

ANTI-MONEY LAUNDERING AUTHORITY

ANNUAL REPORTS 2003-2008



BARBADOS FINANCIAL INTELLIGENCE UNIT

Barbados Financial Intelligence Unit



**FINANCIAL INTELLIGENCE UNIT
OF THE ANTI-MONEY LAUNDERING AUTHORITY
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Ref. No: AMLA090928

September 28, 2009

The Honourable Freundel J. Stuart, QC, MP.
Deputy Prime Minister and Attorney- General
Office of the Attorney General
Cedar Court
Wildey
ST. MICHAEL

Dear Honourable Attorney General

Pursuant to Section 22D of the Money Laundering and Financing of Terrorism (Prevention and Control) Act, Cap. 129, I hereby respectfully submit the second Annual Report of the Financial Intelligence Unit for the periods January 2003 to December 2008. This report outlines our activities in, and our efforts in the fight against money laundering and terrorist financing.

Yours Respectfully

**Jefferson Cumberbatch
Chairman
Anti-Money Laundering Authority
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Barbados Financial Intelligence Unit

Mission Statement

To contain and control the incidence and effect of money laundering and the financing of terrorism within Barbados and to assist in the global combative efforts through the receipt, collection and analysis and dissemination of financial intelligence.

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FOREWORD BY THE CHAIRMAN

Chairman's Report

Anti-Money Laundering Authority

The Financial Intelligence Unit (FIU), the executive arm of the Anti-Money Laundering Authority, is the body charged with receiving and dealing with reports of suspicious transactions which might involve money-laundering and/or the financing of terrorism. In this way, it plays a pivotal role in maintaining the reputation of Barbados as a “clean” jurisdiction, an integral aspect of our important international business profile.

In the years covered by this cumulative report, the FIU has seen a change of acting Directors and staff, though with no decrease in its focus or proficiency. There have also been the signing of Memoranda of Understanding with Panama, Canada, Guatemala, Albania and Moldova and the local FIU notably became a member of Egmont, the international organization for FIUs in 2002.

The Barbados AML/CFT regime has also undergone two mutual evaluations for compliance with international best practice by the Caribbean Financial Action Task Force in this period and has acquitted itself admirably on both occasions.

Now, as we prepare to amend the relevant legislation and to embark on a new era of dealing with the scourge of money laundering and the financing of terrorism, we confidently expect that our FIU will be ready for the fight ahead.

The logo of the AMLA appropriately portrays a faucet washing presumably dirty money clean. The FIU rightly views its task as continuing to keep that faucet in an “off” position, and is committed to doing so in the coming years.

Jefferson Cumberbatch
Chairman
Anti-Money Laundering Authority

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MESSAGE FROM THE DIRECTOR

The Financial Intelligence Unit is pleased to present the Annual Reports of the Financial Intelligence Unit of the Anti-Money Laundering Authority. These Reports span the years 2003 to 2008 and as such the staff of the Financial Intelligence Unit is to be commended for their yeoman service in contributing to the compilation of this document.

The stated period has witnessed many changes and developments in the global, regional and local Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) interface. The Anti-Money Laundering Authority and the Financial Intelligence Unit is not without exception. There have been changes in the leadership of these two entities as Sir Neville Nicholls, Chairman of the Authority from 2001 to 2008 and Mr. Guyson Mayers, Acting Director, from 2001 to 2007 have moved on to graze in other pastures. Their sterling contribution to the development of the AML/CFT regime in Barbados is laudable.

The AML/CFT regime in Barbados is also indubitably more mature and more developed than at the initial enactment of the Money Laundering and Financing of Terrorism (Prevention and Control) Act in 1998. A comparison of the Second Round of the Caribbean Financial Action Task Force Mutual Evaluation Exercise of 2001 with that of the Mutual Evaluation Exercise of 2006 attests to this fact. Through the work of many entities including the Anti-Money Laundering Authority and the Financial Intelligence Unit, the financial institutions are largely more cognizant of the multifaceted nature of the threats of money laundering, financing of terrorism and other financial crimes. Relevant systems and controls have been implemented and strengthened over the years to meet these challenges head on and to ultimately assist in maintaining Barbados' sterling reputation as a jurisdiction that attracts and engenders legitimate financial business.

Although the demands on the Financial Intelligence Unit have increased exponentially, the department stands no less prepared than at its embryonic stages of development to fulfill its objectives. The increased demands have encouraged the Unit to continuously review its systems, operations and infrastructure to ensure that it can adequately and efficiently handle its evolving mandate and remain *au courant* with the international developments in the Anti-Money Laundering/Counter-Financing of Terrorism arena. Such an exercise is crucial to its continued existence and its effectiveness.

In many respects, this compilation of Reports is akin to the inaugural Annual Report of the Financial Intelligence Unit of the Anti-Money Laundering Authority of 2002; it is a "first" of several to come. To this end, deliberate efforts have been made to present aspects of the international thrust of AML/CFT measures in order to set the stage to showcase and adequately comprehend the developments and achievements in Barbados' AML/CFT regime.

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As the Annual Reports of 2003-2008 are presented, The Financial Intelligence Unit of the Anti-Money Laundering Authority remains committed to its Mission Statement, *“To contain and control and control the incidence and effect of money laundering and the financing of terrorism within Barbados and to assist in the global combative efforts through the receipt, collection and analysis and dissemination of financial intelligence.”*

Shelley Nicholls-Hunte
Director
Financial Intelligence Unit

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Chapter I

An International Perspective on Money Laundering and the Financing of Terrorism

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A Global Perspective on Money Laundering and Terrorist Financing

Combatting money laundering and the financing of terrorism has become a concern for individual nations and the international community, particularly as a result of the potential debilitating effects on the economies and the reputations of the affected countries. This situation has stimulated the development of preventative strategies to formulate detection measures against these offences. It has also stimulated the development of measures to create a heightened awareness of the importance of prosecuting these crimes.

In the middle of the 1980s, the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, otherwise known as the Vienna Convention, was developed as a modern strategy against money laundering. In this Convention, money laundering was exclusively associated with trafficking in narcotics. The Vienna Convention defines money laundering as *“the subterfuge to formalize informal financial flows from illicit sources, particularly from drug trafficking or as the surreptitious introduction of assets of illicit origin into the legal channels of the formal economy”*.

Alternatively stated, *“money laundering is the process of making illegally-gained proceeds (i.e. “dirty money”) appear legal (i.e. “clean.”). Typically, it involves three steps: placement, layering and integration. First, the illegitimate funds are furtively introduced into the legitimate financial system. Then, the money is moved around to create confusion, sometimes by wiring or transferring through numerous accounts. Finally, it is integrated into the financial system through additional transactions until the “dirty money” appears “clean”. Money laundering can facilitate crimes such as drug trafficking and terrorism and can adversely affect the global economy.”¹*

Later, in 2000, the United Nations Convention against Transnational Organized Crime also known as the Palermo Convention expanded the list

¹ Fincen Website

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of crimes giving rise to money laundering and incorporated other serious offences in addition to drug trafficking. The Palermo Convention established that four offences associated with organized crime:-criminal association, money laundering, corruption and obstruction of justice should be considered in national legislation.

On January 10, 2000, the international community's concern with respect to the financing of terrorism led to the signing of the International Convention of the United Nations for the Suppression of the Financing of Terrorism. Article 2 has defined terrorism as the foregoing, **“Any other act intended to cause death or serious injury to a civilian or to any other person not taking an active part in hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.”**

This Convention lays three principal obligations on State parties:

1. Countries should define the offence of financing of terrorism in their criminal law
2. State parties are obligated to provide extensive cooperation to other State parties and provide legal assistance in connection with the matters referred to in the Convention.
3. The establishment of the instruments in State parties to detect and control the financing of terrorist acts.

An additional milestone in the fight against organized crime is the 2003 United Nations Convention against Corruption. Its main objectives are the promotion and strengthening of measures to prevent and combat corruption as well as the promotion of international cooperation and technical assistance in matters of prevention and fight against corruption including asset recovery and the promotion of integrity, accountability and the proper management of public affairs and public property.

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Other Agencies and International Organizations that Combat Money Laundering and Terrorist Financing

The Financial Action Task Force

In response to mounting concern over money laundering, the Financial Action Task Force (FATF) on Money Laundering was established by the G-7 Summit that was held in Paris in 1989. Recognizing the threat posed to the banking system and to financial institutions, the G-7 Heads of State or Government and President of the European Commission convened the Task Force from the G-7 member States, the European Commission and eight other countries.

The Task Force was given the responsibility of examining money laundering techniques and trends, reviewing the action which had already been taken at a national or international level, and setting out the measures that still needed to be taken to combat money laundering. In April 1990, less than one year after its creation, the FATF issued a report containing a set of *Forty Recommendations*, which provide a comprehensive plan of action needed to fight against money laundering.

In 2001, the development of standards in the fight against terrorist financing was added to the mission of the FATF. In October 2001 the FATF issued the *Eight Special Recommendations* to deal with the issue of terrorist financing. The continued evolution of money laundering techniques led the FATF to revise the FATF standards comprehensively in June 2003. In October 2004 the FATF published a Ninth Special Recommendation, further strengthening the agreed international standards for combating money laundering and terrorist financing - the *40+9 Recommendations*.² There are 34 members of FATF- 32 countries and territories and 2 regional organizations, namely the European Commission and the Gulf Cooperation Council.

² FATF Website-www.fatf-gafi.org

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The Caribbean Financial Action Task Force

The CFATF is an organization of states and territories of the Caribbean basin which have agreed to implement common counter-measures against money laundering. The Task Force was established as the result of two key meetings convened in Aruba and in Jamaica in the early 1990s. At the Aruba meeting in May 1990, the Caribbean nations developed nineteen recommendations – the "Aruba Recommendations" – that address money laundering from a regional perspective and which complement the worldwide standards embodied in the FATF Forty Recommendations. The Jamaica Ministerial Meeting held in Jamaica in November 1992 led to the "Kingston Declaration", a statement by the Ministers which endorsed and affirmed their governments' commitment to implementing international anti-money laundering standards.

In November 1996, 21 members of the CFATF entered into a Memorandum of Understanding which now serves as the basis for the goals and the work of the CFATF. In this document, CFATF members agree to adopt and implement the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances; endorse and implement the FATF Forty Recommendations and the CFATF Nineteen Recommendations; fulfill the obligations expressed in the Kingston Declaration as well as, where applicable, in the Plan of Action of the Summit of the Americas; and to adopt and implement any other measures for the prevention and control of the laundering of the proceeds of all serious crimes as defined by the laws of each Member.

