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Status of Grey & Black Lists and AML/CFT Concerns in the Region

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ICAC 40th Annual Conference

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FINANCIAL ACTION TASK FORCE (FATF)

- Established by G-7 in Paris 1989, in response to mounting concern over **money laundering**
- **NOTE: Only ML at time**
- Global standard setting body on ML TF PF matters
- FATF 40 Recommendations
- Public Statements
- Guidelines

FATF February 2023 Plenary Outcomes

- Changes to Jurisdictions Under Increased Monitoring
- Russia's membership suspended
- Updates on Mutual Evaluations – Finalized Indonesia & Qatar reports
- **5th Round of FATF Mutual Evaluations commence in 2024**
- Strategic initiatives:
 - **Beneficial Ownership**
 - Disrupting the financial flows from ransomware
 - Improving implementation of FATF requirements for virtual assets and virtual asset service providers
 - Money Laundering and Terrorist Financing in the Art and Antiquities Markets



FATF



Lists & Impacts

FEBRUARY 2023 CHANGES:

Jurisdictions Under Increased Monitoring (Grey List)

◆ **Newly added:**
Nigeria & South Africa

◆ **Removed:** Cambodia
& Morocco

FATF



Lists & Impacts

- **FATF AML 'Black List'** → High Risk Jurisdictions: **3 countries**
- **FATF AML 'Grey List'** → Jurisdictions Under Increased Monitoring: **25 countries**
- **EU AML Blacklist**

*We must demonstrate
effectiveness*



FATF

For our region on the FATF **Grey** List:

- Barbados
- Cayman Islands
- Haiti
- Jamaica

FATF Black List

Myanmar was **UPGRADED!**

From the Grey List to the **BLACK LIST** to join North Korea & Iran in October 2022

→ Because they did not sufficiently address strategic deficiencies



What Potential Impacts Are Caused by Grey Listing?



greylisting

Impact

- 2021 IMF study found being greylisted:
 - ❖ Drove a **7.6% decrease** of capital inflows of Gross Domestic Product (GDP)
 - ❖ Decreased foreign direct investment (FDI) inflows - **reduces GDP by 3%**
- This can be significant!

Caribbean Financial Action Task Force (CFATF)



- Regional organization which had its genesis out of the Financial Action Task Force (FATF)
- **In order to assess the AML/CFT framework of their member countries, FATF and CFATF undertake detailed reviews referred to as **mutual evaluations****

MER Results from CFATF

| Jurisdiction | IO1 | IO2 | IO3 | IO4 | IO5 | IO6 | IO7 | IO8 | IO9 | IO10 | IO11 |
|---------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|
| Antigua & Barbuda | ME | ME | LE | ME | ME | ME | LE | ME | ME | LE | LE |
| Aruba | SE | SE | SE | SE | ME | SE | ME | SE | ME | ME | LE |
| Bahamas | LE | ME | ME | ME | ME | ME | LE | LE | LE | LE | LE |
| Barbados | LE | ME | ME | ME | ME | LE | LE | LE | LE | LE | LE |
| Bermuda | HE | SE | SE | ME | SE | SE | ME | LE | SE | SE | ME |
| Cayman Islands | ME | ME | LE | LE | ME | LE | LE | ME | LE | ME | ME |
| Grenada | ME | LE | ME | LE | LE | ME | ME | ME | LE | LE | LE |
| Haiti | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE |
| Jamaica | ME | ME | ME | LE | LE | ME | LE | SE | LE | LE | LE |
| Saint Kitts and Nevis | LE | ME | LE | LE | ME | LE | LE | LE | ME | LE | LE |
| Saint Lucia | LE | ME | LE | LE | LE | LE | ME | ME | LE | LE | LE |
| Trinidad and Tobago | ME | ME | ME | ME | ME | ME | LE | LE | LE | LE | LE |
| Turks&Caicos | ME | ME | LE | LE | ME | ME | LE | LE | LE | ME | ME |

Effectiveness

Ratings that reflect the extent to which a country's measures are effective. The assessment is conducted on the basis of 11 immediate outcomes, which represent key goals that an effective AML/CFT system should achieve. See the FATF Methodology for more information.

| | |
|-----------|---|
| HE | High level of effectiveness - The Immediate Outcome is achieved to a very large extent. Minor improvements needed. |
| SE | Substantial level of effectiveness - The Immediate Outcome is achieved to a large extent. Moderate improvements needed. |
| ME | Moderate level of effectiveness - The Immediate Outcome is achieved to some extent. Major improvements needed. |
| LE | Low level of effectiveness - The Immediate Outcome is not achieved or achieved to a negligible extent. Fundamental improvements needed. |

Immediate Outcomes

Immediate Outcomes

| | |
|-------------|--|
| IO1 | Money laundering and terrorist financing risks are understood and, where appropriate, actions co-ordinated domestically to combat money laundering and the financing of terrorism and proliferation. |
| IO2 | International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets. |
| IO3 | Supervisors appropriately supervise, monitor and regulate financial institutions, DNFBPs and VASPs for compliance with AML/CFT requirements commensurate with their risks. |
| IO4 | Financial institutions, DNFBPs and VASPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions. |
| IO5 | Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments. |
| IO6 | Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations. |
| IO7 | Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions. |
| IO8 | Proceeds and instrumentalities of crime are confiscated. |
| IO9 | Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions. |
| IO10 | Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector. |
| IO11 | Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs. |

What Does All This Mean?



