



ANNUAL REPORT

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EXECUTIVE SUMMARY

In his keynote Address to the October 2005 Jamaica Ministerial Meeting, Dr. The Honourable Omar Davies, Minister of Finance, Government of Jamaica, warned of the threats that money laundering and the scourge of high crime levels pose to the socio-economic stability of countries in the region, the manner in which they are easily spread and called for action on ways in which the attractiveness of criminal activity to young men could be reduced.

The sterling work done by the CFATF with its member nations and representation before the FATF to remove members from the NCCT blacklist is indicative of the fact that the CFATF at this stage is coming to grips with its role and purpose with greater ease and responsibility. It must be acknowledged that the progress and success of the CFATF is assisted in large measure through the generous financial and professional contributions of the COSUNs and Observer Organisations as well as the invaluable role of the CFATF Secretariat.

The relationship between the CFATF, the FATF, other FSRBs the Offshore Group of Banking Supervisors, the International Monetary Fund, World Bank as well as other International organisations is solid and promising. The future for the CFATF is further strengthened by the desire of the FATF to build upon its partnership with all regional groups through the FATF Associate Member initiative which is designed to further enhance the roles of the FATF Style Regional Bodies (FSRB) and through the presence of former FATF President Professor Kader Asmal and current FATF President Frank Swedlove and the FATF Secretariat at Ministerial Meetings in October 2005 and October 2006.

The CFATF nevertheless is not without its challenges and Outgoing Chair Madame Delia Cárdenas, Superintendent of Banks, Panama, noted that there was a need for each country to adhere to the 40 and 9 Recommendations and counselled that Implementation Plans should be drawn up for rectifying the deficiencies identified by the Mutual Evaluation Reports which would allow the Secretariat to monitor ongoing compliance and to bring to bear training resources where necessary. With this in mind it is critical that the work of the organisation should be placed high on the list of priorities despite the considerable responsibilities of regional civil servants in their substantive posts.

Incoming Chair Michael Hylton, Solicitor General, Government of Jamaica noted the success of the Heads of FIU Forum as a mechanism for facilitating expeditious co-operation through the signing of MOUs, and encouraged further regular meetings of the Forum and the training of regional officials in the investigation and prosecution of financial crimes.

Such regional self help initiatives are part and parcel of the growing maturity and independence of the CFATF as it strives to shape and fashion a new vision for the future as outlined in the preamble to the outgoing Chair's Work Programme.

Former FATF President Professor Kader Asmal in advocating the necessity of international cooperation noted that the FATF and its partners such as the CFATF must remain at the forefront of the campaign to implement the international AML/CFT standards which are vital

to the protection of the financial sector and stressed the importance of the peer review process of the Mutual Evaluation Programme.

Professor Asmal's greeting to his brothers and sisters from the Caribbean for their role in supporting the struggle against racism and apartheid and for self determination in southern Africa at the Twelfth CFATF Ministerial Meeting in Jamaica and the role of the CFATF Secretariat in hosting colleagues from the Eastern and Southern Africa Anti Money Laundering Group (ESSAMLG)/International Action Group Against Money Laundering (GIABA) and the CFATF's ongoing work with the Financial Action Task Force of South America (GAFISUD), confirm that bonds of friendship and support between the CFATF and its international partners on AML/CFT issues will undoubtedly remain strong.

The CFATF welcomes the decision by the FATF and its Secretariat to prioritise assistance to the CFATF and other FSRBs and to hold a joint plenary meeting with one of the FSRBs as an annual event. In the spirit of cooperation CFATF Ministers readily agreed to join Professor Asmal's initiative which is one of the priorities of his Presidency namely the devastating effects of money laundering linked to corruption and his intense interest in money laundering and the trade in women and children and property transfers.

OPENING CEREMONY MINISTERIAL MEETING XII

The themes of the various presentations at this important Ministerial meeting offer such a cogent insight into the work of the Caribbean Financial Action Task Force at this stage of its development that it is useful to reflect them in this Annual Report.

WELCOMING REMARKS

Mrs. Audrey Anderson, Senior Deputy Governor, Central Bank of Jamaica welcomed Ministers, the specially invited guests, FATF President, Professor Kader Asmal, and delegates. Several important themes as follows were noted:

The CFATF was born in Jamaica and therefore it is fitting that it should return home on its maturity;

The sterling work done by the CFATF with its member nations and representation before the FATF to remove members from the NCCT blacklist.

The fact that the organisation was coming to grips with its role and purpose with greater ease and responsibility and that its work should be placed high on the list of priorities despite the considerable responsibilities of regional civil servants in their substantive posts.

The level of analysis and feedback to the Secretariat must be strengthened further and sustained in order to ensure that the current high level of performance of the CFATF as the world's oldest FATF Style Regional Body.

REMARKS BY THE OUTGOING CHAIR

Madame Chair Cárdenas during her outgoing remarks confirmed that during her term as Chair the task was to maintain the organisation's excellent international image and responsible and transparent operations in order to be assured of the confidence of its members, Observers and donor countries, despite the obvious financial limitations.

- Expressed her satisfaction that no CFATF members are on the FAFT NCCT list.
- Noted that there was a need for each country to adhere to the 40 and 9 Recommendations and that an Implementation Plan should be drawn up for rectifying the deficiencies identified by the Mutual Evaluation Report which would allow the Secretariat to monitor ongoing compliance and to bring to bear training resources where necessary.
- Recognised the difficulties that countries may have in fully adhering to the AML/CFT benchmarks and the importance of regional participation in the FATF Working Group on Evaluations and Implementation where experiences can be shared.
- Noted the modernisation of the web presence and its impact on improving communication.
- Recognised the valuable financial and professional contributions by the COSUNs and Observer Organisations towards training initiatives and the progress made by Members in the international arena.
- Noted the solid and promising future for the relationship between the CFATF, the FATF and other FSRBs, and the fact that it is strengthened by the presence of the FATF President at this Ministerial Meeting.
- Applauded the professional and responsible manner in which the Secretariat carried out the volume of work during her period as Chair and the desire by the Executive Director and Team to satisfy the needs of all members.

