



AML/CFT NEWSLETTER

ISSUE 6 JUNE 2022

THE ECCB LAUNCHES THE AML/CFT MENTORSHIP PROGRAM

As part of its mandate to provide technical assistance under the Caribbean Development Bank (CDB) technical assistance project towards “Improving Integrity and Financial Transparency of the Eastern Caribbean Currency Union”, the Eastern Caribbean Central Bank (ECCB) officially launched component three (3) of the project on 15 February 2022.

The ECCB, through the provision of technical support, will assist Eastern Caribbean Currency Union member countries in the conduct of a risk based Anti-Money Laundering, Combatting Financing of Terrorism and Proliferation (AML/CFT/CPF) examinations.

As a part of the preparations for the execution of the examination, the ECCB will also facilitate a governance training for the participating supervisory and regulatory bodies. The training will cover the five (5) pillar approach to assessing AML/CFT/CPF governance at licensed financial institutions (LFIs).

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Representatives of the ECCB with Officers from the Financial Services Unit - Commonwealth of Dominica

THE ECCB AML SUPERVISORY UNIT RESUMES PHYSICAL ONSITE EXAMINATIONS

In response to the challenges posed by the COVID-19 pandemic, and to safeguard its employees while serving member countries, the ECCB made a decision to operate via telecommuting during the period March 2020 - March 2022.

Consequently, in order to continue the execution of its work program, the AML Supervisory Unit of the Financial Sector Supervision Department shifted to a fully remote approach for conducting AML/CFT/CPF examinations. This ensured that the monitoring of LFIs was maintained in line with their respective risk profiles. During the period May 2021 to March 2022, the Unit completed six (6) remote examinations.

One (1) month after return to physical office, in May 2022, the AML Supervisory Unit conducted its first physical AML/CFT/CPF onsite examination since the pandemic, in Saint Lucia. While the pandemic caused disruptions to business operations, it also presented opportunities. In capitalising on the opportunities and benefits from the remote experience, the ECCB designed and implemented a hybrid approach for the conduct of examinations. The AML Supervisory Unit wishes to extend its gratitude to the LFIs for their understanding and full cooperation in the successful completion of remote and recently resumed physical examinations.



Representatives of the ECCB, Saint Lucia Financial Intelligence Authority and Bank of Saint Lucia

REGULATORY UPDATES

The Bahamas de-listed from the European Union's Blacklist

The Commonwealth of Bahamas was removed from the European Commission's List of Third-Country Jurisdictions with strategic deficiencies in their AML/CFT Regimes (AML Blacklist). The Bahamas was assessed under the European Commission's revised methodology for identifying high-risk third countries in the last quarter of 2021 and the decision to removed them from this list was finalised on 7 January 2022.



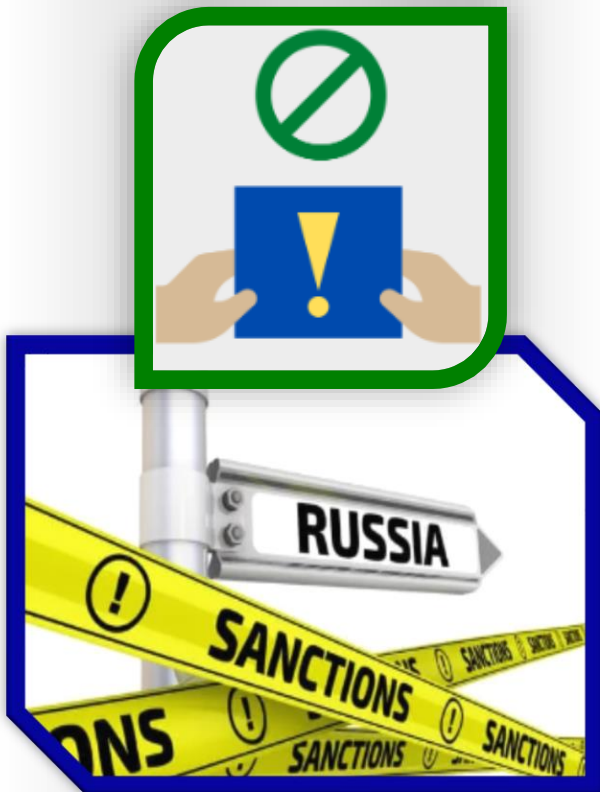
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<https://www.cfatf-gafic.org/home/what-s-happening/748-the-bahamas-de-listed-from-the-european-union%E2%80%99s-blacklist>

