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JAMAICA ON THE INTERNATIONAL STAGE: Impact of the 2017 CFATF Mutual Evaluation Report

BANK OF JAMAICA'S PERSPECTIVE

Our Role and Scope of Responsibility

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- ❑ Bank of Jamaica (“BOJ”) carries out the role of “competent authority” for the following types of financial institutions (FIs):
 - ❑ Commercial Banks (8)
 - ❑ Building Societies (2)
 - ❑ Merchant banks (1)
 - ❑ *Credit Unions (29)*
 - ❑ Cambios
 - ❑ Money Transfer and Remittance Agents and Agencies



Our Role and Scope of Responsibility (cont'd)

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- Size of the DTIs vis a vis size of the economy as at 30-Sep-17:

	Total Assets J\$bn	% of GDP
Commercial Banks	1,357.5	74.5%
Building Societies	134.0	7.3%
Merchant Bank	2.1	0.1%
Credit Unions	101.0	5.5%
System Total	1,594.6	87.5%



MER Overview



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- The 4th Round CFATF Mutual Evaluation Report (MER) includes:
 - A summary of the anti-money laundering/ counter-terrorist financing (“AML/CTF”) measures in place in Jamaica as at the date of the on-site visit June 1-12, 2015
 - An analysis of the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Jamaica’s AML/CTF system, and provides recommendations on how the system could be strengthened.

MER Overview (cont'd)



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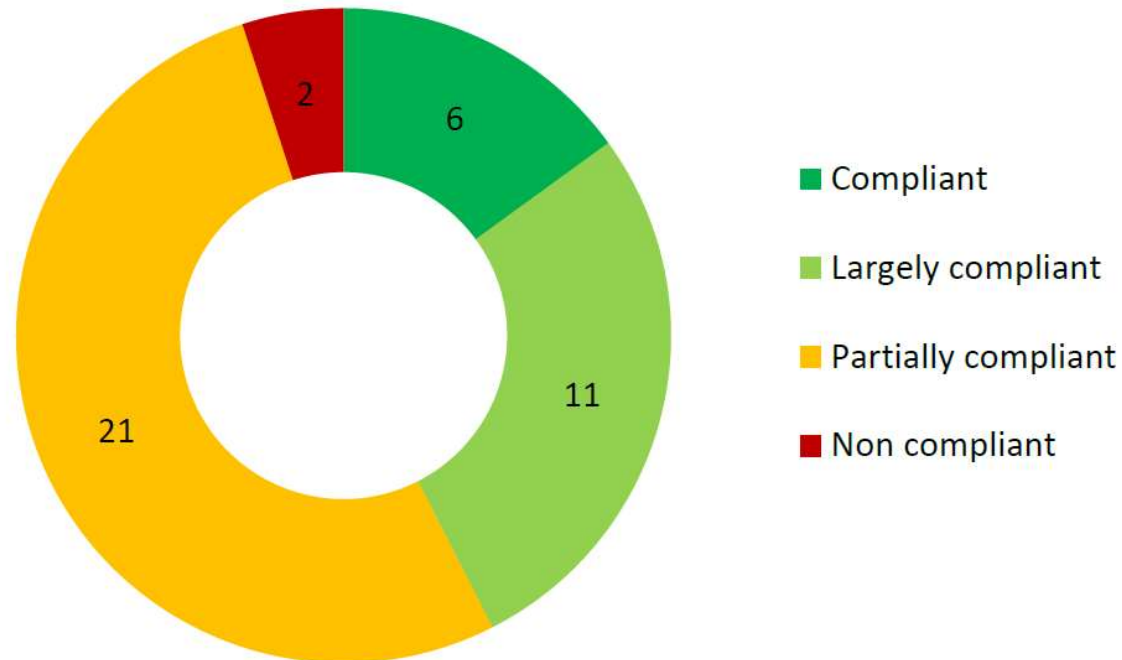
- The 4th Round CFATF MER recounts the following:
 - “Jamaica’s 2005 Mutual Evaluation concluded that the country was compliant with three (3) Recommendations; largely compliant with twenty-seven (27); partially compliant with thirteen (13); and non-compliant with five (5). Jamaica was rated compliant or largely compliant with nine (9) of the sixteen (16) Core and Key Recommendations.”
 - “Jamaica started the 3rd round follow-up process in May 2009, at which time the country was placed in enhanced follow-up. Jamaica exited the follow-up process at the November 2014 Plenary on the basis of having achieved a level of compliance at least equivalent to an ‘LC’ in all the Core and Key Recommendations that were rated PC/NC.”
 - Jamaica was rated as compliant /largely compliant with 17 of the 40 recommendations and substantially effective in 1, and moderately effective in 4, of the 11 outcomes on effectiveness.

