

## **AML/CFT Regulatory Framework**

- I. Financial Intelligence Unit Act Cap 21.09 as amended
- II. Proceeds of Crime Act Cap. 4.28 as amended
- III. Anti-Terrorism Act Cap 4.02 as amended
- IV. Organised Crime Prevention and Control Act Cap 4.22
- V. Anti-Proliferation (Financing of Weapons of Mass Destructions) Act, No 10 of 2020
- VI. Financial Services Regulatory Commission Act Cap 21.10 as amended

### **Who are Reporting Entities?**

Those businesses identified in the Proceeds of Crime Act Cap 4.28 who are required to meet a number of obligations such as implement a compliance regime; and provide continuous AML/CFT Staff Training.

### **What is reported?**

- Suspicious transactions related to either money laundering or terrorist financing regardless of the dollar value.
- The existence of terrorist property in their possession or control.



# **Annual Report**

## **2019**

---

**ST. CHRISTOPHER (ST. KITTS)- NEVIS**  
**FINANCIAL INTELLIGENCE UNIT**

# CONTENTS

	<b>Page</b>
<b>Overview.....</b>	<b>3</b>
<b>Director’s Message.....</b>	<b>4</b>
<b>Legal Authority.....</b>	<b>5</b>
<b>Organizational Chart.....</b>	<b>6</b>
<b>Money Laundering Cycle.....</b>	<b>7</b>
<b>National &amp; International Cooperation.....</b>	<b>8</b>
<b>Reports Received.....</b>	<b>11</b>
<b>AML/CFT Awareness.....</b>	<b>14</b>
<b>FIU Staff.....</b>	<b>15</b>
<b>CFATF Mutual Evaluation Preparation.....</b>	<b>15</b>
<b>Typologies.....</b>	<b>16</b>
<b>Future Direction.....</b>	<b>18</b>

# OVERVIEW

**Address:**  
**The Director**  
**Financial Intelligence Unit**  
**2<sup>nd</sup> Floor, Ministry of Finance**  
**P.O. Box 1822**  
**Golden Rock, Basseterre, St. Kitts**  
**Tel: (869)466-3451**  
**(869)465-6831**  
**Fax: (869)466-4945**  
**Email: sknfiu@govt.kn**

**The Financial Intelligence Unit (FIU) was established in May 2001, pursuant to the provisions of the Financial Intelligence Unit Cap. 21.09, for the purpose of combating Money Laundering, countering the financing of terrorism and proliferation of weapons of mass destruction. The unit is housed within the Ministry of Finance. FIU’s mandate is to facilitate the detection, prevention and deterrence of money laundering and terrorist financing, while ensuring the protection of personal information under its control.**

**We are the national centralized agency for the collection, receipt, and analysis of Suspicious Transaction Reports (STRs) –financial transactions/activities that are suspected of being related to money laundering and terrorist financing. (For a description of the reporting entities see the Schedule of the Proceeds of Crime Act Cap. 4.28). The STRs are analysed and if the unit is “satisfied that there are reasonable grounds that a money laundering offence has been or is being committed or is about to be committed” a report is submitted to the Commissioner of Police for necessary action.**

**We also receive and appropriately deal with national and foreign Requests for Assistance to add value to intelligence, prosecutions and investigation of suspected money laundering, terrorist financing and related offences. The FIU can liaise with foreign FIUs and enter into agreements or arrangements with them that are deemed necessary to the fulfillment of the unit’s mandate.**

**Financial Intelligence is considered the unit’s core product. This intelligence is obtained after analysis of the STRs forwarded by the reporting entities; and the requested information from various entities as outlined in our Letters of Request. All information forwarded to and requested by the FIU is held in strictest confidence to ensure the integrity and credibility of the unit.**

**Our vision is to be a benchmark for intelligence gathering and sharing. We will be adding value to investigation and prosecutorial processes on the national, regional and international levels in combating money laundering, terrorist financing and related predicate offences.**

## **DIRECTOR'S MESSAGE**

Financial intelligence is increasingly the key link that, nationally and globally, can do the most to expose crimes involving money laundering and terrorist activity financing. As the intelligence points out the money trail, so the trail itself can point out the players and the links between them.

St. Kitts-Nevis FIU (SKNFIU) is not an investigative unit and therefore it does not have the power to gather evidence, seize and freeze assets (with the exception of bank accounts) or lay charges. These powers rest with the police to which SKNFIU makes its disclosures.

