



**St. Vincent and the Grenadines:  
National Risk Assessment of  
Money Laundering and the  
Financing of Terrorism –**

**SUMMARY REPORT**

**April 30, 2020**

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## 1.0 Foreword by the Chairman of the National Anti-Money Laundering Committee

A Money Laundering and Financing of Terrorism National Risk Assessment (NRA) was conducted by the St. Vincent and the Grenadines' National Anti-Money Laundering Committee (NAMLC), pursuant to its legislated mandate *"to identify and assess the money laundering and terrorist financing risks to which the State is exposed."* The NAMLC's actions in this regard adhere to the Revised Forty Recommendations of the Financial Action Task Force (FATF), the Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) international standard setter, and more specifically, with FATF Recommendation 1, which requires that countries undertake a national risk assessment, identifying, assessing, understanding and mitigating their identified money laundering (ML) and terrorist financing (TF) risks.

More particularly, St. Vincent and the Grenadines (SVG) undertook its first formal NRA as part of the country's preparation for the next evaluation of its AML/CFT systems by the Caribbean Financial Action Task Force (CFATF), which is now scheduled to take place in 2023. SVG is a long-standing member of the CFATF, the Caribbean arm of the FATF, and as such, the country is obliged to undergo periodic evaluations of its AML/CFT systems. Such evaluations have previously assessed the country's AML/CFT measures and procedures for the purposes of technical and effective compliance with the FATF's Revised Forty Recommendations. The upcoming evaluation will assess the effectiveness of its legislative and administrative AML/CFT regimes.

As a necessary corollary to the NRA, a National AML/CFT Action Plan or 'NRA National Action Plan' was developed to address and mitigate the risks identified in this country's self-assessment of its ML/TF regime. It is anticipated that the implementation of this Action Plan would strengthen SVG's national ML/TF combating ability at the institutional, sectoral and national levels.

It bears underscoring that St. Vincent and the Grenadines (SVG) has had AML/CFT legislation in place since 2001, which has been continually updated and enhanced over the years, the most recent revision being in 2017. Since 2002, SVG has implemented its AML/CFT legislation with considerable practical success. The country's FIU has been well known for many years as one of the leading FIUs in the Caribbean region, and a centre of excellence for ML investigations and prosecutions. Indeed, SVG is a forerunner in the Eastern Caribbean and many parts of the wider Caribbean region when it comes to ML prosecutions and implementation of an AML/CFT civil forfeiture regime.

It is anticipated that the implementation of the AML/CFT National Action Plan would lead to a successful AML/CFT evaluation in 2023. A positive evaluation invariably enhances the integrity of the country's financial and domestic systems, creates greater inward investment and bolsters economic stability, social security and reputation of the State.

This inaugural NRA demonstrates the continuing commitment of the Government of SVG to upholding the highest international standards in the global fight against ML and TF. The dedicated and active involvement of all participants in this NRA process, Working Groups and stakeholders, has been critical to the success of this undertaking.

**Chairman**

National Anti- Money Laundering Committee

## **2.0 Introduction and Purpose**

The primary objective of the NRA was for SVG to identify and assess ML and TF risks and threats which it faces. Other key objectives include developing statistics and analyses in relation to ML and TF risks identified, creating a national action plan outlining the means of reducing such risks and applying the appropriate resources to ensure that the risks are mitigated. The NRA is intended to inform Government policy making with the overriding aim of strengthening the country's AML/CFT regime by addressing and mitigating identified risks.

It is also envisioned that the NRA would facilitate the design and implementation of more efficient and effective risk-sensitive measures for the prevention and mitigation of ML and TF by the financial industry, regulatory, supervisory and law enforcement agencies, and all relevant stakeholders in SVG.

## **3.0 NRA Methodology and Role of the World Bank**

To undertake a task as significant as the NRA, the NAMLC utilized methodology developed by the World Bank as a means of efficiently approaching and addressing the country's NRA.