INCOMING CHAIR'S REMARKS

Incoming Chairman, Michael Hylton, paid tribute to the excellent work of Outgoing Chair Cárdenas and the team from Panama and confirmed his intention to continue with their achievements.

- Spoke of the challenges for the region in the form of the threats posed by trans-national organised crime and the links between the narcotics trade, international money laundering and terrorist activity.
- Noted the success of the Heads of FIU Forum as a mechanism for facilitating expeditious co-operation through the signing of MOUs, and encouraged further

regular meetings of the Forum and the training of regional officials in the investigation and prosecution of financial crimes.

- Welcomed the grant of Associate Members Status initiative by the FATF and signalled his intention to continue working closely with the FATF and other FSRBs, in particular GAFISUD.
- Noted the financial and professional contributions of the COSUNs and Observer Organisations as well as the invaluable role of the Secretariat, in relation to the progress and success of the CFATF.
- Agreed that the need to shape and fashion a new vision for the future as outlined in the preamble to the outgoing Chair's Work Programme will be achieved through a mature and independent CFATF which had responsibility for its own affairs.
- Emphasised the need for all stakeholders to work together and outlined his intention to work closely with the Vice Chair, Steering Group, COSUNs and the Secretariat, all of which augurs well for the meaningful and respected role that the CFATF will play in regional and international matters.

ELECTION OF THE VICE CHAIR

Nominated by the Dominican Republic, seconded by Aruba and supported by all CFATF Members, Guatemala was elected to the Vice Chair position for the 2005 - 2006 period, a position which was an honour for his country as expressed by Gabriel Gomez, speaking on behalf of Mr. Willy Zapata, Superintendent of Banks, Guatemala.

Guatemala, in confirming its readiness to work very closely with Jamaica signalled its intention to play a significant participative role in advancing the regional AML/CFT agenda and improving dialogue and co-operation between members.

In keeping with this spirit, Deputy Chair Zapata represented Chairman Hylton at the June 2006 FATF Plenary which was held in Paris, France and again during July 12-13, 2006 when he paid a courtesy call on the Vice President of the Bolivarian Republic of Venezuela and the Minister of the Interior and Justice Lic. Luis H. Correa Fernandez as well as senior officials of the Oficina Nacional Antidroga.

CERTIFICATE OF APPRECIATION

The Executive Director presented Madame Chair Cárdenas with a Certificate of Appreciation for the excellent work undertaken during the Panamanian Presidency.

ADDRESS BY THE FATF PRESIDENT

Ministers gave a particularly warm welcome to Professor Kader Asmal, FATF President who:

- Thanked Ministers for the invitation to attend the Twelfth Ministerial Meeting and greeted his brothers and sisters from the Caribbean for their role in supporting the struggle against racism and apartheid and for self determination in southern Africa.
- Emphasised some of the pernicious effects of terrorist financing, money laundering and associated financial crimes such as corruption and the need for decisive action by governments to protect the social fabric of our societies and the stability of our democracies.
- Noted that the FATF and its partners such as the CFATF must remain at the forefront of the campaign to implement the international AML/CFT standards which are vital to the protection of the financial sector and stressed the importance of the peer review process of the Mutual Evaluation Programme.
- Outlined a radical international relations initiative whereby more than half of the members of the African Union at their own volition, have signed up to a peer review process which is more comprehensive than the FATF 40 and 9 Recommendations and involves a total assessment of democracy by which external agencies review the adherence of states to principles of governance, democracy, respect for human rights and the adoption of sound economic policies.
- Stressed the desire of the FATF to build upon and strengthen its partnership with all regional groups and in this context outlined the important aspects of the FATF Associate Member initiative which is designed to further enhance the roles of the FATF Style Regional Bodies (FSRB).
- Noted that the FATF and its Secretariat will also continue to prioritise assistance to the CFATF and other FSRBs and advised on FATF plans to hold a joint plenary meeting with the Eastern and Southern African Anti Money laundering Group which will be an annual event with one of the regional groups.
- Spoke of one of the priorities of his Presidency which is the devastating effects of money laundering linked to corruption and his intense interest in anti money laundering and the trade in women and children and property transfers.

KEYNOTE ADDRESS

The keynote address was delivered by Dr. the Honourable Omar Davies, Minister of Finance, Government of Jamaica who congratulated Chairman Hylton in his new role and offered

condolences to those Members and COSUN countries which had been affected by the hurricane activity.

Dr. Davies noted the revised international AML/CFT standards and the additional demands which they presented to the human and financial resources of small countries and counselled that these limitations should not condemn a country in the eyes of the FATF.

- Welcomed the ending of the blacklisting process for the region and the attendant significant economic fallout and encouraged that all avenues for dialogue, including representations and interventions by the FSRBs should be exhausted, before similar action is taken in the future.
- Called for measures to be applied on a consistent, objective and transparent basis across the FATF membership.
- Commended the CFATF for efforts to have members removed from the blacklist, strongly advised that organisations like the CFATF must have proactive, real and compelling representation on behalf of its membership and encouraged the new administration to build on this work.
- Supported the principles of transparency, good management and accountability, by the Executives at all times and asserted that the financial affairs of the CFATF were too important to be placed in any uncertainty.
- Emphasised that COSUN contribution should not be the governing consideration in determining the activities and effectiveness of the CFATF and urged that Members move to shoulder the majority of the financial responsibilities.
- Warned of the threats that money laundering and the scourge of high crime levels pose to the socio-economic stability of countries in the region, the manner in which they are easily spread and called for action on ways in which the attractiveness of criminal activity to young men could be reduced.
- Recognised the link between the illicit drug trade and the trade in illicit weapons and the need for global co-operation on all fronts on AML/CFT legislation.
- Confirmed Jamaica's intention to strengthen its regulatory framework and its commitment to be in full compliance with all AML/CFT recommendations and outlined plans for the establishment of the Bank of Jamaica as the formal co-ordination unit with responsibility for ensuring compliance.
- Commended the work of the Plenary and wished the Ministers the very best for the coming years.