During the period under review, the SKN FIU continued to work with domestic, regional and international partners in accordance with our jurisdiction's regulatory framework and the international AML/CFT requirements.

We received and analysed STRs; disseminated information, spontaneously and upon request. The sharing of financial information is done both spontaneously and via request to both domestic and foreign agencies.

Our noteworthy activities included the issuance of an advisory to the Hotel industry. The advisories were also shared with our local AML/CFT Regulators Financial Services Regulatory Commission and the White-Collar Crime Unit (WCCU).

The non-public advisory was to assist in the identification of potential fraud pertaining to Foreign Cheque Fraud Schemes. It was developed from information contained in STRs filed highlighting Mass-Marketing Fraud Schemes that are internet related.

We ensured that all opportunities to build human capital were seized. The Government continued to support and fund activities to equip staff with the necessary tools and skills.

Throughout the year, the regulated entities and other agencies cooperated and supported us in achieving our mandate. This was evidenced through the filing of suspicious reports and/or responding to our many "Letters of Request", your contributions are appreciated and recognized.

As we perform our functions, we will continue to look towards the Financial Intelligence Unit Act Cap 21:09 as amended, in addition to the powers accorded to us under related laws. Confidentiality, security, and integrity are and would continue to be highly promoted within the unit.

This report provides a summary of the unit's activities this past year; and a look ahead at how we propose to contribute to the further development of the AML/CFT system in the Federation of St. Christopher (St. Kitts) and Nevis.

It is also hoped that readers would gain more insight into the operations of the FIU in our efforts to deter, detect and prevent the accumulation of criminal economic power through money laundering, terrorist financing and related activities.

**La-Real Wilson**  
**Director (Ag)**

## **LEGAL AUTHORITY**

The legal powers accorded to the St. Christopher (St. Kitts)–Nevis Financial Intelligence Unit (FIU) are mainly set out under the Financial Intelligence Unit Act Cap 21.09 as amended.

### **Core Functions:**

- **Collect, Receive and Analyze Suspicious Transaction Reports (STRs)** – In compliance with the FIU Act Cap 21.09, the FIU is designated as the central authority to collect, receive and analyse suspicious transaction reports related to money laundering and terrorist financing.
- **Disseminate information** – The unit is responsible for the dissemination of financial information to law enforcement authorities, foreign counterparts, and related agencies.
- **Establish a database** – The unit is to establish and maintain a database for the purpose of detecting money laundering and terrorist financing.
- **Liase with related agencies** – To liaise with related agencies to coordinate and strengthen the intelligence gathering process and support the investigative and prosecutorial undertakings.
- **Freeze & Confiscate Funds** – To assist with the freezing and forfeiture of illicit funds.

The unit's legal jurisdiction is also captured under the Anti-Terrorism Act Cap 4.02 (ATA) and the Proceeds of Crime Act 4.28 (POCA) with the Regulations issued thereunder i.e. Anti-Money Laundering Regulations as amended.

As an administrative model FIU, the unit functions as a buffer between the regulated and law enforcement communities.

