and operations which was revamped with the



first two (2) days of the Plenary Meeting week being devoted to activities related to the CFATF International Co-operation Review Group/Donor's Forum, (CFATF ICRG) the Working Group on Typologies (CFATF WGTYP) and the Working Group on FATF Issues (CFATF WGFI), and two days (2) to the Plenary business.

This organizational change commenced at the May 2011 Plenary Meeting, which continued at the November 2011 Plenary meeting. The ongoing intention is that this should be permanent and one can now say that the new Working Group system is firmly entrenched in CFATF operations and in line with similar process in the global FATF/FSRB framework this achievement would not have been possible but for the commitment, hard work and resolve of CFATF Members and the Secretariat to fully embrace the new road ahead.

THE SECRETARIAT

As at the commencement of the process of introspection and reform, the staff complement at the Secretariat consisted of the Executive Director, two (2) Deputy Executive Directors, Legal Advisor, Financial Advisor, Law Enforcement Advisor, Administrative Manager, Translator/Administrative Assistant and an Administrative Assistant.

Some of the issues that were raised as impediments to the CFATF Secretariat operating in keeping with the rest of the global Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) network are as follows;

- Lack of a mandate and resources such a long term budget, to be able to do all the work that other FSRBs expect their Secretariats to undertake which for current purposes include the implementation of the



recommendations for reform under the responsibility of the CFATF Chair with only monitoring responsibility left to Members

- The need for the CFATF to assume its Associate Member commitments and the organization should effectively fulfill its role and status (particularly, given the FATF/FSRBs peer review process that should be implemented during 2012);
- Building an effective organization with an ever increasing workload requires adequate administrative support.

One aspect of the reflection and improvement dialogue was the recognition that considerable sums had been invested over the years in existing staff complement whose expertise and experiences will be difficult to replicate in the current climate.

It was also determined that Members, COSUNs and Observer Organizations make considerable demands of the Secretariat and expect the highest of standards. Yet these stakeholders are not as equally forthcoming in ensuring that the Secretariat is provided with all the necessary human and financial resources to meet expectations.

The Working Group on Reflection and Improvement noted that there is “the clear acknowledgment and recognition..., that the Secretariat was undoubtedly understaffed and apparently in some cases, having difficulties in its recruitment initiatives”.

In light of the above CFATF Ministers took the decision that a stable, adequately resourced Secretariat, with experienced, professional and administrative staff was vital and mandated that the CFATF’s principal objective should be to determine the required staff complement for the Secretariat in light of the ever increasing workload of the global AML/CFT Agenda.

Cognisant of the acknowledged realities of the current operations of the Secretariat and in order to effectively undertake the additional responsibilities that are essential for the CFATF to fulfil its international obligations, Ministers authorised the following additions to the existing staff complement;



JOB TITLE	FUNCTION
Audit and Administrative Officer	To function at Advisor level with commensurate salary
Research Officer	To Assist Mutual Evaluation team and Working Groups Salary level based on market research with the private and public sector in Trinidad and Tobago
Web Administrator	To Assist Mutual Evaluation team and Working Groups Salary level based on market research with the private and public sector in Trinidad and Tobago
Translator/Administrative Officer	To augment the in house translation capacity and to assist with general administrative duties



In keeping with its longstanding role as host of the Secretariat and strong supporter of the CFATF, Trinidad and Tobago with a view to strengthening the Secretariat's operational capacity agreed to place at the CFATF disposal, the research capacity of the Compliance Unit, Ministry of National Security, Government of Trinidad and Tobago.

In addition due to the resignation of one Deputy Executive Director after three (3) years of service, CFATF Members as well as the CFATF Group of Co-operating and Supporting Nations (COSUNs) and CFATF Observer Organizations were invited to second appropriately qualified and experienced personnel to the Secretariat for periods ranging from six (6) months to three (3) years.

Plenary Meeting XXXIV and Ministerial Meeting XVIII in November 2011 praised the leadership roles of Bermuda, Jamaica, the FATF Secretariat and the CFATF Secretariat, despite the latter resource constraints, for the successes and speed in implementing the process of reform.

Ministers mandated that the reform process should be an ongoing exercise in recognition that whilst the CFATF had completed several aspects of the reform programme, there were a small number of matters that were still outstanding and as part of the global network the CFATF will update the FATF of its efforts in February 2012 and the CFATF Plenary in May 2012.