THE STEERING GROUP 2005 - 2006

In establishing the CFATF Steering Group, Ministers agreed that it should comprise the Chairman, the Chairman-elect, the CFATF Executive and Deputy Directors, one COSUN and three CFATF Members. The COSUNs it was determined would participate in the Steering Group on a rotating basis.

The responsibilities of the Steering Group are:

- to advise the Secretariat regarding issues of policy, which arise and require action prior to meetings of the CFATF Council of Ministers;
- on all significant matters relating to internal CFATF policy, consult in co-ordination with the Secretariat all CFATF Member Governments at the Ministerial Level; and,
- at annual meetings of the CFATF Council of Ministers, provide a full briefing on its activities and, when appropriate, formulate recommendations for the Council.

At the Jamaica Ministerial Meeting, Ministers endorsed the composition of the Steering Group for 2005 - 2006 as follows: The Chair – Jamaica, Deputy Chair – Guatemala, British Virgin Islands, Dominican Republic and Trinidad and Tobago and COSUN representative United Kingdom, along with the Executive Director and the Deputy Executive Director.

Ministers also have the authority to call upon all past Chairmen to share their expertise and experiences in the conduct of all aspects of the organization's affairs.

CHAIRMANS WORK PROGRAMME 2005 - 2006

Moving away from the tradition the Secretariat on behalf of the Deputy Chair Hylton, presented the Chair's Work Programme 2005-2006 at the April 2005 Plenary rather than at the October 2005 meeting. The rationale was to bring forward the preparation of and the discussions on the proposed budget for 2006 to earlier in the year.

The focus of attention during the Jamaica period as Chair were in the following areas:

- Securing the fullest compliance with the Mutual Evaluation Procedures during the Third Round of the Mutual Evaluation Programme.
- The ongoing exploration of AML/CFT Methods and trends through AML/CFT Typologies Exercise Programme.
- Strengthening regional capacity through sustained Technical Assistance and Training initiatives.
- Building on the ongoing achievements of the Financial Intelligence Unit Forum, and

- Facilitating greater dialogue between CFATF Members, and their FATF and FSRB counterparts on international co-operation.

Several delegations expressed support for the vision of incoming Chair and signalled their intention to work closely with him to achieve its success.

REVISION OF THE MEMORANDUM OF UNDERSTANDING

The convening of the Ministerial Caucus at the Jamaica Ministerial allowed for the commencement of a process of deep reflection on:

The structure and purpose of the CFATF;

The process by which and who should determine the organisation's priority policy initiatives;

The operational processes and procedures for the conduct of the organisation's business; and

The overall independence of the organisation in the future:

During these discussions several important issues were raised which concerned the overall operations of the organisation.

These included:

- The need for the Steering Group to comprise Members who are fully paid up and are paying their annual contributions in a timely fashion.
- The role of the Co-operating and Supporting Nations and their involvement in the Steering Group given current realities.
- The need to institutionalise the Ministerial Caucus. One view is that this meeting should only be attended by Ministers, or their duly appointed representatives in writing, one technical advisor if necessary and the Secretariat.
- The format, contents and presentation of the annual budget which should take into account the need for members to accept full responsibility for the affairs of the organisation.
- The framework for determining the annual contribution due from each member and the payment of extraordinary contributions from any Member.
- The treatment of outstanding annual contributions with consideration being given to whether write off is necessary on a case by case basis.
- The need for the Auditors to present the Audited Financial Statements to Ministers but with consideration being given to the attendant costs.
- The process for determining the location of the Secretariat.

- The need for the rules and procedures of the organisation to be respected and defended.

Members were requested to consider the points that were raised in the Ministerial discussions as some of the principles which could serve to guide their suggestions for amendments to the Memorandum of Understanding (MOU).

Given the importance of this review process to the future of the CFATF, Members were requested to submit their proposals in a timely fashion in order that they could be circulated prior to and discussed at this Plenary meeting.

On December 16th 2005, the Government of St. Lucia submitted its comments to the Secretariat. British Virgin Islands submitted comments on April 28th 2006 and St. Kitts and Nevis provided observations during the Santo Domingo Plenary. Further comments were received St. Lucia.

The Guatemala Plenary recommended and Ministers endorsed the revision of the MOU with noteworthy changes:

- To include in the functions of the Chair the duty to supervise processes of dispute resolution as may arise from time to time.
- To allow members of the FATF/FSRBs/OGBS to participate in meetings with delegations comprising the Presidents and Secretariats of the organisations and on the basis of reciprocity a representative from up to five member jurisdictions who will participate and take the floor on behalf of but under the umbrella of FATF/FSRBs/OGBS and under the coordination of the FATF/FSRBs/OGBS President or the Secretariat.
- To allow Examiners from the FATF/FSRBs/OGBS/ /World Bank to participate as appropriate in CFATF Mutual Evaluation Mission Teams on a reciprocal basis.

FINANCE

The new format of the 2006 Budget which was prepared by the Secretariat under Chairman Hylton's advice and guidance, took into account the decision by Ministers that Members should undertake full responsibility for the operational requirements of the organisation and made possible by the generous and extraordinary contributions from British Virgin Islands, The Bahamas, Barbados and Trinidad and Tobago.