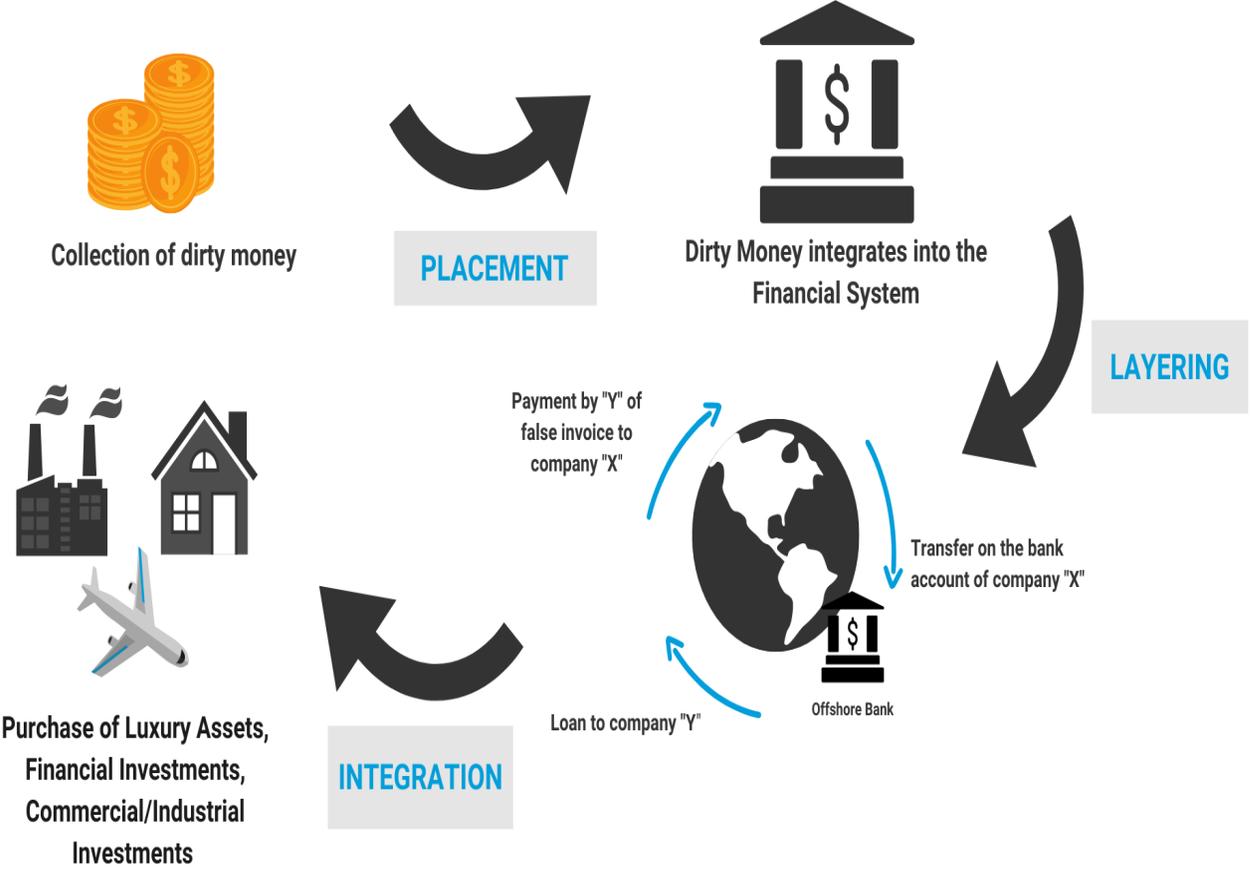
## **FINANCIAL INTELLIGENCE UNIT MODELS**

- **Judicial** – Analyses, investigate and prosecute STR matters e.g. Luxemburg (FIU-Lux); Cyprus (MOKAS)
- **Administrative** – Analyse STRs; and disseminate information to relevant law enforcement authorities. E.g. USA (FinCen), Barbados (FIU), Canada (FINTRAC)
- **Law Enforcement** – Analyse and investigate STRs, e.g. UK (SOCA), Grenada (FIU)
- **Hybrid/Mixed Model** – A combination of all models e.g. St. Vincent & Grenadines (FIU); Dominica (FIU)

## ORGANISATIONAL CHART



# Money Laundering Cycle



Source: UNODC

## **NATIONAL & INTERNATIONAL COOPERATION**

### **Requests for Assistance/Information**

**Table 1: No. of Requests Received**

<b>Agency</b>	<b>2018</b>	<b>2019</b>
<b>FIUs</b>	27	30
<b>LEAs (Foreign)</b>	1	1
<b>LEAs (Domestic)</b>	9	6
<b>MLATs</b>	3	0
<b>TOTAL</b>	<b>40</b>	<b>37</b>

(Note: 34% of requests were responded to within 30 days).

**Table 2: No. of Requests Received from Domestic LEA**

All requests were submitted by the White-Collar Crime Unit (WCCU) of the RSCNPF

<b>Type</b>	<b>2018</b>	<b>2019</b>
<b>Domestic Use</b>	9	2
<b>Via Foreign Agency</b>	0	4
<b>TOTAL</b>	<b>9</b>	<b>6</b>

FIU held meetings with WCCU throughout the year in an effort to increase co-operation on the national level.

**Table 3: Status of Requests Received as at 31<sup>st</sup> December 2019**

<b>Total</b>	<b>Completed</b>	<b>Unable to Assist</b>	<b>Ongoing</b>
37	24	5	8

Matters in category labeled “Unable to Assist” were on account of there being no nexus of matters to our jurisdiction and Requestor failed to furnish additional pertinent details to satisfy our “Request for Assistance” criteria.

