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# Staff Country Reports

**St. Vincent and the Grenadines: Report on Observance of Standards and Codes—  
FATF Recommendations for Anti-Money Laundering and  
Combating the Financing of Terrorism**

This Report on the Observance of Standards and Codes on the FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism for St. Vincent and the Grenadines was prepared by a staff team of the International Monetary Fund using the assessment methodology adopted by the FATF in February 2004 and endorsed by the Executive Board of the IMF in March 2004. The views expressed in this document, as well as in the full assessment report, are those of the staff team and do not necessarily reflect the views of the Government of the St. Vincent and the Grenadines or the Executive Board of the IMF.

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**SAINT VINCENT AND THE GRENADINES**

**Report on Observance of Standards and Codes (ROSC)—FATF Recommendations for  
Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)**

**Prepared by the Legal Department**

**Approved by Sean Hagan**

**June, 2010**

## ABBREVIATIONS

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
CCMA	Customs (Control and Management)(Amendment) Act)
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Combating the Financing of Terrorism
DNFBP	Designated Non-Financial Businesses and Professions
DPP	Director of Public Prosecutions
ECCB	Eastern Caribbean Central Bank
FATF	Financial Action Task Force
FIs	Financial Institutions
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
IBC	International Business Company
IFSA	International Financial Services Authority
IMF	International Monetary Fund
ITR	International Trust
MOU	Memorandum of Understanding
ML	Money Laundering
NAMLC	National Anti-Money Laundering Committee
NPO	Nonprofit Organization
PEP	Politically-Exposed Person
POCA	Proceeds of Crime and Money Laundering (Prevention) Act
ROSC	Report on Observance of Standards and Codes
SAR	Suspicious Activity Report
SFT	Suppression of the Financing of Terrorism
SRD	Supervisory and Regulatory Division
SVG	Saint Vincent and the Grenadines
UN	United Nations
UNATMA	United Nations (Anti-Terrorism Measures) Act
UNSCR	United Nations Security Council Resolution

## A. Introduction

1. This Report on the Observance of Standards and Codes for the FATF 40 Recommendations for Anti-Money Laundering (AML) and 9 Special Recommendations on Combating the Financing of Terrorism (CFT) was prepared by the Legal Department of the International Monetary Fund (IMF)<sup>1</sup>. The report provides a summary of the AML/CFT measures in place in St. Vincent and the Grenadines (SVG) and of the level of compliance with the FATF 40+9 Recommendations, and contains recommendations on how the AML/CFT system could be strengthened. The assessment is based on the information available at the time of the mission from February 23 through March 10, 2009, and was conducted using the 2004 Assessment Methodology. The Detailed Assessment Report (DAR) on which this document is based was adopted by the Caribbean Financial Action Task Force (CFATF) plenary on June 2, 2010. The views expressed here, as well as in the full assessment report, are those of the IMF staff team and do not necessarily reflect the views of the Government of SVG or the Executive Board of the IMF.

## B. Key Findings

2. **Saint Vincent and the Grenadines (SVG), as is the case with other countries in the Caribbean, is exposed to money laundering (ML) and financing of terrorism (FT) risk related to drug trafficking and international criminal groups.** It is also exposed to international ML/FT risk associated with its relatively small international (offshore) financial sectors. SVG is aware of these risks and has expressed strong commitment to identifying and prosecuting drug trafficking offences and ML. It is not aware of any FT activities being conducted in SVG. There have been four convictions for ML (with two pending cases) and five prosecutions in the last five years (2004–2008). The number and level of prosecutions as well as property confiscations and forfeitures appear to be relatively low.

3. **To help address these risks, SVG has enacted legislation that includes, *inter alia*, the Drug Trafficking Offences Act (DTOA), the Proceeds of Crime and Money Laundering (Prevention) Act (POCA) and its Regulations, the Financial Intelligence Unit Act (FIU Act), and the United Nations (Anti-Terrorism Measures) Act (UNATMA).** However, SVG could benefit from a formal and broad-based national policy and strategy to combat ML and FT across all sectors, including international financial services. A country review of the main ML/FT threats and vulnerabilities would support the formulation of such strategy, action plan, and the effective use of resources.

4. **Local legislation conforms to most but not all of the provisions of the Vienna and Palermo Conventions.** In addition, the ML laws do not cover some of the categories of predicate offences called for by the international standard, and the provisions with respect to the definition of “property”

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<sup>1</sup> The assessment team consisted of: Manuel Vasquez (IMF staff and mission leader); Moni Sengupta (IMF staff); Ross Delston (IMF consultant); and John Abbott (IMF consultant).

and self-laundering should be strengthened. The definition of ‘terrorist act’ in the UNATMA does not cover acts required by two of the applicable UN Conventions. Finally, there is significant scope for enhancing implementation of the AML/CFT legislation in order to increase the number of ML prosecutions, convictions and confiscations.