The NRA of SVG was accordingly undertaken as a self-assessment by the authorities in SVG, using the ML and TF Risk Assessment methodology provided by the World Bank. The role of the World Bank team was limited to delivery of the methodology, providing guidance on its technical aspects and support to assist with its accurate use. The data, statistics and information used for completing the NRA Risk Assessment modules, and any other findings, interpretation and judgment, under the scope of this risk assessment process, completely belong to the Vincentian authorities and do not reflect the views of the World Bank Group, its Board of Executive Directors or the governments they represent. Nothing in this Report shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of the World Bank, all of which are specifically reserved.

## **4.0 NRA Project Coordination**

The NAMLC appointed the Financial Intelligence Unit (FIU) as the lead agency with responsibility for the NRA, and also appointed an NRA Project Coordinator. The NRA process was coordinated through a multiagency group, referred to as the 'Working Group,' comprising law enforcement, regulators and Government officers, with significant input from representatives of the private sector.

Five (5) thematic Working Groups, comprising members of the public and private sectors, were established to address the requirements of each module and collect the corresponding information and data, which informed the overall assessment of specific risks, as follows:

- National Level Threats and Vulnerabilities;
- Banking and Securities;
- Insurance and Pensions;
- Other Financial Institutions; and
- Designated Non-Financial Businesses and Professions (DNFBPs).

The World Bank's NRA Methodology was utilized to assess the various sectors and attach a weighting to the threats and vulnerabilities presented by that particular sector and sector activities, and their overall threat and level of vulnerability presented to the country. Threats and Vulnerabilities relating to ML and TF were assessed separately. As can be seen above, the sectors that were assessed included but were not limited to the regulated financial sectors e.g. banking, insurance, securities and the non-regulated service providers sectors e.g. car dealerships, lawyers and jewelers. The matter of Financial Inclusion in SVG, that is, the making of financial services accessible at affordable costs to all individuals and businesses, regardless of net worth and size, was also examined.

The period reviewed was **2013-2017**, though attention was at times to a lesser or greater period.

The NRA officially commenced in December 2017 and took approximately two (2) years to be completed, on par with the usual completion time for such a process. The AML/CFT National Action Plan was completed approximately three (3) months after the NRA.

## **5.0 SVG's Legal And Institutional Framework For Combating ML/TF**

Since 2001, SVG has implemented a package of legislation aimed at detecting, preventing and prosecuting ML, TF and other serious crimes, as well as confiscating the profits of crime. The legislative measures reflect international best practices and take account of the 40 Recommendations of the FATF on ML and TF. Such measures include:

- **Proceeds of Crime Act<sup>1</sup> (2013 and amendments);**
- **Anti-Money Laundering and Terrorist Financing Regulations (2014 and amendments);**
- **Anti-Money Laundering and Terrorist Financing Code, 2017;**

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<sup>1</sup> Repealed and replaced the Proceeds of Crime and Money Laundering (Prevention) Act, No. 39 of 2001.

- **Anti-Terrorist Financing and Proliferation Act<sup>2</sup> (2015 and amendments);**
- **Financial Intelligence Unit Act<sup>3</sup> (2001);**
- **Exchange of Information Act<sup>4</sup> (2008);**
- **Mutual Assistance in Criminal Matters Act<sup>5</sup> (1993);**
- **Drug Trafficking Offences Act<sup>6</sup> (1993); and**
- **Drugs (Prevention of Misuse) Act<sup>7</sup> (1988).**

The Proceeds of Crime Act (POCA) is the primary law addressing ML, while the Anti-Terrorist Financing and Proliferation Act is the main Act addressing TF. Both Acts are supported by Regulations and a Code.

The AML/CFT Code provides guidance to be adopted by Service Providers in the provision of their services. The *Proceeds of Crime Act* (POCA), *inter alia*, enables the Attorney General (AG) to process external requests on behalf of an overseas authority to recover property derived from criminal conduct. Supervisory and law enforcement agencies are also authorized to share relevant information with their counterparts overseas through various pieces of enabling legislation.<sup>8</sup>

Relevant safeguards are in place in law and administratively to address human trafficking and migrant smuggling (*Anti-Trafficking in Persons Act*, Act No 27 of 2011). Migrant Smuggling was criminalized by the *Immigration Restrictions Act*, Chapter 114.

Extradition is permitted pursuant to the *Fugitive Offenders Act*, Chapter 175 of the Revised Laws of SVG, 2009.

