

CFATF



GAFIC

CARIBBEAN FINANCIAL ACTION TASK FORCE

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EXECUTIVE SUMMARY

In many ways the period under review, November 2011-November 2012 was of critical importance to the maturation and success of the Caribbean Financial Action Task Force (CFATF). The reform process was in its second year, Members fully embraced the need for introspection, reflection and reform, and as the exercise progressed, the benefits that were being derived as a consequence of the active participation of all stakeholders provided ample encouragement to the membership that these efforts would be successful and should be sustained.

The significant level of annual contributions that was outstanding in May 2010 was the catalyst for the reform project. Yet by the end of 2011 the advent of arrears was a thing of the past, an accomplishment that was repeated at the end of 2012. A sterling accomplishment for the membership for which they should be applauded.

The Mutual Evaluation Programme is the core function of the CFATF and toward the end of 2012, the Third Round of Mutual Evaluations had come to a close with the Missions of Curacao and Saint Maarten.

For the Third Round of Mutual Evaluations, the average level of compliance was a less than satisfying forty percent (40%). However the overall picture was not bleak as the CFATF Centres of Excellence, namely those jurisdictions with high levels of compliance and where the Culture of Compliance strong provided considerable assistance to those CFATF Members with weak Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) to rectify identified deficiencies. These help measure were truly inspiring.

Cognisant of the dire implications for those CFATF Members that were identified as having AML/CFT regimes with strategic deficiencies that

posed threats to the global financial system, the Council of Ministers endorsed a robust follow up process as well as the establishment of the CFATF International Cooperation Review Group which mirrored in its application the intrusive scrutiny of the Financial Action Task Force (FATF) ICRG process.

The aim was to bring a sense of urgency and expedition to national programmes geared towards implementing rectification measures with regard to the outstanding deficiencies in the various Mutual Evaluation and Follow up Reports.

Critical towards achieving this goal was the decision to reinstate the Donors Forum. This ensured that with the valuable assistance provided by the Group of Co-operating and Supporting Nations (COSUNs), technical assistance and training projects could continue to be effectively co-ordinated and delivered across the Caribbean Basin Region.

Another goal of the above initiatives was to ensure that all CFATF jurisdictions were better positioned to undertake the Fourth Round of Assessments a move which required a general preparedness to learn from past mistakes. And in this regard, the CFATF demonstrated a forthrightness for self-examination.

With funding provided by the Commonwealth Secretariat, the CFATF launched an exercise, led by regional AML/CFT Experts, to review a sample of CFATF Third Round Mutual Evaluation Reports for quality and consistency.

The results were discussed at the CFATF Plenary level, endorsed by the CFATF Council of Ministers, discussed and appreciated by the FATF Plenary and thereafter disseminated around the global AML/CFT network comprising the one hundred and eighty jurisdictions and organisations that are members

of the FATF and the FATF Style Regional Bodies.

At the end of the period under review the organisation's financial position was strong, the Audited Financial Statement for 2011 was endorsed by Ministers and the prudent management of the CFATF's finances by the Secretariat was commended.

The growth of the Reserve Fund and the commercial potential of the Compliance Conferences as a source of revenue, allowed the Council of Ministers to make confident decisions on the annual income and expenditure for 2013 and beyond, taking into account, the diverse economic realities of the membership.

All in all the solid gains that were achieved during November 2011 to November 2012 would not have been possible without the commitment and strong partnership between all CFATF stakeholders namely Members, COSUNs and Observer Organisations and above all the dynamic and incisive leadership of Chairman Manuel Gonzales.

THE ORGANISATIONAL STRUCTURE

Under the direction of Members, the Chair, Deputy Chair, the Steering Group, seven (7) Working Groups, the Secretariat, the Group of Cooperating and Supporting Nations, and Observer Organisations undertake the annual Work Programme of the CFATF.

MEMBERS

The CFATF, since its inception, has had and continues to be enriched by its diverse, multi-cultural, multi-lingual heritage with all Members, comprising language groupings of English, Spanish, Dutch and French, working

harmoniously and contributing significantly to the establishment and continued development of our organisation.

At its inception in 1996, twenty one (21) countries signed the CFATF Memorandum of Understanding (MOU) and over the course of its lifetime its membership reached a high of thirty Members. In May 2010 Costa Rica and Panama withdrew their membership thereby reducing the membership complement to twenty eight (28).

On October 10 2010, given the historic changes in the constitutional arrangements in the Kingdom of the Netherlands, the Netherlands Antilles ceased to exist with a further loss to the CFATF membership. However this was short lived as at the November 4th 2010 Ministerial meeting Curaçao and St. Maarten became CFATF Members increasing the ranks to twenty nine (29), which is the same as at November 2012.

CHAIR/DEPUTY CHAIR

For the period under review the CFATF Chair was held by the Venezuela with the functions being performed by Mr. Manuel Gonzalez, Director, International Relations, Oficina Nacional Antidrogas.

With the ascension of a new Chair, the Memorandum of Understanding, the CFATF's constitutive document, mandated the election of a Deputy Chair. Accordingly, the Virgin Islands was unanimously elected as CFATF Deputy Chair for 2011-2012.

On assuming their leadership positions, both Venezuela and Virgin Islands pledged to work in close collaboration in order to serve the best interests of the CFATF.

THE STEERING GROUP

The CFATF Steering Group which acts as the organization's Board of Directors and reflects the multicultural, multi-lingual diversity of the various member groupings was established at the Council of Ministers Meeting in October 1997. Over the ensuing years, it has played a critical role in the growth and development of the organisation.

Whilst recognising the sterling accomplishments over its lifetime, Ministers also acknowledged that there were areas of concerns such as lack of clarity of its role, the risks of the Steering Group taking decisions without requisite authority, and Members not being fully cognisant of the work of the Steering Group.

Accordingly in November 2011, the operation of the Steering Group was formalised through the adoption Terms of Reference for the Functions, Composition, Role and Operation of the Steering Group which included the ability to hold office for a two year period, with reporting responsibilities on all its activities through the Chairman to all Plenary and Ministerial Meetings, clearly delineated Advisory and Delegated duties, proceedings for meetings and a membership composition which reflected the diversity of the CFATF's English, Spanish, Dutch and French language groupings and geographic locations in the Caribbean, Central and South America and the Atlantic.

An important feature of the reconstituted Steering Group was the recognition of five sub regions based on language, political grouping, geography and a catch all category of other countries. These consisted of Dutch Speaking Countries, Spanish Speaking Countries, Organisation of Eastern Caribbean States, United Kingdom Overseas Territories and Other Countries.

During November 2011 and November 2012, the CFATF Steering Group comprised the following:

Chair- Venezuela; Deputy Chair-Virgin Islands; Outgoing Chair- Cayman Islands, Members – Aruba, Barbados, Bermuda, Dominican Republic, Grenada, Guatemala and The Bahamas.

CFATF WORKING GROUPS

Working Groups have been an integral part of the CFATF organisational structure, since its inception, with the formation in March 1996 of the Ad Hoc Working Group to set out the objectives of the organisation, the status of Members, funding and the role of the Secretariat.

During the period under review, November 2011-November 2012, the CFATF had five (5) established and functioning Working Groups, namely, the Heads of Financial Intelligence Units Forum, the Accreditation Working Group (AWG), the Working Group on Typologies (WGTYP), the Working Group on FATF Issues (WGFI), and the International Cooperation Review Group (ICRG).

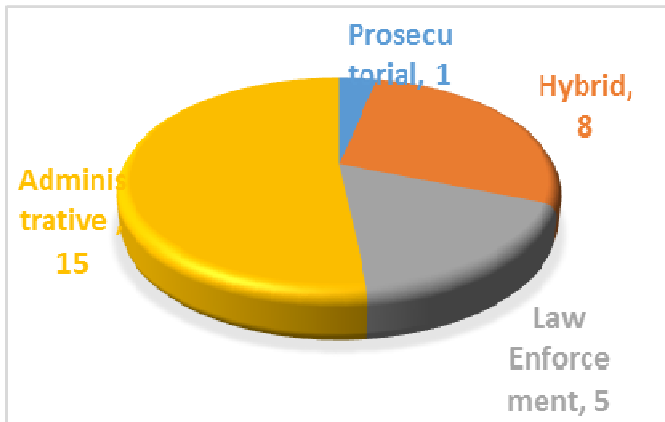
HEADS OF FINANCIAL INTELLIGENCE UNITS FORUM

In October 2003, the CFATF Heads of Financial Intelligence Units Forum was formed and since then it has had significant success in extending the channels for the sharing of information both intra regionally and between the region and its international partners.

The Heads of Financial Intelligence Units Forum since its inception has held over seventeen (17) meetings which have been attended by CFATF Members, FATF Secretariat and FATF Members.

The Heads of FIUs Forum has played a significant role in advancing intra and extra regional co-operation on AML/CFT issues through the concluding of several Memoranda of Cooperation on information sharing between CFATF and FATF members.

Breakdown of CFATF FIU types.



During November 2011 and November 2012, three Heads of Financial Intelligence Units Forum meetings were held in November 2011, May 2012 and November 2012. Some of the key achievements regionally were as follows:

- Compilation and analysis of data on the main trends from Suspicious Activity Reports;
- The ongoing process to strengthen regional Financial Intelligence Units (FIUs) by increasing and training the staff complement and upgrading the Information Technology infrastructure;
- The provision of training to financial investigators, analysts, police officers, customs officers employed at the FIUs;
- The provision of training to Money Laundering reporting Officers at financial institutions, and staff at other reporting institutions, Judges, Magistrates, officials

at various government agencies and law students by FIUs;

- Organising training on the implementation of the United Kingdom Proceeds of Crime Act for the Chief Magistrate of a CFATF jurisdiction in the United Kingdom;
- Enhancing the functionality of FIU websites and making available Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) legislation online;
- Increases in the numbers of Money Laundering Charges, Productions Orders and seizures of cash, vehicles and property;
- Signing of Memoranda of Understanding between CFATF Member jurisdictions as well as between CFATF members and their counterparts outside the Caribbean Basin Region for the sharing of information;
- Assisting FIUs to establish and appropriately staff units for the supervision of Designated Non-Financial Businesses and Professions (DNFBPs) and for Non Profit Organisations;
- Facilitating the dialogue for the introduction of civil forfeiture in some CFATF jurisdictions;
- Initiating the electronic submission of Suspicious Activity Reports and the on line registration of DNFBP as listed businesses; and
- Enhancing the record keeping mechanism for the numbers, sources and time frame for the processing of requests

for information to and from regional and extra regional counterparts.

ACCREDITATION WORKING GROUP

The CFATF Heads of Financial Intelligence Units (FIU) Forum which was established in 2003, continues to be a valuable mechanism for facilitating international cooperation and sharing of information through the signing of Memoranda of Understanding amongst CFATF members as well as between CFATF Members and members of the global AML/CFT network in pursuit of stemming the incidence of criminal activity.

The Heads of FIU's Forum during May 2009, established the Accreditation Working Group (AWG), which is the driving force for advancing the Accreditation and Training Project for Financial Investigators and Analysts, and has been functioning with the aim of determining the framework for the Accreditation and Training Programme.

The overall aim is to ensure that regional capacity to take the profit out of crime is enhanced through the successful investigation and prosecution of criminal activity and the confiscation of illegal proceeds.

The Accreditation Working Group (AWG) which was established during May 2009 consists of Anguilla, Barbados, Cayman Islands, Grenada, Guatemala, Jamaica, St. Vincent and the Grenadines, The Bahamas, Turks and Caicos Islands, United Kingdom Security Advisory Team and the CFATF Secretariat and is mandated to design a suitable curriculum for the training and accreditation of financial investigators and analysts as well as supervisors at CFATF FIUs. The drive by the CFATF to strengthen regional capacity through this Accreditation and Training Programme for Financial Investigators and Analysts and Supervisors, is a natural corollary to

the investment from the European Commission, United Kingdom and the United States during 2000-2006 when significant funds were provided for the important work of the Caribbean Anti Money Laundering Programme (CALP).