To meet these objectives, the CFATF engages in the following main activities:

- ✚ Self-assessment of the degree of implementation of the FATF and CFATF recommendations.
- ✚ Mutual evaluations of members.
- ✚ Co-ordination of, and participation in, training and technical assistance programmes.

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- ✚ Twice-yearly plenary meetings for technical representatives and an annual ministerial council meeting

The CFATF became an Associate Member of the FATF in 2008. The current membership is 30 countries comprised of: **Anguilla, Antigua & Barbuda, Aruba, the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherland Antilles, Nicaragua, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos Islands and Venezuela.**

The Egmont Group of Financial Intelligence Units (FIUs)

In 1995, FIUs from fourteen countries meeting in the Egmont Palace in Brussels resolved to form a network of these entities that would stimulate international cooperation among them in an effort to improve the effectiveness in combatting money laundering and terrorist financing. The Egmont Group was created to research new areas of cooperation among FIUs particularly in the area of information exchange and training. At the end of 2008, the members of the Egmont Group totalled 107 FIUs including **Anguilla, Antigua, the Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, St. Kitts-Nevis, St. Vincent & the Grenadines and Turks and Caicos** from the English-speaking Caribbean.

The Egmont Group has an Executive Committee, a Permanent Secretariat in Canada established in 2007 and has structured its activities into five working groups:

- i. The Legal Working Group (LWG) is responsible for verifying whether the FIUs that join the Egmont Group are operational and responsive to the requirements established in the declaration of principles. Furthermore, it has the responsibility for handling all legal matters of the Group, including cooperation among FIUs.

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- ii. The Training Working Group (TWG), whose objective is the encouragement and development of training activities for the member entities as well as the production and dissemination of reports and publications,
- iii. The Outreach Working Group (OWG) works to create a global network of FIUs by identifying candidates for membership and working with those countries to ensure that they meet international standards for acceptance as members of the Egmont Group.
- iv. The Operational Working Group (OpWG) seeks to promote cooperation among different analytical and operational divisions of the FIU members of Egmont, as well as to coordinate the development of studies and typologies of the forms of money laundering normally used by criminals.
- v. The IT Working (ITWG) studies the best options for the member units that are in the process of redesigning or improving their IT systems for the purpose of improving analytical work.

In 1996, The Egmont Group created a definition of a Financial Intelligence Unit. This was modified at the Egmont Plenary meeting in Guernsey in 2004 as follows:

An FIU is

“A national central unit responsible for receiving (and, as permitted, soliciting) analyzing and disseminating to the competent authorities disclosures of financial information:

- i) Concerning suspected proceeds of crime and potential financing of terrorism, or***
- ii) Required by national legislation or regulation in order to combat money laundering and terrorism financing.”***

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The World Bank and International Monetary Fund

The World Bank and the IMF are greatly contributing to the international efforts against money laundering and terrorist financing. As a multilateral collaborative institution, the IMF encourages information sharing between countries, develops common approaches to issues and promotes desirable policies and standards. The two international organizations have become more active in combatting money laundering by:

- ✚ Concentrating on money laundering over other forms of financial abuse
- ✚ Helping to strengthen “financial supervision and regulation” in countries
- ✚ More closely interacting with the Organization of Economic Cooperation and Development (OECD) and the Basel Committee on Banking Supervision; and
- ✚ Insisting on application of international AML standards in countries that ask for assistance.

In a joint meeting in April 2004 of their board of directors, the two bodies agreed to adopt on a permanent basis its pilot programme that assesses a nation’s compliance with international anti-money laundering and counter-terrorist financing standards. The programme has been declared to be geared to end the FATF’s practice of publicizing Non-Cooperative Countries and Territories (NCCT).

The World Bank and the IMF have established a collaborative framework with the FATF for conducting comprehensive assessments using a single global methodology, of countries’ compliance with the FATF 40+9 Recommendations on efforts fight money laundering and to combat the financing of terrorism (CFT) The assessments are executed as part of the Financial Sector Assessment Programme and lead to a Report on Observance of Standard and Codes. Additionally, in recent years, the World Bank and the IMF have significantly increased technical assistance to member countries in order to strengthen the legal, regulatory and financial

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frameworks geared towards the fight against money laundering and terrorist financing.

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Chapter II Establishment and Development of The Barbados Financial Intelligence Unit

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The Financial Intelligence Unit (FIU) at a glance:

By virtue of the Section 6B (1) of MLFTA, the office of the AMLA shall comprise the Financial Intelligence Unit which shall consist of a Director and other public officers, whose offices shall be established in accordance with the Civil Establishment Act. Subject to the direction of the AMLA, the FIU is responsible for the administration of the Act.

Our Goal

The goal of the FIU is to prevent or control money laundering and the financing of terrorism through the collection and analysis of financial intelligence and the facilitation of all legitimate and appropriate anti-money laundering and anti-terrorism funding efforts.

Our Objectives

The FIU outlines and pursues a number of objectives that were intended to facilitate the attainment of this goal. These objectives are to:

1. establish close working relationships with financial institutions and other relevant persons and entities that may impact on money laundering, the financing of terrorism and their prevention.
2. provide relevant feedback to the FIU's constituents where appropriate.
3. develop and maintain intelligence sharing structures and systems.
4. effectively supervise the anti-money laundering and prevention of terrorism efforts of financial institutions.

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5. encourage compliance with the guidelines for financial institutions as issued by the Anti-Money Laundering Authority.
6. educate special interest groups and the general public about the prevention of money laundering and terrorist financing.
7. cooperate with international agencies and countries to prevent money laundering and terrorist financing.

Our Legislation

In response to an ever-increasing global threat of money laundering, the Government of Barbados passed in 1998, the Money Laundering and Financing of Terrorism (Prevention and Control) Act (MLFTA) which came into effect on April 28, 2000. The legislation was amended in 2001 and 2002 to the form presently found at Chapter 129 of the Laws of Barbados. In 2002, the Anti-Terrorism Act (ATA) was passed. This Act criminalizes terrorism and terrorist financing. Section 3 MLFTA criminalizes money laundering. Section 3 ATA criminalizes terrorism and Section 4 criminalizes financing of terrorism. The Anti-money Laundering Authority maintains the oversight of the national AML/CFT framework.

Section 5 of the MLFTA created the Anti-Money Laundering Authority (AMLA) with responsibility for the general supervision of financial institutions in Barbados to ensure their compliance with the Act.

Section 5 (1) stipulates that the Authority shall comprise such persons as the Minister may determine who have a sound knowledge of banking, general and legal matters. Mrs. Desiree Cherebin served as Chairperson of the Authority for the first year of its life. There after Sir Neville Nicholls served as Chairman until July 2008. Presently, the Authority is comprised as follows:

Mr. Jefferson Cumberbatch (Chairman)

Mr. Lawson Yearwood (Deputy Chairman)

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Solicitor General (or representative)

Commissioner of Police (or representative)

Commissioner of Inland Revenue (or representative)

Supervisor of Insurance (or representative)

Registrar of Corporate Affairs and Intellectual Property (or representative)

Comptroller of Customs (or representative)

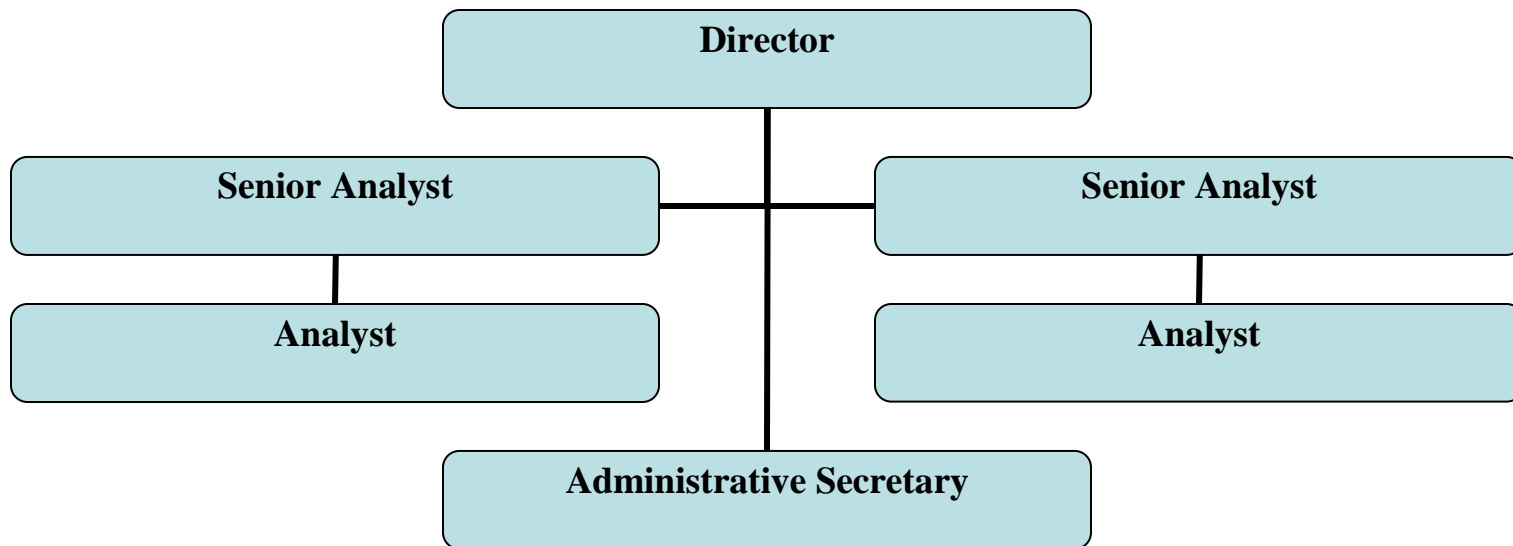
Central Bank (Director of Banking Supervision or representative)

Mr. Wismar Greaves

Mr. Hugh Foster

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The Organizational Structure of the Financial Intelligence Unit



General Duties of the Anti-Money Laundering Authority

The Authority is mandated to:

- ✚ Establish training requirements and provide any necessary training for financial institutions in respect of the business transaction, record keeping and reporting obligations under the Act.
- ✚ Receive the reports issued by the FIU, pursuant to Section 8 (1) (b) of the Act, as well as disclosures of information from any state or any other service, which is relevant to the administration, and enforcement of the Act.
- ✚ Conduct such investigations as are necessary for the purpose of the Act.
- ✚ Retain a record of all information that it receives under the Act for five years after the information is received.
- ✚ Compile statistics and records
- ✚ Disseminate information within or outside of Barbados and make recommendations arising out of any information received
- ✚ Instruct financial institutions to take such steps as may be appropriate to facilitate any investigation by the Authority.
- ✚ Require from any file the production of any information except information subject to legal professional privilege which the Authority considers relevant to fulfill its functions.