**Table 4: No. of Requests Sent**

	<b>2018</b>	<b>2019</b>
<b>Foreign FIU</b>	1	4

## Egmont Group

The Egmont Group is a global association of FIUs established to facilitate and expedite the sharing of information to combat money laundering and terrorist financing worldwide.

Since our FIU joined the Egmont Group in June 2004, our networking capabilities; and information sharing capacities, beyond the Caribbean region, have grown tremendously. The complimentary access to the World-Check database since 2004 is in part due to the affiliation with the Egmont Group.

Within the Egmont organization there are principles governing the exchange of information. These include confidentiality and restrictive use to stated purpose; and prohibiting sharing with third parties without prior consent of the FIU that provided the information. There is also the Egmont Secure Website (ESW) to promote data security and expedite the information exchange route.

## Case Disclosures Disseminated

In 2019, FIU disseminated 24 Case Disclosures (CDs) to Commissioner of Police (COP) in accordance with Sec 8 (1) of FIU Act. These were developed from 27 STRs

Crucial to the integrity of the FIU is the development of Case Disclosures stemming from the analytical process. As an intelligence generated unit, we need to ensure that our information provided to law enforcement and other authoritative agencies can be acted upon with confidence. This means that there is reliability of information and information sources; and attention to the credibility of sources from which information is drawn.

During 2019, we received 68 STRs (there were 31 ongoing STRs from previous year). Twenty-seven (27) STRs were developed into 24 Case Disclosures.

**Table 5: No. of Case Disclosures Disseminated**

	2018	2019
STRs Received	66	68
Case Disclosures	21	24

*(Note: 60% of Case Disclosures were disseminated to WCCU within 10 days of the conclusion being made. Our target of 10 days was not met largely due to efforts to complete the Technical Compliance Questionnaire in preparation for our scheduled Mutual Evaluation in 2020).*

## Spontaneous Information Sharing

### Distributed

**Table 6: No. of Spontaneous Reports Distributed**

Agency	2018	2019
FIUs	2	0
LEAs	6	0
AML/CFT Regulator	0	3
<b>TOTAL</b>	<b>8</b>	<b>3</b>