Indeed a critical result from this considerable investment by CFATF donor partners is the fact that the Financial Investigators and Analysts trained by the CALP are now employed as Heads and senior staff of some regional FIUs and at other establishments around the Region including the CFATF Secretariat, where the current Law Enforcement Advisor is overseeing the operations of the Heads of FIUs Forum.

Partnering with the CFATF in this critical Euros 1.2 Million capacity building initiative are the following:

- ◆ CARIFORUM/ CARICOM IMPACS,
- ◆ The European Commission through whom an in principle commitment of Euros 1.2 Million has been pledged,
- ◆ The Governments of Dominican Republic and Jamaica where training facilities to undertake course delivery will be based,
- ◆ United Kingdom Security Advisory Team, and
- ◆ United Kingdom National Police Improvement Agency

The Accreditation and Training Programme for Financial Investigators and Analysts will consist of four modules as follows;

- Introductory Module for Investigators and Analysts
- Financial Intelligence and Analysis
- Financial Investigations
- Criminal Forfeiture/Confiscation

The Training programme for personnel at Financial Intelligence Units responsible for the supervision of Designated Non-Financial Businesses and Professions (DNFBPs) will consist of one module as follows;

- Supervision of the Designated Non-Financial Businesses and Professions (DNFBPs) sector

The training programme presupposes that there are 207 persons to be trained over the three (3) year period. This figure was determined after consultation through email and direct telephone conversations with regional FIUs and Police Departments where analysts and investigators were based.

The AWG continues to work towards a roll out date in the second quarter of 2014 for the commencement of this project.

WORKING GROUP ON TYPOLOGIES

Since February 1996, the CFATF has been conducting a number of Typology Exercises which allow for the sharing of information collated by various bodies involved in the fight against money laundering, with the aim of increasing awareness of the attendant risks to the Caribbean Basin Region.

These exercises have explored money laundering activity in Domestic Financial Institutions, the Casino and Gaming Industry, through International Financial Transactions conducted in both Domestic and Offshore Institutions and the Emerging Cyberspace Technologies and AML/CFT vulnerabilities of Free Trade Zones.

The FATF Typologies Report-Money Laundering vulnerabilities of Free Trade Zones (FTZ) March 2010 at Paragraph 4 of the Executive Summary states:

“Although this is the first global report to address Free Trade Zones, this is not the first time that the

money laundering and terrorist financing vulnerabilities of FTZs have been identified. Through the work of the CFATF and Aruba, a number of best practice elements have been developed.”

The FATF Project Team that produced the report was co-chaired by Belgium and the United States and was comprised of Aruba, Australia, the CFATF, Singapore and the World Customs Organization.

The FATF Typologies Report-Money Laundering vulnerabilities of Free Trade Zones (FTZ) March 2010 references:

- ◆ The Money Laundering Prevention Guidelines for CFATF Member Governments, Free Trade Zone Authorities and Merchants-2001;
- ◆ The March 2002 Recommendations produced by the Black Market Peso Exchange System Multilateral Experts Working Group consisting of United States, Panama, Venezuela, Colombia and Aruba;
- ◆ The Kings Cross Investigation from Netherlands Antilles, a Case Study on Trade Based Money Laundering/Black Market Peso Exchange.

Efforts to launch the first issue of a CFATF Typologies Publication on regional AML/CFT methods and trends, with annual updates, was a longstanding ambition for the CFATF. Given its successes since being established in 2003, the Heads of Financial Intelligence Units Forum was seen as the ideal setting for collating a wealth of information for this project. The goal was to compile, prepare and periodically disseminate a publication on the development of AML/CFT methods and trends in the Caribbean Basin Region.

Such a publication was seen as having enormous potential to provide valuable input for the development of policies, plans and strategies in each CFATF Member countries on AML/CFT matters and facilitative of any ongoing process that guarantees the timely adaptation of regional standards in light of the rapidly changing techniques of international crime.

The Heads of Financial Intelligence Units Forum established the Ad Hoc Working Group on Typologies comprising Panama (Chair), British Virgin Islands, Costa Rica, Aruba, Bermuda, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, St. Kitts and Nevis, St. Vincent and the Grenadines and Virgin Islands. This Group prepared the inaugural edition of the CFATF Typologies Publication which is available on the CFATF website.

The Working Group was given a mandate to issue updated versions of the Publication annually between 2010 and 2013. However efforts slowed during 2010 but changed given the outcome of the Trust and Company Service Providers Project.

TRUST AND COMPANY SERVICE PROVIDERS PROJECT

At the FATF/CFATF Joint Typology Exercise during November 2009 in the Cayman Islands, representatives from Belgium, Belize, Bermuda, CFATF Secretariat, Cayman Islands, Channel Islands, Italy, the Netherlands, the Netherlands Antilles, St. Vincent and the Grenadines, United States of America, Virgin Islands, as well as industry representatives from the Trust and Company Service Providers (TCSP) sector in one of these jurisdictions, participated in a workshop focused on the TCSP sector. Assistance also came from Austria, World Bank, Guernsey and the Offshore Group of Banking Supervisors.

Described as “comprehensive” by the FATF, the CFATF/FATF Typologies Report on Money

Laundering Using Trust and Company Service Providers, produced by the Trust and Company Service Providers Working Group was adopted by the FATF and CFATF in October and November 2010 respectively and is available on the websites of both organizations. The report notes that “The Secretariats of both the FATF and the CFATF provided invaluable assistance throughout the stages of the project.”

Based on the mandate from the November 2010 Ministerial meeting, the duties of this Ad Hoc Group is now being undertaken by the CFATF Working group on Typologies (CWGTYP), whose membership consist of Antigua and Barbuda, Trinidad and Tobago, Venezuela and Virgin Islands.

CWGTYP is mandated as part of the 2011-2012 Work Programme, to undertake Typologies Exercises covering the areas of Human Trafficking, the Proliferation of Small Arms and Ammunition and Cross Border Movement of Cash.

STRATEGIC PLAN WORKING GROUP

Established in November 2008, the CFATF Strategic Plan Working Group, which consisted of Guatemala (Chair), Aruba, Bermuda, Curacao, Guyana, St. Kitts and Nevis, United States of America and the CFATF Secretariat, produced the CFATF Strategic Plan which is now published on the CFATF website.

Due to the financial constraints being experienced by the organisation, as well as the implementation of the CFATF process for introspection, reflection and reform some of the initiatives contained in the Strategic Plan were not undertaken but would be revisited at the completion of the reform process.

WORKING GROUP ON FATF ISSUES

Pursuant to the mandate of the November 2010 Ministerial Meeting, the CFATF Working Group on FATF Issues was established so that the CFATF could effectively follow and engage the FATF Working Group on Evaluations and Implementation and the FATF Working Group on Terrorist Financing and Money Laundering.

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

The hallmark of all the CFATF Working Groups as they engage to advance the business of the organisation is their continuous reflection of the diversity, multi-cultural and multi-lingual character of the CFATF. Additionally encouraging is the preparedness of some Members to take on challenging projects and demonstrate the leadership qualities that redound to the benefit of the organisation as a whole and which offer sterling examples which can be emulated by all Members.

INTERNATIONAL COOPERATION REVIEW GROUP

The Financial Action Task Force International Cooperation Review Group (FATF ICRG) process was launched in February 2010 when the FATF issued two (2) public documents pursuant to procedures that were agreed in June 2009 regarding jurisdictions with strategic AML/CFT deficiencies: the “Public Statement” and “Improving Global AML/CFT Compliance: Ongoing Process.”

The ICRG procedures stipulate that if a jurisdiction has been publicly identified, the

FATF will call on its members and all jurisdictions to advise their financial institutions to give special attention to transactions with the concerned jurisdiction, including companies and financial institutions (Recommendation 21).

Where a jurisdiction does not make sufficient progress after a year of issuing a public statement, the procedures require the FATF to call upon its members to apply counter-measures consistent with Recommendation 21 and invite FSRBs to consider similar action.

The document “Improving Global AML/CFT Compliance: Ongoing Process” identified a number of jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. Placement in this document was contingent on the jurisdiction providing clear, high-level political commitment to address the identified deficiencies by implementing the action plan within agreed timelines.

The CFATF members that were identified were Antigua and Barbuda, Costa Rica, Dominican Republic, Honduras, Trinidad and Tobago and Venezuela. Costa Rica and Dominican Republic were removed from the process after the prima facie review stage. Antigua and Barbuda, Honduras, Nicaragua, Trinidad and Tobago and Venezuela continue to be considered under targeted review.

Subsequently, ten other CFATF Members were identified as having met the criteria for review by the FATF ICRG, but that such review was to be undertaken at a later stage. These were Aruba, Belize, Dominica, Grenada, Guyana, Haiti, St. Kitts and Nevis, St. Lucia, Suriname and Turks and Caicos Islands

The November 2010 CFATF Council of Ministers meeting authorised the creation of the CFATF International Co-operation Review Group (CFATF-ICRG) with a view to active

participation by the CFATF in the FATF ICRG Process. Its membership comprised Virgin Islands (Chair), Antigua Barbuda, Barbados, Cayman Islands, Jamaica, Trinidad and Tobago, and the CFATF Secretariat and was very engaged with the work of the Americas Regional Review Group.

THE SECRETARIAT

Over the course of the CFATF’s lifetime the Secretariat’s staff, has proven to be resilient, dedicated, hard-working and loyal and have amassed extensive experience and expertise in the requirements of the 40 and 9 Recommendations and the Methodology.

The team of employees at the Secretariat is able to successfully undertake the various components of the Chair’s Work Programme, given the collective length of service, demonstrated commitment, expertise and experiences.

These qualities now provide a strong foundation for stability which places the organisation in a significant position to respond to the ongoing and future challenges including an ever increasing workload which is very specialized and intricate.

At the service of Members, COSUNs and Observer Organisations are the following staff members:

Mr. Calvin Wilson- Executive Director who joined the Secretariat in February 1998 as Deputy Director

Mrs. Michele Leblanc-Morales - Translator/Administrative Assistant in October 2000

Ms. Dawne Spicer - Deputy Executive Director in February 2001

Mr. Roger Hernandez - Financial Advisor in October 2001

Ms. Julia James - Administrative Manager, in February 2003

Mr. Jefferson Clarke - Law Enforcement Advisor in May 2007

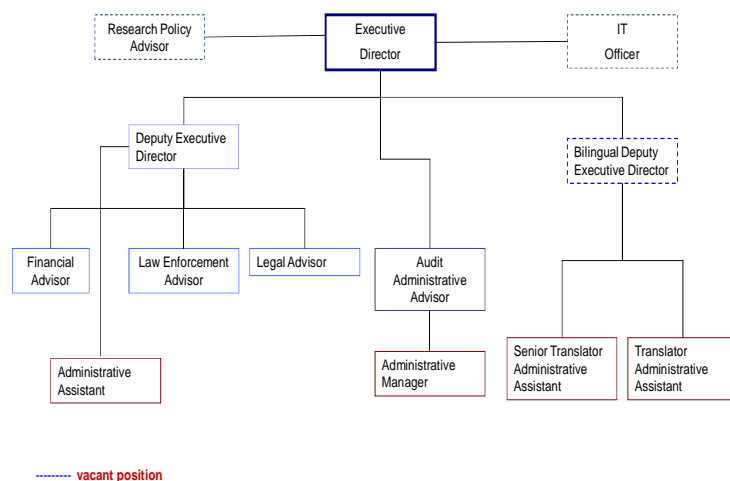
Ms. Samantha Thompson - Administrative Assistant in August 2009

Ms. Carmen Solano – Translator / Administrative Assistant in May 2012

Ms. Magdalene Walcott - Financial Comptroller in July 2012, and

Mr. Eduardo Gamero - Information Technology Officer in September 2012

CURRENT CFATF STRUCTURAL ORGANISATIONAL CHART



THE ORGANISATIONAL WORK PROGRAMME

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 fulfils 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 three Rounds of Mutual Evaluations of its Members. In early 2005 The CFATF commenced the Third Round of Mutual Evaluations which came to a close at the end of 2012 with the assessment of St. Maarten.