In relation to tax matters, SVG has for several years been deemed ‘Largely Compliant’ by the Organization for Economic Cooperation and Development (OECD) Global Forum on Transparency and Exchange of Information for Tax Purposes, with respect to its tax transparency and exchange of information regimes, and has also satisfactorily met requirements imposed by the European Union Code of Conduct (Business Taxation) Group on the country as at December 31, 2018, with respect to its recently issued international tax criteria<sup>9</sup>.

SVG has established a network of Tax Information Exchange Agreements (TIEAs) with 22 jurisdictions as part of its tax information exchange regime. SVG has

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<sup>2</sup> Repealed and replaced the United Nations (Anti-Terrorism Measures) Act, Act N 34 of 2002.

<sup>3</sup> Chapter 174 of the Revised Laws of SVG 2009. Originally enacted in 2001 as Act No. 38.

<sup>4</sup> Chapter 146 of the Revised Laws of SVG 2009.

<sup>5</sup> Chapter 177 of the Revised Laws of SVG 2009.

<sup>6</sup> Chapter 173 of the Revised Laws of SVG 2009.

<sup>7</sup> Chapter 284 of the Revised Laws of SVG 2009.

<sup>8</sup> E.g. the Mutual Assistance in Criminal Matters Act, Exchange of Information Act, Financial Intelligence Unit Act *et al.*

<sup>9</sup> SVG is also a member of the OECD’s Base Erosion & Profit Shifting (BEPS) Inclusive Framework since 2018 and has successfully undergone a review in January 2019, by the Forum on Harmful Tax Practices (FHTP), of its legislative framework in relation to Harmful Tax Practices.

implemented the OECD Common Reporting Standards (CRS), and since 2016, signed and ratified the Convention on Mutual Administrative Assistance in Tax Matters (MAAC), a multilateral agreement providing for tax co-operation between its signatories. Corresponding implementing legislation was enacted to enable the jurisdiction to legally report under the CRS, namely, the *Automatic Exchange of Information (Common Reporting Standards) Act & Regulations*.

In addition, in 2015, SVG signed Intergovernmental Agreements (IGAs) with the US, in order to implement the provisions of the Foreign Account Tax Compliance Act (FATCA) and enacted corresponding legislation to enable the implementation of FATCA in SVG. Reporting to the US Internal Revenue Service commenced in September 2016.

SVG also has in place an institutional framework, underpinned by law, to combat ML/TF. This institutional framework is made up of:

- The National Anti-Money Laundering Committee (NAMLC), which is charged with oversight of AML/CFT national policy and chaired by the Director General of Finance and Planning;
- The Financial Intelligence Unit (FIU), charged with responsibility for receiving Suspicious Activity Reports (SARs), conducting analysis to substantiate suspicion, and disseminating intelligence to local law enforcement agencies and onward disclosures to counterpart FIUs in other jurisdictions. The FIU also has responsibility for investigating financial crimes, and for obtaining restraint and confiscation orders in respect of the proceeds of crime. It is also the Designated Non-Financial Businesses and Professions (DNFBP)/Non-Regulated Service Provider (NRSP) supervisor;
- The Financial Services Authority (FSA), which is the AML/CFT supervisor for international financial services and the non-bank financial sector in SVG;
- The Office of the Director of Public Prosecutions (ODPP), which is responsible for the prosecution of all criminal matters in SVG;
- The Attorney General (AG), who is the competent authority for international cooperation, the point of contact for the jurisdiction to the CFATF and the Civil Recovery Authority pursuant to the POCA;
- The Royal St. Vincent and the Grenadines Police Force (RSVGPF), which has responsibility for the maintenance of law and order in SVG, preservation of the peace, prevention and detection of crime, apprehension of offenders and enforcement of laws with which it is charged;
- The Customs and Excise and Passport and Immigration Departments, which are responsible for the security of SVG's borders;



- The Eastern Caribbean Central Bank (ECCB), which is the regulatory authority and AML/CFT supervisor for domestic banks;
- The Inland Revenue Department (IRD) which is the competent authority in SVG for the implementation of the US Foreign Account Tax Compliance Act (FATCA), the OECD's Common Reporting Standards (CRS)/ Automatic Exchange of Information (AEOI) and Exchange of Tax Information (EOI).