	2018	2019
Foreign	5	0
Domestic	3	3
<b>TOTAL</b>	<b>8</b>	<b>3</b>

**Table 7: No. of Spontaneous Reports Distributed to LEAs**

	2018	2019
Foreign	3	0
Domestic	3	3
<b>TOTAL</b>	<b>6</b>	<b>3</b>

**Table 8: No. of Spontaneous Reports distributed to Domestic AML/CFT Partners**

Agency	2018	2019
AML/CFT Regulator	0	3
WCCU	3	0
<b>TOTAL</b>	<b>3</b>	<b>3</b>

**Table 9: No. of Spontaneous Reports Received**

2018	2019
12	7

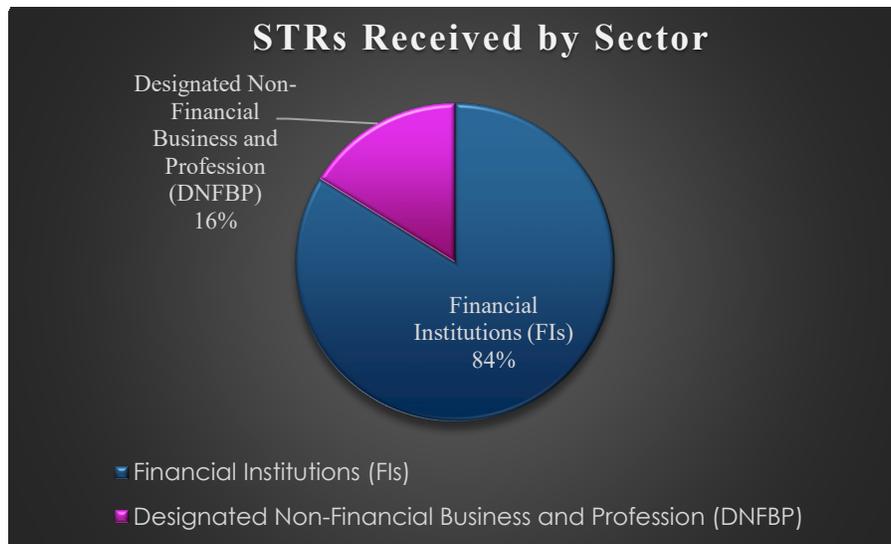
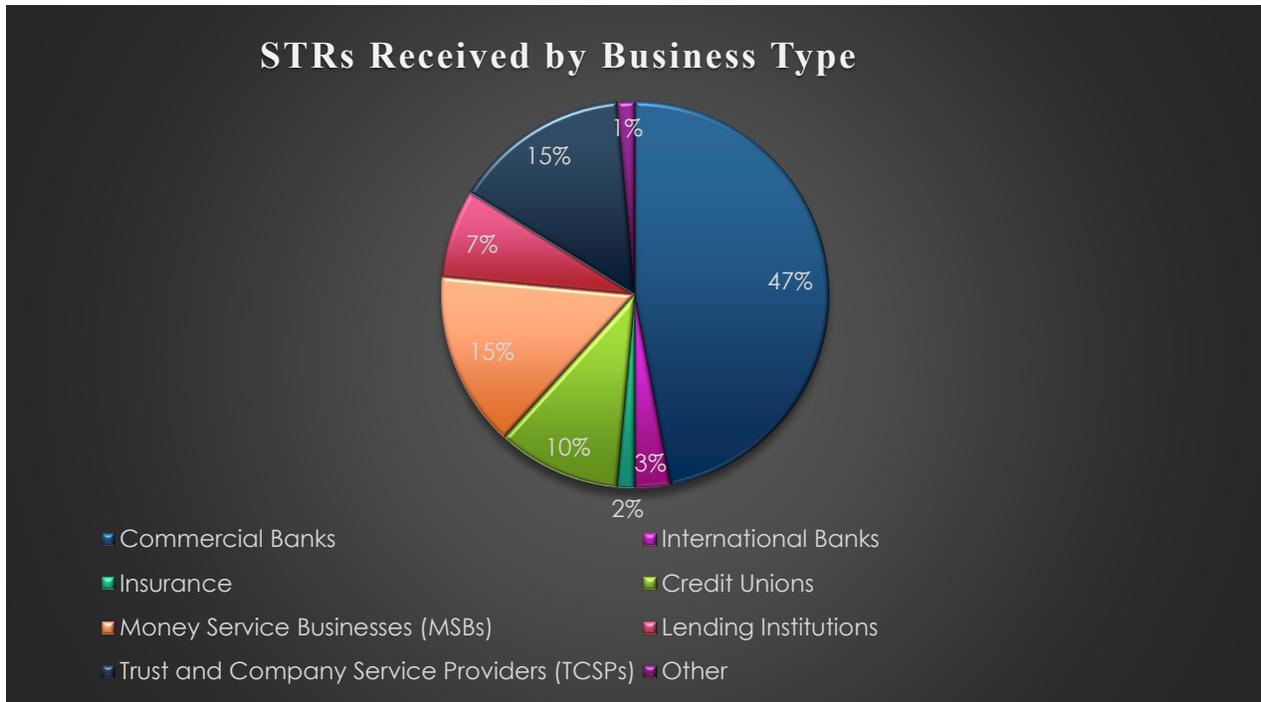
### Memoranda of Understanding (MOUs)

One (1) MOU was executed with Guyana's FIU during this reporting period. This brought the overall total to 15 MOUs signed – 14 with FIUs and one (1) interagency agreement with domestic Law Enforcement Agencies (LEA). The parties to this agreement are the FIU, Director of Public Prosecution (DPP), Royal St. Christopher and Nevis Police Force (Police) and Customs and Excise Department (Customs). It is being reviewed to ensure that it captures the revised FATF 40 Recommendation requirements.