This Mutual Evaluation Mission which required an understanding of civil law systems benefitted from the revised CFATF policy which allows CFATF Mutual Evaluation Missions to be staffed not only with Examiners from CFATF Member jurisdictions but also with Examiners from the FATF states, from other FATF Style Regional Bodies (FSRBs) and from the Offshore Group of Banking Supervisor (OGBS).

Indeed Ministers in November 2010 endorsed the recommendation that arrangements should be completed for this new Member to undergo Mutual Evaluations in the first quarter of 2012 and welcomed the provision of funds for this

Mission by Netherlands and the United States of America.

In keeping with this policy of inclusion both the International Monetary Fund (IMF) and the World Bank (WB) undertake assessment Missions to CFATF Member countries as part of their respective Financial Sector Assessment Programme/Offshore Financial Centre Assessment Programme (FSAP/OFC).

Under agreed reciprocal arrangements, the Detailed Assessment Reports coming out of these Missions are accepted by the CFATF as Mutual Evaluation Reports for its Mutual Evaluation Programme, and in tandem CFATF Mutual Evaluation Reports are accepted as Detailed Assessment Reports for the IMF/WB/FSAP/OFC purposes.

THE FOLLOW-UP PROCESS

The CFATF Follow-up process can be qualified as an essential part of the Mutual Evaluation Programme and 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.

The CFATF Follow-up process has a particularly a wide ranging and robust sanctions procedure which has already been implemented with exemplary results. On one occasion a High Level Mission of senior CFATF officials

travelled to a CFATF Member, in order to convey the concerns of the Plenary directly to the Government, to encourage the process of reform and to ensure that the jurisdiction agreed to a strict regime for monitoring action on the identified corrective measures with clear timelines, and to report back to the Plenary with clear recommendations on the type of counter measures that should be implemented.

The response to the High Level Mission was the enactment of key pieces of AML legislation that were long overdue, a commitment to enact Combating the Financing of Terrorism legislation by a set time frame and to undergo a strict monitoring and reporting regime to the Plenary.

The sanctions procedure of the Follow-up process also allows for letters either from the Secretariat or the Chair, based on the level of the breach to the offending jurisdiction and a Compliance Report to each Plenary on the overall breaches of the Follow-up Procedures.

Ministers also endorsed the implementation of a screening mechanism so that only Follow-up Reports with significant issues should be presented to the Plenary and that all Follow-up Reports should be in writing.

Whilst a majority of Members adhere to the tenets of the Follow-up Procedures, there are a small but persistent number of jurisdictions that fail to respond in a timely fashion to requests from the Secretariat for the provision of pertinent information in the agreed format. This it must be said militates against the analyses, preparation, translation and circulation of the Follow-up Reports by the Secretariat within the required timeframe prior to the Plenary.

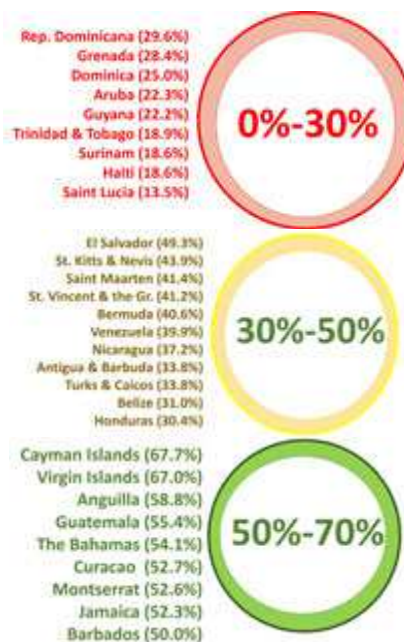
Members recognise the importance of the Follow-up Process to securing higher levels of compliance with the FATF 40 and 9 Recommendations. In this regard Ministers endorsed the position that failure to comply with

the Follow-up Procedures should be met with corrective measures such as a letter from the Chair.

Proposals for the reform and greater operational efficiency of the Mutual Evaluation Programme and Follow-up Process also included the use of new technologies. Ministers mandated the Secretariat to explore funding options for the development of software that will enhance the CFATF’s capacity to effectively monitor the Follow-up process.

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

It must be admitted that the overall levels of Caribbean Basin Region compliance with the international AML/CFT standards is not particularly high but it compares favourably with that of the FATF/FSRB community.



We do however have amongst the CFATF membership Centres of Excellence from which expertise and experiences could continue to be drawn and shared intra-organisationally and which could be emulated by all Members.

The Mutual Evaluation Programme is the central area of the CFATF's work. The principal focus for the Caribbean Basin Region for the foreseeable future should be ensuring that all CFATF Members are fully engaged with the expeditious rectification of deficiencies identified in the Mutual Evaluation and Follow-up Reports, thereby raising the levels of regional compliance with the international standards.

The global economic and financial crisis has been particularly problematic for the small economies of the member countries of the CFATF. In light of this and given the dangers that abound from the FATF International Co-operation Review Group Initiative (ICRG) and its consideration of strategic deficiencies, the pace of the reform process and the attendant sanction powers which have economic implications, it will be foolhardy for the CFATF to significantly avert its focus from the task of strengthening the AML/CFT regimes in each of its twenty nine Members.

To do so will be to imperil the fragile economic positions of many of our jurisdictions, jeopardise recent gains that have been secured and enfeeble the strides of many a national reform programme.

It is with these matters in mind that the Secretariat, working closely with and at the guidance and direction of the Chair and Steering Group, continues to

- ◆ Explore every available avenue to dialogue with CFATF Members and all regional international partners so as to;
- ◆ Garner resources which can assist with the creation and delivery of AML/CFT programmes that can advance the regional

agenda to build strong national defences against money launderer and those who finance terrorism.

One of these avenues is the CFATF International Cooperation Review Group (CFATF ICRG) initiative which, in tandem with the Follow up process is firmly directed to expedite the pace of national efforts to rectify the deficiencies identified in the Third Round Mutual Evaluation Reports.

THE CFATF INTERNATIONAL COOPERATION REVIEW GROUP (CFATF ICRG) INITIATIVE

The Financial Action Task Force International Cooperation Review Group (FATF ICRG) process was launched in February 2010 when the FATF issued 2 public documents pursuant to procedures that were agreed in June 2009 regarding jurisdictions with strategic AML/CFT deficiencies: the "Public Statement" and "Improving Global AML/CFT Compliance: Ongoing Process."

The ICRG procedures stipulate that if a jurisdiction has been publicly identified, the FATF will call on its members and all jurisdictions to advise their financial institutions to give special attention to transactions with the concerned jurisdiction, including companies and financial institutions (Recommendation 21).

Where a jurisdiction does not make sufficient progress after a year of issuing a public statement, the procedures require the FATF to call upon its members to apply counter-measures consistent with Recommendation 21 and invite FSRBs to consider similar action.

The document "Improving Global AML/CFT Compliance: Ongoing Process" identified a number of jurisdictions with strategic

AML/CFT deficiencies for which they have developed an action plan with the FATF. Placement in this document was contingent on the jurisdiction providing clear, high-level political commitment to address the identified deficiencies by implementing the action plan within agreed timelines.

The CFATF members that were identified were Antigua and Barbuda, Costa Rica, Dominican Republic, Honduras, Trinidad and Tobago and Venezuela. Costa Rica and Dominican Republic were removed from the process after the prima facie review stage. Antigua and Barbuda, Honduras, Nicaragua, Trinidad and Tobago and Venezuela continue to be considered under targeted review.

Subsequently, ten other CFATF Members were identified as having met the criteria for review by the FATF ICRG, but that such review was to be undertaken at a later stage. These were Aruba, Belize, Dominica, Grenada, Guyana, Haiti, St. Kitts and Nevis, St. Lucia, Suriname and Turks and Caicos Islands

The November 2010 CFATF Council of Ministers meeting authorised the creation of the CFATF International Co-operation Review Group (CFATF-ICRG) with a view to active participation by the CFATF in the FATF ICRG Process. Its membership comprised Virgin Islands – (Chair), Antigua Barbuda, Barbados, Cayman Islands, Jamaica, Trinidad and Tobago, and the CFATF Secretariat and was very engaged with the work of the Americas Regional Review Group.

The CFATF ICRG developed and implemented Terms of Reference under which it recognized that the FATF ICRG process had serious implications for individual jurisdictions and the CFATF as a whole and that CFATF members must adopt a serious approach to reforming their AML/CFT regimes in keeping with the FATF 40 plus 9 Recommendations.

Such an approach was intended to provide focus and direction to the process in relation to CFATF Members and importantly to be demonstrative of active involvement by the CFATF in this FATF initiative on behalf of its Members.

Since its establishment, the CFATF ICRG attended all of the meetings of the FATF Americas Regional Review Group (ARRG) which included face to face meetings in Buenos Aires, Argentina, Miami and Peru. The CFATF ICRG also participated in all of the AARG's conference calls with the jurisdictions under review. The CFATF ICRG made representations at both the FATF ICRG Working Group and the FATF Plenary levels on behalf of the organization itself and the CFATF members in particular.

The CFATF Secretariat facilitated the work of the FATF ICRG in preparing the Prima Facie/ Targeted Review Reports on Antigua and Barbuda, Costa Rica, Dominican Republic, Honduras, Nicaragua, Venezuela and Trinidad and Tobago by providing legislation and relevant information so that an accurate picture of each country's AML/CFT regime was available to the AARG at all times.

The CFATF Secretariat also served as a resource to its members that are subject to ICRG review by providing advice and technical assistance on legislative requirements, assisting in the preparation of action plans to address the deficiencies identified in mutual evaluation reports and co-coordinating the delivery of technical assistance to facilitate the AML/CFT reform processes.

In the case of Antigua and Barbuda, the CFATF Secretariat, at the request of the Antiguan authorities, coordinated the assembly of a team of experts from St. Lucia, Bermuda, Canada and the Commonwealth Secretariat to undertake a restructuring of the Financial Services

Regulatory Commission subsequent to the fallout stemming from the collapse of the Stanford Bank. In the case of Honduras, the CFATF Secretariat coordinated with the World Bank to undertake a review of proposed CFT legislation.

The CFATF Secretariat participated in discussions on the prima facie report on Cuba and undertook to liaise with the CFATF Prime Contact in Venezuela to obtain contact details for the relevant Cuban authorities who could assist with updating the contents of the report.

The CFATF Executive Director met with the Cuban Ambassador to Trinidad and Tobago and provided updates on the ICRG process with a view to facilitating dialogue and the exchange of information between Cuba and the FATF.

One of the early and significant tasks of the CFATF ICRG was the undertaking of a high level mission to Trinidad and Tobago in February 2011. The objective of the visit was to engage in dialogue with the Trinidad and Tobago authorities on the need to take urgent and immediate action to implement the action plan that was developed to address the strategic deficiencies that were identified in its AML/CFT regime and to encourage a greater sense of urgency with the reform process. The discussions were open, frank and constructive.

The CFATF ICRG considered it imperative to send a clear signal to members on the importance of meeting their commitments to AML/CFT reform. Accordingly, in April 2011, the Chairman of the CFATF ICRG issued correspondence to all members that met the criteria for ICRG review, stressing the importance of compliance with the corrective action in their mutual evaluation reports to address the deficiencies in their AML/CFT regimes, and encouraging those who had not already done so, to develop action plans to assist in this regard.

The CFATF ICRG also wrote to those jurisdictions that were under review (Antigua and

Barbuda, Honduras, Nicaragua, Trinidad and Tobago and Venezuela) urging them to correct the outstanding deficiencies in their respective AML/CFT frameworks by fully implementing the outstanding matters in their action plans that were developed as part of the FATF ICRG process.