THE MUTUAL EVALUATION PROGRAMME

The Mutual Evaluation Programme is a crucial aspect of the work of the CFATF as it is one of the mechanisms by which the Secretariat ensures that each Member State fulfills the obligations undertaken as a signatory of the CFATF Memorandum of Understanding.

Through this monitoring mechanism the wider membership is kept informed as to what is happening on the ground in each Member Country. For the individual Member, the Mutual Evaluation Programme presents a valuable opportunity for an objective assessment by a team of experts, of the anti money laundering and combating the financing of terrorism framework as it exists at the time of the visit.



Since its inception, the CFATF has undertaken two (2) Rounds of Mutual Evaluations of its Members and in early 2005, commenced the Third Round of Evaluations which is due to end in 2012 with the assessment of Sint Maarten, one (1) of the two (2) new Members which came into being as a result of the historic constitutional changes in the Kingdom of the Netherlands.

During 2011 the Mutual Evaluation Reports of Belize, Guyana and Montserrat were discussed by Plenary, adopted by Ministers as final and are now available to the international community on the CFATF Website.

In August 2011, the CFATF undertook the assessment of Curacao's AML/CFT regime and the Mutual Evaluation Report emanating from the exercise will be discussed at the CFATF Plenary meeting in May 2012.

THE FOLLOW-UP PROCESS

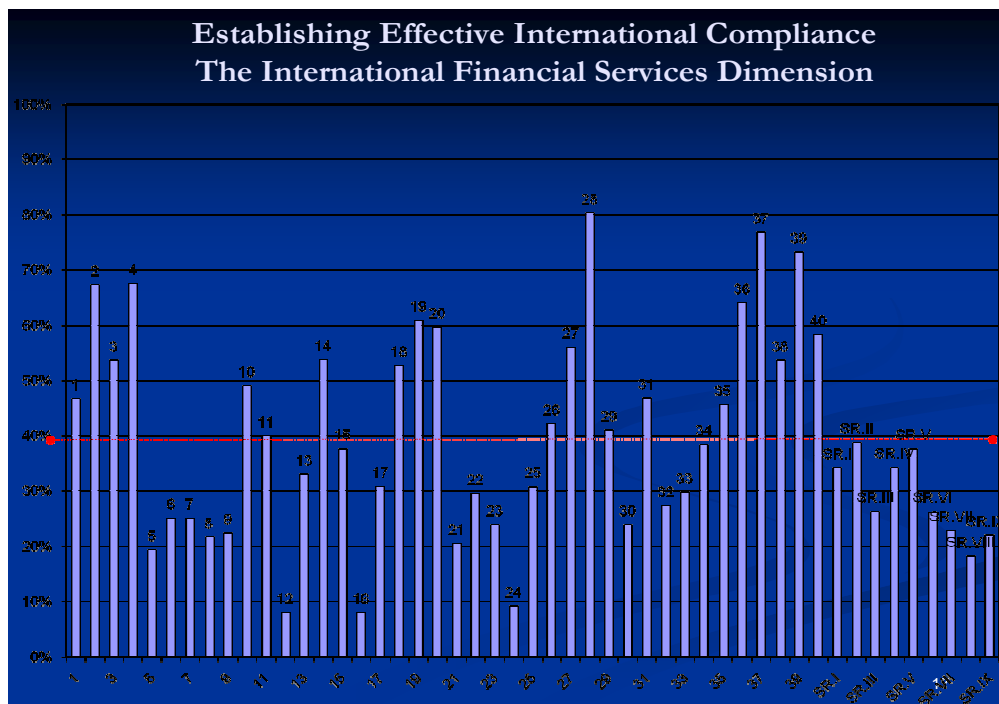
The Follow-up process is an essential part of the Mutual Evaluation Programme, which applies where the Mutual Evaluation Report shows there are significant deficiencies in the country's AML/CFT system.

The Follow-up process affords a valuable opportunity for Member countries to outline to the regional and international community the progress that is being made to implement the recommendations of the Examiners in their respective Mutual Evaluation Reports and facilitates dialogue with the CFATF (COSUNs) and the donor community in order to marry the delivery of technical assistance and training with the deficiencies identified in the various Mutual Evaluation and Follow-up Reports.

As the CFATF comes to the close of the Third Round of Mutual Evaluation Assessments it can take considerable satisfaction that some of its Members are at the top of and within the top ten (10) countries globally in terms of compliance with the FATF 40 and 9 Recommendations.