## 6.0 Summary of Findings of the NRA

The NRA examined any ML and TF threats to SVG, along with vulnerabilities existing within the jurisdiction's legal and institutional framework, which could potentially be exploited. Threats and vulnerabilities were measured on a scale of low, medium low, medium high and high. The main findings of the NRA are summarized below:

- a) The overall level of ML threat in SVG has been assessed as medium, as the jurisdiction faces internal and external ML threats mostly as a result of drug trafficking activities.**
- b)** SVG is considered a relatively low crime jurisdiction. There is criminal conduct present that is connected with the generation of proceeds of crime from predicate offences, some of which are regarded as common to nations in the Caribbean region and on a global scale. These predicate offences are committed by perpetrators of various levels of exposure to the criminal justice system, from small scale criminals who are new to the system and recidivists who become well known to Law Enforcement Authorities (LEAs).

SVG takes an '*all offences approach*' to ML, therefore any criminal offence with a financial benefit committed in SVG or in any foreign jurisdiction is considered to be a predicate offence to ML.

- c)** The threat of terrorist financing to the jurisdiction has been assessed as low. SVG has not had any incidents of terrorism nor has there been any evidence of TF.
- d)** SVG's **ML vulnerabilities** at the national level were found to include the:
- absence of an administrative sanctions regime which provides for effective, proportionate and dissuasive administrative penalties for AML/CFT breaches;
  - infancy of the AML/CFT supervisory framework of domestic banks;
  - lack of AML/CFT supervision of DNFBPs;
  - shortcomings in coordination and collaboration of law enforcement agencies, particularly with respect to border controls and procedures;
  - absence of an AML/CFT regulatory framework for Non- Profit Organizations (NPOs); and

- need for more effective AML/CFT risk-based supervision.

**e) Key Findings - Financial Sector:**

- The ML/TF vulnerability in the banking sector was rated as medium low as a result of effective legislation and robust regulation. Though international banks regulated by the FSA were subjected to AML/CFT supervisory oversight, the Eastern Caribbean Bank (ECCB) commenced its AML/CFT supervisory function of domestic banks in December 2017.
- The securities sector vulnerability was assessed as medium as the risk profile of product and customers respectively, was generally assessed as low. The Eastern Caribbean Securities Regulatory Commission (ECSRC) has not fully implemented its AML/CFT supervisory functions owing to human and financial resource constraints.
- The insurance sector's vulnerability to ML /TF was rated as medium low. Strong regulatory controls in this sector, inclusive of adequate entry controls, contributed to this rating. Many of the products marketed do not offer sufficient flexibility to be attractive to money launderers or terrorist financiers.

**f) Key Findings - Other Financial Services:**

- Money services businesses (MSBs) were rated as the most vulnerable to ML/TF within this category, as a result of the cash-based nature of this type of business, the high transactional volume and the cross-border nature of transactions.
- The vulnerability to ML for the credit union and the building societies sector was rated as medium low. The main identified vulnerability in these sectors was the need for more effective execution of the compliance function.
- The vulnerability of the Registered Agent sector to ML/TF was assessed as medium, given the primarily remote (non-face-to-face) nature of the business and the need for more enhanced monitoring and risk assessments of clients.
- Friendly Societies were found to pose a low ML/TF risk owing to its low product and market vulnerability.

**g) Key Findings - Designated Non-Financial Businesses and Professionals**

- The Designated Non-Financial Businesses and Professionals (DNFBPs) or the Non-Regulated Service Providers (NRSPs) collectively pose a high ML threat and vulnerability as the sector has been unregulated or unsupervised in relation to implementation of AML/CFT obligations during the assessment period.
- Car dealers were assigned a vulnerability rating of medium high, the highest rating among the DNFBP/NRSP sector.
- Real Estate Agents and Lawyers were assessed a medium vulnerability rating, while Jewelers and Accountants were assessed as medium low. A common vulnerability amongst all DNFBPs/NRSPs was lack of AML/CFT supervisory oversight and controls.