The imposition of financial sanctions on Russia

Russia's invasion of Ukraine has changed the compliance landscape across the world. Nations have united in imposing sanctions and export controls. The regulations are rapidly changing, and the stakes for complying with applicable regulations continue to increase. Risks for doing business with the wrong third party are financial, commercial and reputational in nature and pose ongoing compliance concerns.

At June Plenary, the Financial Action Task Force (FATF) once again condemned the Russian war against Ukraine following statements in March and April 2022 and took actions to severely limit the Russian Federation's role and influence within the FATF. Russia can no longer hold any leadership or advisory roles or take part in decision-making on standard-setting, FATF peer-review processes, governance and membership matters. The Russian Federation can also no longer provide Assessors, Reviewers or other experts for FATF peer-review processes. The FATF will monitor the situation and consider at each of its Plenary meetings whether grounds exist for modifying these restrictions.



READ MORE

[US unveils new sanctions on Russia, targeting services, media and defense industry | US foreign policy | The Guardian](#)

[Sanctions on Russia: Pay Attention Now, Avoid Emerging Risk Later - ACAMS Today](#)

<https://www.fatf-gafi.org/publications/fatfgeneral/documents/ukraine-june-2022.html>

Outcomes FATF Plenary, 14-17 June 2022

The last plenary of the FATF, under the German Presidency of Dr Marcus Pleyer, took place over the period 14- 17 June 2022.

- FATF members approved a *Risk-based Approach Guidance for Real Estate*. The guidance aims to assist those involved in the real estate sector implement risk-based measures to prevent money laundering (ML) and terrorist financing (TF).
- A report on *Information Sharing and Data Protection* was finalised. The report contains practices and recommendations for combating ML and TF by sharing information while adhering to data protection and privacy. These reports will be published in July 2022.
- A targeted update on implementation of the FATF requirements on virtual assets and virtual asset service providers was finalized and will be published end of June 2022.
- The FATF approved the release of a white paper for public consultation on potential revisions to Recommendation 25 - transparency and beneficial ownership of legal arrangements. Deadline for comments is 1 August 2022.
- The Plenary agreed to start new work on the following:
 - A project on countering the laundering of proceeds from ransomware attacks;
 - Update to the FATF best practices paper on combating the abuse of NPOs;
 - Advance the FATF's efforts to combat the laundering of illicit proceeds of corruption;
 - A new project on the misuse of citizenship and residency by investment schemes;
 - Guidance for assessors on how to assess implementation of the United Nations Convention Against Corruption; and
 - A horizontal review on how the non-financial sector facilitates corruption.
- The FATF plenary heard from the incoming President T. Raja Kumar of Singapore. President T. Raja Kumar highlighted the priorities of his presidency, which will start on 1 July 2022. The FATF will publish the priorities under his presidency on 1 July 2022.



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Revision of Recommendation 25 - White Paper for Public Consultation:

<https://www.fatf-gafi.org/publications/fatfrecommendations/documents/r25-public-consultation.html>

<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-june-2022.html>



Targeted Update on Implementation of FATF's Standards on VAs and VASPs

FATF has produced a targeted update on implementation of its Standards on virtual assets (VAs) and virtual asset service providers (VASPs), with a focus on FATF's Travel Rule. The report finds a continued need for many countries to strengthen understanding of ML/TF risks of the VA and VASP sector, and to rapidly implement FATF's R.15/INR.15 to mitigate such risks. In particular, FATF's Travel Rule requires VASPs and other financial institutions to share relevant originator and beneficiary information alongside virtual asset transactions, therefore helping to prevent criminal and terrorist misuse.