The new format also takes into account the desire by the COSUNs to allocate their funds for specific projects. In this regard the contributions by Canada and the Netherlands were used for the Mutual Evaluation Programme, funds by France and Mexico went to a Financial Investigations Course for the Spanish-speaking members and the United Kingdom's contribution was allocated to a Public Education and Awareness Raising Workshop on the

requirements of the FATF 40 and 9 Recommendations for those jurisdictions that would be undergoing Mutual Evaluation in the coming year.

The format also includes considerable data on annual contributions by Members and COSUNs from the inception of the CFATF to date as well as easily referenced information on line item expenditures over the same period.

Overall, the document presents in a format that is comprehensive and allows for easy comparison between current and previous years.

In considering the format afresh, the May 2006 Santo Domingo Plenary agreed that the historical information should relate only to the last four years. The annual membership contribution for 2006 stood at US\$13,550.70.

The October 2006 Guatemala Plenary discussed the draft Budget for 2007 and recommended an annual contribution of US\$16,400.33, which provides for the position of Law Enforcement Adviser at the Secretariat. Ministers endorsed the Plenary's recommendation and called for all outstanding contributions to be paid.

AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements for 2005 with accompanying explanatory notes prepared by the Secretariat were put forward for consideration by the Plenary and a recommendation to Ministers for endorsement as final was adopted.

THE MUTUAL EVALUATION PROGRAMME

The Mutual Evaluation Programme is a critical mechanism by which member countries of the CFATF are monitored for compliance with international standards to combat money laundering and the financing of terrorism.

In its twelve-year history, the CFATF has successfully conducted two Rounds of Mutual Evaluations and has commenced the Third Round of Evaluations using the detailed and complex FATF AML/CFT Methodology as the assessment tool. Thus far, Missions have been undertaken to Panama, Jamaica, Dominican Republic, Trinidad and Tobago, The Bahamas and Costa Rica.

The assessment of Panama's AML/CFT infrastructure was conducted by the International Monetary Fund as part of its Financial Sector Assessment Programme and pursuant to reciprocal arrangements, the CFATF accepted the Detailed Assessment Report coming out of that review as its own Mutual Evaluation Report.

The overall assessment process is becoming increasingly complex, costly and demanding for all participants. The onsite Missions now last fourteen days and the assessment teams now consist of two Financial Examiners where the structure of financial sector in the country to

be examined is complex. The Reports in some cases now exceed one hundred and fifty pages and the attendant translation costs have increased correspondingly.

Training Examiners in the use of the AML/CFT Methodology is crucial to the success of the Mutual Evaluation Programme and British Virgin Islands and Trinidad and Tobago provided funds for three Mutual Evaluation Examiners Training Workshops which were held in Port of Spain, Trinidad during March 27-31, 2006 and in Honduras during August 7-11, 2006.

Seventy-one Examiners were trained in the requirements on the AML/CFT methodology, the globally accepted assessment tool for the Mutual Evaluation Programme. A further workshop will be held in Port of Spain, Trinidad during 2007.

These Mutual Evaluation Examiners Training workshops continue to be supported by the FATF Secretariat, GAFISUD Secretariat, the World Bank and the International Monetary Fund through the provision of experts who conducted the workshops in conjunction with the CFATF Secretariat and presenters from CFATF members, Antigua and Barbuda, Cayman Islands, Dominican Republic, Nicaragua and Panama.

Equally important to the construction of strong regional AML/CFT defensive structures is the CFATF follow up process whereby the organisation monitors the implementation of the recommendations of Examiners where deficiencies have been identified through the Mutual Evaluation Report.

In 1999 the CFATF instituted a follow up procedure whereby Members inform the Plenary on measures taken to implement the recommendations of the Mutual Evaluation Examiners and to strengthen their overall domestic anti money laundering and combating the financing of terrorism framework.

At the Santo Domingo Plenary in April 2006, progress reports were submitted by Venezuela, Honduras, St. Kitts and Nevis, Jamaica, Guatemala, Dominican Republic, Montserrat and St. Vincent and the Grenadines.

In keeping with the policy outlined in his Work Programme that the operations of the CFATF should be reviewed on an ongoing basis in order to secure improvements where necessary, Chair Hylton called for a more robust monitoring of the rectification measures.

Accordingly, the Secretariat is tasked to prepare a list of all the recommendations contained in the Second Round Mutual Evaluation Reports which should be updated with the contributions of Members as they are received and a report prepared for discussion at the May 2007 Plenary.

For the Third Round follow up process both Jamaica and Panama provided written Progress Reports to the October 2006 Guatemala Plenary.

Ministers continue to urge that all Members should provide the fullest cooperation to the Secretariat for all aspects of this programme given its importance for the overall monitoring

responsibilities of the Secretariat and its usefulness in directing technical assistance and training to the areas in a country's AML/CFT infrastructure where required.

Like all AML/CFT assessment bodies that are now operating globally, there are areas where improvements in the Mutual Evaluation Programme are required, and like our colleagues we will continue to review our operations on a regular basis to ensure that these improvements are secured.

Ministers acknowledged that difficulties do indeed exist and that where the set timeframes are honoured they should be applauded but that there should be some flexibility to accommodate those instances where there are reasonable delays.

Experiences have also shown that difficulties remain in relation to the need for a more detailed preparation of the Mutual Evaluation Questionnaire by the country to be examined and its timely submission to the Secretariat.

The Secretariat has sought to secure improvements in this regard by the engagement of the countries to be examined during the preparatory phase for the Missions and through the use of the Mutual Evaluation Examiners Training Workshops to impress upon participants the need for strict adherence to the Mutual Evaluation Procedures.

Plenary meetings when the Mutual Evaluation Reports were discussed were also utilised to share experiences as to what particular problems were being identified and what steps could be taken to rectify them.

Additionally, the Experts at the Secretariat have been examining the Mutual Evaluation and Detailed Assessment Reports prepared by other Assessment Bodies in order to discern wider experiences in the interpretation and rating of the various recommendations. These were shared with participants at the March 2006 CFATF Mutual Evaluation Examiners Training Workshop in Trinidad and Tobago and the August 2006 session which was held in Honduras.