Indeed amongst the CFATF membership there are Centres of Excellence from which expertise and experiences could continue to be drawn and shared intra-organizationally and which could be emulated by all Members.

However the results of the Third Round of Mutual Evaluation Assessments show an average level of compliance at forty (40) percent which is not particularly encouraging and it is clearly demonstrated that meeting the requirements of the Special Recommendations to Combat the Financing of Terrorism is proving difficult for some Members.



The Mutual Evaluation Programme is the core area of the CFATF’s work and it must be of concern that after Three Rounds of Assessments the average level of regional compliance with the FATF 40 and 9 Recommendations is only forty (40) percent.

Much more alarming was the fact that fifteen (15) CFATF Members were under FATF ICRG scrutiny. Accordingly Ministers mandated that this situation must be changed through the robust and



interventionist approach of the CFATF ICRG which should seek to engender a sense of urgency in the pace with which Members go about reforming the national AML/CFT infrastructure by rectifying the deficiencies identified in their respective Mutual Evaluation Report.

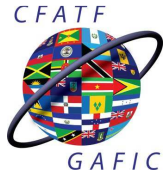
In this regard Ministers mandated that the Secretariat should work assiduously to co-ordinate and deliver Technical Assistance and Training (TA) projects, to assist countries even though all jurisdictions had the primary responsibility of improving their domestic AML/CFT regime themselves.

Part of the efforts to deliver Technical Assistance and Training resources to the membership and equally rewarding to the process of self examination and reform were the national Strategic Implementation Planning Framework seminars that were held in Dominica , St. Kitts and Nevis and St. Lucia, through the kind assistance of the Commonwealth Secretariat which were the logical next steps from the regional Strategic Implementation Planning Framework seminars that were organized by the CFATF Secretariat with funds provided by Canada a long standing CFATF COSUN Member.

The CFATF Strategic Implementation Planning (SIP) Framework Project has exposed participants from fourteen (14) CFATF countries to training that will facilitate the prioritizing and sequencing of rectifying the deficiencies identified in the Third Round Mutual Evaluation Reports, thereby enhancing national and regional levels of compliance with the FATF 40 and 9 Recommendations.

Antigua and Barbuda, Barbados, Dominica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, St. Kitts and Nevis, St. Lucia, Suriname, Trinidad and Tobago and Venezuela who participated in the 2010 Canadian funded (SIP) Framework seminars, are demonstrating through their reports to the Secretariat, the significant benefits that have accrued to the National Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) infrastructure through the training.

As a next step in this exercise and in order to strengthen domestic AML/CFT capacity through public education and awareness raising on the benefits of the SIP to the national AML/CFT infrastructure, the CFATF is seeking to deliver SIP Seminars throughout its membership, particularly where Members are currently in the Financial Action Task Force International Cooperation Review Group (FATF ICRG) and CFATF ICRG processes.



THE FATF INTERNATIONAL COOPERATION REVIEW GROUP INITIATIVE

The levels of compliance demonstrated above is equally troubling when juxtaposed with the requirements of the FATF International Cooperation Review Group initiative as they confirm the FATF view that fifteen (15) out of twenty nine (29) CFATF Members meet the criteria for review as a countries with strategic deficiencies in their AML/CFT regimes which pose threats to the international financial system.

Indeed five (5) CFATF Members, Antigua and Barbuda, Honduras, Nicaragua, Trinidad and Tobago and Venezuela are under active review by the FATF ICRG and with Aruba, Dominica, Grenada, Haiti, St. Kitts and Nevis, St. Lucia, Suriname and Turks and Caicos Islands to be reviewed at some stage in the near future.

In light of the gravity of this situation Mr. Chernó Jallow, Q.C, Virgin Islands Chair of the CFATF briefed CFATF Ministers Special Ministerial II which was held in Miami on August 19th 2011 and put forth the following recommendations which were endorsed in full by Ministers for implementation.