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<https://www.fatf-gafi.org/publications/fatfrecommendations/documents/targeted-update-virtual-assets-vasps.html>

BENEFITS OF THE ACAMS ENTERPRISE MEMBERSHIP

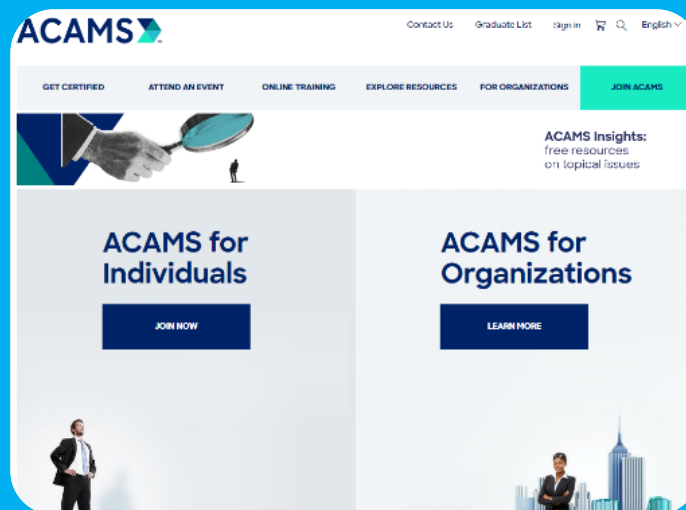
The ECCB, in keeping with Article 4 of the ECCB Agreement 1983 (as amended), continues efforts to safeguard the soundness of its licensees and preserve the integrity of the Eastern Caribbean Currency Union financial system.

In this regard, and as part of its role to providing ongoing guidance and training to LFIs in AML/CFT/CPF, the ECCB has subscribed to the ACAMS Enterprise Membership. One hundred (100) participants from the ECCB, LFIs, national regulatory authorities and the Eastern Caribbean Securities Regulatory Commission will benefit from this program.

Under the Enterprise Membership, participants have access to unlimited webinars offered by ACAMS, and are not be required to pay the annual ACAMS membership fees, while maintaining continuing professional development credits. Where applicable, participants will benefit from discounted certification costs, should they intend to pursue the CAMS designation, seminars and conferences.

Benefits of ACAMS Enterprise Membership also include access to:

- ACAMS webinar library (Live and On-demand);
- ACAMS podcasts;
- ACAMS Connection e-newsletter;
- ACAMS Review (mid-year and end-year);
- ACAMS Today member magazine;
- The ACAMS Global Community Network, connecting members with like-minded AFC professionals through the networking platforms and local chapters; and



- Unlimited access to [moneylaundering.com](https://www.moneylaundering.com), an information source for compliance professionals, which includes news articles, AML Quizzes, enforcement actions, and an archive of legal records and legislative and regulatory documents.

As of 30 June 2022, 83 participants have registered for the ECCB's ACAMS Enterprise Membership program.



The ECCB encourages participants to access and utilise the resources and tools provided by ACAMS to augment technical skills and to improve the overall effectiveness of the AML/CFT/CPF function.





THE ROLE OF INTERNATIONAL AND DOMESTIC COOPERATION IN COMBATting MIGRANT SMUGGLING

Summary of the publication by the Caribbean Financial Action Task Force Research Desk, June 2022

The United Nations (UN) Protocol against the Smuggling of Migrants by Land, Sea and Air defines the smuggling of migrants as the **“procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into a State Party of which the person is not a national or a permanent resident.”**

EXTENT OF MIGRANT SMUGGLING

- The UN estimated that each year there are approximately 3 million irregular entries into the United States of America (US).
- In 2016, more than 181,000 migrants crossed the Mediterranean from North Africa to enter Italy.
- In 2016, 7,495 migrant deaths were recorded worldwide, most committed by smugglers. By August 2017, 3,420 deaths were recorded.
- It is estimated that two (2) of the principal smuggling routes – leading from East, North and West Africa to Europe and from South America to North America - generate about USD \$6.75 billion a year for criminals. The global figure is likely to be much higher.