Ongoing improvement measures also include the review of efforts by the FATF and other FSRBs to improve their Mutual Evaluation practices to see where such measures can be of benefit to us and if they can be incorporated into our procedures.

These include the use of a secured portion of the CFATF Website which will be geared to assist the Examiners by having posted there all relevant information and a consideration of the manner in which the FATF Expert Review Group functions and the degree of greater efficiency that it has brought about in the discussion of Mutual Evaluation Reports.

Since the onset of the Third Round of Mutual Evaluations, Missions had been undertaken during 2006 to Costa Rica and The Bahamas.

The Mutual Evaluation Reports on Belize, Guyana and Dominican Republic were discussed and have been adopted as final.

The Mutual Evaluation Reports of Trinidad and Tobago and The Bahamas were discussed. However, further discussions were postponed to the May 2007 Plenary in order to allow for further consultations on the texts of both documents.

Ministers agreed to allow Examiners from the FATF/FSRBs/OGBS/World Bank to participate as appropriate in CFATF Mutual Evaluation Mission Teams on a reciprocal basis.

In recognition of the overall challenges that are posed to the global AML/CFT community, the CFATF shares the views of former FATF President Professor Kader Asmal in his advocacy that governments have to prioritize allocation of scarce resources, which meant that not everybody in the AML community could move ahead at the same pace, and that a balance has to be found that would allow all members of the community to develop AML/CFT systems without alienating anybody through insensitivity to very serious challenges.

TECHNICAL ASSISTANCE AND TRAINING

The Antigua and Barbuda Ministerial in October 2003 endorsed the extension of the organisation's mandate so that it could meet the training needs of all its members.

The Technical Assistance and Training Working Group which was formed to implement this remit was merged with the Working Group on the 40 and 9 Recommendations in order to advance efforts by the Secretariat in this area.

In this regard the Secretariat continued negotiations with potential donors in order to secure the necessary funding and commitments of experts for the delivery of training programmes, and was encouraged to devise regional self help initiatives so as to ensure that the mandate as agreed upon by Ministers is fully implemented to the benefit of all Members.

In pursuing this mandate the Secretariat was advised by Aruba and the Netherlands Antilles that the guiding principle when engaging with the donor community should be that all training initiatives should be arranged for all members on an equal basis without any distinctions being made on the ability of members to access participation.

ANTIGUA AND BARBUDA

The CFATF in conjunction with the Office of National Drugs and Money Laundering Control Policy and Financial Services Commission, Antigua and Barbuda, First Initiative, International Monetary Fund and the United States Treasury, Office of Technical Assistance hosted an AML/CFT Training Workshop for Caribbean Regulators of Casinos and Internet Gaming Entities during March 16-23, 2006. The Workshop provided a basic introduction on the operations of casinos, including internet gaming, with a focus on revenue/funds flows and controls to facilitate a better understanding of money laundering/financing of terrorism risks in the sector.

EL SALVADOR

During April 2006 the Secretariat engaged in discussions for the delivery of a Financial Investigation Techniques (FIT) Course to be organized by the CFATF, the Office of Technical Assistance, (OTA) US Department of the Treasury and the International Law Enforcement Academy (ILEA) in El Salvador.

The course for participants from all eight Spanish-speaking members will be held during November 2006 at the International Law Enforcement Academy (ILEA) in El Salvador.

This project is supported by the contributions of France, Mexico and the United States of America.

GUATEMALA

During mid 2006 the World Bank commenced arrangements with the Superintendencia de Bancos, Guatemala for the first regional train the trainers workshop as part of its AML/CFT Capacity Enhancement Programme. The workshop will be attended by participants from the eight Spanish-speaking CFATF members and will be held during November 27 - December 1, 2006.

JAMAICA

The CFATF in conjunction with Bank of Jamaica hosted the Third Compliance Conference on Anti-Money Laundering Compliance, Combating the Financing of Terrorism and Fraud at the Jamaica Conference Centre Kingston, Jamaica during March 6-7, 2006.

This fee paying Conference was attended by over two hundred participants from sixteen CFATF member countries. Regional Presenters included Chairman Hylton, former CFATF Chairman Mr. Robert Mathavious, Managing Director, Financial Services Commission, British Virgin Islands, and other Presenters came from Jamaica, Panama, St. Vincent and the Grenadines.

Presenters also came from Interpol, the United States Treasury, Office of Technical Assistance, the Securities and Exchange Commission, Inland Revenue Service and Counter Terrorism.

Support through sponsorship and presenters also came from the private sector.

CANADA

Two Trust Funds with a combined value of \$2 Million over five years have been set up with the World Bank and the IMF for the benefit of the CFATF and the Asia Pacific Group covering a wide range of potential projects such as Judicial/Law Enforcement training. Experts at the Bank and Fund working with the Secretariats will propose projects.

NETHERLANDS

The Ministry of Finance of the Netherlands organised a Conference on Terrorist Finance during March 15-16, 2006 in The Hague, the Netherlands which focussed on improving the effectiveness of the current counter terrorist financing framework through the enhancement of cooperation and communication.

The Conference was attended by representatives from Guatemala, Haiti and Nicaragua.

SPAIN

The CFATF with funds provided by Spain continues for the second year the delivery of the following eight training courses for the benefit of CFATF Spanish-speaking members.

1. Transparency and know your customer practices in associations, corporate groups and other legal entities.
2. Development of on site inspections measures in the fight against money laundering and terrorist financing.
3. Enhancement of the mechanisms used in the fight against terrorist financing.
4. The Legal/Penal frameworks in the fight against money laundering.
5. Movement of Funds Overseas in the area of Money Laundering and Terrorist Financing and the risks associated with trans-border cash transfers.
6. A Practical Workshop on strategies for the prevention of Money Laundering.
7. Preventive and repressive measures in the fight against money laundering conducted through corporate and business structures.
8. The Legal aspects in the fight against money laundering.