RECOMMENDATIONS TO MINISTERS

That the CFATF Follow up Procedures should be amended to:

Require the CFATF ICRG to review all CFATF Follow up Reports and Action Plans and prepare recommendations to the CFATF Plenary as to whether the Follow up Reports and Action Plans require the jurisdiction to:

-Be placed in/out of a follow up regime;

-Disclose sufficient progress; and/or

-Outline recommended actions that may be taken against any CFATF Member on the basis of the speed with which the AML/CFT reform agenda is being implemented; and



-Empower the CFATF ICRG to ensure organization adhere to the Follow up Procedures through the ability of the CFATF ICRG to make recommendations for sanctions in the event of non- compliance

The CFATF Chairman, Hon. Samuel Bulgin, QC, should write separately to Aruba, Belize, Dominica, Grenada, Guyana, Haiti, St. Kitts and Nevis, St. Lucia, Suriname and Turks and Caicos Islands in order to secure commitment to expeditious AML/CFT reform at the highest political levels in each jurisdiction;

The CFATF ICRG should be more intrusive and firm with CFATF Members in order to achieve higher levels of compliance with the FATF 40 plus 9 Recommendations;

All CFATF Members in general and, in particular, the ten CFATF members yet to be reviewed must take immediate steps to ensure that all the outstanding deficiencies identified in their respective

MERs are addressed fully and expeditiously so as to preclude any future targeted review by the FATF ICRG and they should be required to submit to the CFATF ICRG Action Plans for rectifying the deficiencies identified in their MERs along with their respective Follow up Reports by September 20th 2011.

The scheduling of National SIP Workshops for all CFATF Members who are yet to be exposed to this valuable mechanism, with priority to be given to Antigua and Barbuda and Trinidad and Tobago; Spain and other donor partners should be approached in order to secure the inclusion of National SIP Workshops in the list of AML/CFT courses that are being offered by Spain for delivery to the CFATF Spanish speaking Members; and

The CFATF should develop and implement a Communication Strategy in order to accord public recognition to the efforts at reform by CFATF Members to strengthen their AML/CFT regimes.

A CFATF Strategic Plan should be designed in order to assist jurisdictions to navigate the FATF ICRG process and to undertake their national AML/CFT reform agenda.



MEMBERSHIP ISSUES

The CFATF anticipated with considerable excitement the birth of the two (2) newest countries in the world, Curacao and St. Maarten both of which were welcomed into the CFATF family of nations adding to the richness of and diversity in language, culture, history and geography which characterized the CFATF membership, a status that the CFATF will fastidiously seek to and must maintain, despite the attrition in membership from which arose the Working Group on Reflection and Improvement.

In this regard, the Cayman Islands offered its fullest support for the proposal from Guatemala which had the support of all CFATF Spanish speaking Members to host the CFATF branch office in Guatemala City.

The Cayman Islands called upon all CFATF Members, COSUNs and Observer friends and colleagues to lend their support and expertise to making this proposal a reality subject of course to the necessary cost benefit analysis and other assessments of the proposal.

However it was recognized that there certainly will be some challenges because at this juncture, one could not foresee all the eventualities attendant on such an enterprise, but it was also advocated that these should not stymie the CFATF into inaction.

Cayman Islands encouraged that the CFATF must move forward on this front because it is a significant step in preserving the integrity of our organization including allowing the organization to better interface with some of our Spanish speaking Members in that region.

At the CFATF Ministerial Meeting on Money Laundering which was held in Port of Spain, Trinidad and Tobago during May 25-25 1995, Ministers resolved that the then CFATF Chairman should extend an invitation to those countries situated in Central America between Mexico and Costa Rica to become Members of the CFATF subject to their adoption of the Terms of the Kingston Declaration on Money Laundering.



At the March 1996 Plenary Meeting in Port of Spain the extension of the CFATF membership to Central America was discussed again and it was agreed to invite Belize, Guatemala, Honduras, Nicaragua and El Salvador to attend initially as Observers.

By October 1996 the CFATF membership included Costa Rica, Dominican Republic, Nicaragua, Panama and Venezuela. Observers included Colombia and Mexico.

In March 2000 Panama agreed to become part of the Contact Group to secure Guatemala's membership. The Work Programme of Aruba for 2000-2001 included an Outreach Programme to Guatemala, El Salvador, Honduras and Guyana with a view to full membership. Colombia was part of a CFATF Ad hoc Working Group on membership issues.

The CFATF Memorandum of Understanding was subscribed to on October 17th 2002 in the city of Nassau, The Bahamas by Guatemala and Honduras and on October 23rd 2003 in St. Mary's Parish, Antigua and Barbuda by the Republic of El Salvador.