INTERNATIONAL COOPERATION

The UN Convention against Transnational Organized Crime is the basis for international cooperation. Under Article 2, the purpose of the Smuggling of Migrants (SOM) Protocol is to promote cooperation to prevent and combat the SOM, while protecting the rights of smuggled migrants.

Forms of International Cooperation

The UN Convention against Transnational Organized Crime has provisions on both formal and informal cooperation which are applicable SOM Protocol:

- Extradition (art. 16);
- Transfer of sentenced persons (art. 17);
- Mutual legal assistance (MLA) (art. 18);
- Joint investigations (art. 19);
- Cooperation in using special investigative techniques (art. 20);
- Transfer of criminal proceedings (art. 21);
- International cooperation for purposes of confiscation (art. 13); and
- Law enforcement cooperation (art. 27).

Interdependence of International Cooperation Mechanisms

MLA is the process states use to provide and obtain formal government-to-government assistance in criminal investigations and prosecutions. It is a formal cooperation tool as one state requests another state to exercise coercive powers on its behalf, and/or taking steps to obtain evidence that must be admissible in a criminal trial.

Interdependence of International Cooperation Mechanisms cont'd.

- Informal assistance can lay the foundation for subsequent formal MLA requests.
- Formal MLA and informal agency-to-agency assistance can occur at the same time.
- MLA often occurs after direct agency-to agency cooperation.
- MLA can complement extradition where both the alleged offender and the evidence of a crime are in a foreign country.
- MLA can be used to obtain evidence to bolster a case where it is possible that a request for extradition will be made.

Challenges to International Cooperation

- Lack of trust.
- Diversity of legal systems.
- Diversity of law enforcement structures.
- Misuse of or failure to use existing channels of international communication.
- Non-existent or poorly established direct channels of communication between countries.
- Diversity in approaches and priorities.
- Linguistic and cultural challenges.
- Resource-intensity of operations.



How can International Cooperation be improved?

- Establishing a central authority or other official mechanism that allows the requests to be transmitted and carried out.
- A clear process should be developed to prioritise and execute MLAs in a timely manner.
- Case management systems should be used to keep track of MLA requests.
- Ensuring MLAs are allowed under legal basis.
- Eliminating unreasonable restrictions against MLAs.
- Maintaining confidentiality to protect the integrity of the inquiry or investigation.

DOMESTIC COOPERATION

- Limited national cooperation can result in a disjointed approach, duplication of efforts and inefficient use of resources.
- Multiple agencies should unite in a single comprehensive response.
- An inter-agency coordinating body dedicated to SOM can assist policy and operational coordination.
- National approaches should be consistent with other related national, regional and international policies and approaches.

Domestic Cooperation Mechanisms

- Effective national coordination body that coordinates policy, operational and strategic methods to facilitate inter-agency cooperation.
- Information and intelligence sharing systems to target SOM offenders and networks.
- Partnerships between financial institutions, law enforcement and FIU to trace money flows, detect and investigate smugglers.
- Dedicated inter-agency teams/task force/unit to investigate and prosecute SOM offences.

Mechanisms for Domestic Cooperation should allow:

- Information Exchange
- Strategic Planning
- Division of responsibility
- Sustainability of results

Key Stakeholders in Domestic Cooperation:

- Government Agencies
- Non-profit Organizations
- Service Providers
- Private Sector