5. **Interagency cooperation and coordination arrangements are informal but generally effective.** There is a National Anti-Money Laundering Committee (NAMLC) which provides a forum for the exchange of information and coordination. Its members are key stakeholders in national AML/CFT efforts including the financial sector regulators, the financial intelligence unit (FIU) and the various law enforcement agencies. Interagency cooperation could be better supported by more formal arrangements e.g. between the Director of Public Prosecutions (DPP) and the FIU with respect to investigations and prosecutions.

6. **The preventive measures regime covers most of the financial and designated non-financial businesses and professions (DNFBP) sectors as required under the FATF Recommendations.** However, the POCA and its Regulations have not kept pace with revisions in the FATF standard and should be updated. There are no other enforceable means (OEM) for ensuring compliance with these requirements and the authorities should consider making the non-mandatory Guidance Notes or parts thereof enforceable. A key challenge will be to more fully implement the legislation across all sectors, particularly in the domestic non-banking sectors (e.g. the building societies, credit unions, insurance companies and intermediaries, and money remittance), and in the international financial services sectors. This may entail strengthening the staffing and resource capacity of the International Financial Services Authority (IFSA) and the Supervisory and Regulatory Division (SRD) of the Ministry of Finance. Compliance with the AML/CFT legal requirements has not been vigorously enforced by the financial sector supervisors and their supervisory programs could benefit from the application of more risk-based AML/CFT supervisory procedures.

7. **The SVG authorities have cooperated with their international counterparts in the area of ML and are willing and able to cooperate in matters relating to both ML and FT.**

### C. Legal Systems and Related Institutional Measures

8. **ML has been criminalized and the legislation is largely in conformity with the Vienna and Palermo Conventions.** However, certain offences and the definition of ‘property’ in POCA are not consistent with the relevant articles of these conventions. Self-laundering by way of simple possession of proceeds is not criminalized. Racketeering, human trafficking and migrant smuggling are not predicate offences for ML. Moreover, implementation appears to be weak as suggested by the low number of criminal prosecutions and convictions for ML and related predicate crimes.

9. **The financing of terrorism has also been criminalized and is largely in conformity with the Suppression of the Financing of Terrorism (SFT) Convention.** However, the Convention on the Physical Protection of Nuclear Material (1980) and the International Convention for the Suppression of Terrorist Bombings (1997) are not included in the list of conventions under the United Nations (Anti-Terrorism Measures) Act (UNATMA) for purposes of the definition of ‘terrorist act.’ In addition,

certain offences in the UNATMA apply only to terrorist groups and not to individual terrorists. There is no legislation to implement the relevant United Nations Security Council resolutions (UNSCRs), including but not limited to UNSCRs 1267, 1373 and 1455, that require member states to freeze, seize and confiscate the assets of designated terrorists and terrorist organizations.

10. **While it is not possible to reach a definitive conclusion, the overall numbers of prosecutions, convictions, confiscations and forfeitures of property in the last five years, appear to be low given the extent of drug trafficking believed to be taking place in or through SVG.** In addition, the available statistics do not reflect the potential for ML and FT associated with the international financial (offshore) services sectors.

11. **The FIU is well established and operational, with sufficient legal authority and a highly motivated and professional staff.** It is the primary AML/CFT institution in SVG, and is constituted as a hybrid administrative/law enforcement FIU reporting to the Minister of Finance. In addition to its core functions of receiving, analyzing and disseminating STRs, the FIU also has taken on additional tasks, in particular, engaging in financial intelligence, investigation and prosecutorial activities. (The prosecutorial activities are carried out in coordination with the Director of Public Prosecutions.) The FIU Act provides it with sufficient legal authority for most financial intelligence functions but does not specify the requisite authority to access relevant information from other governmental bodies for intelligence purposes. Police and customs officers assigned to the FIU, however, retain their individual authority to access information under their respective police and customs legislation. The FIU analyzes suspicious activity reports (SARs) received but its effectiveness in terms of generating financial intelligence for further investigation and prosecution for ML offenses is could be improved. Its composition as a multi-disciplinary FIU allows for efficient case management and information flow but this may be at the expense of its core financial intelligence function due to limited human resources. Nearly all of the ML investigations conducted and related production orders issued to-date have been based on pro-active investigations by the FIU and not prompted by SARs.

12. **Designated law enforcement authorities are available to support the FIU's AML/CFT investigations and prosecutions.** As a hybrid administrative/law enforcement FIU, it has specialized staff that carry out the ML/FT investigative, law enforcement and prosecutorial functions. Its staff includes lawyers, seconded police, and customs officers, and other support staff. FIU staff are adequately trained and versed in their areas of expertise.

13. **There is good cooperation between the FIU, law enforcement authorities and the Attorney General.** The FIU staff conducts joint operations and investigations with the police and customs authorities, and regularly applies to the court for production orders in coordination with the DPP. This has helped to develop prosecutions of ML cases. Cooperation arrangements could nonetheless be enhanced through a more formal framework between the FIU and domestic law enforcement authorities. The AML/CFT expertise within the police and customs force could also be enhanced, and all agencies involved in AML/CFT could benefit from more advanced training especially for complex ML and FT cases. Both the DPP and the AG's office are under-resourced to conduct complex ML

prosecutions especially those with international dimensions. This may partly explain why some ML investigations are diverted to other jurisdictions.