The attendance by former Chairman Bulgin, CFATF ICRG Chair, Cherno Jallow (Virgin Islands), and delegates from Bermuda, Cayman Islands, Trinidad and Tobago, Venezuela and members of the CFATF Secretariat at the FATF ICRG meetings during the FATF Plenary in Paris in February, 2011 clearly demonstrated the level of importance that the CFATF placed on the FATF ICRG and CFATF ICRG processes.

The CFATF ICRG coordinated efforts with the FATF ICRG process and monitored the progress that was been made by members that were subject to FATF ICRG review.

The CFATF ICRG was also mandated to bring all CFATF Members into full compliance with the FATF 40 and 9 Recommendations with particular reference to those CFATF members that had met the criteria for review by FATF ICRG but were yet to be reviewed. These countries were encouraged to develop and implement Action Plans with appropriate remedial measures to address the existing deficiencies with the necessary speed before they were reviewed by the FATF.

Success in this regard was dependent on the level of cooperation from the countries as they developed and adhered to the timelines of the Action Plans to undertake the reform process

The CFATF ICRG's mandate also included providing advice in terms of how best compliance may be achieved given the group's familiarity with the FATF ICRG process and encouraging affected countries to fully utilize the window of opportunity to rectify the

deficiencies ahead of the commencement of the FATF review.

The CFATF ICRG recognized that the FATF ICRG process had serious implications for individual jurisdictions and it is important that the CFATF as a whole and that CFATF members had to adopt a serious approach to reforming their AML/CFT regimes in keeping with the FATF 40 plus 9 Recommendations with serious consideration being given to compliance with the FATF Core and Key Recommendations.

In light of the gravity of this situation CFATF Ministers at Special Ministerial II which was held in Miami on August 19th 2011 agreed to amend the CFATF Follow up Procedures 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 was being implemented.

Ministers also empowered the CFATF ICRG to ensure that CFATF Members and the CFATF as an organization adhered to the Follow up Procedures through the ability of the CFATF ICRG to make recommendations for sanctions in the event of non-compliance

Ministers also mandated that 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;

The CFATF ICRG provided regular reports to the CFATF Plenary/Ministerial Meetings giving updates on development with the work of the CFATF ICRG and these in turn were shared with the FATF, COSUNs and Observer Organizations.

Relevant aspects of the work of the CFATF ICRG was also made available to the public at large and to stakeholders, giving due consideration to the need to protect any delicate or sensitive information.

Such publication is intended to raise national awareness and encourage dialogue on the importance of the implementation of the FATF 40 plus 9 Recommendations.

Part of the CFATF ICRG strategy to raise national awareness and encourage dialogue on AML/CFT issues was undertaking High Level Meetings and High level Missions to jurisdictions under FATF/CFATF ICRG review.

On September 2, 2011, the CFATF ICRG held a High Level Mission meeting in Venezuela with a team of officials responsible for AML/CFT compliance.

The meeting was held to discuss Venezuela's progress at AML/CFT reform since becoming subject to FATF ICRG review and to impress upon the Venezuelan authorities the need to achieve a high level of compliance with the FATF 40 plus 9 Recommendations prior to assuming the role as CFATF Chair.

The Venezuelan authorities confirmed their commitment to complying with AML/CFT obligations and stated that legislative amendments to the Organic Law Against Organised Crime were due to be enacted in the short term and would resolve a series of deficiencies and put the jurisdiction at the vanguard of the fight against organized crime.

The CFATF Executive Director made certain proposals for resolving some of the difficulties that were being experienced by Venezuela in the FATF ICRG process, such as the translation of laws and other documents and the timely submission of documents to the FATF ICRG.

The team was headed by General Reverol, Director of the Oficina Nacional Antidrogas and included officials from all the agencies in Venezuela with responsibility for facilitating AML/CFT compliance. The discussions were frank and constructive and facilitated a greater understanding of the FATF ICRG process and the need for expeditious reform measures with the Key and Core Recommendations.

The High Level Meeting to Venezuela was a valuable example of the benefits that can accrue where there is strong commitment at the highest political levels to AML/CFT reform that can be emulated by other jurisdictions in the region.

Pursuant to the mandate as approved by the CFATF Ministerial Meeting Margarita Venezuela in November 2011, the CFATF ICRG was authorized to meet with the ten (10) CFATF Members who had met the FATF ICRG criteria for review but which will be reviewed at an unknown time in the future.

CFATF ICRG Chairman Chernó Jallow Q.C. Virgin Islands issued an invitation to the following ten jurisdictions to attend, namely, Aruba, Belize, Dominica, Grenada, Guyana, Haiti, St. Kitts and Nevis, St. Lucia, Suriname and Turks and Caicos Islands.

- Aruba declined the invitation based on the level of Technical Assistance and Training that was being arranged to address the outstanding AML/CFT deficiencies.
- Guyana declined the invitation given the short period between the date of the invitation and the dates set for the High Level Meeting.

In both cases the CFATF ICRG felt that mandate of the November Ministerial meeting required the attendance of all the jurisdictions and that the reason offered for the absence of Aruba and

Guyana were not sufficiently compelling to override the Ministerial mandate.

The other eight jurisdictions responded in a serious and constructive fashion to the Chairman Chernó Jallow's invitation as was demonstrated by the seniority of Head of Delegation and in some cases as available resources allowed, the size of the delegation.

The discussions emphasised;

- The compelling need for higher levels of compliance regionally to ensure that the integrity of the CFATF is maintained;
- The importance of the CFATF ICRG mandate as work with the 10 jurisdictions was and the difficulties and time consuming, costly and resource intensive nature of the CFATF ICRG process which had fundamental reputation of implications for the jurisdictions;
- The approval by Ministers of the sanctions regime and as a consequence the CFATF ICRG needed to be firm as and when required during the process; and
- The need for Members to fully support the work of the CFATF ICRG through a genuine commitment to support the process.

The overall objectives were to:

1. Assist the jurisdictions in rectifying the deficiencies in an expeditious fashion and to avoid FATF ICRG scrutiny;
2. Secure agree on an Action Plan with firm timelines but to be submitted in a streamlined and uniform fashion based on a template that was in line with the

FATF process and to be circulated by the Secretariat on January 20th 2012;

3. Ensure a firm approach by the CFATF ICRG in its conduct of the review, thereby lending credibility to the process and reputation of the organization with its international parties given the FATF's interest in the CFATF ICRG;
4. Demonstrate an understanding of the difficulties with the jurisdictions are experiencing but nevertheless being realistic about the urgent need for expeditious reform
5. Emphasize the need for compliance by the jurisdiction and the need for a written high level political commitment in strong precise terms from the highest levels of Government.

The outcomes of this meeting solidified the reputation of the CFATF ICRG as a force for good in terms of encouraging countries to adopt a serious and urgent approach to AML/CFT reform.

The two day exercise was very helpful and resulted with demonstrated political commitments from the eight countries that attended.

It was accepted that there is a considerable amount of work that had to be undertaken and that it was critical that Members provide the Secretariat with the necessary support given the need for timely responses at all stages of the process in order to achieve the objective of steering the region forward to positive results.

In a further step in this robust approach by the CFATF to AML/CFT reform and the FATF/CFATF ICRG processes, the CFATF ICRG developed CFATF ICRG Functions, Processes and Procedures which were approved at the CFATF Plenary in Venezuela in November 2011.

A sanctions procedure to address ongoing non-compliance by members were discussed in detail

at the CFATF ICRG Working Group Meeting on 22 November 2011, which was held during the week of the November 2011 Plenary.

Members provided constructive feedback and helpful suggestions to the CFATF ICRG Working Group. Based on the discussions and feedback, the proposed sanctions were revised and adopted by the Council of Ministers using the Round Robin process in January 2012.

They read as follows:

1. The CFATF Chairman should issue a letter to the relevant Minister(s) in the member jurisdiction concerned drawing attention to the non-compliance with FATF Recommendations, the CFATF ICRG Process and Procedures, the Action Plan to address AML/CFT deficiencies, and/or the jurisdiction's non-responsiveness to the CFATF ICRG Chair. The letter should explain the FATF ICRG process and the measures that should be taken by the jurisdiction to prevent it from becoming subject to FATF ICRG review.
2. A high-level meeting should be arranged with Ministers and senior government officials of all member jurisdictions concerned on a date to be fixed in January 2012. The purpose of the meeting is to reinforce the concerns highlighted in the letter from the CFATF Chairman and to obtain the required written high level political commitment to AML/CFT reform.
3. If within six months following the high level meeting, a member jurisdiction fails to develop an action plan to address its AML/CFT deficiencies or fails to

make sufficient progress in implementing the corrective measures in the action plan within the stipulated timelines agreed, the CFATF will call on members to issue a formal CFATF public statement to the effect that the member jurisdiction is insufficiently compliant with FATF Recommendations and recommending appropriate action to be taken against the member jurisdiction concerned, including referral to the FATF/ICRG process, the issue of an advisory against the member jurisdiction that its AML/CFT system poses a threat to the financial system and imposing of appropriate countermeasures (Recommendation 21).

4. If within six months following a decision under paragraph (3) above the member jurisdiction fails to demonstrate sufficient progress towards compliance with the FATF Recommendations and/or the corrective measures in its action plan, the CFATF ICRG may recommend to Plenary, the suspension of the member jurisdiction from the CFATF until the required level of compliance is firmly established. Any such suspension shall be implemented in keeping with the procedures outlined in the CFATF Memorandum of Understanding (MOU).
5. If the suspension of the member jurisdiction lasts for a period of twelve months or more, the CFATF ICRG may recommend to Plenary, the expulsion of the member from the CFATF. Any such expulsion shall be implemented in keeping with the procedures outlined in the CFATF MOU.

The CFATF ICRG also prepared a list of AML/CFT Experts amongst CFATF ICRG members, including those nominated by Bermuda, Barbados and Guatemala, delineating their field of expertise into Legal, Financial or Law Enforcement to assist the CFATF ICRG in their review, monitoring and assessment of jurisdictions' Action Plans; and

The next step was to assign Experts to review the Action Plans from each jurisdiction that had met the ICRG criteria and liaise with the Mutual Evaluation Team at the Secretariat who would be required to provide Technical Support based upon their ongoing work with the jurisdictions during the Follow up Process.

In order to continue with its work in an effective fashion, the CFATF ICRG developed guidelines for the Assessors for the review of the Action Plans.

The overall objectives of the Assessors in their review of the Action Plans and during interaction with the assigned jurisdictions were to:

- Stress the need for higher levels of compliance nationally and regionally to ensure that the integrity of the CFATF is maintained;
- Assist the jurisdictions in rectifying the deficiencies in an expeditious fashion by providing necessary advice and guidance and to avoid FATF ICRG scrutiny;
- Review and secure agreement on their Action Plans with firm but attainable timelines which took into account the prospect of the FATF ICRG commencing its review process at any stage;
- Ensure a firm approach in the conduct of the review, thereby lending credibility to the process and reputation of the

organization with its international partners, given the FATF interest in the CFATF ICRG;

- Monitor progress on the assigned jurisdictions' performance of their Action Plans and prepare and submit a short report to the CFATF ICRG upon the expiry date in relation to each item in the Action Plan, advising whether or not the Action Item has been satisfactorily dealt with and, if not, what might be the constraints;
- It should be noted that whilst the Assessors could make recommendations in relation to the reasons for the constraints and how they could be resolved, the final decision on the issue was to be made by the CFATF ICRG;
- Demonstrate an understanding of the difficulties, if any, which the jurisdictions may be experiencing, but nevertheless be realistic about the urgent need for expeditious reform; and,
- Emphasize the need for strict adherence to the written high level political commitment from the jurisdictions' governments to the CFATF ICRG process.