## **REPORTS RECEIVED**

- **Suspicious Transaction Reports (STRs)**

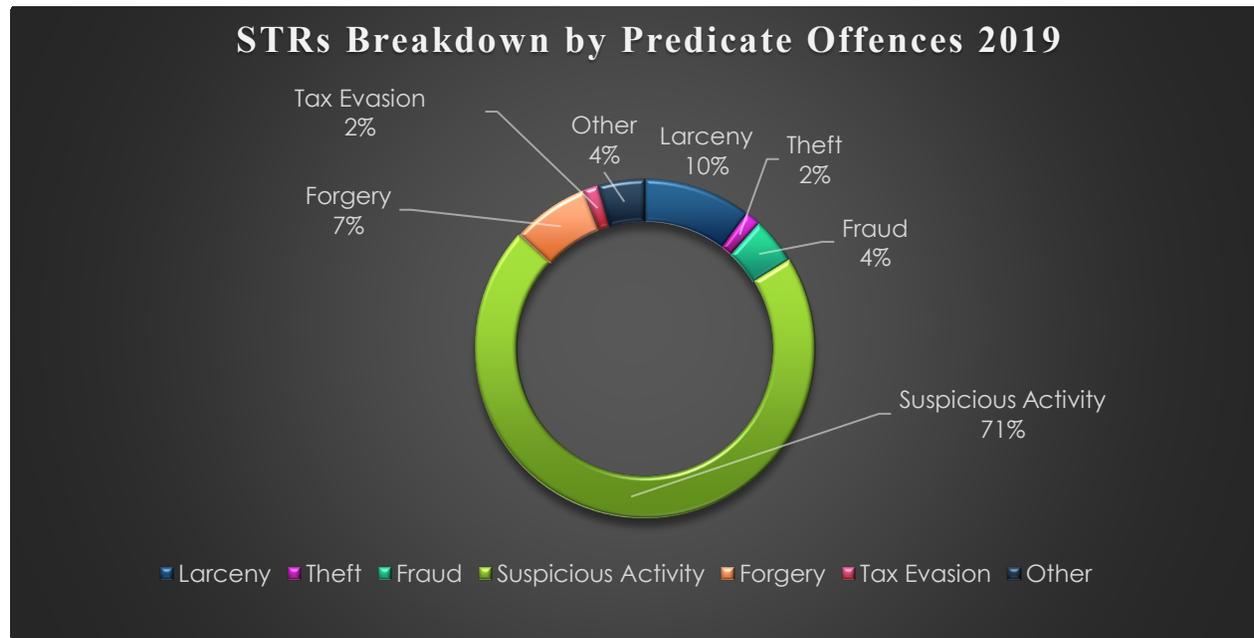
The St. Kitts Nevis Financial Intelligence Unit (SKNFIU) received 68 Suspicious Transaction Reports (STRs) from 17 reporting entities for 2019.



There were 68 STR submissions in 2019 compared to 66 in 2018 (3% increase).

**Table 10: Status of STRs Received during 2019**

Activity	# of STRs
Closed and Filed to FIU Database	33
Disseminated to LEAs	19 (18 Case Disclosures were developed)
Under Analysis	16
<b>TOTAL</b>	<b>68</b>



**Table 11: STRs Breakdown by Predicate Offence 2019**

Larceny	Theft	Fraud	Other	Suspicious Activity	Forgery	Tax Evasion	Total
7	1	3	3	48	5	1	<b>68</b>

Persons in the regulated sector, who submit an STR or disclose information, in good faith, to the FIU are not liable for breach of banking or professional confidentiality. A failure to report any suspicious transactions relating to money laundering and/or terrorist financing to the FIU is an offence. The Anti-Money Laundering Regulations state that upon conviction the guilty party is liable to a fine not exceeding \$50,000.00; and non-reporting of suspicious terrorist financing activities under the ATA attracts a fine ranging from \$5,000 to \$100,000 and/or imprisonment from 6 months to 14 years.

- **Cross Border Reports (CBRs)**

In 2019, the SKN-FIU received a total of thirteen CBRs from the St. Kitts-Nevis Customs and Exercise Department.

The CBRs are reports of currency (coin and paper) and/or bearer negotiable instruments of \$27,000.00 or more (or the foreign equivalent) that are incoming to or outgoing from the Federation of St. Kitts-Nevis.

This is intended to monitor the transportation of cash and bearer negotiable instruments across borders in the event of any illegal activities that might be associated with these funds.

- **Terrorist Property Reports (TPRs)**

The TPRs submitted in accordance with Sec. 20 (4) of the Anti-Terrorism Act (Cap 4.02), continue to indicate that the financial institutions in our jurisdiction are not in possession of “property owned or controlled by or on behalf of a terrorist or terrorist’s group.”

It is mandatory for Financial Institutions to file TPRs every 3 months making this declaration of no linkages. Should there be a case where funds have been discovered, the matter is to be submitted within 24 hours to the FIU and necessary action taken to have funds frozen.