Moreover at Special Ministerial II in Miami during August 2011, Ministers supported the proposition that the CFATF should change its Memorandum of Understanding to expand the membership criteria, so that all countries or territories from within as well as from outside the Caribbean Basin Region and Central America could apply so as to thereby further enhance the ability of the CFATF to strengthen the global AML/CFT network

During the period under review it was acknowledged that the Republic of Cuba was the only country in the Caribbean that was not a member of the (CFATF) and in keeping with the organizational policy of outreach so that all countries in the Caribbean Basin Region are members of the CFATF, the Council of Ministers mandated the CFATF Secretariat and interested Members such as Venezuela to undertake outreach to the Republic of Cuba with a view to membership in the CFATF.

During the period under review Venezuela and the Executive Director undertook several outreach efforts with representatives within the diplomatic and financial community of Cuba.



Should the CFATF be successful in securing in its outreach to Cuba then the organization would have played a critical role in facilitating the objective of the FATF in extending the AML/CFT network to all corners of the globe.

TYOLOGIES EXERCISE PROGRAMME

The CFATF must stay at the forefront of the dissemination of information on the vulnerabilities of the Caribbean Basin Region to money laundering and terrorist activities. The need to increase the awareness of all stakeholders in both the public and private sectors of the attendant risks and facilitate the erection of adequate defensive mechanisms regionally is critical.

Successful prosecutions for money laundering and combating the financing of terrorism offences are on the increase across the CFATF membership and the significant efforts of the CFATF led project on Trust and Company Service Providers, the Report on which is available on the FATF and CFATF websites, cannot be allowed to stand on their own

Accordingly during the Cayman Islands term as Chair, Members were encouraged to re-convene the Typologies Working Group so that all relevant information could be submitted to it through the Secretariat for preparation of the second edition of the CFATF Typologies Publication by November 2011.

The Typologies Working Group was mandated to explore the following topics as possible areas for a Typology Exercise during 2011:

- The cross border movement of cash and negotiable instruments
- Human Trafficking and
- The Proliferation of Small Arms and Ammunition
- Ponzi/Pyramid and Illegal Lottery Schemes

Additionally the Typologies Working Group was tasked to work with the Secretariat with organizing a conference for regional public and private sector officials on the topic- The Impact of Transnational



Organized Crime on the Economic Development and Security of the Caribbean Basin Region, during the first quarter of 2011.

However for a variety of reasons implementation did not match initial intentions. Four (4) Typology Exercises were planned but only one on human trafficking was undertaken. Nevertheless the surrounding circumstances were understandable and the CFATF WGTYP and the Heads of FIU Forum must be commended for their efforts thus far as well as the signal from Venezuela that the other three (3) topics will be pursued during its term as Chair.

BUDGET AND FINANCE

The period under review saw the continuing effects of the global economic and financial crisis, posing considerable financial hardships for CFATF Member countries which was at the same time adversely impacting the ability of the organization to undertake its affairs with due dispatch.

Indeed it also had the potential to similarly affect the image and reputation of this FATF Style Regional Body as an effective partner with the international community in the fight against trans-national organized crime.

The CFATF indeed owe a debt of gratitude to Immediate Past Chair de Lannooy for encouraging the submission of annual contributions by May of each year; a development which, Chairman Bulgin emulated and which with the co-operation of all our Members the CFATF will seek to entrench.

Chairman Bulgin encouraged that the financial situation must be confronted directly and in a robust fashion. Members were called upon to pay the annual contribution in a timely fashion and the CFATF decided to take decisive steps in the event of continuing breach.

The CFATF agreed commencing with the period under review and continuing thereafter, that Members in arrears must be brought before each and every Plenary and Ministerial meetings to account for failure to honor their financial commitments.



Ministers recognized that the new policy had to be balanced against the fact of the enormous challenges facing Members countries where there were competing priorities including national and international initiatives competing for the few scarce resources in the budget and their struggling domestic economies.

Nevertheless in the best interests of ensuring financial stability, Ministers addressed the difficult financial situation directly, by immediately implementing a sanctions procedure which resulted in the suspension of one Member and created the environment where, through a resolute chase up campaign, all outstanding arrears were liquidated within a two (2) month period.

Ministers also agreed that for 2012 and perhaps for the next five (5) years, the annual Budget will make provisions for yearly increases of US\$50,000.00 to the Accumulated Fund. It was felt that through this mechanism, the CFATF will build a solid financial platform that will avoid the cyclical financial crises that occurred in 1999, 2005 and 2010.