14. **The legal and institutional framework regarding the cross-border transportation of cash and bearer instruments is largely in place.** However, the Customs Department has an administrative procedure in place for dealing with cash couriers that could limit enforcement action against such couriers. This procedure is not being used and its potential drawbacks are mitigated by informal cooperation arrangements with the FIU. There is also insufficient coordination with the DPP on such matters. In addition, administrative and criminal fines in the customs laws are not sufficiently proportionate and dissuasive.

#### **D. Preventive Measures – Financial Institutions**

15. **SVG has implemented an AML/CFT legal and regulatory framework for financial institutions (FIs), supplemented by non-mandatory Guidance Notes that partly meet with the FATF requirements.** The POCA (2001) was amended in 2002 and in 2005, but the POCA Regulations (Regulations) have remained practically unchanged since they were issued in 2002. They have not been updated to more fully comply with the revised FATF standard. In addition, key provisions of the Guidance Notes, which could help meet the FATF requirements, are not mandatory or enforceable. Making them enforceable or including some of their provisions in the POCA Regulations may achieve this goal.

16. **The regulatory framework does not explicitly cover CFT issues and does not extend the customer due diligence (CDD) requirements beyond customer identification and verification.** The CDD provisions in the Guidance Notes are generally broad but, as noted above, they are not enforceable. The AML/CFT requirements could be strengthened with the addition of key provisions for, inter alia, the establishment of formal AML/CFT policies, CDD for beneficial owners and controllers of legal entities and arrangements, and record keeping. In addition, the POCA (Schedule 1) and Regulations do not explicitly cover mutual fund and life insurance sector intermediaries and should, for the avoidance of doubt, list all FIs specifically covered by SVG financial legislation. More strict enforcement of compliance by supervisors is required to ensure more effective implementation of the existing CDD requirements. The regulations should include enhanced requirements for ML/FT risk management and controls especially with respect to higher risk customers e.g. bearer share companies, politically-exposed persons (PEPs), non-residents, and correspondent banking relationships.

17. **Recordkeeping in the domestic financial sector appears to be generally adequate but the regulatory requirements and practice do not facilitate effective ongoing supervision of FIs operating in the international financial services sectors.** These FIs are generally allowed to keep records outside of SVG although the International Financial Services Authority (IFSA—the primary supervisor for such entities) has the legal authority to request and access information or copies of records. In cases where FIs are allowed to rely on third parties for carrying out CDD, the Regulations do not require FIs to immediately obtain the relevant CDD information from such third parties. This limits the ability of the supervisory authorities, auditors, and compliance officers to more efficiently

and effectively monitor compliance with the CDD and other AML/CFT requirements, particularly where the underlying customer records are kept outside of the jurisdiction. It may also limit the ability of the FIU and law enforcement agencies to efficiently access such information.

**18. Arrangements for the reporting of suspicious transactions are generally well developed and the FIU has been receiving reports from FIs.** There is a need to upgrade the regulatory requirements to monitor and document, complex, large and unusual transactions to provide a stronger basis for identifying and reporting suspicious transactions. Implementation of the suspicious transaction reporting regime varies significantly across sectors, with apparent under-reporting by offshore financial institutions sectors and the domestic non-banking sectors. The vast majority of SARs filed relate to cash transactions.

**19. AML/CFT compliance supervision is still evolving and more effective implementation is required particularly with respect to the non-banking sectors.** IFSA is the supervisor for international services businesses, including some DNFBPs, while the Eastern Caribbean Central Bank (ECCB) and the SRD of the Ministry of Finance are responsible for domestic banks and non-banking FIs, respectively. The scope and frequency of onsite inspections for all FIs could be strengthened including through the adoption of a more risk-based approach. Compliance supervision of domestic banks has been sporadic, and the framework and procedures for AML/CFT supervision of insurance companies and intermediaries, credit unions, and money remitters are still being developed. Implementation of AML/CFT supervision, particularly onsite inspections, has only recently commenced for the domestic non-banking sectors, and the legal and supervisory framework for a systemically important building society is still being developed. There are a couple of lending entities that appear to fall under the POCA and its Regulations but which are not subject to authorization and supervision. After the mission, they were reviewed by the authorities for significance and “fit and proper” purposes. At the time of the mission, staff resources of IFSA and the newly established SRD were very limited given the number of entities under their jurisdiction but post mission the authorities informed that steps were being taken to strengthen staff at the IFSA.