In December, the TPR Form was revised and distributed to the reporting sector. The “Revised TPR Form” is to be used for the submittal of information to the FIU for the 3-month period October-December 2019. This response will become due in January 2020.

## **AML/CFT AWARENESS**

1. **We developed and issued 1 Non-Public Advisory/Typology** to aid in the identification of potential fraud and Money Laundering activities. The Advisory was issued to Financial Institutions, Tourism Sector, WCCU and the AML/CFT Regulators.

This scheme attempts to use funds from stolen credit cards and fraudulently transfer funds from room operators' accounts in Tourism Industry.

In this scheme, a reservation is made mostly for high end rooms and deposit made via credit card. Reservation is cancelled claiming this is due to "Serious injuries." A request for reimbursement of funds is made with instructions to send monies to an alternate source as there was a "robbery" and the credit card was stolen.

The Advisory alerted of the scheme and advised that reimbursements be made to originally charged card and not an alternate.

We continue to encourage reporting entities to bring the identified schemes (conducted and attempted) to our attention. In so doing, we would be able to alert other institutions of current schemes for the necessary precautionary measures to be immediately implemented. This information could be used to inform our overseas colleagues expeditiously if their jurisdictions are featured recipients of funds or bear linkages to the scheme. Our aim is to have funds that were fraudulently transferred, returned to our jurisdiction.

Our experience has shown that if the matter were quickly brought to the overseas financial institution's attention via our FIU counterpart, there is a strong possibility that funds could be returned more expeditiously with bank to bank arrangements.

2. **Discussions/Meetings with Regulated Sector**

- We continue to have discussions with Compliance Officers on improving quality and quantity of reports.
- There was a meeting with the designated Compliance Officer (CO) and General Manager of a Commercial Bank. This was to highlight the role and expectations of CO and also what is required of FIU in AML/CFT reporting regime.

3. **Presentations:** Sessions were conducted with financial institutions which focused on the quality of STRs, the importance of AML/CFT suspicious reporting regime and typologies.

4. **Issued Flyer:** FIU distributed an STR Self-Assessment Flyer entitled "**What's Your Grade?**" to Financial Institutions to aid in meeting suspicious reporting requirements.

5. **Typologies**

## **FIU STAFF**

### **Training**

One analyst achieved completion of the Certified Anti-Money Laundering Specialist (CAMS) designation in November 2019. Furthermore, the analyst would have obtained a “Certificate of Achievement” in a “Virtual Currency and Blockchain” course offered by ACAMS online.

Staff continued to hone skills and build capacity in participating in training activities.

<b>2019</b>
<b>CFATF Training</b> – International Standards on Combatting Money Laundering and the Financing of Terrorism and Proliferation (2 Analysts)
<b>AML/CFT Awareness Seminar-</b> Local (2 Analysts)
<b>World Bank NRA Training</b> (Director/1 Analyst)
<b>AML/CFT Awareness Seminar-</b> (Local) (2 analysts)
<b>CFATF Mutual Evaluation Preparation Seminar</b> (Director/3 Analysts)
<b>World Bank-</b> “Counter Financing of Terrorism (One Analyst)
<b>International Organisation for Migration-</b> Workshop on Combating Human Trafficking (One Analyst)
<b>ACAMS International AML Financial Crime Conference</b> – (One Analyst)

## **CFATF MUTUAL EVALUATION PREPARATION**

In preparation for the CFATF Mutual Evaluation of our jurisdiction in early 2020, our FIU continued to be involved in the preparatory process by working along with the Financial Services Regulatory Commission. We participated in the preparation of responses for the FATF’s “*Technical and Effectiveness Compliance Questionnaires*”. That were submitted to our jurisdiction by CFATF Assessors.

Additionally, we upgraded and increased our information technology hardware. We register appreciation to the US Bureau of International Narcotics and Law Enforcement Affairs (US INL) at US Embassy, Bridgetown, Barbados.

## **TYPOLOGIES**

Typologies in this context refers general classifications or archetypes of Suspicious Reports that the FIU receives. Below are examples of published typologies by the FIU.

### **Typology 1: The Smurfs**

STR revealed four individuals (A, B, C and D) in Country X sent funds to the same individual Recipient E in Country Y.

It is noted that over a 3-month period the Senders collectively remitted \$35,000 USD in 14 transactions via money remitter. Some of the Senders were featured sending funds on the same day with each other.