MER Overview (cont'd)



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Ratings – technical compliance

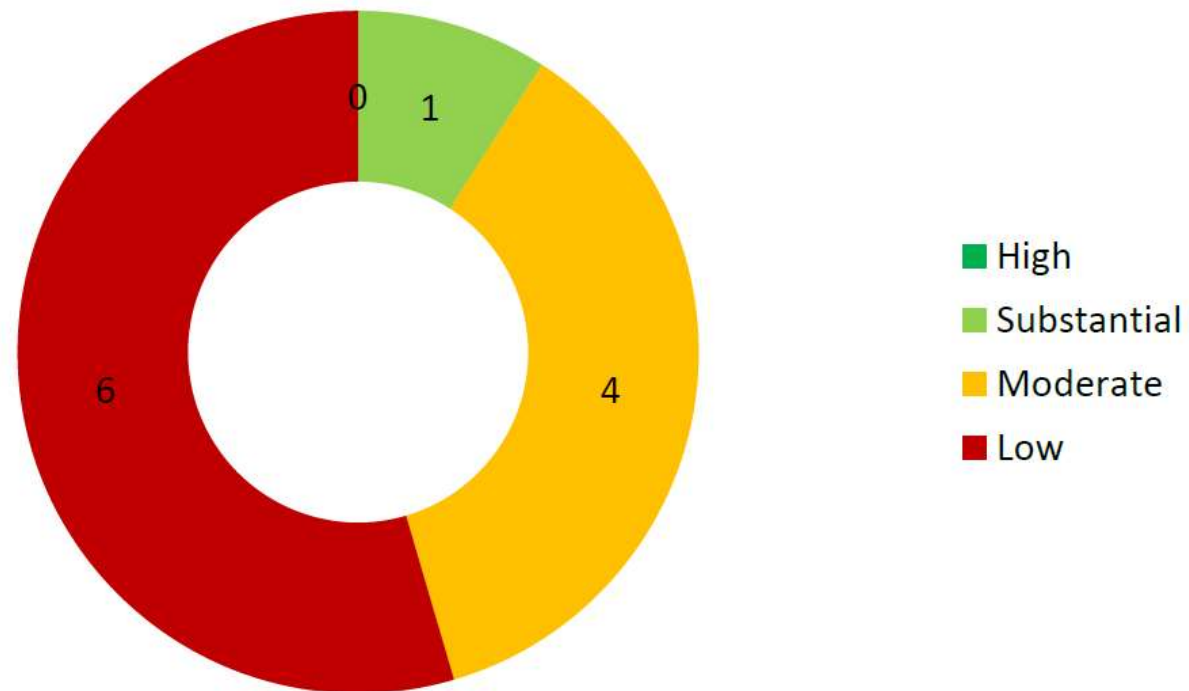


MER Overview (cont'd)



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Ratings – Effectiveness



Key MER Findings

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- Jamaica does not have a completed National Risk Assessment (NRA), but as a result of the National Security Policy (NSP) and subsequent work done by the National Anti-Money Laundering Committee (NAMLC), there is a reasonable level of understanding of ML/TF risk at the country level and mitigation strategies have been put in place to address those risks. However, greater effort needs to be made to involve all stakeholders.
- Jamaica cooperates with its international law enforcement counterparts, which has resulted in the prosecution and conviction of persons in some instances. Mutual legal assistance and extradition mechanisms are also used.
- In general, there is a high level of cooperation amongst domestic competent authorities, which is facilitated by NAMLC. ML/TF measures are being implemented by the competent authorities some of whom have implemented a risk-based approach.
- Jamaica's AML/CFT supervisory regime for financial institutions is adequate. There is a fairly robust licensing regime in place which deters criminals from holding senior management positions or becoming significant shareholders. The risk based approach (RBA) is still in its embryonic stage.