**20. Effective ongoing supervision is hindered by minimal physical presence/mind and management of some FIs operating in the international financial services sector.** While all offshore banks have local offices, the mission found that a small number have only nominal mind and management in SVG. Supervision of FIs that conduct and manage the core of their business operations from overseas is not complemented by e.g. the use of independent auditors and/or consultants acting on behalf of the supervisor. Monitoring of the fit and proper requirements for owners and controllers of offshore FIs does not appear to be a routine supervisory activity and should be strengthened including the transparency of ownership structures. Enforcement of AML/CFT compliance is relatively weak and there should be additional enforcement powers in the AML/CFT and/or financial laws to apply a range of administrative sanctions.

**21. There are no regulatory requirements for including full originator information for wire transfers in accordance with SR VII.** Nevertheless, as a matter of normal business practice some FIs

appear to comply with most of the originator information requirements of SR VII because of international standardized procedures for cross-border wire transfers.

22. **Money service businesses are required to be licensed and are subject to the preventive measures obligations of the POCA and Regulations.** Supervision for compliance of stand-alone money service businesses is the responsibility of the SRD-Ministry of Finance, including for AML/CFT. Licensing procedures, including regulatory requirements for AML/CFT controls, are in place but at the time of the assessment, the Ministry was only beginning to develop AML/CFT compliance monitoring procedures. Four firms have been licensed as money transmitters and are involved primarily in servicing inward flows of worker remittances. Money transmitters process a large volume of one-off cash transactions and have implemented systems for identifying and reporting suspicious activities. They have filed the highest number of suspicious transaction reports to the FIU.

#### **E. Preventive Measures – Designated Non-Financial Businesses and Professions**

23. **SVG has extended the preventive measures obligations of the POCA and Regulations to designated non-financial businesses and professions (DNFBPs).** The covered sectors are: casinos, lawyers, notaries, accountants, company and trust services providers (registered agents and trustees), real estate agents, and jewelers. The obligations also apply to lottery agents and car dealers. For the DNFBPs, the main ML/FT risk exposure appears to be related to cross-border transactions conducted through the international financial services sector, or connected with real estate transactions in the tourism sector. SVG has an active trust and company services sector focused primarily on formation and management of international business corporations (IBCs), and trust administration. They are required to be licensed by the IFSA. Tourism-related real estate transactions are also significant. Cash transactions in high value goods (jewelry, cars) are relatively small scale and domestically oriented. The casino sector is small (two facilities) but poorly regulated.

24. **The preventive measures requirements for DNFBPs are broadly similar to those for financial institutions but supervision of compliance with their AML/CFT obligations is uneven and underdeveloped.** Registered agents and trustees are supervised by IFSA as part of its oversight of the international financial services sector. Supervision of registered agents has focused primarily on licensing requirements but more recently IFSA has enhanced its on-site and off-site monitoring of compliance with the AML/CFT requirements.

25. **No agency has been assigned supervisory responsibility for monitoring of and enforcing compliance by the other DNFBPs.** Nonetheless, the FIU plays an active role in promoting AML/CFT compliance by DNFBPs, as it does for other FIs. The FIU has statutory responsibility for raising awareness of AML/CFT issues across the regulated sectors and under this authority it engages in a regular program of outreach and training for DNFBPs, especially for those that are not subject to formal regulation. Despite the absence of formal supervision, these DNFBPs generally appeared to be familiar with their obligations. Formal AML/CFT oversight is needed to ensure that all DNFBPs are effectively implementing, on a risk-sensitive basis, the measures required by POCA and the

Regulations, as well as the applicable FATF Recommendations. While the casino sector is very small, its vulnerability to ML has not been evaluated and its regulatory framework is not well established.

#### **F. Legal Persons and Arrangements & Non-Profit Organizations**

26. **With respect to international business companies (IBCs), SVG's legal framework requires registered agents to obtain information about beneficial ownership of legal persons, to make that information available to IFSA, and to immobilize bearer shares.** In addition, IFSA has begun the process of implementing these requirements through onsite inspections and is developing procedures. However, in practice, there are a number of significant concerns that diminish IFSA's ability to ensure transparency of legal persons. In particular, bearer shares are not properly immobilized and onsite inspection procedures of IFSA have not been sufficient to ensure that adequate, accurate and complete information about beneficial owners is being collected and maintained by registered agents. For local companies, the Companies Registrar does not have legal authority to ensure that adequate, accurate and complete information about beneficial owners is available to them or to law enforcement authorities. There is also no restriction or control on the use of nominee shareholders and directors in the Companies Act nor is it possible for the Companies Registrar to determine if nominees are being used. For both IBCs and local companies, relevant laws do not provide competent authorities with adequate powers to ensure that requisite information on beneficial owners is being maintained and disclosed.

27. **With respect to legal arrangements, the legal and institutional framework is minimal for International Trusts (ITRs), and there is no legal or institutional framework in place for domestic trusts.** With respect to ITRs, there are no laws, regulations or other enforceable means that require registered trustees to identify the beneficial owners/beneficiaries of trusts.