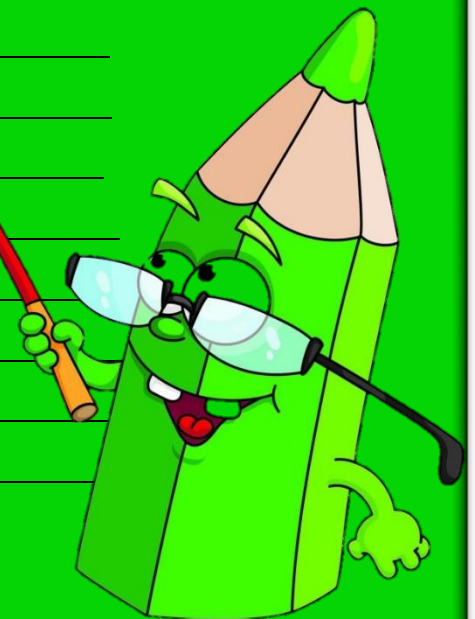
Improving Domestic Cooperation

- High levels of cooperation between competent authorities, policy makers and private and public sectors is important.
- Focused collaboration with institutions that are used by migrants and smugglers; credit/payment institutions, and MVTS.
- Regular training of SOM investigative and criminal prosecution teams/units/task forces.
- Development of national Guidelines for all involved agencies on best practices related to anti-SOM measures.


AML

**WORD
SCRAMBLE**

1. KSIR NSEMSSAETS _____
2. RTSEIOTRR AINCGNNFI _____
3. EONONMTIEDSARMC _____
4. ENIAEFCILB SOEWNR _____
5. RCNOVNEEGA _____
6. DNHANECE DUE GEENDCIL I _____
7. ACOF _____
8. KSIR _____
9. SNOSCANTI _____
10. UNRISTCTURG _____
11. SRULANIGETO _____
12. NMOYE RGNUDL ENAI _____
13. AFFT _____
14. RRIFLTIPON OAE _____
15. EENPLACTM _____
16. GRALYNIE _____





TRADITIONAL CYBER SECURITY MAY NO LONGER BE ENOUGH?

Cyber security is the practice of protecting systems including computers, servers, mobile devices, networks and data from malicious attacks. In Issue 5 of the AML/CFT Newsletter, we outlined some of the recommended practices to protect oneself against cyberattacks. Some of these include regularly updating your anti-virus and firewall to receive optimal protection as well as creating and using strong passwords and passphrases.

At the organisational level, cyber security needs to extend to network, application, information and operational security to define the policies, processes and decisions for handling and protecting data assets. Additionally, disaster recovery and business continuity should define how an organisation responds to a cyber-security incident or any other event that causes the loss of operations or data. Also, effective end-user education is critical to address the most unpredictable cyber-security factor - people.

Even with most of the above in place, the news stream of data breaches, network intrusions, denial-of-service and ransomware attacks seems to remain constant.

The sophistication and prevalence of these attacks does beg the question ‘Is traditional cyber security enough or should there be the additional focus on cyber resilience?’

Cyber resilience is defined as the ability to anticipate, prepare for, and adapt to changing conditions, as well withstand and recover from disruptions that could impair the ability to deliver pre-defined business outcomes. An effective cyber resiliency programme requires a holistic approach, leveraging people, process and technology across the entire organization. Cyber resiliency is not a replacement for cyber security as most cyber resiliency techniques assume, leverage, and enhance cyber security measures. A recovery-only, technology-centric programme is not sufficient in the current threat landscape.



Cyber resiliency can be improved by recognising that attackers may have the advantage of innovative tools, zero-days, and the element of surprise. The following are a few resiliency techniques that can be implemented:

1. A defense-in-depth strategy, so attackers have to overcome multiple obstacles.
2. Analytic monitoring for the detection of adverse actions and conditions in a timely and actionable manner.
3. Increasing ability to rapidly recover from non-adversarial incidents, such as hurricanes, by distributing and diversifying your network.
4. Restricting privileges based on attributes of users and system elements as well as on environmental factors.
5. Redundancy to provide multiple protected instances of critical resources.
6. Segmentation by defining and separating elements based on criticality and trustworthiness.



Becoming cyber resilient will not be an overnight endeavour for individuals and organisations and no two (2) organisations will likely follow the same path.

The important take away is that both cyber security and cyber resilience are deeply connected and they both have important roles to play in establishing a more holistic cyber security approach.