In addition, the CFATF ICRG developed a process for the review of the Action Plans which was implemented as follows:

- At a minimum each review team consisted of two Assessors from each jurisdiction one of whom was designated by the Secretariat as the Lead Assessor;
- The Secretariat then provided all Assessors with an email listing of the Members of the CFATF ICRG as well as the Team of Assessors so as to facilitate communication between the Assessors

assigned to each jurisdiction as well as between the Assessors and the CFATF ICRG Chair and membership should it be necessary;

- The Secretariat provided the Assessors with the email addresses of the Points of Contacts for each of the jurisdictions under review and the email address of the Secretariat representative who has responsibility for the assigned jurisdiction;
- The Secretariat then circulated all the Action Plans to the Assessors and where an Assessor did not have the relevant Action Plan he/she was required to make immediate contact with the Secretariat in order to receive same;
- The Assessor was also required to obtain from the CFATF Website and become familiar with the Third Round Mutual Evaluation Report as well as the most up to date Follow up Report for the jurisdiction to which he/she was assigned. Pending receipt of the Follow up Reports, the Assessors was required to avail themselves of the latest Follow up Report that was posted on the CFATF website for the assigned jurisdiction;
- The Lead Assessor would then contact his fellow Assessors by email to ensure that they both had the Action Plan, the Third Round Mutual Evaluation Report and the latest Follow up Report as well as the contact details for the Point of Contact for the jurisdiction, the Secretariat representative and the email listings of the members of the CFATF ICRG Chair and membership;
- The Assessors would then ensure that the information contained in the Action Plan accurately reflected the deficiencies identified by the Mutual Evaluation

Examiners, the Recommended Actions, the Actions already taken and Actions still to be taken based upon the Follow up Reports;

- The Assessors then reviewed the nature of the Action still to be undertaken and the timeline for fully implementing rectification measures by the jurisdiction and considered whether these were realistic. Where there were issues to be discussed with the jurisdiction, the Lead Assessors would make direct contact with the Point of Contact in the country and where there was accord then the Action Plan would be amended accordingly. These discussions had to be recorded in the “Notes by Assessors” column of the Action Plan. Any communication that was generated had to be copied to the Secretariat representative and the CFATF ICRG.
- Where there was no meeting of the minds on any issue of concern, the Assessors would contact the Secretariat representative to discuss the matter in question for any guidance that could be given based on the representative’s on-going work with the jurisdiction as part of the Follow up process. Any guidance provided by the Secretariat had to be noted in the Report which was subsequently submitted to the CFATF ICRG;
- All Assessors were required to review the Action Plans by a fixed date as decided upon in consultation with the CFATF ICRG Chair and membership. All efforts had to be made to adhere to the agreed deadlines;
- The finalised draft Action Plans would then be forwarded to the Secretariat for circulation to the CFATF ICRG for discussion at a Conference Call on a fixed

date to which the Assessors were invited to participate;

- The way forward thereafter would be decided and formally communicated to the Assessors after the Conference Call for the continuous monitoring of the jurisdiction until full implementation of the Action Plan; and finally
- The CFATF ICRG designated a CFATF ICRG member to play an oversight role in relation to the Assessors.

In pursuit of its mandate the CFATF ICRG never faltered in the robust and serious approach to ensuring that the countries under review honoured their obligations to the CFATF ICRG process.

In most cases the CFATF ICRG expressed its satisfaction with the expeditious and positive fashion in which countries had positively to the invitation to attend the Miami meeting and the clarity of the political commitment to the CFATF ICRG process that was given on behalf of the jurisdiction. Where any jurisdiction absented itself from the process, the CFATF ICRG expressed its displeasure with the jurisdiction and brought the matter to the attention of the Plenary for the imposition of additional pressure and censure.

In two cases where the level of co-operation from the country under review had faltered the CFATF Plenary issued a statements mandating the jurisdictions to provide enhanced co-operation with the CFATF ICRG and required them to remain on Expedited Follow up as part of the general CFATF Follow up process and to report back to the next Plenary which was six months later.

In relation to another jurisdiction, there was agreement to submit to the CFATF ICRG, an Action Plan with timelines for the rectification

of the outstanding deficiencies in the jurisdiction's Third Round Mutual Evaluation Report along with a Matrix of its Technical Assistance and Training Needs.

The jurisdiction failed to submit the required Action Plan to the CFATF ICRG and failed to respond to a letter from the CFATF ICRG Chair. As a consequence of the jurisdiction's lack of co-operation, progress with the overall work of the CFATF ICRG which entailed assigning the Action Plans from each of the ten jurisdictions to Assessors so that they could commence monitoring implementation of the Action Items, was unduly delayed.

In response the CFATF ICRG referred the jurisdiction to the CFATF Plenary which issued a statement urgently requesting the country to cooperate with the CFATF ICRG by submitting the Action Plan by return. The Plenary also drew the jurisdiction's attention to the sanctions for non-compliance with the CFATF ICRG requirements which were outlined in letters from the CFATF ICRG Chair.

The responses to the Plenary's statements were positive.

Constructive engagement between the CFATF ICRG and the jurisdiction also proved to be extremely positive in the case of Suriname.

Pursuant to discussions with the Surinamese delegation during the Miami High level meeting and thereafter, the CFATF ICRG sought and obtained the agreement of the Government of Suriname to undertake a High Level Mission to that jurisdiction which occurred on February 27 2012.

The High Level Mission met with the following officials whilst in Suriname:

- Honourable Minister of Justice and Police
- Honourable Minister of Finance

- Governor of the Central Bank of Suriname
- The National Anti-Money Laundering Committee
- Honourable Attorney General
- The Speaker of Parliament and other Parliamentary colleagues
- The State Advisory Council
- The AML Commission
- Head Commissioner of Police
- Head Judicial Police (including the Financial Investigating Unit)
- Chief Inspector of Customs
- Chief of Immigration (Military Police)
- Representatives of the Central Bank of Suriname
- Director, Financial Intelligence Unit
- Director, Gaming Board
- Honourable Vice President of The Republic

The Honourable Minister of Justice reaffirmed Suriname's commitment to promoting national and regional safety and security and to expedite the reform and legislative process in the following areas with a deadline for completion by mid-August 2012:

- Amendments to the MOT Act and the WID Act;
- Legislation to supervise the money transfer and money exchange sectors;
- Criminalizing market manipulation and insider trading;
- Supervision of the insurance sector;
- Supervision of non-financial businesses; and
- Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) guidelines for the supervision of the

financial sector to be issued by the Central Bank.

The State Advisory Council, the Speaker and Parliamentary colleagues and the Vice President of the Republic agreed to work with the technical officials at the Central Bank, the Financial Intelligence Unit, and the Attorney General's Office to ensure that the relevant aspects of the AML/CFT reform agenda are speedily enacted bearing in mind the mid-August deadline.

Suriname committed itself to revise its Action Plans in light of the discussions with the High Level Mission and submit the revised Action Plans to the Secretariat by the middle of March 2012 so that they can be assigned to and reviewed by Assessors who would be responsible for monitoring Suriname's implementation of the outstanding Action Items within the established timelines.

The High Level Mission emphasised that if Suriname did not comply with the agreed timeframes, it would be considered for necessary recommendation pursuant to the CFATF ICRG sanctions regime.

The CFATF ICRG was of the view that all stakeholders with whom meetings were held recognized the importance of their respective roles and responsibilities within the AML/CFT reform agenda and encouraged greater communication and sharing of information relevant to the reform process between the policy makers and the technical officials.

The delegation at the High Level Mission confirmed that the main goal of the CFATF ICRG was to ensure that Suriname fully complied with its AML/CFT deficiencies, particularly in relation to the Core and Key Recommendations which would ensure that Suriname did not go beyond the Prima Facie Review stage of the FATF ICRG process and, therefore, all required efforts had to be undertaken to achieve this goal.

It was also agreed that the High Level Mission was very useful and that all stakeholders had a clear picture of the actions that were necessary including the submission of the revised Action Plan which had to cover all the relevant reform areas and had to be synchronized with the List of Technical Assistance and Training requirements, the timeframes that were applicable for the enactment of all relevant AML/CFT legislation and the gravity of the situation that the country faced were the reform process to stall.

The High Level Mission welcomed the verbal assurances from the Honourable Vice President that Suriname had and would where necessary, source the required financial support to ensure that the AML/CFT reform process was carried out in an expeditious manner and noted that should all promises be kept, then Suriname might well be an example of what can be accomplished where there is strong political will, as it will send a good message not only to Suriname but to the wider CFATF community;

The High Level Mission counselled all stakeholders who participated in the discussions, that a positive outcome in terms of the allocation and effective utilization of resources as promised by the Honourable Vice President, would ensure that Suriname was a success story for the national community and the CFATF membership as a whole.

Such an outcome the High Level Mission further advised would send a welcomed and powerful message to the international community that the serious CFATF ICRG approach to enhancing the levels of compliance by its membership could be viewed as a model for emulation.

However the Surinamese delegation was warned that whilst the CFATF ICRG was willing to assist the jurisdictions with their reform agenda, it was imperative that the CFATF ICRG was

equally firm and robust with the countries so that there was a successful and sustained outcome to this process, particularly given the level of interest on the subject by CFATF Council of Ministers and the FATF.

The High Level Mission was confident that it had been successful in engendering a sense of urgency to the reform efforts but was clear that, in light of the undertakings given by all AML/CFT stakeholders, particularly those at the highest political levels and the commitment of the Vice President on behalf of the Government to provide all the required resources, the CFATF ICRG would not have taken kindly to failure or un-kept promises by Suriname.

Suriname honoured its commitment. The Action Plan was tabled and agreed at the CFATF Plenary meeting in November 2012 and the CFATF ICRG and Plenary declared that Suriname was another good news story for the CFATF ICRG.

This firm approach by the CFATF ICRG was equally successful in the pursuit of its overall mandate to monitor agreement of and implementation of the Action Plans with Belize, St. Kitts and Nevis, St. Lucia and Turks and Caicos Islands with whom Action Plans had all been agreed and finalised.

In the case of St. Lucia, the Lead Assessor had consulted with the CFATF Secretariat on the Action Plan and was very satisfied that at that stage, St. Lucia was very far ahead of other countries in the Follow up Process and was another good news story for the CFATF ICRG.

St. Kitts and Nevis was another successful outcome for the CFATF ICRG where only two issues remained outstanding as at November 2012, one of which was delayed only because of the appointment of a new Attorney General and relevant training was arranged for January 2013.

Where Action Plans were not agreed and finalised, the jurisdictions were provided with

support in several areas by the CFATF ICRG. In the case of Dominica, the name and curriculum vitae of an Attorney with legislative drafting skills with a view to direct communication. For Grenada, the Lead Assessor undertook and assessment of the contents of the Action Plan in order to determine what other steps were necessary before it could be agreed and finalised.

With Guyana whilst the CFATF ICRG understood the difficulties with the national legislative process, Guyana was advised that it was of critical importance that draft legislation relevant to the AML/CFT reform process was given priority and that the jurisdiction had to provide a clear indication and commitment to ensure that the legislation was indeed enacted.

In the case of Haiti whilst the Action Plan had not been agreed and finalised, it was acknowledged by the CFATF ICRG that there was substantial agreement between the lead Assessor and there was optimism on the eventual finalisation and agreement on the Action Plan.

In light of the success of the High Level Mission to Suriname, the CFATF ICRG decided to undertake similar Missions to Belize, Dominica and Guyana.

The CFATF ICRG continued to engage with all CFATF Member jurisdictions that met the criteria for review and impressed upon them the need to implement the corrective actions outlined in their Mutual Evaluation Reports in a timely manner so as to avoid becoming a target of prima facie review by the FATF ICRG.

TECHNICAL ASSISTANCE & TRAINING

The ongoing delivery of Technical Assistance and Training projects to all CFATF jurisdictions is critical to strengthening national and regional AML/CFT capacity, facilitating the expeditious rectification of the deficiencies identified in the Mutual Evaluation and Follow-up Reports, as well as avoiding the public identification as a country having strategic deficiencies which pose a threat to the international financial system through the FATF ICRG initiative.