28. **Charities are subject to the preventive measures obligations of the POCA and the associated regulations but are not subject to oversight for compliance.** To be eligible for tax preferences, non-profit organizations (NPOs) are required to be incorporated under the Companies Act, including satisfying basic governance and reporting requirements. The Act does not have a specific FT orientation. Drawing on companies' registration information, the FIU has undertaken responsibility for evaluating the structure and activities of NPOs to monitor the vulnerability of the sector to ML and FT risks, and to promote AML/CFT awareness and compliance. The bulk of NPOs in SVG are believed to be small, involving raising and disbursing of local funds for social, cultural, religious, or charitable purposes. However, a few NPOs receive significant funding from overseas to support various forms of education, training, and welfare assistance. These larger NPOs have been the primary focus of the FIU's attention. No specific ML or FT concerns have been identified.

#### **G. National and International Co-operation**

29. **SVG has significantly enhanced its framework for national cooperation since the last assessment.** The repeal of the Exchange of Information Act 2002 eliminated the previous, prohibitive provisions on financial information. The principal legal provisions for national cooperation and

coordination are contained in the Exchange of Information Act 2008 (EIA) and in the FIU Act. National cooperation has been further enhanced by the signing of MOUs among the FIU, Police and Customs authorities. A similar MOU with Inland Revenue is also needed. Nonetheless, the FIU does not have specific legal authority to obtain law enforcement and other governmental information needed for purposes of its intelligence and analysis functions. In addition, the NAMLC does not have a statutory role for policy coordination. Finally, domestic regulatory authorities do not have a uniform basis for interagency cooperation including with the FIU and law enforcement authorities. While the NAMLC plays a vital communication role among the various agencies, it does not have a specific mandate or arrangement for information sharing or cooperation in specific cases.

30. **The framework for international cooperation is generally well designed and based on clear legal authority.** The authorities consider international cooperation a priority in their AML/CFT framework, and have participated in a number of cooperation cases to-date. The legal framework for cooperation could nonetheless be enhanced by specific provisions that allow for investigations and related prosecutorial measures relating to FT on behalf of foreign law enforcement authorities. The framework for mutual legal assistance and extradition is generally in place, and has been fully implemented within the SVG AML/CFT legal system.

### Summary Table of Observance and Key Recommendations

FATF 40+9 Recommendations	Key Assessor Recommendations
<b>1. Legal System and Related Institutional Measures</b>	
<b>Criminalization of Money Laundering</b> <b>R. 1 – PC</b> <b>R. 2 – C</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Strengthen laws for consistency with the Vienna and Palermo Conventions, and criminalize racketeering, human trafficking and migrant smuggling as predicate offences.</li> <li>• Intensify efforts on prosecutions and convictions for ML and predicate crimes.</li> </ul>
<b>Criminalization of Terrorist Financing</b> <b>SR. II – LC</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Add two conventions that are listed in the annex to the SFT Convention to UNATMA.</li> <li>• Amend UNATMA to cover individual terrorists, and not just terrorist acts and terrorist groups.</li> </ul>
<b>Confiscation, freezing, and seizing of proceeds of crime</b> <b>R. 3 – LC</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Provide in the law an explicit provision for confiscation of indirect proceeds of crime.</li> <li>• Intensify efforts on forfeitures and confiscation of property related to ML.</li> <li>• Consider enacting the bill currently to provide for civil forfeiture of all property.</li> </ul>
<b>Freezing of funds used for terrorist financing</b> <b>SR. III – NC</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Promptly implement the relevant UNSCRs.</li> </ul>
<b>The Financial Intelligence Unit and its functions</b> <b>R. 26 – LC</b> <b>R. 30 – PC</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Strengthen the FIU’s analytical function and staff capacity.</li> <li>• Provide in the FIU Act broad-based authority to obtain information from other governmental authorities.</li> </ul>
<b>Law enforcement,</b>	<ul style="list-style-type: none"> <li>• Include specific FT offences and powers either in the applicable law enforcement</li> </ul>