Source: <http://www.fatf-gafi.org/media/fatf/documents/CFATF-Mutual-Evaluation-Jamaica-2017.pdf>

Key MER Findings (cont'd)



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- The Bank of Jamaica (BOJ) has not yet revised its AML/CFT Guidance Note to incorporate a risk based approach in line with FATF Recommendations and local legislation. The AML/CFT regime does not extend to the microfinance sector which makes it vulnerable to ML/TF abuse.
- The NSP has identified attorneys as facilitators who are considered a high risk of ML/TF. The General Legal Council (GLC) has been established and appears willing to implement a robust system of AML/CFT compliance for attorneys that conduct transactions specified by the FATF Recommendations. However, the current injunction filed by the Jamaica Bar Association (JBA) against the implementation of the law in this regard increases the vulnerability of the sector to ML/TF abuse.
- DNFI/DNFBPs are currently not subject to the Terrorism Prevention Act (TPA) and Regulations made thereunder.
- Jamaica does not have sufficient measures in place to prevent the misuse of legal persons, legal arrangements and micro finance institutions for ML/TF.

Source: <http://www.fatf-gafi.org/media/fatf/documents/CFATF-Mutual-Evaluation-Jamaica-2017.pdf>

Key MER Findings (cont'd)



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- The FIU has been able to execute its mandate to assist with the conduct of financial investigations, and the intelligence analyzed and disseminated by the FIU is used by LEAs and other competent authorities as a basis to conduct joint operations, audits and inspections. However, there should be more statistical data on how the analysis and disseminated STRs support the system of financial investigations.
- Financial intelligence and other relevant information can be directly accessed in real time by various competent authorities to facilitate investigations of predicate offences, trace assets and identify trends and typologies.
- There is insufficient coordination in the Jamaica Resident Magistrate's (RM) Court system with regard to pursuing ML/TF prosecutions. There is a tendency by Clerks not to put these matters forward and settle for the prosecution of the predicate offence or cash forfeiture aspect. Issues such as insufficient training in ML/TF matters, lack of priority of ML/TF cases, incomplete investigations and reticence on the part of the RM to deal with ML/TF matters, which tend to be more complicated, contribute to this situation.

Source: <http://www.fatf-gafi.org/media/fatf/documents/CFATF-Mutual-Evaluation-Jamaica-2017.pdf>

Key MER Findings (cont'd)



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- Jamaica has pursued 'taking the profit out of crime' as a national policy. However, there is a need to assess how consistent confiscation and seizures are in keeping with the country's ML/TF risk.
- In respect to legal persons, sanctions for ML/TF offences while considered proportionate are not effective or dissuasive.
- The mechanisms to deal with terrorism and TF investigations are not effective.
- A TF threat assessment of the NPO sector has not been undertaken. The sector is yet to develop a risk based CFT regime.
- Jamaica has very limited experience in TF investigations and prosecutions and is yet to secure any convictions for the TF offence.
- Jamaica has only recently established a dedicated unit to investigate TF offences in the form of the Counter-Terrorism and Organized Crime Branch (CTOC) within the Jamaica Constabulary Force (JCF), which has affected their level of effectiveness in dealing with TF matters.

Source: <http://www.fatf-gafi.org/media/fatf/documents/CFATF-Mutual-Evaluation-Jamaica-2017.pdf>

Key MER Findings (cont'd)



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- Jamaica has commenced initiatives to formulate procedures to address proliferation financing (PF) risks. However, the measures to deal with PF will have to be developed substantially to meet the UN Security Council Resolutions' (UNSCRs) requirements and FATF's Recommendations.
- There is a delay in communicating all UN designations to FIs. Additionally, there are delays in the implementation of targeted financial sanctions (TFS) for terrorism and PF.
- FIs which are part of financial groups understand ML/TF risks and have implemented preventative measures through the adoption of group compliance programmes, compliance and Internal Audit functions.