In exploring mechanisms which will facilitate this goal, Ministers encouraged the following initiatives:

- Completion of the Technical Assistance and Training Needs and Availability of Resources Questionnaire by all Members and stakeholders in the donor community so that relevant data could be collated by the Secretariat and a Matrix of Needs and Resources prepared covering the Caribbean Basin Region;
- Reconvening of the CFATF Donors Forum on the margins of each Plenary meeting so that Members could arrange horizontal cooperation amongst themselves as well as meet Donor countries and Donor organisations for the consideration of specific country focussed proposals;
- The formation of National Anti -Money Laundering Steering Committees as a mechanism for the collating of domestic Technical Assistance and Training Needs with a view to effective participation in the Donors Forum.
- The need for jurisdictions to provide the Secretariat with the names of public sector officials across the AML/CFT disciplines

who should have access to all documents being circulated by the CFATF so as to build domestic capacity in these areas.

During the period under review, coordinating the delivery of Technical Assistance and Training resources to assist Members was critical to the expeditious rectification of the identified deficiencies by Members and accordingly, the CFATF ICRG worked in conjunction with and intensified the operations of the CFATF Donors Forum.

Drawing on information in the Mutual Evaluation and Follow-Up Reports regarding ongoing strategic AML/CFT deficiencies which were yet to be addressed, and on the basis of specific requests by members, the CFATF ICRG created a Technical Assistance and Training Matrix (TATM) for all CFATF members.

The TATM was shared with donor countries, donor organizations, CFATF COSUNs, Observer Organisations as well as CFATF members all of whom were invited to the first such CFATF Donors Forum on the margins of the CFATF May 2011 Plenary in San Pedro Sula, Honduras.

Donor countries and organisations were encouraged to direct their offers of assistance on a priority basis, to those areas where strategic deficiencies with the FATF Core and Key Recommendations were identified by the FATF/CFATF ICRG.

Addressing other areas of partial compliance or non-compliance with the FATF Core and Key Recommendations would rank second in priority, followed by addressing the deficiencies in compliance with the other Recommendations.

The Strategic Implementation Planning (SIP) Framework is a valuable mechanism which can assist countries with reforming and modernising

their AML/CFT architectures through prioritising and sequencing the implementation of rectification measures to address outstanding deficiencies identified in their Mutual Evaluation Report on the basis of each jurisdiction's risks and vulnerabilities with regard to ML/TF and the Core and Key FATF Recommendations.

The CFATF ICRG recognised the potential benefits that could be derived from the SIP Framework in furthering its work and accordingly, all jurisdictions that were subject to FATF/CFATF ICRG review and indeed all CFATF Members, were encouraged to utilize where appropriate, the knowledge gained from exposure to training on the SIP Framework with which the CFATF Secretariat and CFATF members had prior experiences.

With the assistance of the Government of Canada, the World Bank and Spain, the CFATF had participated in/undertaken the following activities;

- Deputy Executive Directors Dawne Spicer and Ernesto Lopez -Train the Trainers SIP Framework Workshop -Malaysia -April 2009.
- National SIP Workshop in Managua, Nicaragua during July 2010.
- Two Regional SIP Workshops simultaneously in English and Spanish for the benefit of sixty nine (69) officials from fourteen (14) CFATF Member countries funded by Canada (CAN \$244,550.00) – Port of Spain, in September 2010.

Additionally, the Commonwealth Secretariat also provided assistance for the hosting of a National SIP Framework Workshops in Dominica, St. Kitts and Nevis and St. Lucia during September/October 2011 and these Members were requested to provide the CFATF ICRG with Reports on the outcomes of the National SIP Workshops in their jurisdictions and the impact on

their participation in the CFATF Follow up Process;

Through the Donors' Forum mechanism, the CFATF ICRG and CFATF donor partners which included those CFATF members whose AML/CFT regimes were considered as Centres of Excellence, reviewed the requests for assistance from the jurisdictions and sought bring a sense of urgency to the national reform programmes and to focus Technical Assistance and Training opportunities to areas where the need was critical.

These included the programme by Canada's FINTRAC regarding assistance in dealing with the Non-Profit Organisation (NPO) and Designated Non-Financial Businesses and Professions (DNFBPs) sectors.

The Donors Forum also allowed the CFATF ICRG to draw on the CFATF's long and rich history of intra-membership training and technical assistance. The CFATF ICRG therefore enlisted the support and assistance of those CFATF Members whose AML/CFT regimes demonstrated a high level of compliance with the FATF 40 plus 9 Recommendations by calling upon them to participate in the Technical Assistance and Training exercises.

This allowed for the encouragement of South – South cooperation by drawing on the expertise of the CFATF membership with the CFATF Secretariat acting as coordinator, for example with the Gaming Board of The Bahamas to ascertain how assistance could be provided to CFATF ICRG jurisdictions, where relevant, over a period of time.

Another example of South-South co-operation was Virgin Islands' preparedness to share Templates for data collection from various national AML/CFT stakeholders which will be instrumental in demonstrating effective

implementation of the FATF standards and assessing risk.

The CFATF Secretariat would then arrange translation of the Templates into Spanish and Dutch and post copies on the CFATF website for use by Members as they saw fit.

The CFATF ICRG also explored the provision of advice to jurisdictions under FATF/CFATF ICRG review on how to effect outreach to national AML/CFT stakeholders in order to create greater awareness on AML/CFT issues. The CFATF ICRG strongly believed that such an initiative would be of considerable help to some jurisdictions that were yet to implement a formal outreach programme.

Legislative Drafting capacity was a critical need for some of the jurisdictions in the CFATF ICRG process, a void which the CFATF Secretariat endeavoured to fill through the identification of suitable Consultants who after being vetted by the CFATF ICRG, could be engaged with the assistance of donor support and be persuaded to work on a regional basis to draft harmonized AML/CFT legislation.

Another initiative centred on the idea of a Legislative Bank of AML/CFT legislation to be collected and collated by the Secretariat and made available on the CFATF website to all CFATF Members, which would enable jurisdictions to review the legislation and draw lessons on how they may reform their own AML/CFT regimes.

Finally the CFATF ICRG examined the potential of a mechanism to engage all AML/CFT stakeholders through the provision of Template Advice after a case by case evaluation of each jurisdiction.

The CFATF ICRG was mindful that sourcing adequate funding for this ambitious programme for the provision of technical assistance and training to the jurisdictions under review would

pose a considerable challenge, but was nevertheless convinced that this had to be pursued to the extent possible, with the CFATF Secretariat taking the lead in identifying and engaging potential donor partners.

At the end of the period under review, the CFATF ICRG was pleased with the level of engagement and commitment by jurisdictions to reform their AML/CFT regimes in order to be in good standing.

The CFATF ICRG recognised the difficulties that some of the jurisdictions faced with, but considered it essential that ways and means were found to overcome those difficulties as the consequences of continuing non-compliance with the established AML/CFT standards created even greater difficulties for the jurisdictions concerned.

The work of the CFATF ICRG was inextricably linked with the CFATF Follow-Up Procedures that required ongoing reporting by members on the progress made in addressing the AML/CFT deficiencies identified in their Mutual Evaluation Reports.

This linkage provided a useful platform for the CFATF ICRG to coordinate efforts with the Cooperating and Supporting Nations (COSUNs) and the donor community for the delivery of technical assistance and training to correct deficiencies identified in the Mutual Evaluation and Follow-Up Reports.

It facilitated positive and constructive interaction between, the Lead Assessors who monitored implementation of the CFATF ICRG Action Plans with the Mutual Evaluation Team at the Secretariat who had oversight responsibilities for the progress by Members in rectifying the deficiencies identified in the Third Round Mutual Evaluation Reports, as part of the Follow up process so that there was concerted dialogue with the CFATF Member countries

that were under both the FATF and CFATF ICRG processes and avoided duplication of effort and effective and efficient use of human resources.

The CFATF ICRG was also playing an active and constructive role within the FATF ICRG process by having coordinated efforts with the FATF ICRG process and by closely monitoring and influencing the progress that was being made by CFATF members that were subject to FATF ICRG review.

All in all the CFATF ICRG had an enormous workload which was and will continue to be time and resource constrained which at that stage was being carried by effectively only five jurisdictions, a situation that was considered unsustainable in the long term and consequently needed to be looked at seriously by all CFATF members. The CFATF ICRG therefore issued a call for more volunteers from the CFATF membership to join in the work of the CFATF ICRG.

At the Opening Ceremony of the CFATF Council of Ministers Meeting in November 2011 at the start of the period when Mr. Manuel Gonzalez held the CFATF Chair on behalf of Venezuela, FATF President Mr. Giancarlo Del Bufalo in his Special Address to Ministers stated as follows;

“It is the FATF’s mandate to address risks. The ICRG is one of the tools to such end-in this case, to address risks related to jurisdictions that insufficiently apply FATF Recommendations.”

He further stated, “I have taken note with great interest of the CFATF ICRG process, which I sincerely support. I feel that addressing risks is in the interest of both FATF and CFATF countries. And we need your regional expertise to identify and address such risks.”

“I also support the CFATF ICRGF mandate to assist countries to ensure that they address their shortcomings before the FATF regional review group reviews the situation. Those jurisdictions

that have insufficiently implemented the FATF Recommendations should embrace the opportunity, or will otherwise end up on public lists or even face a call for counter measures. 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.”

One year later at the close of Chairman Manuel Gonzalez’s term, FATF President Bjorn Aamo at the Opening Ceremony of the November 2012 Plenary Meeting in the Virgin Islands

“Looking forward to the next round of mutual evaluations, however, must not withdraw the attention from the current follow-up procedures. The CFATF’s follow-up procedures to Mutual Evaluations have been integrated with the CFATF ICRG procedures. For the fourth round of assessments, the FATF will have to find a better balance to coordinate between its own follow-up and ICRG processes. These procedures should not be duplicative, but reinforce each other. As the FATF will work with FSRBs on a consolidated assessment and follow-up procedure for FATF and FSRBs in common.”

It is through these discreet and quiet efforts which require tact and diplomacy, hidden from the glare of publicity that the Secretariat continues to encourage Members to advance their reform programmes and to demonstrate to donor partners that their resources are being directed as agreed through administrative arrangements that are effective, efficient, accountable and transparent.

QUALITY AND CONSISTENCY REVIEW OF THIRD ROUND MUTUAL EVALUATION REPORTS WITH SUPPORT FROM THE COMMONWEALTH SECRETARIAT

As the CFATF's Third Round of Mutual Evaluations was about to conclude, the CFATF began contemplating the preparations for the Fourth Round of Assessments.

In keeping with the spirit of introspection, reflection and reform, and the mandate from the Council of Ministers that the search for organisational efficiency and effectiveness should be ongoing, the CFATF with funding from the Commonwealth Secretariat embarked on a review of the Third Round Mutual Evaluation Reports (MERs) with a view to ascertaining how the strengths and weaknesses of the Mutual Evaluation process could inform and benefit the process and outputs of the Fourth Round of Mutual Evaluations.

A panel of four experts was engaged to undertake this assignment. The experts were selected by the CFATF Secretariat in consultation with the Working Group on FATF Issues ("WGFI"), based on their prior experience with Mutual Evaluations and the assessment tool, the AML/CFT Methodology, and the diversity of professional background, expertise, language skills, national origin, legal system of their home country, etc.

Six (6) of the twenty six CFATF Third Round of Mutual Evaluations, that were approved by the CFATF Council of Ministers and published on the CFATF website between 2005 and 2010 were conducted by Other Examining Bodies (OEBs)

pursuant to reciprocal arrangements which allowed the Mutual Evaluation/Assessment Reports of the CFATF and the OEBs to be used for the purposes of all the organisations concerned.

The terms of reference required the panel to select a sample of between ten (10) and thirteen (13) of these MERs to be included in the review. This number was to include at least one evaluation led by each of the OEBs. It was emphasised that the panel should strive to make the sample representative of the diversity of CFATF members in terms of the various legal systems, relative size of the economies, and language of the country. The date of the various on-site visits were also taken into consideration to ensure that the sample reflected the full time span of the Third Round.