<p><b>prosecution and other competent authorities</b>  <b>R.27 – PC</b>  <b>R. 28 – C</b>  <b>R. 30 – PC</b>  <b>R. 32 – LC</b></p>	<p>laws.</p> <ul style="list-style-type: none"> <li>• Enhance the resources of the DPP’s office and strengthen training for police and customs officers on ML and FT issues.</li> </ul>
<p><b>Cross Border Declaration or disclosure</b>  <b>SR. IX– LC</b></p>	<ul style="list-style-type: none"> <li>• Introduce a process that allows the DPP to prosecute offences related to undisclosed, suspicious or concealed currency.</li> <li>• Increase administrative fines in the CCMA.</li> </ul>
<p><b>2. Preventive Measures: Financial Institutions</b></p>	
<p><b>Risk of money laundering or terrorist financing</b></p>	<ul style="list-style-type: none"> <li>• Explicitly cover (i) mutual fund administrators, managers and underwriters; and (ii) insurance intermediaries i.e. agents and brokers in POCA.</li> <li>• Implement an oversight and AML/CFT compliance regime for non-regulated lending operations.</li> </ul>
<p><b>Customer due diligence, including enhanced or reduced measures</b>  <b>R. 5 – NC</b>  <b>R. 6 – NC</b>  <b>R. 7 – NC</b>  <b>R. 8 – PC</b></p>	<p><b>R.5</b></p> <ul style="list-style-type: none"> <li>• Extend POCA and the Regulations to explicitly cover FT.</li> <li>• Explicitly prohibit anonymous or fictitious name accounts.</li> <li>• Extend the full range of CDD for business relationships and one-off transactions.</li> <li>• Enhance requirements for identification of legal persons and arrangements.</li> <li>• Introduce enhanced CDD requirements for higher risk clients.</li> <li>• Enhance supervision and enforcement of compliance across with regards to implementation of CDD requirements.</li> </ul> <p><b>R.6 and R.7</b></p> <ul style="list-style-type: none"> <li>• Require enhanced CDD measures for new and existing PEP and correspondent accounts, including for offshore banks.</li> </ul> <p><b>R.8</b></p> <ul style="list-style-type: none"> <li>• Require enhanced CDD measures for non-face to face business.</li> </ul>
<p><b>Third parties and introduced business</b>  <b>R. 9 – NC</b></p>	<ul style="list-style-type: none"> <li>• Require FIs to immediately obtain CDD information from introducers and ensure that documentation will be available promptly on request.</li> </ul>
<p><b>Financial institution secrecy or confidentiality</b>  <b>R. 4 – PC</b></p>	<ul style="list-style-type: none"> <li>• Remove all remaining legal limitations of access to information in sector specific acts.</li> </ul>
<p><b>Record keeping and wire transfer rules</b>  <b>R. 10 – LC</b>  <b>SR. VII – NC</b></p>	<p><b>R. 10</b></p> <ul style="list-style-type: none"> <li>• Amend regulations to mandate that FIs keep records longer than the minimum period when required by the FIU.</li> <li>• Closely monitor and enforce recordkeeping and information access requirements for FIs (and DNFbps) that operate in the international financial services sectors.</li> </ul> <p><b>SR. VII</b></p> <ul style="list-style-type: none"> <li>• Require and monitor all wire transfer service providers for adherence to the wire transfer recommendations of SR VII;</li> </ul>
<p><b>Monitoring of transactions and relationships</b>  <b>R. 11 – PC</b>  <b>R. 21 – NC</b></p>	<p><b>R. 11</b></p> <ul style="list-style-type: none"> <li>• Explicitly require FIs to examine and record the background and purpose of transactions covered by R. 11.</li> <li>• Amend regulations to require that the written findings of reporting entities on their examination be subject to POCA record keeping requirements;</li> <li>• Amend POCA to provide for direct administrative sanctions for reporting parties that fail to adhere to the requirements for monitoring transactions, including failure to implement procedures to monitor, prepare written findings and maintaining records</li> </ul>

	<p>on such monitoring.</p> <p><b>R.21</b></p> <ul style="list-style-type: none"> <li>• Introduce measures with respect to transactions and business relationships with countries that do not apply FATF Recommendations.</li> </ul>
<p><b>Suspicious transaction reports and other reporting</b></p> <p><b>R. 13 – PC</b></p> <p><b>R. 14 – NC</b></p> <p><b>R. 19 – C</b></p> <p><b>R. 25 – LC</b></p> <p><b>SR. IV – NC</b></p>	<ul style="list-style-type: none"> <li>• Require FIs to report all suspicions irrespective of the type of transaction.</li> <li>• Require the filing of SARs for suspicious transactions relating to the financing of individual terrorists or terrorist organizations.</li> <li>• Prohibit tipping off of the fact of the filing of SARs.</li> </ul>
<p><b>Internal controls, compliance, audit and foreign branches</b></p> <p><b>R. 15 – PC</b></p> <p><b>R. 22 – LC</b></p>	<ul style="list-style-type: none"> <li>• Enhance the AML/CFT policy and staff training requirements.</li> <li>• Enhance the employees for fit and proper requirements and practice.</li> <li>• Monitor and enforce the compliance function of FIs.</li> </ul>
<p><b>Shell banks</b></p> <p><b>R. 18 – NC</b></p>	<ul style="list-style-type: none"> <li>• Review the physical presence of all offshore banks and prohibit the continuation of any shell banks.</li> <li>• Introduce explicit prohibitions against entering into, or continuing correspondent banking relationships with shell banks.</li> <li>• Require FIs to satisfy themselves that respondents in other countries are not used by shell banks.</li> </ul>
<p><b>Supervisory and oversight system—competent authorities and SROs</b></p> <p><b>Role, functions, duties and powers (including sanctions)</b></p> <p><b>R. 17 – NC</b></p> <p><b>R. 23 – NC</b></p> <p><b>R. 25 – LC</b></p> <p><b>R. 29 – PC</b></p> <p><b>R. 30 – PC</b></p> <p><b>R. 32 – LC</b></p>	<p><b>R.23</b></p> <ul style="list-style-type: none"> <li>• Increase transparency and supervise ownership and control structures of offshore institutions.</li> <li>• Increase supervisory resources to conduct effective ongoing supervision across all sectors.</li> </ul> <p><b>R.29</b></p> <ul style="list-style-type: none"> <li>• Implement a regulatory and supervisory AML/CFT regime for building societies and unauthorized money lending operations.</li> <li>• Introduce explicit legal provisions for all regulators to supervise, inspect and enforce AML/CFT compliance including the power to initiate enforcement proceedings under these laws.</li> </ul> <p><b>R.17</b></p> <ul style="list-style-type: none"> <li>• Provide regulatory bodies a full range of administrative powers to apply sanctions for violations of POCA and the POCA Regulations.</li> <li>• Amend regulatory laws to ensure that civil fines and criminal penalties are substantially increased.</li> </ul>
<p><b>Money value transfer services</b></p> <p><b>SR. VI – PC</b></p>	<ul style="list-style-type: none"> <li>• Implement a comprehensive AML/CFT supervision regime for money transfer services including for onsite inspections.</li> <li>• Investigate the possible existence of unlicensed money remittance operations and take appropriate action.</li> </ul>
<p><b>Customer due diligence and record-keeping</b></p> <p><b>R. 12 – NC</b></p>	<ul style="list-style-type: none"> <li>• Casinos should be regulated and supervised for CDD and recordkeeping.</li> <li>• DNFBPs should be examined more systematically, including through more frequent and thorough on-site inspections of registered agents and trustees.</li> </ul>
<p><b>Suspicious transaction reporting</b></p>	<ul style="list-style-type: none"> <li>• Assign responsibility for oversight of the reporting and internal AML/CFT compliance programs of lawyers, accountants, real estate agents, jewelers and car</li> </ul>