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Institutional Relations

The Anti-Money Laundering Authority/Financial Intelligence Unit has established strategic partnerships with diverse government agencies in Barbados including the Central Bank of Barbados, the Customs Department, Immigration Department, Inland Revenue Department, Land Tax Department, National Insurance Department and VAT Office. The Director of the FIU is empowered to request information from the records of the aforementioned government agencies if it is reasonable believed that information pertinent to an investigation is contained therein.

By virtue of subsection 6A (2) where the Authority, having considered any report or information received, has reasonable grounds to believe that such transaction or activity involves criminal activity or the proceeds of crime, is mandated to furnish such report to the Commissioner of Police.

In an effort to enhance the effectiveness of the Authority, subsection 6A (5) provides that upon receipt of information under the Act, the Authority may upon application to a judge in chambers seek an order to:

- Prohibit any person from completing any transaction for a period not exceeding 72 hours.
- Freeze a person's bank account for a period not exceeding 5 days

Guidelines

Section 22F of MLFTA empowers the Authority to issue guidelines in respect of the detection, prevention and deterrence of money laundering and the detection of funds of funds allocated or used for the purpose of committing an offence under the Anti-Terrorism Act, Chapter 158. In 2006, the Authority in collaboration with the specific financial regulators revised the AML/CFT guidelines for licensees of the Central Bank, the Supervisor of Insurance and Registrar of Cooperatives and Credit Unions.

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Information sharing with foreign states

Section 6C of the Act allows the Director, in accordance with directions issued by the Authority, to share or communicate information that is relevant to the Act to any national financial intelligence unit of a foreign state by whatever name such entity is called. Section 6C (a) provides that such information may be communicated where the FIU is located in a state that is party to any agreement with Barbados in respect of exchange of information under the Act. Section 6C (b) further states that the Director must satisfy himself that the state in question has given appropriate undertakings for protecting the confidentiality of the information supplied and for controlling the use that will be made of it.

Barbados has shared and exchanged information with several FIUs worldwide, some of which are members of the Egmont Group. Barbados became a member of the Egmont Group in 2002. The Egmont Group, through the Egmont Secure Web (ESW) allows enhanced effectiveness of the sharing of information on the detection of crimes that are not restricted to national borders. The FIU has signed Memoranda of Understanding (MOUs) with several jurisdictions namely **Panama, Canada, Guatemala, Albania and Moldova.**

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Duties Placed on Financial Institutions by the Act

The passage of the Money Laundering and Financing of Terrorism (Prevention and Control) Act placed a legal duty on financial institutions to report to the Authority any business transaction where the identity of the person involved, the transaction or any other circumstance concerning the business transaction gives an officer or employee of the financial institution reasonable grounds to suspect that the transaction involves proceeds of crime, involves the financing of terrorism or is of suspicious or an unusual nature.

- ✚ Financial institutions are mandated to establish and maintain for 5 years records of all transactions exceeding \$10,000.00BDS or its equivalent in foreign currency.
- ✚ Section 8 also mandates financial institutions, inter alia, to:
 - ✚ Permit any member of the Authority to enter into the financial institution and inspect the records kept and to take notes or copies thereof
 - ✚ Answer any questions by the Authority in relation to such records
 - ✚ Develop and apply internal policies, procedures and controls to combat money laundering and develop audit functions to evaluate such policies
 - ✚ Monitor and report to the Authority all currency exchanges of \$10,000.00 or more and all instructions for the transfer of international funds of similar amount, whether by telegraph or wire, into or out of Barbados, where the transaction appears to be of an unusual nature.
 - ✚ Keep client accounts in the true nature and name of the account holder.

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In 2006 the Anti-Money Laundering Authority/ Financial Intelligence Unit drafted proposed amendments to the Money Laundering and Financing of Terrorism (Prevention and Control) Act (MLFTA). These amendments were further reviewed and expanded in November 2008. One notable amendment refers to the fact it is proposed that Section 8 of the MLFTA be amended to remove the \$10,000 threshold in order to require financial institutions to retain all necessary records on all transactions for a period of at least five years after the termination of the transaction. This and other proposed amendments were presented at the CFATF November 2008 Plenary.

Section 2 MLFTA defines financial institution as follows:

“Financial institution”

(a) means any person who carries on business under the *Financial Institutions Act*; and

(b) includes

(i) a deposit taking institution;

(ii) any person whose business involves money transmission services, investments services or any other services of a financial nature;

(iii) a credit union within the meaning of **the *Co-operatives Societies Act, Chapter 378A***

(iv) a building society within **the *Building Societies Act, Chapter 377***

(v) a friendly society within the meaning of the *Friendly Societies Act, Chapter 379*

(vi) an insurance business within the meaning **of the *Insurance Act, Chapter 310***

(vii) an off-shore bank within the meaning of the *Offshore Banking Act, Chapter 325*

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(viii) an exempt insurance company within the meaning of the *Exempt Insurance Act, Chapter 308A*

(ix) an international business company within the meaning of the *International Business Companies Act, Chapter 77*

(x) a society with restricted liability within the meaning of **the *Societies with Restricted Liability Act, Chapter 318B***

(xi) a foreign sales corporation within the meaning of the *Barbados Foreign Sales Corporation Act, Chapter 59C*

(xii) a mutual fund, mutual fund administrator and a mutual fund manager;

(xiii) international trusts within the meaning of the *International Trusts Act, Chapter 245*

Over the years, the FIU has enjoyed a relationship of mutual cooperation with the compliance officers of the varying financial institutions. In order to continually improve this relationship and to enhance the FIU product, the FIU regularly interfaces with the compliance officers via telephone, correspondence and site visits to provide feedback on cases, answer queries and concerns as well as to suggest measures to enhance cooperation.

Protection of Information

The Authority has employed adequate safeguards to protect its sensitive information from unauthorized access or disclosure. It has also implemented several internal controls designed to reduce the possibility of internal leaks. The FIU's information technology system uses firewalls and smooth walls to prevent unauthorized access and intrusion from outside. The FIU's membership in the Egmont Group allows it to use the Egmont Secure Web (ESW). This is a secure internet web server is used by all Egmont members to facilitate the secure and easy sharing of intelligence. It provides

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centralized information exchange service for use by members to communicate reports, studies, crime activities and matters of interest on a bilateral and multilateral basis. The server functions on a virtual private network which is used to securely send and receive data, using encryption of the data and secure IDs. Section 22A of the MLFTA also criminalizes the act of tipping off by Financial Intelligence Unit/ Anti-Money Laundering Authority personnel.


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Public Awareness and Training


Throughout the period of this Report, the FIU has continued to use both the print and electronic media to sensitize the public about the importance avoiding money laundering and other related crimes and the general functions of the FIU and AMLA.


With reference to Section 6 of the MLFTA, the FIU has continued several training exercises in anti-money laundering matters at the invitation of financial institutions and organizations. The training has targeted differing levels of responsibility within the organizations, including front-line staff, senior management and the Board. The following information presents a list of financial institutions and entities trained by the FIU for the period 2003 to 2008.

Training Courses Conducted in 2003


-  Barbados Postal Service


-  Citadel Bank


-  Royal Bank of Canada Offshore Bank

-  Barbados Public Workers' Cooperative Credit Union

Training Courses Conducted in 2004






-  Barbados Mortgage Finance and Company Limited

-  First Caribbean International Bank



-  City of Bridgetown Credit Union

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Training Courses Conducted in 2005

-  Barbados Public Workers' Cooperative Credit Union Limited
-  Barbados Credit Union League
-  Barbados Shipping and Trading
-  Central Bank of Barbados
-  Royal Bank of Canada

Training Courses Conducted in 2007

-  Barbados Workers' Union Cooperative Credit Union
-  British American Insurance Company Limited

Training Courses Conducted in 2008

-  Caribbean Financial Action Task Force Compliance Conference
-  Butterfield Bank
-  Republic Bank of Trinidad and Tobago (RBTT)
-  Cidel Bank and Trust

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Training Courses attended by FIU Personnel

The field of anti-money laundering and counter-financing of terrorism is a dynamic one and is ever-evolving. After all, criminals generally adopt a “no –holds barred” approach with respect to scheming ways to launder money. As a result, personnel in this field must always keep abreast of the latest developments in anti-moony laundering/counter-financing of terrorism measures. One of the methods employed by the FIU to accomplish this is through the active participation in relevant training initiatives and conferences. As a member of the Caribbean Financial Action Task Force and the Egmont Group, Barbados FIU has continued to annually participate in these Plenary sessions. The Egmont Group meets once per year while CFATF meetings are held twice per year. Following is a list of training and conference opportunities attended by FIU personnel for the periods 2006 to 2008.

Training Courses/Conferences Attended in 2006

- ✚ Caribbean Financial Action Task Force Mutual Evaluation Examiners’ Workshop
- ✚ United States Embassy Drug Commanders’ Course
- ✚ Techniques of Financial Investigation, REDTRAC, Jamaica

Training Courses/Conferences Attended in 2007

- ✚ Enhancing FIU Capacity, Antigua-World Bank, FINCEN, FINTRAC initiative
- ✚ i 2 National User Conference, Virginia , United States of America
- ✚ Techniques of Financial Investigation, REDTRAC, Jamaica
- ✚ Introduction to Financial Investigations, REDTRAC, Jamaica

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- ✚ OAS/CICTE Conference & Ministerial Meeting on Transnational Organized Crime and Terrorism

Training Courses/Conferences Attended in 2008

- ✚ Caribbean Financial Action Task Force Mutual Evaluation Examiners' Workshop
- ✚ Financial Action Task Force Plenary, Rio de Janeiro, Brazil
- ✚ i 2 National User Conference, Virginia , United States of America
- ✚ Workshop for Caribbean Countries on Countering Terrorist Financing-OAS initiative
- ✚ International Compliance Training Programme, St. Vincent & the Grenadines-FINTRAC initiative
- ✚ Annual International Institute for Securities Enforcement and Markey Oversight- U.S. Securities and Exchange Commission, Washington, D.C.
- ✚ CFATF Compliance Conference, Barbados
- ✚ Financial Manipulation Analysis, Anacapa Sciences Inc., USA³
- ✚ Association of Certified Anti-Money Laundering Specialists(ACAMS), USA⁴

³ The Financial Manipulation Analysis course was a joint initiative of the Financial Intelligence Unit and the Royal Barbados Police Force that witnessed approximately thirty persons, namely investigators, analysts and Heads of FIUs from the Caribbean trained in the analysis of complex financial manipulations. The course was geared for persons “*who are not accountants but who must analyze complex financial manipulations performed to disguise and transfer money gained from illegal activities.*”³ Participants came from several Caribbean Countries namely: Anguilla, Antigua, Bahamas Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Grenada, Montserrat, St. Lucia, St. Vincent & the Grenadines, Trinidad and Tobago.