The senders are listed in the low-income category. Individuals A, B, and C are identified as being employed in the "services/sales industry" earning minimum wage. Individual D's listed employment was "in construction industry".

Source of funds unknown. The amount of funds sent by individuals over the short time span does not fit their financial profile - low income category.

### **Typology 2: TF Designee**

STRs filed by two banks identified funds wired from a Middle Eastern country to bank accounts in Country B located in the Caribbean. Incoming Funds were sent on behalf of Individual A, a Middle Eastern national believed to be residing in the Middle East region.

While undertaking due diligence requirements, Country B's banks discovered Individual A was identified on the USA's Sanctions list - Office of Foreign Assets Control (OFAC) Specially Designated Nationals List for suspected terrorist activities. According to the "List" it is alleged that A supplied equipment to Islamic Revolutionary Guard Corps (IRGC).

The FIU in Country B issued freeze directives over incoming funds - approximately \$621,000 USD - bearing linkages to Individual A, at two banks in Country B.

### **Typology 3: Small Bills**

Individual X, in Country A, deposited approximately \$7,000 USD cash (in local currency equivalents) to X's bank account immediately followed by \$14,000 USD withdrawals - two (2) foreign currency purchases for self collectively valued at \$7,000 USD; and three (3) wire transfers, collectively valued at \$7,000 USD to Company A in North America.

X stated that cash deposit was income from X's business, located in Country A, that was being saved over a period of time. It was noted that deposited funds mostly comprised small denominations - \$5, \$20 dollar bills.

STR indicated that X was convicted for possession and intended sale of illicit drugs in Country A. X was previously featured in the FIU's database in a request for assistance from the police in Country A. The FIU was requested to assist with an illicit drug investigation where X was charged for possession and intent to supply.

Enquiries revealed that X was recorded as sending funds, via money remitters, to individuals in Europe, Caribbean and North America. These countries have been associated with the illicit drug trade. Based on X's previous conviction and small denominations of funds, X might currently be involved in illicit drug trade and the deposited funds are proceeds of this activity.

### **Typology 4: Looney Litigation**

STR from bank in Country A revealed Law Firm "L" in Country A was contacted, via email, by unknown person(s) "U" whereabouts unknown, seeking legal consultation services. U (Creditor) informed L that legal assistance is sought to obtain an outstanding amount on a \$450,000 loan that U advanced to Debtor D and the balance is due and payable.

U provided L with copies of documents purporting to be Loan Agreement between U and D; \$450,000 loan Cheque payable to D from U; and partial payment Cheque payable to U from D. U obtained L's contact details e.g. address, under the guise that the information would be shared with D to inform that L has been authorised to act on U's behalf to obtain outstanding amount.

A couple of days later U told L that D would be making a partial payment "without delay" to avoid litigation. Soon thereafter L received what appeared to be a cheque (purportedly issued by a bank in North America) via registered post. U instructed L to deduct legal fees and forward the remainder to U. It was later discovered that it was a dishonoured cheque as the payee, date and amount were altered.

This was an attempt by U to fraudulently obtain funds from L's bank account via foreign cheque fraud scheme. It is observed that U only communicated with L via email.

## **FUTURE DIRECTION**

**1. Develop Typologies & Trends**

It is anticipated that this will improve our feedback mechanisms; and provide reporting entities with more guidance on their STR obligations.

**2. Maintain competent and motivated staff**

The effective and efficient gathering and development of intelligence requires properly resourced and trained analysts. It is imperative that the continuous honing of knowledge and skills be pursued to be au courant with the dynamic nature of money laundering, terrorist financing and related activities.

**3. Time reduction in disseminating case disclosures**

Deliver timely case disclosures to law enforcement to speed up the information sharing process.

**4. Increase AML/CFT Awareness level in DNFBPs**

Increase the reporting level where the breadth of reporting is low.

**5. Continue to Improve Feedback to Regulated Sector**

Information gathered during analyses will be shared with reporting sector to assist them in improving the effectiveness of the AML/CFT reporting regime

**6. Continue to Develop a more efficient data base**

This would expedite the analysis and information sharing processes as it is anticipated that less time would be spent on storage and retrieval of data.

**7. Increase Number of Staff Trained in Mutual Evaluation Methodology**

This would build capacity in complying with FATF 40 + 9 Recommendations

---

**END**