UNITED STATES OF AMERICA.

Office of Technical Assistance, (OTA), Department of the Treasury has presented two Financial Investigations Techniques Courses at the REDTRAC training facility in Jamaica.

The next step will involve REDTRAC identifying from the student bodies who participated in the courses suitable candidates to act as future Trainers. When this task is completed OTA will provide Basic Instructor Training and at a later stage mentor the delivery of the Financial Investigations Techniques Course by the newly trained Trainers.

This “Train the Trainers” component will see transfer of course delivery to REDTRAC.

The Office of Technical Assistance, (OTA) US Department of the Treasury, CFATF, and the International Law Enforcement Academy (ILEA) in El Salvador initiative is similarly configured in three phases and will benefit all CFATF Spanish-speaking members.

Phase 1: OTA will present the course at ILEA in El Salvador;

Phase 2: OTA will return to each Central American Capital in turn and provide the FIT course to their students at Phase 1.

Phase 3. OTA will return to each Central American Capital in turn and mentor their presentation of the FIT course.

Objective: This “Train the Trainer” programme will effect a transfer of knowledge and expertise. All course materials and instructor guides are provided to all students in thumb-drive format, in Spanish, at the Phase 1 course.

Workshop on Money Service Businesses for Bank Supervisors.

An Insurance Industry/Securities Expert is now on the OTA Roster of Experts.

WORLD BANK

- 1) Financial Analysis for Financial Intelligence Units with a “Train the Trainers” component with a view to enhancing effective information sharing.
- 2) AML/CFT Manual of Global Best Practices on Regulatory and Supervisory issues.
- 3) Handbook/ Operational Manual for the day to day operations of FIU
- 4) Technical Assistance Programmes for individual countries.
- 5) Participation in CFATF Mutual Evaluation training Programmes.

The World Bank commenced arrangements with the Superintendencia de Bancos, Guatemala for the first regional train the trainers workshop as part of its AML/CFT Capacity Enhancement Programme. The workshop will be attended by participants from the eight Spanish-speaking CFATF members and will be held during November 27-December 1, 2006.

The World Bank also commenced discussions with the Secretariat for a further workshop for all other CFATF members which will be held in early 2007 in Port of Spain, Trinidad.

DONORS FORUM

The October 2006 Guatemala Plenary heard that the Executive Director, on the margins of the FATF Vancouver Plenary, held discussions with a representative of the Asia Pacific Group Secretariat on the operations of their ‘Donors’ Forum Initiative, which is designed to assist APG member countries to secure Technical Assistance and Training from the donor community to strengthen their respective Anti Money Laundering and Combating the Financing of Terrorism Regimes.

In keeping with the CFATF's mandate to co-ordinate and deliver technical assistance and training to all members, the Secretariat arranged a Donors' Forum to assist those countries whose Mutual Evaluation Reports had been discussed at the Guatemala Plenary to secure the necessary assistance from the Donor Community to strengthen their AML/CFT infrastructure based on the recommendations of the Examiners.

The Forum was held on Wednesday, 25th October, 2006 and was attended as follows:

- CFATF Members
- Belize, Dominican Republic, Guyana, Haiti,
- The Bahamas and Trinidad and Tobago

- Donor Countries and Organizations
- Canada, France, United States of America
- CARTAC, IMR, GPML/UNODC, World Bank, Egmont Group

The Forum was a very useful exercise as it allowed member countries to outline those areas where assistance was needed as a priority and the donors to indicate their current assistance programmes and the mechanisms by which such assistance could be accessed.

Generally the first step requires a direct request by the countries to the Embassies or High Commissions in their respective jurisdictions and thereafter to the donor organizations, supported by a Needs Assessment outlining the assistance required on a prioritized basis.

A sample of areas where assistance is required is as follows:

- Training for Judges, Magistrates, Prosecutors, Police, Customs and Financial Intelligence Units on AML/CFT issues.
- Regulation of Casinos, Credit Unions and AML/CFT Awareness Raising in those sectors.
- Supervision of Financial Institutions.
- Information Technology support and training of Analysts and Financial Investigators at Financial Intelligence Units.
- Supervision and Awareness Raising of the Designated Non Financial Business and Professions Sectors.
- Conducting a national risk based analysis.
- Modernizing and drafting AML/CFT Legislation.
- Translation of legislation.

The donor community identified areas where particular assistance could be provided to specific countries that attended and outlined current and future assistance initiatives.

The Bahamas confirmed its willingness to host delegations from interested member countries to meet with officials of its Compliance Commission, Gaming Board and Financial Intelligence Unit.

The Secretariat will continue its Needs Assessment Initiative for all CFATF members in preparation for a second Donors' Forum to be held on the margins of the May 2007 Plenary, to which all Members will be invited.

HEADS OF FINANCIAL INTELLIGENCE UNITS FORUM

The Heads of Financial Intelligence Units Forum is a growing success story for the Caribbean Basin Region as a full and equal partner in the global efforts to enhance international cooperation on judicial, regulatory and law enforcement issues in the fight against trans-national organised crime and the financing of terrorism.

Attendance is open to all thirty members of the CFATF and for each of the five Forum of Heads of Financial Intelligence Units Forum participation has been consistently high with at least 25 Heads present.

The Fifth Forum was opened by Dr. Mabel Feliz, President of National Commission against Drugs and Money Laundering, Dominican Republic. Chairman Hylton presided over the first day, with the second being chaired by Maximo Melos Macos, Director, Financial Intelligence Unit, Dominican Republic.