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Caribbean Financial Action Task Force Mutual Evaluation Process-Third Round

The Second Round of Mutual Evaluations in the Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) regime took place in the period of 2001 to 2004 with 26 countries being evaluated. Barbados was evaluated in November 2001.

The Third Round of Evaluations commenced in January of 2005 and will last until 2009. Barbados was examined in December 2006 using the 2004 Financial Action Task Force (FATF) AML/CFT Methodology. During the on-site mission, the evaluation team met with officials and representatives of relevant Barbados government agencies and the private sector. The evaluation was conducted by an assessment team, which consisted of a members of the CFATF Secretariat and CFATF experts in criminal law, law enforcement and regulatory issues: Ms Rochelle Deleveaux (financial expert from the Central Bank of The Bahamas), Mr. Dougal James (financial expert from the International Financial Services Authority of St. Vincent & the Grenadines), Mr. Errol George (law enforcement expert from the Financial Investigation Agency of the British Virgin Islands) Mr. Kurt Rattray (legal expert from the Ministry of Justice, Jamaica) and Mr. Roger Hernandez, Financial Advisor from the CFATF Secretariat. The experts reviewed the institutional framework, the relevant AML/CFT laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter money laundering (ML) and the financing of terrorism (FT) through financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs), as well as examining the capacity, the implementation and the effectiveness of all these systems.⁵

The report was presented in May 2008 at the CFATF Plenary in Haiti. The Barbados delegation was headed by The Honourable Mr. Freundel Stuart, Q.C., M.P., Deputy Prime Minister and Attorney-General of Barbados.

⁴ One of the initiatives for 2008 was to commence the process for all FIU personnel to become Certified Anti-Money Laundering Specialists and therefore entitled to use the professional designation CAMS. Three persons successfully acquired this designation.

⁵ Barbados Mutual Evaluation Report-June 2008

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In accordance with the 2007 CFATF Mutual Evaluation Procedures, Barbados was requested to present a Follow-Up Report at the following CFATF November Plenary in 2008. A Follow-Up Matrix was presented to the Plenary and will be further discussed at the following 2009 CFATF May Plenary. The Follow-up Report provision provides a robust monitoring process by the organization of the measures being taken by countries to implement the recommendations of the Examiners.

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International Monetary Fund and the Financial Sector Assessment Programme

The Financial Sector Assessment Programme was conducted in 2008. This led to the publication of the **Report on the Observance of Standards and Codes. (ROSC)**. ROSCs summarize the extent to which countries observe certain internationally recognized standards and codes. The IMF has recognized 12 areas and associated standards as useful for the operational work of the Fund and the World Bank. These comprise accounting; auditing; anti-money laundering and countering the financing of terrorism (AML/CFT); banking supervision; corporate governance; data dissemination; fiscal transparency; insolvency and creditor rights; insurance supervision; monetary and financial policy transparency; payments systems; and securities regulation; AML/CFT was added in November 2002. The Report on the Observance of Standards and Codes of the FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism for Barbados was prepared by the Caribbean Financial Action Task Force (CFATF), using the assessment methodology adopted by the FATF in February 2004 and endorsed by the Executive Board of the IMF in March 2004.

Barbados Financial Intelligence Unit
Chapter III-Statistics 2003-2008

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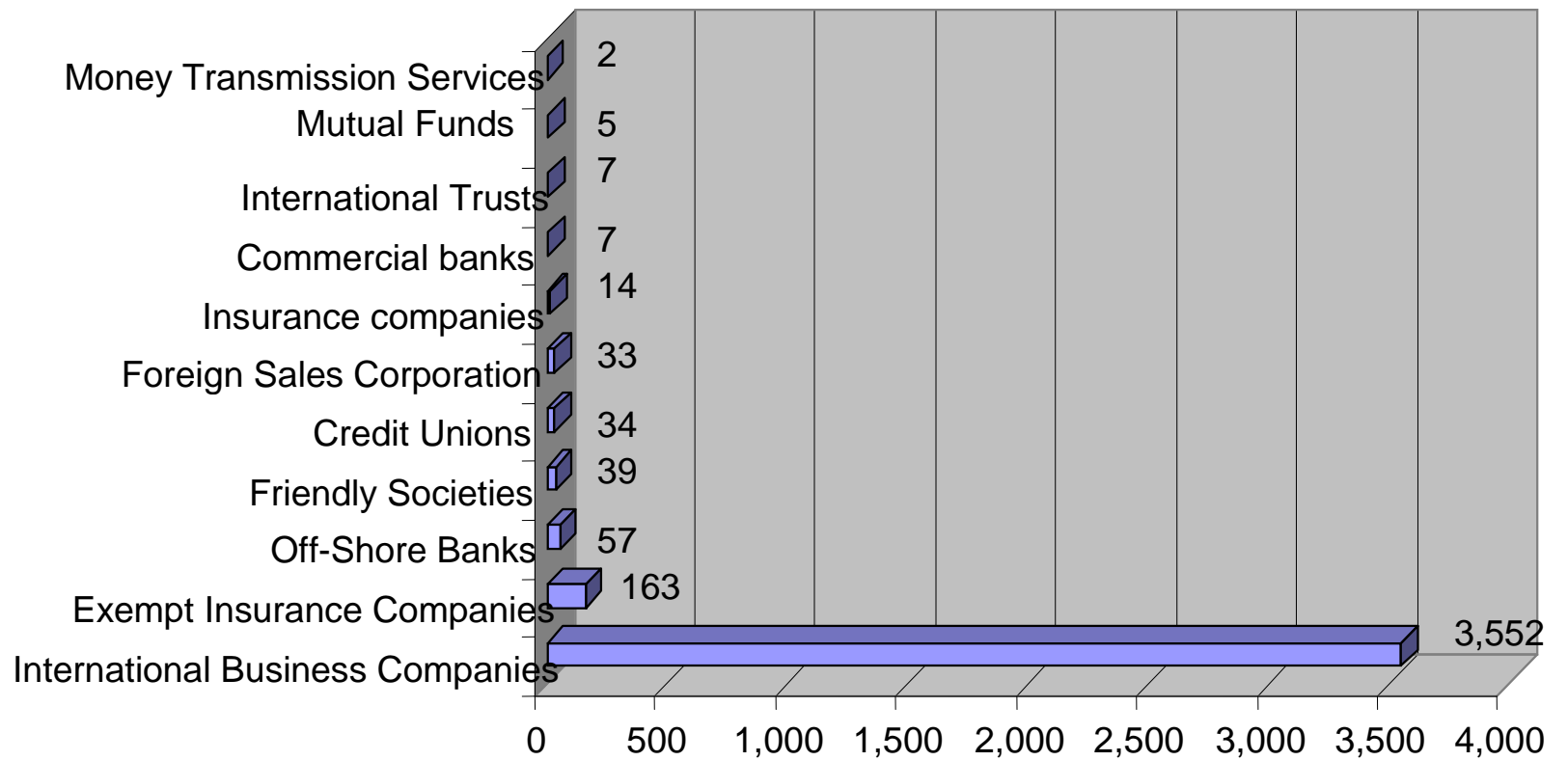
Statistics

Section 6(b) MLFTA requires the Authority compile statistics and records.

Suspicious Transaction Reports are otherwise known as STRs. Section 6A(1) states that *“the Authority shall receive reports issued by financial institutions pursuant to Section 8 (1) (b), as well as disclosures of information from any state or any source which are relevant to the administration and enforcement of this Act.”*

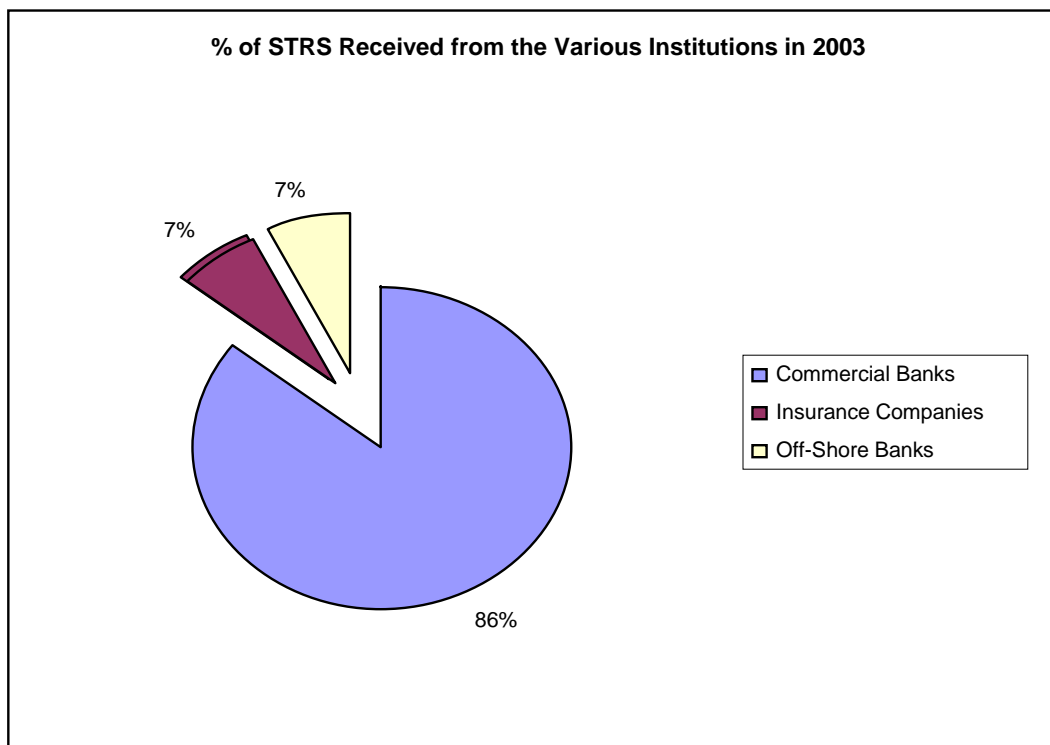
Section 8 (1) (b) states that the financial institution shall report to the Authority any business transaction where the identity of the person involved, the transaction or any other circumstance concerning the business transaction gives an officer or employee of the financial institution reasonable grounds to suspect that the transaction involves proceeds of crime, involves the financing of terrorism or is of suspicious or an unusual nature. Further, section 8(4) states that where a financial institution fails to make a report, the directors of the institution are guilty of an offence and are jointly and severally liable on conviction on indictment to a fine \$100,000.

Section 2 defines “financial institution” and provides the list of reporting entities. The following graph provides the numbers of types of reporting entities as at December 2008.