<b>R. 16 – NC</b>	dealers.
<b>Regulation, supervision, monitoring, and sanctions</b> <b>R. 24 – NC</b> <b>R. 25 – LC</b>	<ul style="list-style-type: none"> <li>• Introduce and regularize procedures for licensing and regulating casinos.</li> <li>• Assign an adequately resourced regulator to oversee and enforce compliance by casinos with their AML/CFT obligations.</li> <li>• Enhance the supervisory capacity of IFSA for the supervision of DNFBPs assigned to it.</li> <li>• Appoint an adequately resourced supervisor to monitor and enforce compliance by other DNFBPs with their AML/CFT obligations.</li> </ul>
<b>Other designated non-financial businesses and professions</b> <b>R. 20 – C</b>	
<b>4. Legal Persons and Arrangements &amp; Nonprofit Organizations</b>	
<b>Legal Persons–Access to beneficial ownership and control information</b> <b>R. 33 – PC</b>	<ul style="list-style-type: none"> <li>• Amend laws and implement procedures with respect to IBCs to enable IFSA to verify that (a) information about beneficial ownership of legal persons in the IBC Register is adequate, accurate and current, (b) AML/CFT procedures of both registered agents and approved custodians are effective, and (c) bearer shares are properly immobilized.</li> <li>• Disallow the use of nominee and non-SVG corporate directors and shareholders if adequate, accurate and complete beneficial information of underlying entities is not promptly available to IFSA and the Companies Registrar.</li> </ul>
<b>Legal Arrangements–Access to beneficial ownership and control information</b> <b>R. 34 – NC</b>	<ul style="list-style-type: none"> <li>• Introduce legal and enforceable requirements to require registered trustees to identify beneficial owners of international trusts (ITRs).</li> <li>• IFSA should enhance inspections of registered trustees so as to ensure that beneficial owners/beneficiaries of ITRs are identified.</li> <li>• Introduce legal and enforceable requirements to allow competent authorities to have access to adequate, accurate and complete information about beneficial owners/beneficiaries of local trusts.</li> </ul>
<b>Nonprofit organizations</b> <b>SR. VIII – LC</b>	<ul style="list-style-type: none"> <li>• Establish policies and procedures for the Companies Registrar to monitor financial filings of NPOs to verify that funds are being raised and disbursed in a manner consistent with the NPOs’ stated purpose.</li> <li>• Broaden financial reporting requirements for NPOs to include information on domestic and international sources and applications of funds.</li> </ul>
<b>5. National and International Cooperation</b>	
<b>National cooperation and coordination</b> <b>R. 31 – LC</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Where lacking, formalize the cooperation and information access arrangements between the FIU and other law enforcement and other governmental authorities, including with the DPP.</li> </ul>
<b>The Conventions and UN Special Resolutions</b> <b>R. 35 – LC</b> <b>SR. I – NC</b>	<ul style="list-style-type: none"> <li>• Ratify and fully implement the SFT and Palermo Conventions.</li> <li>• Amend UNATMA to include all conventions that define offenses to which the SFT Convention applies; and</li> <li>• Adopt measures to implement the requirements in UNSCRs 1267 and 1373, including for freezing property of terrorists and terrorist organizations.</li> </ul>
<b>Mutual Legal Assistance</b> <b>R. 36 – LC</b> <b>R. 37 – C</b> <b>R. 38 – C</b> <b>SR. V – LC</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Adopt regulations that will allow for bilateral mutual legal assistance treaties to have the effect of law.</li> </ul>
<b>Extradition</b>	<ul style="list-style-type: none"> <li>• Implement specific procedures for expediting extradition requests.</li> </ul>