## 6.0 Summary of Recommended Corrective Actions

- 1) Enhance the AML/CFT legislative framework to address gaps in current standards;
- 2) Enhance AML/CFT resources and/or capacity in certain areas;
- 3) Implement an effective supervisory regime for DNFBPs and Non-Profit Organizations (NPOs);
- 4) Ensure effective AML/CFT risk based supervision;
- 5) Enhance cooperation and coordination amongst law enforcement agencies;
- 6) Improve the effectiveness of Suspicious Activity Reporting and Analysis;
- 7) Strengthen administrative sanctions and enforcement; and
- 8) Develop a simplified but effective AML/CFT framework for financial inclusion products.

### Recommendation Relevant to all Sectors:

- Passage of the draft Anti-Money Laundering and Terrorist Financing (Administrative Penalties) Regulations which will allow Supervisors to impose administrative penalties, which are effective, proportionate and dissuasive, for contravention of AML/CFT obligations.

Work on the above-stated areas has **already commenced and will continue to be carried out** to strengthen the country's AML and CFT efforts and regime. Such efforts are intended to be coordinated by the NAMLC under the already formulated NRA National Action Plan to measure and ensure success of implementation.

## 7.0 Conclusion

This self-assessment of the jurisdiction's AML/CFT regime provided the jurisdiction with an opportunity to critically review weaknesses identified and improve AML/CFT effectiveness, by *inter alia*, opening an avenue for regulators, law enforcement and the relevant business communities to further develop and enhance a more effective supervisory and enforcement system, respectively, centered around the risks identified, and prevailing vulnerabilities in products and operations.

The overall key findings of the NRA are:

- The main internal and external ML threat which SVG faces is as a result of drug trafficking;
- MSBs are the most vulnerable type of financial institution to ML;
- There is need for AML/CFT supervision of the DNFBP sector; and
- The threat and vulnerability to TF is low.

An NRA National Action Plan was developed as part of the NRA exercise, aimed at addressing remedial actions based on the recommendations emanating from this Report, and the Government of SVG would seek to prioritize such actions in its financial and other resource allocations.

The NRA points to the need to enhance the AML/CFT legislative framework to ensure that there are proportionate administrative sanctioning powers and for continuous strengthening of the institutional framework by ensuring supervisors, law enforcement and policy makers, are fully aware of prevalent and emerging risks within the industry and internationally, and are adequately resourced to execute their functions. The assessment further underscored the need for greater efficiency in data collection and collation amongst LEAs, to ensure accuracy and uniformity of data.

Ongoing assessment of AML/CFT effectiveness would be necessary at both a national policy level and micro level, to:

- examine the progress of remedial actions, assess whether performance meets specific objectives and set short, medium and long-term objectives;
- determine whether the AML/CFT risk management framework appropriately promotes detection and deterrence of ML and TF; and
- assess the adequacy of safeguards against identified threats.

The NRA of SVG's ML and TF regime has revealed that the risks facing SVG are not dissimilar to those faced by other countries in the region and even more developed countries. Drug trafficking poses a problem for countries in the region based on varying degrees of supply, demand or transshipment points to the more developed countries. The regulation and supervision of DNFBPs is new in numerous countries, as is the proper regulation of NPOs. Increasing human and financial resource allocations for key arms of Government involved in the fight against crime and ML/TF, notwithstanding the recognition of its importance, are ongoing challenges for many countries.

SVG has made tremendous efforts since 2002 to counter drug trafficking and to meet the evolving needs of a modern AML/CFT regime – by regularly updating its laws to reflect best practice and international standards, revolutionizing its regulatory and supervisory regimes for the financial sectors and increasing staffing in key departments - despite constraints in financial resources as a small developing country.

The central issue underscored by the NRA is the need for continuous development and enhancement of processes to minimize existing, continuing and evolving threats, vulnerabilities and ensuing risks to the financial sectors, the economy and reputation of the country. SVG remains committed to further strategizing to more effectively deter and combat ML, TF and financial crimes, so as to bolster its AML/CFT regime at the national and global level.

**National Anti- Money Laundering Committee**

St. Vincent and the Grenadines