MIGRANT SMUGGLING CASE STUDY



The Public Ministry of the Santo Domingo Este Prosecutor's Office, with the coordination of the Special Prosecutor's Office against Trafficking in Persons and Smuggling of Migrants and the assistance of the Special Division for Investigation of Transnational Crimes (DEIDET), as of 2020 initiated an investigation against the transnational organised criminal group, dedicated to promoting, inducing and to finance the smuggling of migrants from the Dominican Republic, using Guatemala, Nicaragua,

Panama, Tortola, Costa Rica, Colombia, Puerto Rico and Mexico as transit countries, in order to take them irregularly to the United States, activity for which they charged traffic objects the sum of twenty-one thousand American dollars (USD 21 000). The investigations managed to determine, among other things, that the reference defendants have been carrying out smuggling operations of migrants for more than a decade, after which they have managed to create fortune as the exclusive result of this activity.

Likewise, the telephone interceptions obtained, with prior judicial authorisation, show that the members of the network are responsible for the trafficking of at least seven (7) of the 15 Dominicans injured while they were trafficked aboard a trailer in Mexico, in which 55 people were killed. On 20 December 2020, simultaneous raids were carried out in the residences and commercial premises owned by the defendants, in which evidence was obtained that demonstrates money laundering as a direct result of the smuggling of migrants, remaining seized seven (7) properties and at least eight (8) vehicles, and the immobilisation of their bank accounts.

In this case, among the documented routes, there are the following:

- Dominican Republic - British Virgin Islands (Tortola / Saint Thomas) - Puerto Rico-USA.
- Dominican Republic – Panama – Guatemala – Mexico - USA.
- Dominican Republic – Guatemala – Mexico – USA.

As a result of the telephone interceptions, conversations were captured in which the possibility of using the Dominican Republic – Nicaragua – Mexico - United States route was assessed, providing passengers with travel documentation and identities (passports and ID documents) of Nicaraguan nationals.

Accordingly, illegal funds were paid in cash or bank transfers (in few of cases) by relatives, friends or related to those trafficked.

The funds used by traffickers went in:

- i) investment in real estate, plots, and construction of buildings;
- ii) office of lawyers and non-profit organisations;
- iii) veterinary and stationery companies, behind which hid the offenders; and
- iv) acquisition of luxury vehicles and jewellery.

A case study by the Financial Intelligence Unit of the Dominican Republic as published in the FATF Report -*Money Laundering and Terrorist Financing Risks Arising from Migrant Smuggling*, March 2022.

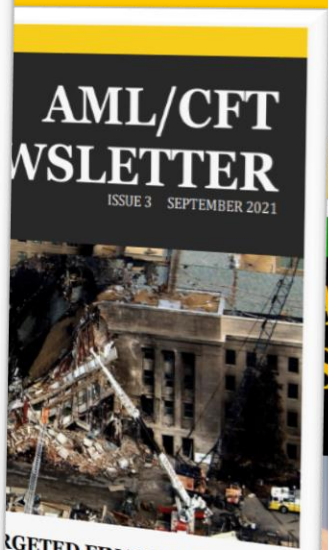
<https://www.fatf-gafi.org/media/fatf/documents/ML-TF-Risks-Arising-from-Migrant-Smuggling.pdf>

Answer Key for Word Scramble found on page 9.

- 1. Risk Assessment**
- 2. Terrorist Financing**
- 3. Recommendations**
- 4. Beneficial Owners**
- 5. Governance**
- 6. Enhanced Due Diligence**
- 7. OFAC**
- 8. Risk**
- 9. Sanctions**
- 10. Structuring**
- 11. Regulations**
- 12. Money Laundering**
- 13. FATF**
- 14. Proliferation**
- 15. Placement**
- 16. Layering**



Have you read the previous issues of the AML/CFT Newsletter?



Download your copy from the Publications section of the ECCB Website at <https://www.eccb-centralbank.org/documents>

Thank you!

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