Source: <http://www.fatf-gafi.org/media/fatf/documents/CFATF-Mutual-Evaluation-Jamaica-2017.pdf>

Implications

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- The ratings received in this round means Jamaica qualifies for specific monitoring under the CFATF and FATF enforcement arms (i.e. ICRG)
- Due to FATF's additional prioritization criteria i.e., financial system size of USD5billion and over, Jamaica was not automatically advanced to FATF's ICRG but remains in danger of being nominated to that level of monitoring by FATF.
- It is therefore imperative that Jamaica be in a position to report positively in May 2018, of steps taken to address these deficiencies.

Some Key Areas of Progress

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- Since the MER the following significant steps have been made:
 - Amendment of the Companies Act to prohibit bearer share warrants and to include Beneficial Owner information on registration
 - Efforts to complete our very first National Risk Assessment (NRA)
 - Release of the BOJ's draft updated AML/CFT Guidance Notes for consultation
 - Further build out of the capacity for the BOJ's dedicated AML/CFT Examination team










Ongoing BOJ Work Streams

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- ❑ The on-going work streams listed below, once completed, are expected to have positive impact on overall level of compliance and effectiveness:
 - ❑ Finalization of AML/CFT Guidance Notes
 - ❑ National Risk Assessment (using World Bank Tool)
 - ❑ Designation of BOJ as the regulator and Competent Authority for the Micro Finance sector and passage of the Micro-Finance legislation and development of supporting regulations
 - ❑ Development and roll out of policies, procedures & processes for:
 - ❑ Risk Based Supervision (Prudential and AML/CFT)
 - ❑ Consolidated Supervision

How we are seen Internationally?

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	Basel 2017 AML Index	Transparency International	
		CPI Score	CPI Rank
 JAMAICA	6.60 (47 th)	39	83 rd
 Bahamas	-	66	24 th
 Barbados	-	61	31 st
 Guyana	6.24 (63 rd)	34	108 th
 Trinidad & Tobago	6.80 (35 th)	35	101 st
 Canada	5.14 (103 rd)	82	9 th
 China	6.53 (51 st)	40	79 th
 United Kingdom	4.81 (118 th)	81	10 th
 United States	4.85 (116 th)	74	18 th

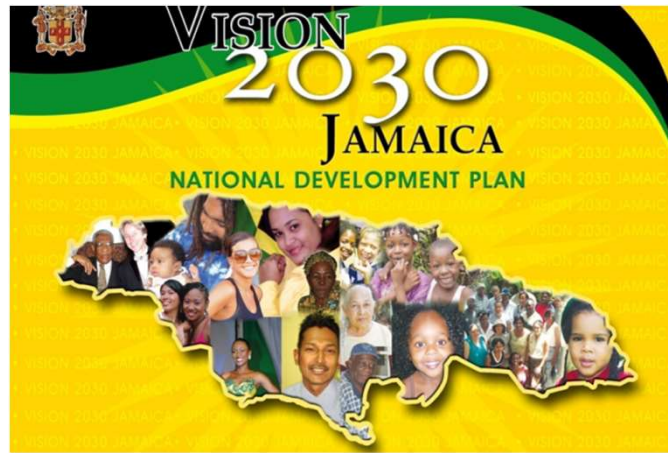
More Implications

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- Correspondent Bank Relationship (“CBR”) de-risking
 - Despite exceptional fiscal performance some Correspondent Banks have withdrawn/restricted the business they do with Jamaica. This is part of regional trend – Jamaica has not been the worst affected.
 - CBR de-risking has had ripple impact which is seen in the difficulty MSB’s and Micro-Finance Entities are having in opening/retaining bank accounts
 - Besides our small scale a weak AML/CFT framework provides pretext for a pull out by foreign banks from the region.
 - How does this impact the thinking of Foreign Investors?
 - **Ergo, the importance of us pulling out all stops to have a better outcome at our next MER review**

What we aspire to be...

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- The comprehensive vision of the Government of Jamaica's National Development Plan is to make **Jamaica the place of choice to live, work, raise families and do business.**
- Addressing AML/CFT issues – whether unearthed in an NRA or through a MER – will be a critical success factor as we strive towards this most noble of visions.

THANK YOU