<b>R.39 – C</b> <b>R.37 – C</b> <b>SR.V – LC</b> <b>R. 32 – LC</b>	
<b>Other Forms of Cooperation</b> <b>R. 40 – C</b> <b>SR. V – LC</b> <b>R. 32 – LC</b>	<ul style="list-style-type: none"> <li>• Specify in law the basis for conducting FT investigations and prosecutions on behalf of foreign law enforcement.</li> </ul>

### **Authorities' Response**

The Government and people of St. Vincent and the Grenadines (SVG) extend its sincerest gratitude to the team of evaluators of the IMF for their untiring efforts in the Mutual Evaluation process of SVG. The process was a rigorous undertaking for both the team and the country but one which we recognize as a necessity.

We, the Government and people of this country remain committed and ready to do all within our powers and resources to build and sustain a strong anti money laundering (AML)/ counter financing of terrorism (CFT), and financial regulatory regime. To this end, we remain ever cognizant that this Mutual Evaluation process is designed as an objective measure of our efficacy in implementing an AML/CFT regime, and as an indicator to the international community of the status of enforcement initiatives to money laundering and terrorist financing.

Given the significance and potential international and domestic implications, it is imperative that the report of our IMF Assessors, as far as possible, is an accurate and objective representation of the state of affairs of our country in respect to our AML/CFT regime. In this regard, we were given assurances that the country situation would be given adequate consideration. However, at times it remained unclear whether such assurances were sufficiently reflected in the Assessors' work.

We intend to consider the recommendations provided in the report to enhance our efforts while at the same time collaborating with the IMF and other stakeholders to progress the execution of such plans. Plans are already in motion to implement some of the recommendations while others require further consultations with the various stakeholders. We wish to emphasize a few of the important areas to which we intend to give utmost priority in 2010 and the near future:

- Amend the two primary pieces of legislation: POCA and UNATMA to achieve full compliance with the FATF 40 plus Nine Special Recommendations. Other pieces of legislation speaking to the operations of the FIU, IFSA and other regulatory bodies are being reviewed and shall be amended where appropriate.
- Issue a legally enforceable and comprehensive set of guidance notes to cover both AML and CFT as an aid in providing clear direction to all Financial Institutions and Regulated entities.
- Continue to build greater human resources capacity at key governmental organizations, particularly at regulatory agencies, as this has already commenced since the evaluation.

- Implement the most effective regulatory oversight systems in keeping with the recommendations of the Detailed Assessment Report (DAR).

One of our overarching goals is to enhance and accelerate current measures in St. Vincent and the Grenadines targeted towards strengthening the existing financial regulatory regime. We intend to achieve this goal through a strategy of prioritization within the context of our available resources. The key manifestation of this would be the discernible improvements in legislation, guidance and regulatory oversight for all sectors governed under the AML/CFT regime.

Not surprisingly, contained within the IMF's DAR were a number of points of differences between the Assessors and the examined country. Above all, St. Vincent and the Grenadines considers that it has managed to achieve, maintain and implement an effective AML/CFT regime, commenced since December 2001, whereby significant human, financial and technical efforts have been expended to obtain this result. Considerable progress has been made in establishing an AML/CFT regime that actually works and produces desired results. This is especially relevant in our historical and country context of such legislative and administrative practices being wholly unfamiliar prior to 2001/2002. Bearing in mind the overarching objectives of the FATF 40 plus Nine Special Recommendations, there can be little doubt that SVG has indeed curtailed the activities of the money launderers, as evidenced by the fact that the years following the setting up and operation of its FIU, the biggest drug dealers and money launderers have been and are being brought to justice – due to the implementation of an effective, working AML/CFT regime.

St. Vincent and the Grenadines is however fully cognizant of the need to make further and greater progress and to enhance both our laws and systems so that they accord fully with the requirements of the FATF 40 plus Nine Special Recommendations. Though it is understood that the objective of the Report is to highlight deficiencies and weaknesses, it is respectfully submitted that in the country's view, the Assessors have not effectively reflected in the Report the very positive achievements of the country over the past several . In addition, in our view there remain in the DAR a number of subjective judgments, which we believe do not accord with the known facts, particularly in respect of what is believed to be actions that demonstrate effective implementation.

Notwithstanding, St. Vincent and the Grenadines will henceforth focus on improving its AML/CFT regimes in a manner guided by the recommendations of this Report.

We reiterate our commitment to the mutual evaluation process and to ensuring that our AML/CFTAML regime is in compliance with the FATF 40 plus Nine Special Recommendations.