During the 2005 - 2006 period Heads of FIUs continued to be exposed to a variety of issues on a regular basis which would not have otherwise occurred. For example Antigua and Barbuda presented on a system being developed for CARICOM Regional Intelligence network which would accommodate input from Financial Intelligence Units and would operate within the wider Caribbean Basin and international context.

Bermuda, Panama and St. Vincent and the Grenadines presented AML methods in their respective jurisdictions and the Justice Department and Internal Revenue Service, United States presented on efforts to combat terrorist activities through intelligence gathering and efforts to prevent charitable organisations from being abused for these purposes.

The Bahamas, British Virgin Islands, Cayman Islands and the Deputy Director presented on their participation at the joint GAFISUD/FATF Typology Workshop in Rio de Janeiro, Brazil.

Seven members signed the Memorandum for Cooperation with regard to the 2007 Cricket World Cup and five members expressed willingness to sign at a later stage.

Three Memoranda of Understanding between four CFATF FIUs were signed.

Cayman Islands presented on the NEXIGHT information system for smaller FIUs.

The Bahamas, as Egmont representative for the Americas, presented on developments to move Egmont from an ad hoc organisation to a more structured and strengthened organisation.

Finally, it was agreed that the CFATF Working Group on Typologies will operate within the context of the Forum and now consists of Aruba, Guatemala, Honduras, Panama and St. Kitts and Nevis. Aruba will function as Co Chair for the Typologies Exercise on the Free Trade Zones in October 2006.

The Sixth Heads of Financial Intelligence Units Forum was opened by Chairman Hylton and the Guatemala Plenary heard in relation to Egmont,

- The need for a formal structure and the decision by Canada to host and support the Secretariat.
- The appointment of staff and the payment of annual contributions by members.
- Qualifications for membership and ongoing adherence to mandatory membership requirements.
- Enhanced networking to increase awareness among the members.
- Training Initiatives.

The Cricket World Cup Memorandum for Cooperation, Dominica, Jamaica and Netherlands Antilles agreed to sign the Memorandum.

Signing Memoranda of Understanding between FIUs.

Guatemala signed MOUs with Cayman Islands and the Dominican Republic.

Canada advised that it had signed MOUs with Antigua and Barbuda, Bermuda, Guatemala and St. Vincent and the Grenadines.

Mr. Leonel Magno de Fonseca outlined the operations of the Brazilian FIU which generated informative discussions with Guatemala and Netherlands Antilles

Barbados invited members to register interest to participate in a training exercise for FIUs to be undertaken jointly with the World Bank in early 2007.

The Forum continues to contribute significantly to ongoing efforts to enhance regional capacity for effective international cooperation.

TYOLOGY EXERCISE

With funding provided by Trinidad and Tobago, the CFATF, in conjunction with GAFISUD and the United States of America conducted, on the margins of the October 2006 Guatemala Plenary, an exercise to review Anti Money Laundering and the Financing of Terrorism Methods and Trends in International Trade covering the Free Trade Zones and International Transactions in the Money Exchange Sector.

The Exercise was Co-Chaired by Dr. Greg Peterson, Free Trade Zone, Aruba and Mr. Alberto Rabinstein, Financial Intelligence Unit, Argentina. In his absence Mr. Rabinstein was represented by Dr. Esteban Fullin, GAFISUD Secretariat.

Mr. Carlos Correa, United States Department of Treasury Office of Technical Assistance and Mr. Theo van Lingen facilitated the attendance of presenters Dr. Nikos Passas, North-eastern University and Mr. Michael E. Kuhn, United States Customs Service.

Presenters from the private sector included:

John Kimber, Project Leader FATF Money Laundering

Edwin Harewood, The Caribbean Customs Law Enforcement Council

GAFISUD

Dr. Esteban Fullin, GAFISUD Secretariat

Mr. Leonel Magno de Fonseca, Financial Intelligence Unit, Brazil

CFATF

Licda. Belia Martinez, Financial Intelligence Unit, Honduras.

Licda. Arsenia Blake Villerrata, Legal Adviser, Colon Free Zone, Panama

A range of activities being utilized by transnational organizations to abuse the international trading system was demonstrated and discussions thereafter centred on preventive measures and law enforcement responses.

The growth, development and importance of Free Trade Zones in the region were also explored, as well as the spectrum of activities undertaken.

Regional experiences with implementation of the 2001 CFATF Money Laundering and Prevention Guidelines for CFATF Member Governments, Free Trade Zone Authorities and Merchants and the Black Market Peso Exchange Recommendations were shared.

The dangers posed by transnational criminal activity, money laundering and the financing of terrorism to the Money Exchange Sector were also explored focusing on the GAFISUD Region.

Exploration of the European Union VAT system to perpetrate international tax fraud, more popularly known as ‘carruousel fraud’ was demonstrated.

It is projected that CFATF and GAFISUD experiences in these areas could contribute to ongoing work within the FATF on the abuse of the international trading system.

HIGHER ORGANISATIONAL PROFILE

At the Santo Domingo Plenary Meeting Dra. Mabel Feliz, on behalf of the President of the Dominican Republic, offered a warm welcome to delegates, and noted that the Plenary was timely given her recent appointment as President of the National Drug Council as it provided the opportunity to assimilate significant information on money laundering and financing of terrorism policies and recommendations.

Chairman Hylton thanked the Government and people of the Dominican Republic and in particular Dra. Mabel Feliz for the gracious and generous hospitality which contributed to the success of the Plenary.

The significant role that the Dominican Republic has and continues to play in the affairs of the CFATF as past Chair and now member of the Steering group was applauded and encouraged for the future.

Haiti recommended that the CFATF should be more involved in the work of OAS/CICAD since the Mutual Evaluation Reports of FSRBs like CFATF and GAFISUD will now form the basis of CICAD's Government Expert Group compilation of money laundering information on its members.