Statistics for 2003

In 2003, the FIU received twenty-nine STRs from financial institutions. These were overwhelmingly from commercial banks. This conduct is in keeping with the general trend in other countries. The below pie chart tells the story.



Reports to the Commissioner of Police

Under the period in review, the Anti-Money Laundering Authority referred twelve files to the Commissioner of Police.

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Files Closed

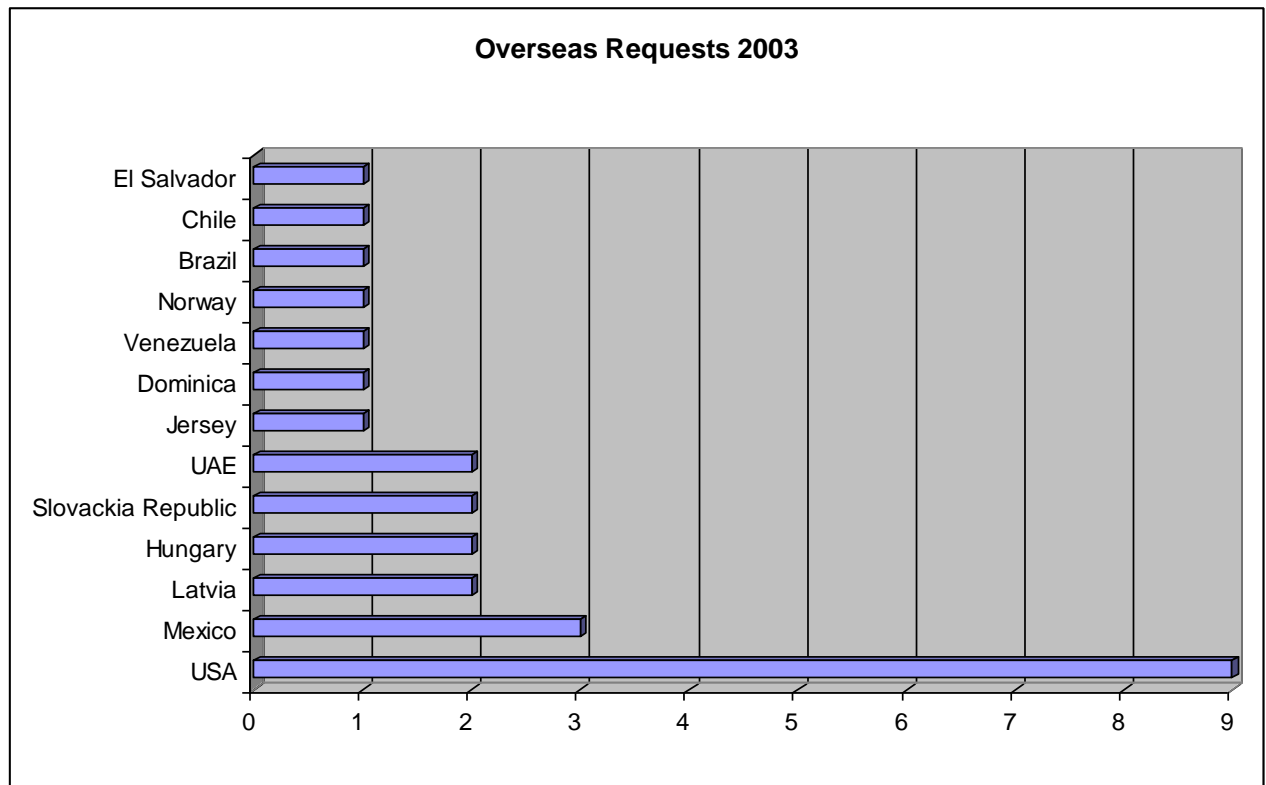
During the period under review seven files were closed as there was no evidence to suggest that the funds were proceeds of crime.

Files In View

Ten files were classified as active or kept in view. These were unusual transactions but material information that would assist in determining the matter had not yet been obtained.

Overseas Requests

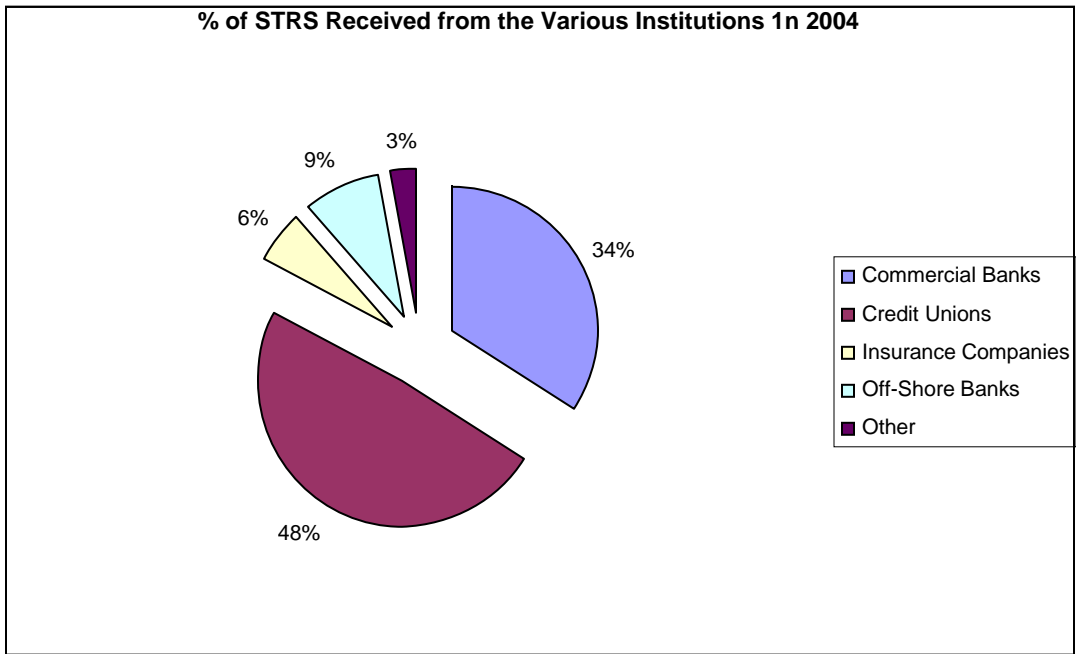
There were twenty-seven overseas requests for information in respect of cases suspected to involve money laundering. Only one case was closed.



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Statistics for 2004

In 2004, the FIU received thirty-five STRs. For this period, the predominant financial institution in filing STRs was the credit union. As seen from the below graph, credit unions contributed 48% of all STRs, followed by commercial banks which contributed 34%. The financial institution referred to as “Other” refers to money remitters and Designated Non-Financial Business Persons (DNFBPs).



Reports to the Commissioner of Police

Under the period in review, the Anti-Money Laundering Authority referred one file to the Commissioner of Police.

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Files Closed

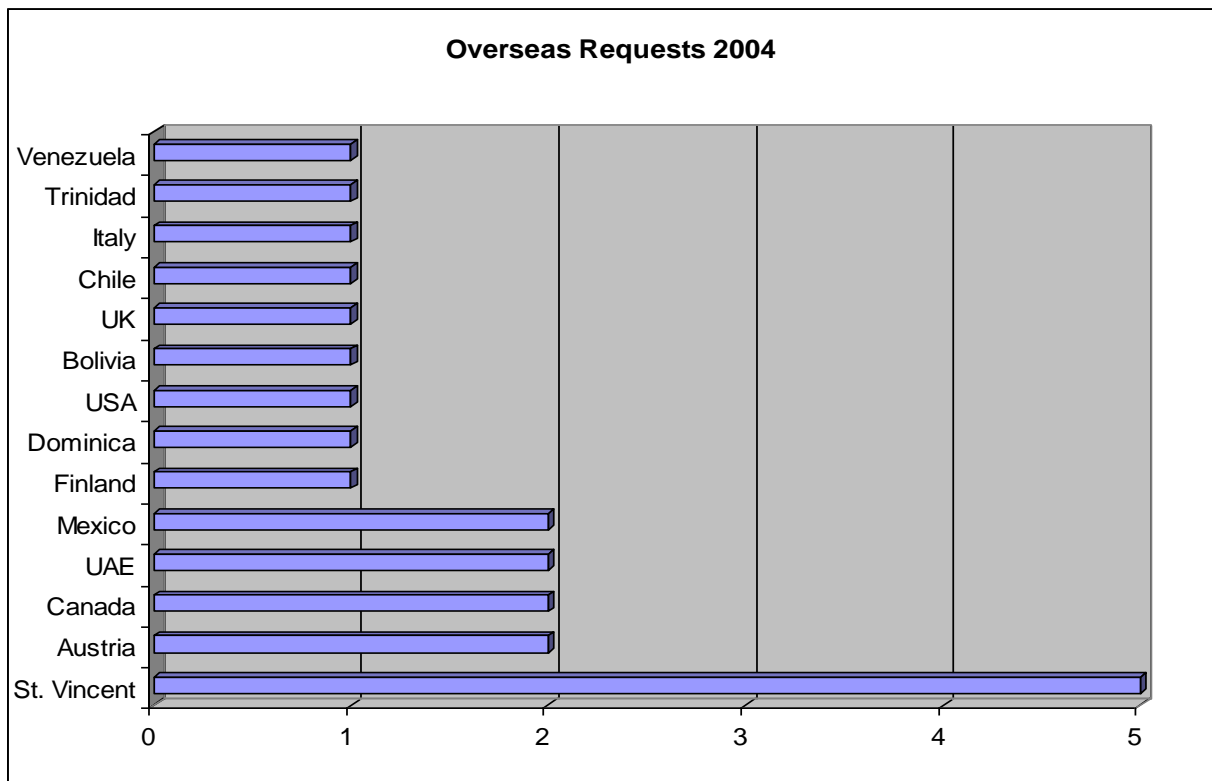
During the period under review four files were closed as there was no evidence to suggest that the funds were proceeds of crime or associated with terrorist financing.

Files In View

Thirty files were classified as active or kept in view. These were unusual transactions but material information that would assist in determining the matter had not yet been obtained.