The panel noted the CFATF membership consisted of approximately sixty per cent (60%) English speaking countries, thirty per cent (30%) Spanish speaking countries and ten per cent (10%) countries where the official language is other than English or Spanish (usually French or Dutch). The twenty six (26) countries evaluated between 2005 and 2010 included fourteen (14) common law jurisdictions, eleven (11) civil law jurisdictions and one (1) mixed legal system. Twenty (20) of the Mutual Evaluations were conducted by CFATF, three by International Monetary Fund (IMF), two by World Bank and one by the Financial Action Task Force (FATF) in conjunction with CFATF.

Based on the criteria outlined in the terms of reference and the facts set out above, the panel selected twelve (12) MERs for review. Nine (9) of the twelve (12) reports reviewed were prepared by CFATF. The remaining three (3) were prepared by the OEB. The twelve (12) MERs in the sample represented six (6) common law jurisdictions, five (5) civil law jurisdictions and one (1) mixed legal system. Seven (7) of the MERs were evaluations of

English speaking jurisdictions, four (4) were evaluations of Spanish speaking jurisdictions and one (1) was of a jurisdiction where the official language was other than English or Spanish. The sample represents evaluations conducted from mid-2005 through mid-2009.

The panel acknowledged that a specific and direct statistical comparison of these two groups of MERs is not possible owing to the imbalance in the number of CFATF and OEB MERs reviewed. For that reason, the reader is cautioned to take that imbalance into consideration when analysing the assessment data.

The panel also recognized that the Third Round of Mutual Evaluations was characterized by change and evolution of the evaluation tools such as the Methodology, Handbook, Interpretive Notes and general guidance and was, in many respects, a learning process for all.

The panel examined whether the quality of assessments was consistent across the 12 MER sample. Uniformity as to format, content and quality, and whether there were any significant variations as to same, were all considered by the panel.

Across the full sample of MERs, the great majority of the sections reviewed were of acceptable quality, meaning high and medium quality. However, the degree of quality was not consistent across the sample. In the three MERs generated by OEBs, only one MER contained any sections identified as being of low quality. In the nine MERs generated by CFATF, none was free from sections identified as being of low quality and only three MERs contained fewer than ten such sections.

The panel found that the overall level of quality of the MERs reviewed was largely acceptable, but the frequent deficiencies identified by the panel and the percentages of sections affected across the

CFATF sample of MERs, confirm that there is room for improvement.

The panel concurred that there was a general lack of consistency in the level of quality among the MERs. But, more specifically, the review revealed variations in several areas, including consideration of FATF Recommendations regarding sanctions, resources and statistics in the context of other FATF Recommendations; application and interpretation of the Methodology, including the RBA; assessment of effectiveness, implementation and ratings; format; and presentation and use of statistics.

The causes of these inconsistencies are necessarily varied and some have been addressed by FATF with the issuance of guidelines or in the Revised FATF 40 Recommendations. However, the panel believes additional steps may be necessary to further address the issues, including reaffirmation of commitment to the evaluation process by the members of CFATF.

To that end, the panel made recommendations covering issues including the selection and assessment of assessors, implementation of a quality control process, development of additional or enhancement of existing, guidelines and templates.

This review provides an opportunity for the CFATF to examine the issues that may have diminished the quality of some of the 3rd Round MERs.

The panel expressed its hopes that the recommendations which are outlined below will be useful to CFATF in developing a plan and strategy to enhance the quality and consistency of MERs in the 4th Round.

- **Recommendation 1-Quality of MERS**
- CFATF, in conjunction with FATF and other FSRBs design a plan and strategy

to improve the overall quality of MERs in the 4th Round of Mutual Evaluations.

- **Recommendation 2-Description and Analysis**

- CFATF should consider suggestions set out below, particularly in relation to quality control and a more detailed template, to enhance the quality of the Description & Analysis section and ensure that all essential criteria are addressed.

- **Recommendation 3- Assessor Selection and Training**

- **a)** The panel suggests that the importance of selecting well qualified candidates who have experience in AML/CFT issues for training as assessors be stressed to the CFATF members, both in written communication and at Plenary. CFATF members may wish to consider whether a formal commitment, specifying that assessors will be excused from their regular duties for a period, might be desirable.
- **b)** Should the experience level of candidates for assessor training continue to vary, the panel suggests that CFATF, in conjunction with FATF, OEBs and FSRBs, consider tailoring the training program to the level of AML/CFT experience of attendees. CFATF, FATF, OEBs and FSRBs may consider development of a multi-level program whereby one can progress from a basic course on to an advanced course or, having the required experience, attend the advanced course in the first instance.
- **c)** The panel recommends that CFATF, in consultation with FATF and the FSRBs, consider development of a mechanism to measure competence at the end of each assessor training session. Trainees who do not display minimum competence at the end of a training session should not be added to the list of available assessors.

- **d)** The panel recommends that assessors who have not participated in a mutual evaluation within a certain period after completing assessor training should be removed from the list of qualified assessors until such time as they undergo refresher training.

- **e)** The panel suggests that CFATF consider training fewer assessors who would be used more frequently, allowing them to build up their own level of expertise in the assessment process.

- **Recommendation 4-Quality Control**

- **a)** The panel recommends that CFATF consider the timeframes under which the mutual evaluation process operate and consider methods to enforce those timeframes.

- **b)** The panel also recommends that CFATF work with FATF and the OEBs to develop a practicable quality control process and adjust the mutual evaluation timeframes to accommodate that process.

- **Recommendation 5 - Member Commitment**

- **a)** The panel recommends that the Secretariat present to the CFATF Members the importance of cooperative participation in the mutual evaluation process and attain renewed commitment to the assessment process from each Member jurisdiction at the highest level possible.

- **b)** CFATF Members should make meaningful commitment to the mutual evaluation process, including commitment to meet established timeframes, to provide necessary resources and appropriate personnel, and ensure that the required information is provided to the assessment team in a timely manner.

- c) The panel recommends that on-site visits should not commence until all information necessary to the assessment is received by the CFATF Secretariat.
- **Recommendation 6-Consistency**
- a) The panel suggests that CFATF consider methods by which institutional memory, in particular the manner in which decisions made in respect of recurrent issues are catalogued and communicated, may be enhanced.
- b) Previous recommendations regarding quality control and assessor training are also relevant to addressing this issue.
- **Recommendation 7-Format**
- The panel recommends the CFATF adopt template for MER that includes a subheading for each essential criterion set out in the Methodology and, where required, a subheading for effectiveness.
- **Recommendation 8-Risk based Approach**
- a) The CFATF Secretariat, in conjunction with FATF and the OEBs, may want to explore the possibility of enhancing the guidance modules on assessing this new R1 on the RBA to be used at the assessor training events.
- b) The panel also recommends that CFATF consider development of a directive for its membership to include a scope of standardized data and issues to be addressed in the assessment of AML/CFT risks.
- **Recommendation 9- Effective Implementation**
- a) The panel recommends the development of enhanced guidance on how to measure and evidence implementation, so as to avoid subjective statements and conclusions regarding effectiveness.
- b) Specific training modules should be developed for assessor training events in which the interpretation of effective implementation should be guided by specific and defined bases.
- **Recommendation 10- Statistics and Resources**
- a) The panel recommends that CFATF consider, in consultation with FATF and the FSRBs, designing a standardized set of statistics and a preferred format and require its inclusion in the next round of MERs. This should be circulated to all jurisdictions in readiness for the next round of evaluations.
- b) The panel further recommends that consideration be given to revising the Methodology, as has been suggested by FATF, to include essential criteria regarding statistics and resources in relation to each FATF Recommendation that requires consideration of those issues.
- **Recommendation 11- Recommendations and Comments**
- The panel recommends that a format for Recommendations & Comments be adopted wherein the assessor's recommendations track the order of weaknesses identified in the Description & Analysis section.
- **Recommendation 12- Ratings**
- The panel recommends that CFATF provide assessors with additional guidance as to consistent interpretation and application of essential criteria and assignment of ratings.

The findings and recommendations contained in the panel's report on the Quality and Consistency Review of the CFATF Third Round Mutual Evaluation Reports was reviewed by CFATF Plenary and Council of Ministers in November 2012 and described as a

comprehensive and useful educative tool which should be used to guide the preparations for the Fourth Round of Mutual Evaluations.

The CFATF Plenary and Council of Ministers:

- Endorsed the report and agreed that it should be sent to the FATF so that the findings could be factored into the global dialogue by the FATF and the FATF Style Regional Bodies (FSRBs) on the preparations for the Fourth Round of Assessments.
- Mandated that attempts should be made by the Secretariat to ensure that the pool of Mutual Evaluation Examiners is increased so that there could be substitutes to step in at a moment's notice should there be problems with the performance of any Examiner during a Mutual Evaluation Mission;
- Encouraged that the CFATF should work towards building on the expertise of Examiners by sending them on more Mutual Evaluation Missions, organising refresher training courses, providing for understudy training and avoid frequent rotations so that can enhance their expertise and experiences;
- Mandated that the CFATF WGFI and/or the Steering Group should devise a mechanism to avoid repetition of the problems identified in the Quality and Consistency Review of the CFATF Third Round Mutual Evaluation Reports during the Fourth Round of Assessments; and
- Called for the preparation of an Action Plan for monitoring the implementation of the recommendations in the Quality and Consistency Review of the CFATF Third Round Mutual Evaluation Reports.

The CFATF Plenary, Council of Ministers congratulated the members of the Review Panel for their sterling work and expressed sincerest gratitude and appreciation to the Commonwealth

Secretariat for their unwavering support to the work of the CFATF.

FINANCE

OUTSTANDING CONTRIBUTIONS - 2011-2012

The high levels of outstanding contributions from the membership which stood at in excess of United States dollars (US\$) \$200,000, was the principal driver for the process of introspection, reflection and reform which commenced in May 2010.

Accordingly for the period under review the focus of the Council of Ministers, Plenary, the Steering Group and the Secretariat was the financial health of the CFATF as a whole.

During 2011-2012, there was extensive consultations between the Steering Group and the Secretariat on a whole range of issues including the implementation of the Operational Work Plan and Budget 2011, with a view to continuing the rigorous cost cutting regime which was in place at the start of the reform process.

Led by Chairman Manuel Gonzalez, the Secretariat pursued a robust chase up campaign with those Members who were still in arrears for 2010 and had not submitted their annual contribution for 2011.

By May 2011, all arrears for 2010 had been eliminated and by November 2011 only one jurisdiction was in arrears but this was paid by the first week of December 2011.

Throughout 2012 both Chairman Gonzalez and the Secretariat very successfully continued the robust chase up policy on annual contributions

with the outcome being that there were no arrears by the end of December 2012.

The Council of Ministers endorsed the implementation of the Budget for 2011 and noted the downward trend in line item expenditure but for the costs of translation expenses and the cost of the Plenary and Ministerial Meetings.

BUDGET REVIEW 2012

The Operational Work Plan and Budget for 2012 was premised on the provision of adequate human and financial resources for the CFATF Secretariat which as critical to the ability of the CFATF to operate in an effective fashion, mindful of the need for qualified staff, higher work quality and the overall increasing workload.

Accordingly provisions were made for the appointment of a Chief Financial Officer, later confirmed as Financial Comptroller, with a view to a professional approach to the Secretariat having internal monitoring of the accounting process rather than the ongoing dependence on external accounting professionals. This was an important step in transparent and accountable financial management.

Taking into account the impact that the global economic and financial crisis on the ability of Members to meet the annual contribution as they fell due, there was a call that consideration should be given to alternative formulas for calculation of the annual contributions which should allow for graduated payments so as to alleviate the burden on small jurisdictions.

Plenary and Ministers considered various options for the calculation of the annual contribution including a three tiered framework for differentiated fees. However in recognition that national budget arrangements for 2012 had already been settled, which militated against agreement on any further increases over and above the agree amount for the previous year,

Ministers agreed that the annual contribution for 2012 would be kept at US\$30,000.