FINANCIAL ACTION TASK FORCE

During the period under review the longstanding bonds of friendship and support between the CFATF and the FATF demonstrated a resilience which withstood the need for frank and open discussions on financial and organizational challenges that confronted the CFATF.

Through a mutual recognition that the aims and objectives of the global AML/CFT network necessitated expeditious resolution of areas of concern, the Presidents, Executive Secretaries, Members and Secretariat staff of both organizations embarked on a successful dialogue which facilitated a stronger and closer partnership.

The CFATF is proud of its status as an Associate Member of the FATF and the presence of FATF President Del Bufalo at CFATF Plenary Meeting XXXIV and Ministerial Meeting XVIII lends testimony to the FATF's friendship, solidarity with and support for the CFATF as it continues to successfully implement its reform agenda.



President DelBufalo congratulated the CFATF on the work that was being taken to improve its own performance, encouraged the organization to continue its effective work, noted the valuable work performed by the CFATF Working Group on Reflection and Improvement and the Financial Advisory Group which he deemed a perfect example that other FSRBs should follow, an approach which he intends to have discussed within the FATF and hoped to count on the CFATF's input on its experiences and support. However, President

Del Bufalo also cautioned on the need for the reform process to be effectively implemented such that all issues particularly the long term financial stability are resolved.

In commenting on the review of the FATF Recommendations to ensure that they remain a comprehensive and up-to-date framework for combating money laundering and terrorist financing, President Del Bufalo noted the significant progress that was made in this exercise through the work and input by the relevant expert and working groups, and several associate members, including the CFATF.

President del Bufalo also indicated that he had taken great interest in the CFATF-ICRG process which he sincerely supported given its mandate to assist countries to ensure that they address their shortcomings before the FATF Regional Review Group reviews the situation.

He also encouraged those jurisdictions that have insufficiently implemented the FATF Recommendations to embrace the opportunity or they will otherwise end up on the public lists or even face a call for counter measures because the FATF will not hesitate to do so for jurisdictions that do not address all identified gaps in their AML/CFT systems, irrespective of whether these particular countries are FATF or FSRB Members.

Finally in acknowledging the stewardship of the CFATF by Chairman Bulgin during the period under review, President delBufalo noted that “the past year was not an easy one for you, having to chair four Plenary and Ministerial meetings (instead of the regular two) and address numerous issues with the FATF that no prior CFATF Chair had had to face, or had been willing to face. I therefore congratulate you on your effective leadership, as you have successfully steered the CFATF away from crisis and laid the foundations for a stronger and better organization. I sincerely thank you for your valuable work”



CONCLUSION

Having adopted and successfully directed the continuation of the reform agenda as part of the Work Programme during his term as Chair, Chairman Samuel Bulgin acknowledged the challenges of the previous twelve (12) months and whilst passing the baton of leadership to Venezuela, noted that he did so in the full knowledge that the initial turbulence had subsided and that the CFATF was well on the way to a stronger, more robust organization with settled and acceptable governance, financial and administrative structures but cautioned that the reform agenda was a work in progress which had to be sustainable over the long term.

With the strength of character and resolve which the Caribbean Basin Region has demonstrated time and time again when confronted with challenges, be they man made or natural disasters, the CFATF with the unwavering support of its traditional friends and allies, responded with a resilience and determination that have positioned the organization to be an effective partner in the protection of the global financial system.

Chairman Bulgin also counseled that success could only be achieved through an active and engaged membership, working in harmony with our long standing friends and allies the Group of Co-operating and Supporting Nations (COSUNs) and our Observer Organizations, the FATF Secretariat and other Observer Organisations. This exercise proved to be a useful framework for positive results that can emanate from a dialogue that is based on partnership and common interests in protecting the global AML/CFT network.

Indeed the CFATF as embodied in the observations of Jamaica, a leader for one aspect of the reform initiative, the CFATF's period of reflection and improvement is a valuable exercise which should be voluntarily undertaken by all players in the global AML/CFT network given the organizational benefits that could be derived there from.

In his Outgoing Remarks at the Opening Ceremony of the Ministerial Meeting in Isla Margarita, Venezuela when his term as Chair came to a close, Chairman Samuel Bulgin noted that he was "confident that we (the CFATF) have already begun rebuilding and re-energizing our organization with bold and confident measures".