Overseas Requests

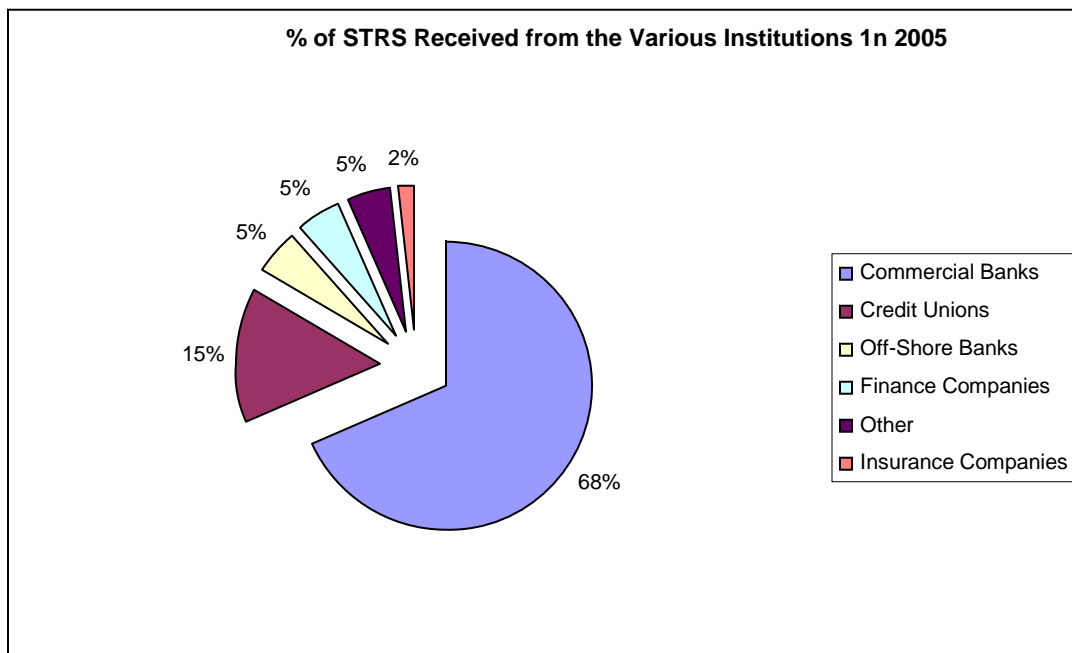
There were twenty-two overseas requests for information in respect of cases suspected to involve money laundering. Two cases were closed.



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Statistics for 2005

In 2005, the FIU received sixty STRs from financial institutions. These were overwhelmingly from commercial banks. In fact these entities contributed 41STRs or 68% of the STRs. The relevant chart follows



Reports to the Commissioner of Police

Under the period in review, no files were referred to the Commissioner of Police.

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Files Closed

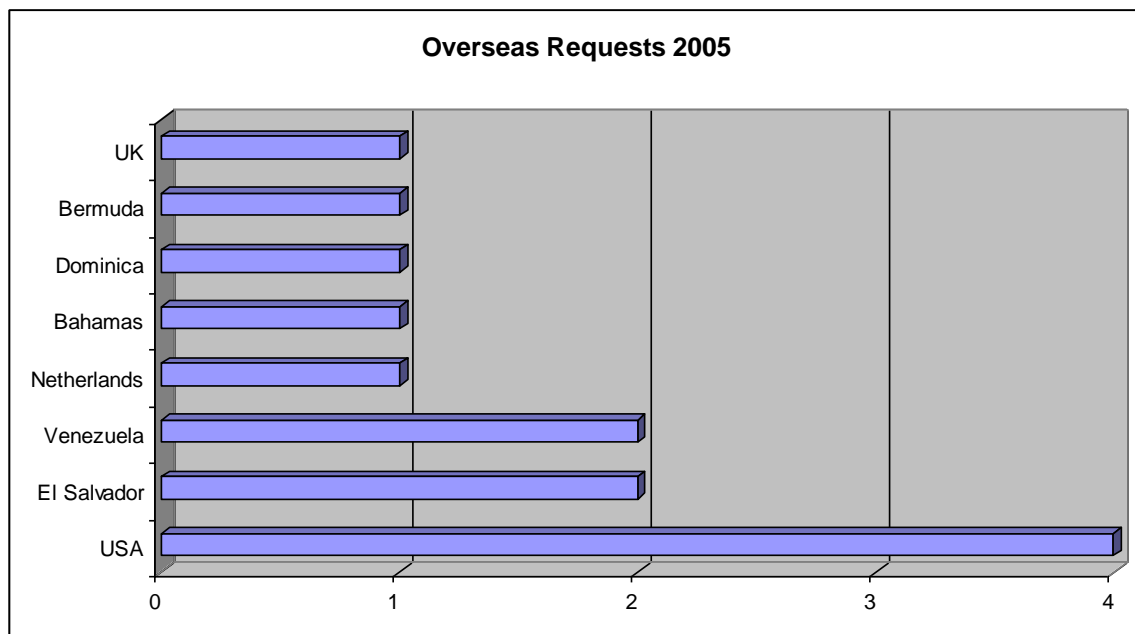
During the period under review one file was closed as there was no evidence to suggest that the funds were proceeds of crime or associated with terrorist financing.

Files In View

Fifty eight files were classified as active or kept in view. These were unusual transactions but material information that would assist in determining the matter had not yet been obtained.

Overseas Requests

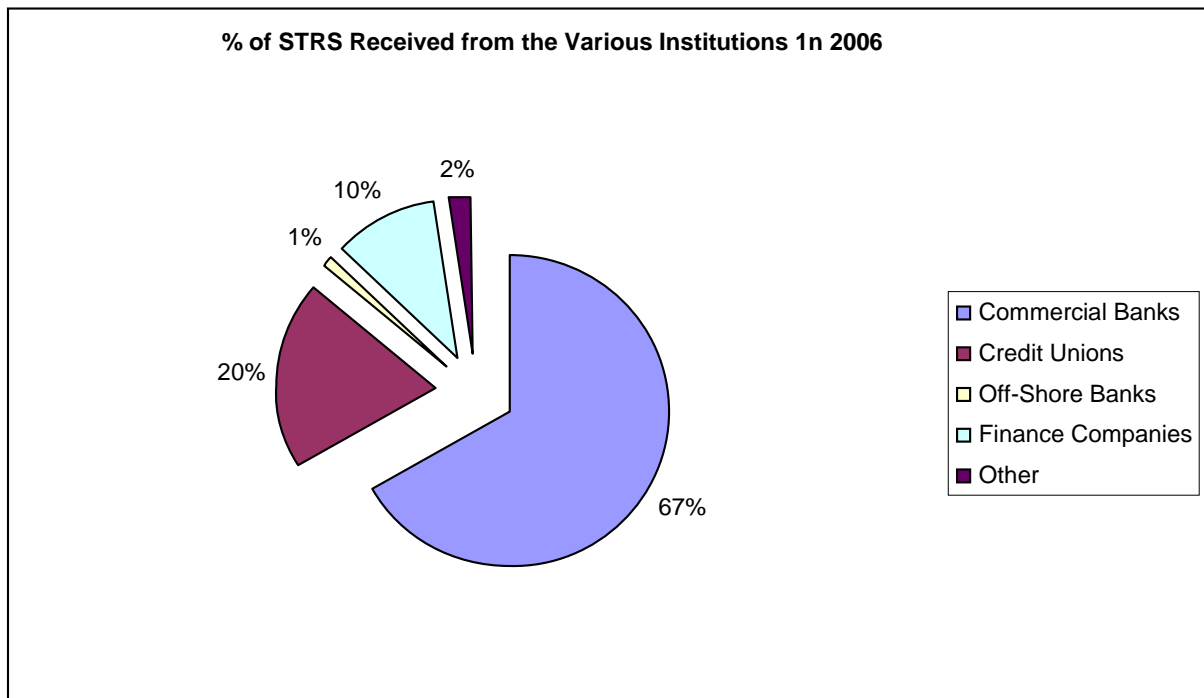
There were thirteen overseas requests for information in respect of cases suspected to involve money laundering. One case was closed.



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Statistics for 2006

In 2006, the FIU received eighty-seven STRs. For this period, the commercial banks contributed fifty-eight STRs.



Reports to the Commissioner of Police

Under the period in review, six files were referred to the Commissioner of Police.

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Files Closed

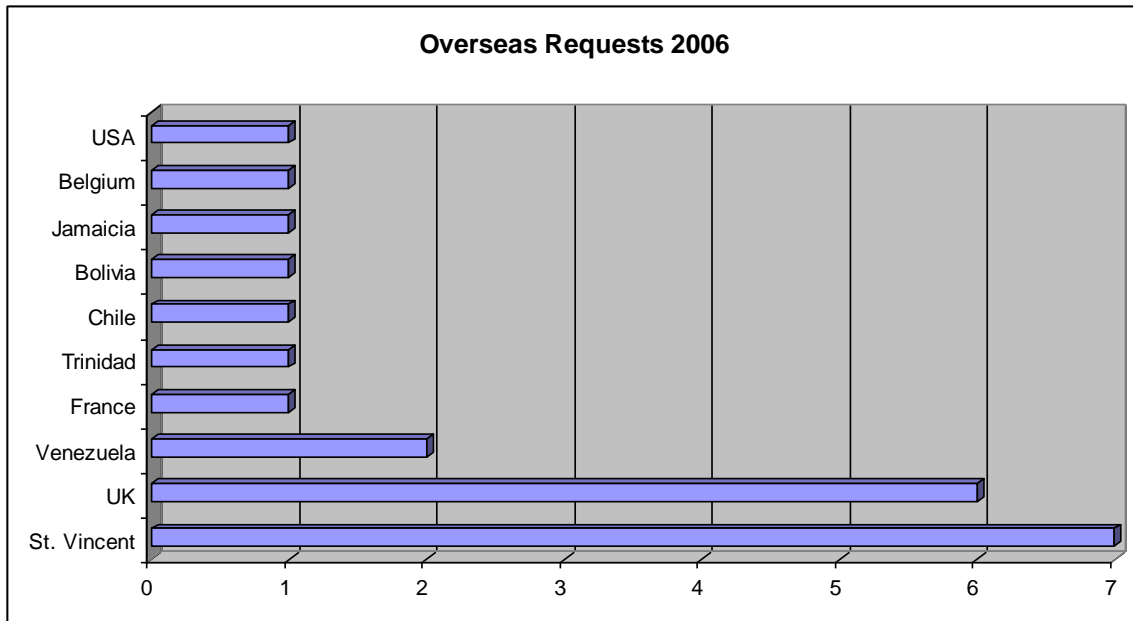
During the period under review no files were closed.

Files In View

Eighty-one files were classified as active or kept in view. These were unusual transactions but material information that would assist in determining the matter had not yet been obtained.