In keeping with the Plenary directive the Executive Director reintroduced the CFATF to Executive Secretary James Mack and incoming Chair Zapata and the Executive Director advised of plans to attend the next meeting of OAS/CICAD which will be held during November 29 - December 1st, 2006 in Santa Cruz de la Sierra, Bolivia.

His Excellency, The President of Guatemala, Snr. Oscar Berger, on opening the Guatemala Plenary, acknowledged the presence of specially invited Ministers of Governments and the Ambassadors of France and Spain.

President Berger indicated that this Plenary and Ministerial Meetings were very important to Guatemala and the global fight against money laundering and the financing of terrorism in the region and urged continued vigilance against the methods utilized by criminals.

President Berger congratulated the CFATF on its ongoing achievements and continued successes in the future.

The Guatemala Plenary gave a special and warm welcome to FATF President Mr. Frank Swedlove who also delivered a Special Address to the Ministerial Meeting on October 27th, 2006.

FINANCIAL ACTION TASK FORCE (FATF)

AML/CFT/CORRUPTION

At the CFATF Ministerial Meeting in November 1992, Ministers endorsed the FATF 40 Recommendations along with the 19 CFATF Recommendations which took into account particular regional experiences and interests in the fight against money laundering.

CFATF Recommendation 5 states - Where it is not otherwise a crime, countries should consider enacting statutes that criminalize the knowing payment, receipt or transfer of property known to represent the proceeds of drug trafficking, serious crimes or money laundering where the recipient of the property is a public official, political candidate or

political party. In countries where it is already a crime, these countries should consider the imposition of enhanced punishment or other sanctions, such as forfeiture of office.

The 19 CFATF Recommendations were used as assessment benchmarks during the First and Second Rounds of the CFATF Mutual Evaluation Programme but will not be so utilised for the Third Round of Evaluations which is already underway.

The CFATF has not undertaken any specific work with regard to examples of corruption based typologies, but it is in the process of collating information from all CFATF members with a view to the eventual launching of a regional typologies publication.

The Financial Action Task Force (FATF) is exploring ways in which to address the links between corruption and AML/CFT as a complement to ongoing work by other international bodies and is proposing to take anti corruption regimes into account within the framework of the Mutual Evaluation Programme. Ministers agreed that the CFATF should join the FATF's work with the Asia Pacific Group, ESAAMLG and GAFISUD in this area.

INTERPRETATIVE NOTE SPECIAL RECOMMENDATION VIII

Members considered the FATF Interpretative Note on Special Recommendation VIII and Ministers endorsed the recommendation for its use in the Third Round of Mutual Evaluations.

ASSOCIATE MEMBERSHIP STATUS

The June 2005 FATF Plenary decided that the status and role of the FATF Style Regional Bodies (FSRBs) should be enhanced and that FSRBs could be considered as Associate Members, a new and separate class of body within the FATF (distinct from members and observers).

That the partnership between the FATF and the FSRBs was important and there was a need to increase and improve the partnership in order to improve implementation of the standards.

CFATF Members were advised that the rights and obligations of the new status which do not involve any contributions to the FATF budget, and do not include the right to block consensus in the FATF decision making process.

The Santo Domingo Plenary considered the new status and decided that an application should be made for associate membership at an appropriate stage.

FINANCIAL ACTION TASK FORCE OF SOUTH AMERICA (GAFISUD)

Chairman Hylton, on behalf of all CFATF members gave a particularly warm welcome to Mr. Gustavo Rodriguez, President of GAFISUD and President of the Brazilian Financial Intelligence Unit to the Santo Domingo Plenary.

President Rodriguez in his address, spoke of the common interests between the CFATF and GAFISUD, the need for an even closer working relationship and expressed support for a joint Typology Exercise. He also identified as important, issues surrounding drug trafficking and the effects of attendant corruption on the development of countries.

Chairman Hylton commended the proposal and noted the shared desire of both organisations for closer working relations. Members responded positively to the proposal and during October 23-24, 2006, on the margins of the Guatemala Plenary Part One of the Joint CFATF/GAFISUD Typology Exercise on the Free Trade Zones was undertaken and Chaired by Mr. Greg Petersen, Free Zone Aruba.

Part Two of this Exercise will be held in July 2007 in the capital of a GAFISUD member.

At the end of November 2005 representatives from The Bahamas, British Virgin Islands and the Cayman Islands along with the Deputy Executive Director Mr. Russell Ursula participated in the joint FATF/GAFISUD Typology exercise in Brazil

The Guatemala Plenary congratulated GAFISUD on the grant of Associate Membership to the FATF and welcomed an offer to CFATF Members to participate as Observers in GAFISUD meetings.

EASTERN AND SOUTHERN AFRICA ANTI MONEY LAUNDERING GROUP (ESSAMLG)

INTERNATIONAL ACTION GROUP AGAINST MONEY LAUNDERING (GIABA)

During July 26-28, 2006 the CFATF Secretariat was pleased to host delegations from the Eastern and Southern African Anti Money Laundering Group (ESAAMLG) and the International Action Group Against Money Laundering in Africa (GIABA).

The delegations comprised Ms Fikile Zitha, South Africa; Ms. Judy Nyamuchanja, Zimbabwe, Mr. Andrew Phiri, Zambia all from ESAAMLG and Dr. Abdullahi Shehu, Administrative Secretary GIABA.

The three day visit explored a wide variety of issues including the organisational structures, the Mutual Evaluation Programme, Technical Assistance and Training initiatives, coordination with the donor community and the Typology Exercise Programme.

OBSERVER STATUS

On May 25th, 2006 the Secretariat received an enquiry from the Office of Bank Supervision, Central Bank of Cuba on the requirements to obtain Observer Status to the CFATF. By return the relevant information was forwarded.

On September 6th, 2006, The Economic and Financial Crimes Commission of Nigeria submitted an application for Observer Status for the Nigerian Financial Intelligence Unit.