- Importance of being able to **demonstrate effectiveness** and achieve better MER Results
- Across the board → **all sectors must be strong in each nation**
- Regulators have become more active and using their enforcement action tools
- More **critical in our region** given challenges with correspondent banking relationships and de-risking



What Are We Seeing?



Pig Butchering

- **Romance scams** → scammer looks to charm the victim & make them fall in love with an aim of extracting money
- **Pig Butchering** → build up the relationship, use heavily scripted approaches and “**fatten up**” the situation with a lot of contact then the scammer will introduce a “can’t miss” investment opportunity which results in victim’s money being taken to the slaughter
- Research analysts have gone deeper behind the scam
- Organized use of industrial scam centres with “cyber-slaves”
- Locations housing hundreds or thousands
- Often forced labour under threat of violence





China & Precursors

- China's vast chemicals market supplies the world with raw materials for everything from perfume to explosives
- It is a major pipeline of creating fentanyl (fentanyl precursors)
- **U.S. sanctioned 4 companies in China** accused of exporting fentanyl precursor chemicals

*Are you **screening** for the most up-to-date sanctions?*



Did you know?



Several of Caribbean FIUs reported a significant rise of pyramid schemes during the COVID-19 period due to persons' loss of income and job insecurity. This is because the pyramid schemes lure persons with a quick and significant financial return within a short period of time.

The schemes are operated via different mechanisms inclusive of social media, virtual meeting platforms and even direct face to face meetings.

A pyramid scheme requires persons to make an initial contribution with the promise of receiving higher returns.

In several instances, members of the schemes are also required to recruit new members with the incentive of receiving a higher pay-out.



Jamaica: 4 Women Facing Fraud Charges

- 4 women accused of defrauding millions from Sagicor Bank
- The 4 are all facing fraud-related offences
- Linked to the alleged disappearance of J\$65 million (US \$520,000)



Crime Comes with a Cost

- Convicted fraudster Allen Stanford's \$7 billion Ponzi scam
- TD Bank agreed to pay \$1.2 billion to settle the lawsuit
- HSBC Holdings agreed to pay \$40 million
- Independent Bank (Bank of Houston) paying over \$100 million
- Societe Generale paid \$157 million
- Trustmark Corp paid \$157 million

Fraudsters Charged with 67 Counts of Money Laundering

- **Trinidad – Sept. 2022**
- Former female employee of a **financial institution** allegedly processed \$530,000 in transactions from a customer's account without authorisation
- A **report** was made to police and investigations were conducted by the Financial Investigations Branch ✓
- Trio were charged with various counts of **money laundering**



Is there money
laundering here?

Good reminder



Where there
is crime →

there is money
laundering

Grenada and St. Vincent police carry out major drug bust

© January 28, 2018 - 19:57

Posted in: REGIONAL



Barbados lawyer gets 7 Years

- Barbados attorney **sentenced to 7 years** for **stealing** his clients' money along with **money laundering**
- **See that? → 2 crimes**
- Jackman denied stealing \$678,000 belonging to his client
- Pleaded not guilty to engaging in money laundering



Why PEPs Are Automatically Higher Risk

- **Exactly why** we treat PEPs, their family & close associates with greater scrutiny & deemed HIGH RISK
- FATF R.12 on Politically Exposed Persons (PEPs)
- BVI Premier Andrew Alturo Fahie, Managing Director of the BVI Ports Authority Oleanvine Pickering Maynard, and her son Kadeem Stephan Maynard → charged with cocaine trafficking & money laundering conspiracies
- Agreed to facilitate passage of tons of Colombian cocaine through BVI
- In exchange, defendants would make millions \$\$\$
- Enriching oneself by abusing their position of trust



Case Update:

**Two are
changing their
pleas to guilty!**

Trinidad FIU

- Received 958 suspicious transaction reports by the end of September 2022
- Value of TT\$1,937,211,057 (USD \$284 million)
- **Top activities:**
 - **Tax evasion**
 - **Fraud**
 - **Money laundering**
 - **Drug trafficking**



CARIBBEAN FINANCIAL ACTION TASK FORCE



**REPORT: CFATF Risk, Trends & Methods Group
(CRTMG)**

Typology Report on Money Laundering and Terrorist Financing

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TABLE OF CONTENTS

Contents

| | |
|--|----|
| LIST OF ACRONYMS USED IN THE REPORT | 3 |
| INTRODUCTION..... | 4 |
| OVERVIEW OF PREVIOUS CFATF TYPOLOGIES | 5 |
| AIMS OF THE PROJECT | 8 |
| SCOPE OF THE STUDY | 8 |
| METHODOLOGY | 8 |
| MONEY LAUNDERING CASES..... | 9 |
| 1. <i>Use of cheque, wire transfer and trust company service provider</i> | 9 |
| 2. <i>Use of virtual currency</i> | 11 |
| 3. <i>Skimming, harvesting of debit cards and illegal trade in precious metals</i> | 11 |
| 4. <i>Fraud by false pretence; skimming and harvesting of bankcards</i> | 13 |
| 5. <i>Skimming and harvesting of debit cards</i> | 13 |
| 6. <i>Tax evasion</i> | 14 |
| 7. <i>Fraud, wire transfers</i> | 15 |
| 8. <i>Transfers along high-risk corridors and structuring of transactions</i> | 16 |
| 9. <i>Fraud involving transactions in the purchase and sale of real property</i> | 18 |
| 10. <i>Tax evasion</i> | 19 |
| 11. <i>Currency exchange</i> | 21 |

Reality → We have
crime and so do
most nations

This is what it is about





Questions?

Follow Me on LinkedIn for Ongoing Awareness

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