Overseas Requests

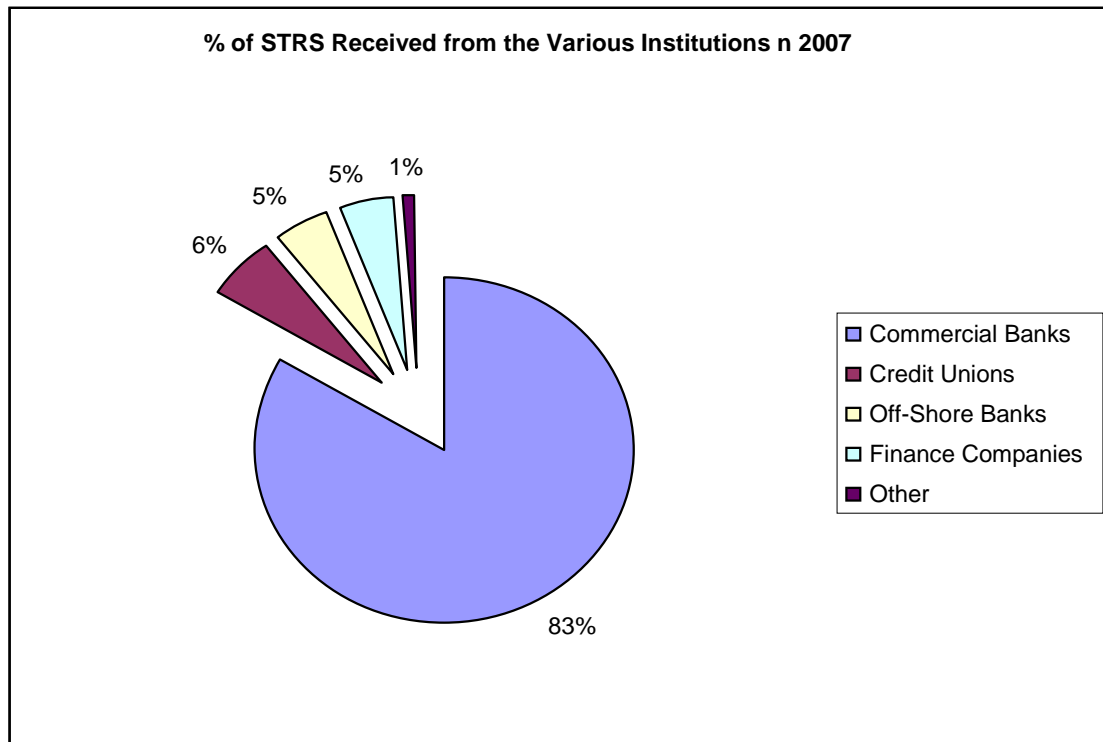
There were twenty-two overseas requests for information in respect of cases suspected to involve money laundering. No cases were closed.



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Statistics for 2007

In 2007, the FIU received eighty-six STRs from financial institutions. These were overwhelmingly from commercial banks. In fact these entities contributed 72 STRs or 83% of the STRs. The relevant chart follows:



Reports to the Commissioner of Police

Under the period in review, no files were referred to the Commissioner of Police.

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Files Closed

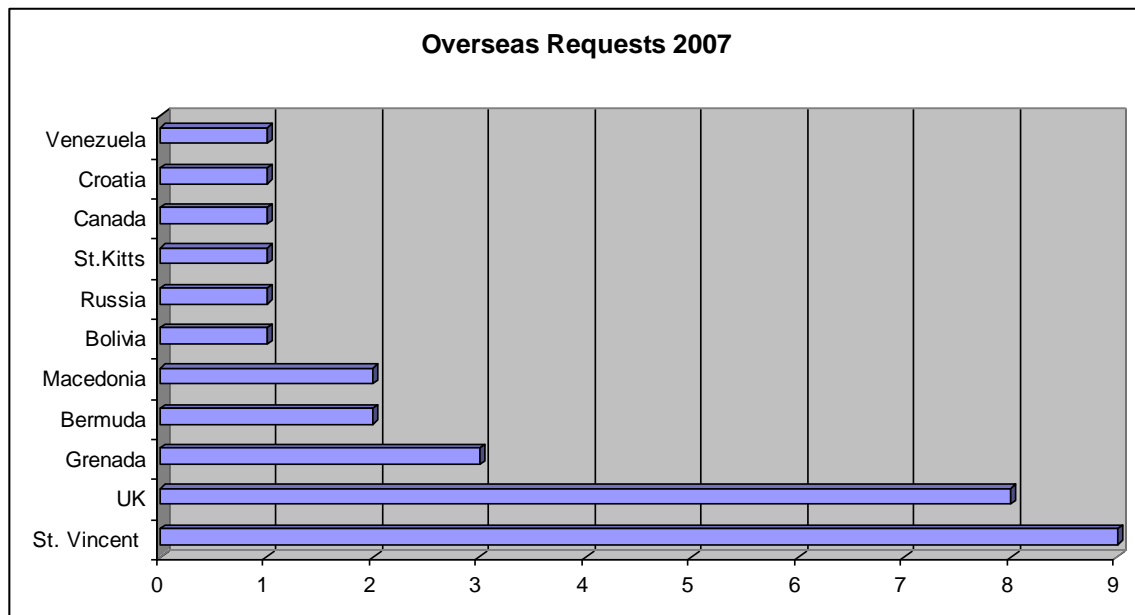
During the period under review no files were closed.

Files In View

All eighty-six files were classified as active or kept in view. These were unusual transactions but material information that would assist in determining the matter had not yet been obtained.

Overseas Requests

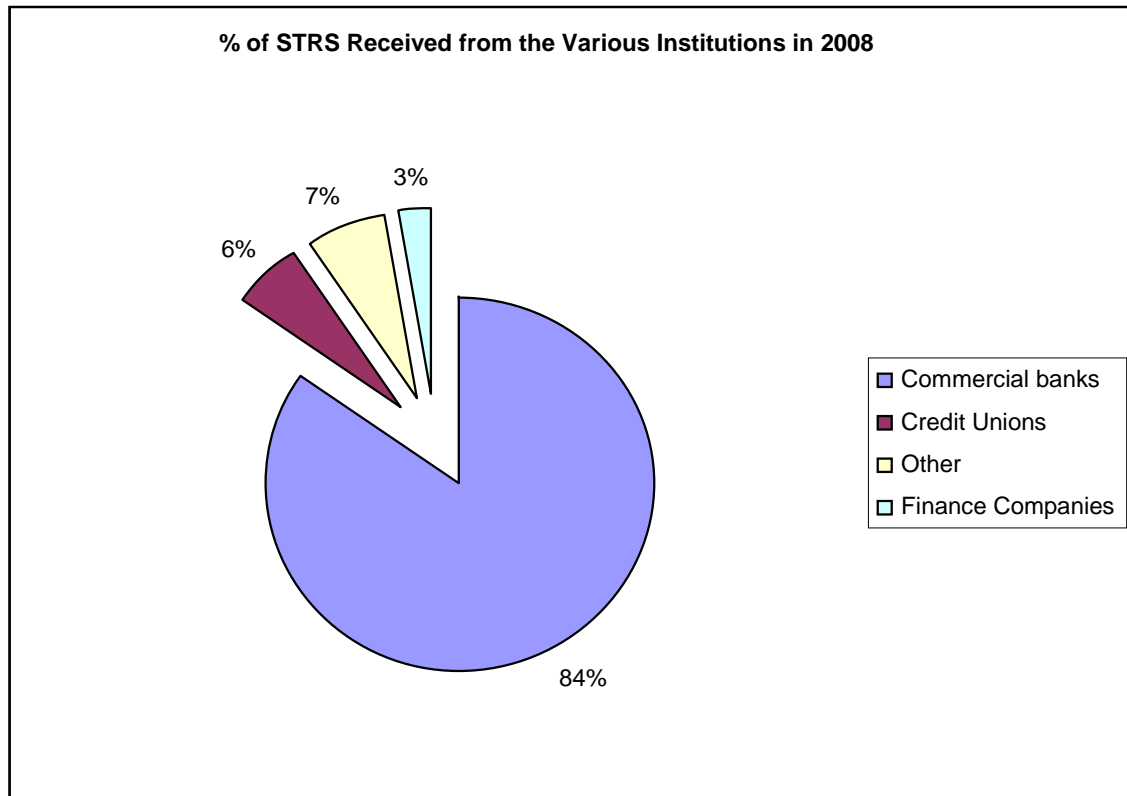
There were thirty overseas requests for information in respect of cases suspected to involve money laundering. No cases were closed.



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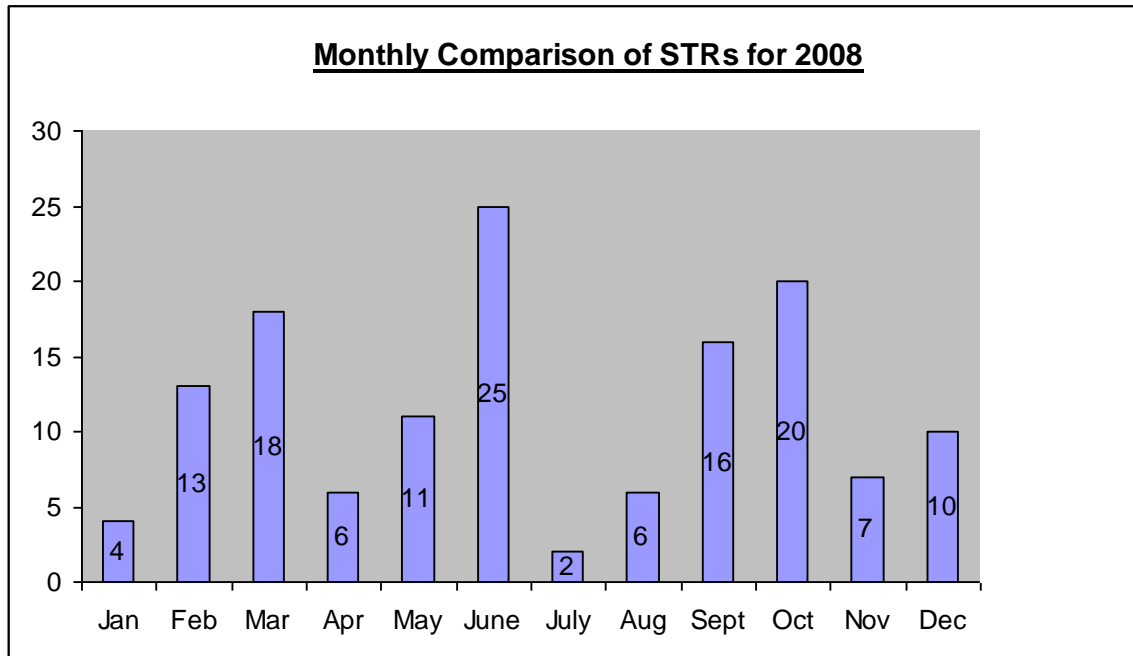
Statistics 2008

For the calendar year 2008, the FIU received one hundred and thirty-eight STRs from financial institutions. As customary, these were overwhelmingly from commercial banks. In fact these entities contributed 117 STRs or 84% of the STRs. The relevant chart follows:



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The below graph provides a monthly analysis of the receipt of STRs



Reports to the Commissioner of Police

Under the period in review, one file was referred to the Commissioner of Police.