Given the level of expenditure for 2012 that was approved by the Council of Ministers, the decision on annual contribution meant that there was a shortfall in income of US\$198,209. It was anticipated that this amount would be met through anticipated revenues of US\$300,000, which would have been generated from the hosting of Compliance Conferences for the private sector.

However, for a variety of reasons, the proposed Compliance Conferences were delayed to 2013 and accordingly the shortfall was met by a drawing on the Reserve Fund.

THE AUDITED FINANCIAL STATEMENTS FOR 2010 AND 2011

During 2011, the CFATF continued its policy of the Council of Ministers being presented with and adopting the Audited Financial Statements on an annual basis.

In keeping with the mandate from Ministers, the Secretariat ensured that the Audited Financial Statements for 2010 were circulated before and presented at the May 2011 Plenary meeting.

Special Ministerial Meeting II which was held in August 2011, whilst endorsing the position that the Steering Group had oversight of the audit and budgeting function, confirmed that the Secretariat should still be responsible for preparing and executing the Budget.

Placing the finances of the organisation within the context of the process of introspection, reflection and reform, the Plenary commended the expeditious implementation of the reform process as impressive as was similarly the case

with the financial management of CFATF affairs as was depicted by the results of the Audited Financial Statements for 2010.

The Council of Ministers at Special Ministerial Meeting III endorsed the Audited Financial Statements for 2011.

The provisions in the annual budget for 2012 followed historic patterns since the creation of the Secretariat in 1993, other than the allocations for the Public Education and Awareness Raising Programme and Workshops to provide guidance in completing the MEQ, which are only of recent vintage.

Annual expenditure provisions covered Audit, Conference Expenses for Plenary/Ministerial Meetings and Training Workshop for Public Education and Awareness Raising Campaigns, Mutual Evaluation Programme including the training of Examiners and guidance in completing the MEQ, Courier Services, General Insurance, Workmen Compensation Insurance, Motor Vehicle Expenses, National Insurance, Postage and Stamps, Office and Stationery, Professional Services for Translation and Accounting, Rental of Housing for the Executive/Professional Staff, Overseas Travel, Telephone, Wages and Salaries, Repairs and Maintenance, Newspapers/Periodicals Subscription, Staff Welfare, Miscellaneous Expenses, Web site Maintenance, and importantly the Mutual Evaluation Missions.

CFATF REFORM PROCESS

The formulation of the Caribbean Financial Action Task Force (CFATF) Reform Process came against a backdrop of a two year period of introspection and self-examination which was initiated by former Chair Mrs. Ersilia de Lannooy of the Netherlands Antilles as it then was in May 2010, resolutely continued thereafter by former

Chair Honourable Samuel Bulgin Cayman Islands and successfully brought to a close by Chairman Mr. Manuel Gonzalez, Venezuela.

The CFATF Action Plan contained specific tasks to be undertaken within agreed timelines by the various organs within the CFATF structure. The overall aim was to enhance organizational and operational efficiency, and grew out of the work and recommendations of the CFATF Financial Advisory Group (FAG), the CFATF Working Group of Reflection and Improvement (WGRI), and recommendations made by the Financial Action Task Force (FATF) Secretariat.

In order to ensure that all the above recommendations were completed, the CFATF Secretariat prepared a CFATF Master Action Plan (CMAP) which incorporated all the tasks and the dates by which they should be undertaken. CMAP was intended to be a mechanism to ensure that all activities were indeed completed in a timely fashion and the required reports to Plenary, Ministers and the FATF Plenary presented as they fell due.

Special Ministerial II in August 2011 discussed and endorsed the progress of the implementation of the reform process. and thereafter status reports on the implementation of the Action Items in CMAP were made to the November 2011, May 2012, November 2012 CFATF Plenary Meetings and to the Council of Ministers in August 2012.

Similar status reports on the CFATF Action Plan were made to FATF Plenary Meetings in June and October 2011, February, June and October 2012.

By November 2011 the CFATF had completed a considerable amount of the Action Items in a very short time frame and was commended by FATF President Giancarlo del Bufalo at the Venezuela Ministerial Meeting in November 2011.

President del Bufalo 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 (WGRI) and the Financial Advisory Group (FAG) which he deemed a perfect example that other FSRBs should follow, an approach which he intended to have discussed within the FATF and hoped to count on the CFATF's input on its experiences and support.

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.

In acknowledging the stewardship of the CFATF by Chairman Samuel Bulgin, President del Bufalo 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"

Between November 2011 and November 2012 the CFATF continued to make rapid progress through purposeful and successful implementation of the outstanding Action Plan Items with reports being made to both the CFATF Plenary and Ministerial meetings.

The CFATF August 2012 Ministerial meeting, considered the progress made to that date and the remaining issues which had to be addressed and

took the decision to bring this bold and forward looking Reform Agenda to a close but mandated that the Reform Process should continue through a permanent search for efficiency in all aspects of organisation's affairs,

At the Opening Ceremony of CFATF Plenary Meeting XXXVI in the Virgin Islands during November 2012, FATF President Mr. Bjorn S Aamo,

- Welcomed the "impressive progress made to date" and "congratulated the CFATF with this result" which as he put it "benefits all members of the global network of the FATF and FSRBs but which will benefit CFATF Members the most".
- Noted that "where good AML/CFT systems exist, the Caribbean region should continue to market this to the outside world" and that the organization "had come a long way and should be able and proud to market your achievements in this area to other parts of the world", and
- Remarked that "the success in implementing the Action Plan have led to a foundation for marketing the results to the outside world".

The FATF Secretariat at CFATF Plenary Meeting XXXVI also noted that,

- "The termination of FATF monitoring of the CFATF Action Plan was a conscious decision based on good reasons given that the organisation had come a long way in a very short timeframe".

Throughout the Reform Process, the CFATF had the fullest support from the CFATF Group of Cooperating and Supporting Nations (COSUNs), who every step along the way, welcomed the advances of the CFATF reform programme, reaffirmed their commitment to the organisation, indicated their readiness to continue providing encouragement and support

to the reform efforts until they were established and supported the CFATF during the process of reporting to the FATF.

The CFATF is of the strong conviction that having achieved this goal, it is now better poised to move forward with confidence to entrench and sustain the reform achievements of the last two years plus.

The organisation remains resolute in its determination not to turn the clock back, but to forge ahead to strengthen regional and global efforts in effectively combating activities relative to money laundering, terrorist financing and proliferation financing, and indeed all forms of financial crime.

EXTERNAL RELATIONS

FINANCIAL ACTION TASK FORCE

In February 2008 the CFATF became the fifth Associate Member of the FATF, a significant accomplishment which gives the region a voice in determining the global AML/CFT agenda through the participation of five (5) CFATF members on a rotating basis at the Working Group and Plenary meetings of the FATF.

Since 1997 the CFATF Secretariat has attended all FATF Plenary meetings and participated in the majority of Working Group meetings.

Currently, the FATF agenda includes several key issues which are under consideration and for which there should be regional input particularly in relation to the lessons being learnt from implementation of the CFATF Third Round of Mutual Evaluations and preparations for and nature of the Fourth Round of Mutual Evaluations.

The Secretariat continues to urge strong involvement by the CFATF membership in all aspects of the FATF agenda, and indeed throughout the period under review the presence of CFATF members at FATF Plenary meetings has been significant as has been their input in the issues facing the global AML/CFT network. The CFATF COSUNs all of whom are FATF members continue to play a significant role in the growth and development of the CFATF, contributing both human and financial resources to all CFATF endeavours and for which the CFATF membership is enormously appreciative.

During November 2011-November 2012 Canada was the COSUN Representative to the CFATF. At the close of the Venezuelan Presidency of the CFATF in November 2012 in the Virgin Islands, the COSUNs commended the CFATF for the hard work and commitment of CFATF Members, the CFATF ICRG and the CFATF WGFI for continuing to build on the foundation of a well organised CFATF that was established at the Venezuela Plenary in November 2011.

During the period under review the COSUNs continued to support the work of the CFATF through the application of their annual contributions to the following activities:

CANADA

To support the attendance of CFATF Secretariat at FATF events such as FATF Plenary meetings and the FATF Public Consultative Forum as well as the Executive Director's visit to the Asia Pacific Group Secretariat as part of the information gathering/sharing experiences phase of the CFATF Reform Process.

FRANCE

The provision of technical assistance and training on AML/CFT issues as well as the Mutual Evaluation Programme in keeping with the terms of a formal agreement between France and the CFATF.

KINGDOM OF THE NETHERLANDS

To support critical AML/CFT training on the revised FATF 2012 Recommendations to all CFATF stakeholders on the margins of the May 2012 Plenary meeting in El Salvador.

MEXICO

To support the attendance of CFATF Secretariat at FATF events such as FATF Plenary meetings and the FATF Public Consultative Forum

SPAIN

The ongoing funding of eight (8) AML/CFT courses coordinated by the Secretariat, for the benefit of enhancing AML/CFT capacity within the CFATF Spanish speaking Members.

- Prevention and Detection of Terrorist Financing
- Supervision of Preventative Policies in Non-Financial Entities
- Financial Analysis of Money Laundering Cases
- The Legal Framework on Money Laundering
- Development of Inspection Visits on Measures undertaken against Money Laundering and Terrorist Financing
- Movement of Funds Overseas in the area of Money Laundering and Terrorist Financing; Risks involved in the use of Trans Boarder Cash Transfers

- Enhancement of the Mechanisms to combat the Financing of Terrorism
- Transparency and Identification of Client in Associations, Corporations and other Judicial Entities.

UNITED STATES OF AMERICA

To support the redesign and development of the CFATF Website and to defray the costs professional services related to the translation of documents.

THE FATF SECRETARIAT

The CFATF and FATF have excellent relations with the working experience between staff of both Secretariats on a day to day basis being described as a pleasurable experience by FATF Secretariat Policy Advisor Mr. Richard Berkhout, who has contributed in no small measure to the strengthening of the relationship between both organisations.

THE FATF GLOBAL NETWORK CO-ORDINATING GROUP

In June 2012, Ms. Dawne Spicer, CFATF Deputy Executive Director was elected Co-Chair of the FATF Global Network Co-ordination Group (GNCG) which was established in February 2012 to deal with relations between the FATF and the FATF Style Regional Bodies (FSRBs).

The remit of the GNCG includes attempting to resolve problems identified in the operations of the FATF/FSRB, and it also is responsible for developing and exchanging best practices in this area.

Deputy Executive Director Dawne Spicer is the first representative of an FSRB and the first woman to Co-Chair an FATF Working Group.

OBSERVER ORGANISATIONS

THE COMMONWEALTH SECRETARIAT

The Commonwealth Secretariat is a founder Observer Organisation to the CFATF and began its support for CFATF activities as far back as the May 1992, CFATF Technical Workshop, which proposed that Regional Ministers should endorse the 40 Recommendations and undertake self-evaluation.

During the period under review, the Commonwealth Secretariat supported the following activities:

- CFATF Quality and Consistency Review of the Third Round Mutual Evaluation Reports which was presented to and accepted by the CFATF Council of Ministers and the FATF Plenary and formed part of the materials on which the dialogue for preparation of the revision of the Mutual Evaluation Procedures for the Fourth Round of Assessments.
- Strategic Implementation Planning Framework Seminars in Antigua and Barbuda, Grenada and Dominica.

CONCLUSION

The achievements of the CFATF for November 2011-November 2012 under the Presidency of the Bolivarian Republic of Venezuela and the stewardship of Chairman Manuel Gonzalez was aptly captured at the Opening Ceremony of CFATF Plenary Meeting XXXVI in the Virgin Islands during November 2012 in the congratulatory words of FATF President Mr. Bjorn S Aamo who welcomed the “impressive progress made to date” and “congratulated the CFATF with this result” which as he put it “benefits all members of the global network of the FATF and FSRBs but which will benefit CFATF Members the most”.