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Files Closed

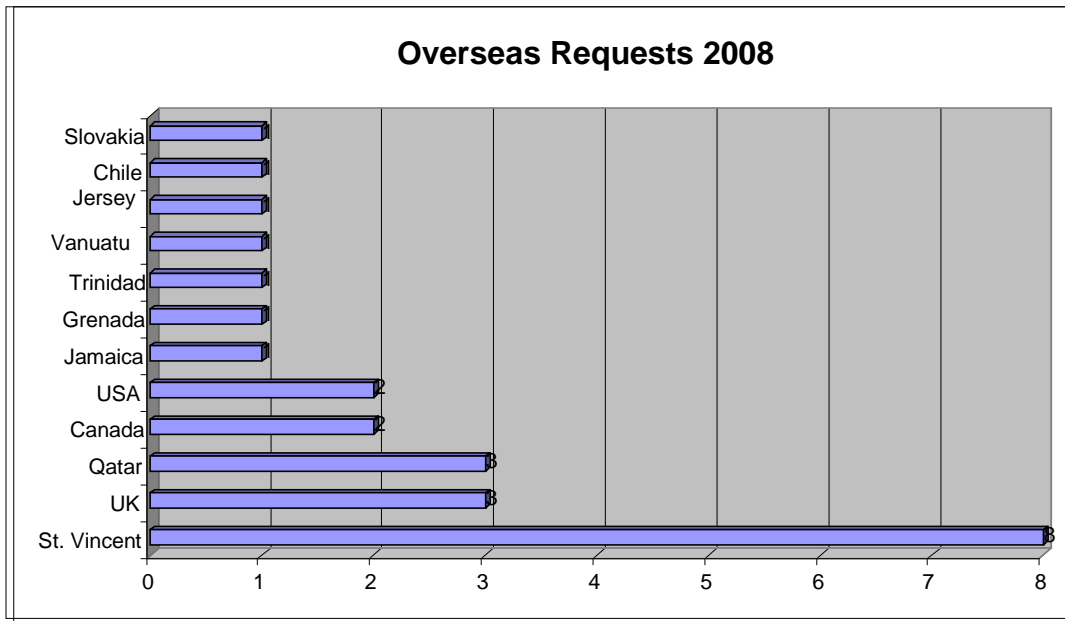
During the period under review no files were closed.

Files In View

One hundred and thirty-seven files were classified as active or kept in view. These were unusual transactions but material information that would assist in determining the matter had not yet been obtained.

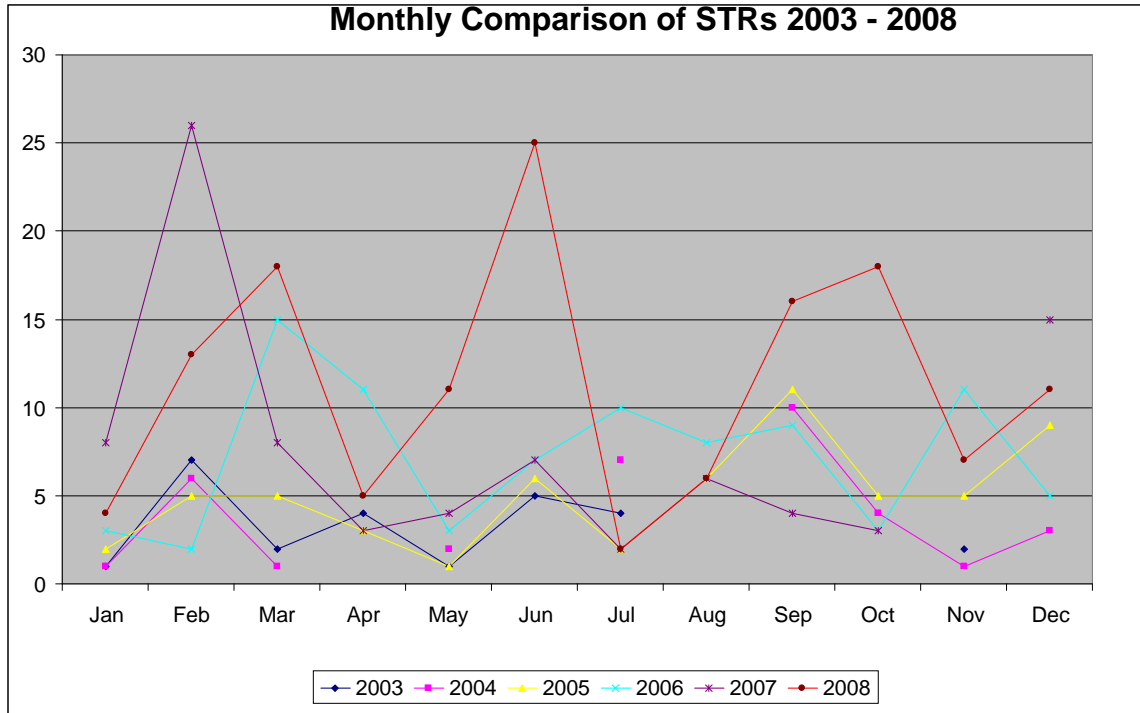
Overseas Requests

There were twenty-five overseas requests for information in respect of cases suspected to involve money laundering. Three cases were closed.

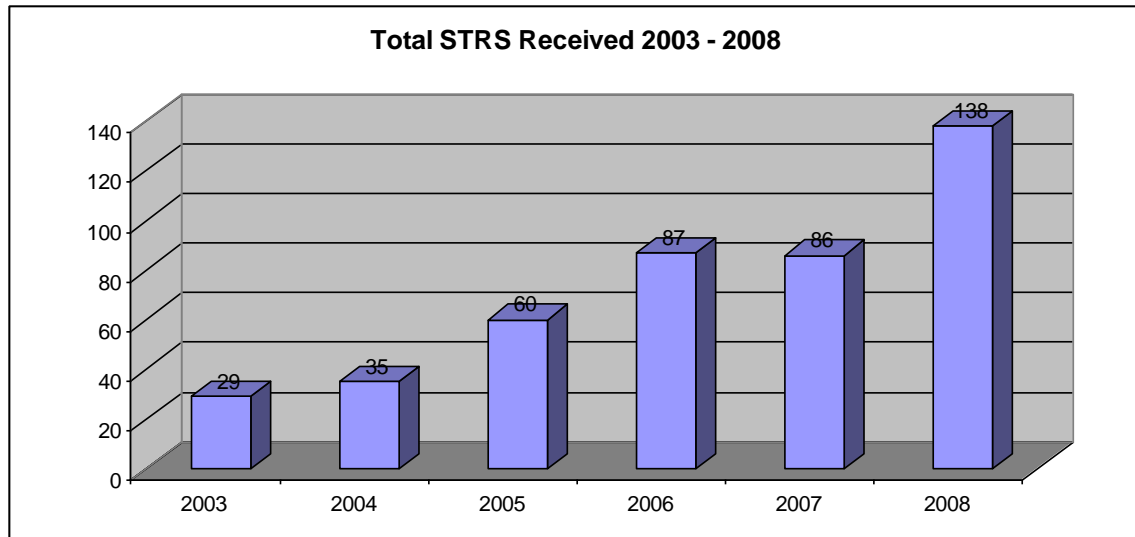


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Further analysis of STRs for 2003-2008 periods



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Trends Analysis for 2008

For the period of 2008 certain trends for suspicious or unusual activity were observed:

- ✚ Structuring of accounts
- ✚ Under –invoicing and fraudulent invoicing of goods
- ✚ 419 scams
- ✚ Designated Non-Financial Business Persons (DNFBPs)-Use of these types of professionals to “clean” monies obtained from purported illegal activities.
- ✚ Purchase of drafts/money orders that are sent overseas to persons reputed to be involved in drug-related crimes
- ✚ Wire transfers for which there appears to be no reasonable explanation and to countries for which there is an unexplained association
- ✚ Use of corporate structures to conceal possible proceeds of crime
- ✚ Establishment of complex company structures to hide true beneficial ownership

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- ✚ Bank account activity contrary to the stated purpose of the account
- ✚ Payments or receipts with no apparent links to legitimate contracts, goods or services received.

Conclusions

It is evident that the number of Suspicious Transaction Reports and Overseas Requests has exponentially increased over 2003 to 2008 periods. In order for Barbados to be in a position to properly protect itself from the scourges of money laundering and terrorist financing, the staffing complement of the FIU must increase to adequately analyze the number of Suspicious Transaction Reports and overseas requests received. As the staffing complement increases with the increased level of responsibility placed on the Authority/FIU, the department will also be better placed to assist both neighbouring countries and other countries across the world in requests for assistance either by the way of mutual legal assistance or by way of requests from counterpart Financial Intelligence Units.

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Work Programme for 2009

The Financial Intelligence Unit will focus on enhancing its cooperation with our overseas partners, government entities, financial and non-financial businesses with the aim of improving the compliance and reporting regime in accordance with the Money Laundering and Financing of Terrorism (Prevention and Control) Act, Cap. 129 and the international AML/CFT requirements. The four main priorities are:

1. *Case Management*

In the case management initiative, the FIU employs both internal and external systems to handle cases. Internally, there are weekly case management meetings with the analysts to prioritize and review case files, brainstorm with the aim of actively progressing the analysis and investigation of these cases. Externally, the FIU continues to meet with its stakeholders, to improve its working relationships and the response time that the stakeholders such as financial institutions and government entities respond to the FIU.

2. *The Annual Report*

The first and only Annual Report in the history of the FIU was for 2001-2002. In the 2008 Mutual Evaluation Report of Barbados, the examiners highlighted the need for Barbados to work on the outstanding Reports. The FIU's goal is to commence and complete the Annual Reports for the year 2003- 2008. The reports will contain statistics on the number of STRs received, the number of cases referred to the Commissioner of Police, the number of closed files for the given year, typologies and trends for money laundering.

3. *Information Technology Development*

The third matter of focus of the FIU is the strengthening of Information Technology (IT) infrastructure. This will be achieved through the acquisition of an improved database management

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programme which will greatly enhance the speed and ease of the retrieval of information within the department. The aim is to enhance the department's information technology infrastructure in order that the department is in a position to electronically receive suspicious transaction reports.

4. Public Education and Training

The fourth matter of focus is the public education and training programme of the FIU. Under this programme, the FIU will continue to train financial institutions with respect to their obligations under Money Laundering for Financing of Terrorism Act (MLFTA) as well as educate the members of the public about money laundering. The FIU plans to organize specific meetings with compliance officers to discuss in detail local, regional and international trends on money laundering and terrorist financing.

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Money Laundering is the act of legitimizing money obtained from illegal sources.

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