



**NOVEMBER 13 & 14, 2014 - TORTOLA, BVI**

CARIBBEAN REGIONAL COMPLIANCE ASSOCIATION

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING

**SUSAN S. FRANCOIS**  
**DIRECTOR FIUTT**



# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## DISCUSSION POINTS

- **Micro Money Laundering**
- **Case Illustrations**
- **Threat and Vulnerabilities**
- **What small business can do**
- **Regulator's perspective**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## BREAKING BAD



# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## BREAKING BAD

- **Car wash**
- **Beauty salon**
- **Shell Companies**
- **Attorney at law**
- **Friends**
- **Associates**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## MICRO LAUNDERING

- **Smaller deals**
- **Criminal profits are generated locally**
- **Financial transactions are conducted one-on-one**
- **Self laundering/opportunistic laundering**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## HOW TO LAUNDER \$50,000

- **Start a business**
- **Buy used cars for cash and resell**
- **Start a new hobby – gambling**
- **Buy Artworks**
- **Place a deposit - Jewellery then cancel**
- **Pay a “Debt”**



## Who are FATF's DNFBPs

- **Lawyers** (in certain circumstances)
- **Casinos** (transactions at or above USD 3,000)
- **Accountants** (in certain circumstances)
- **Dealers in precious metals & precious stones** (at or above cash threshold of USD 15,000)
- **Real estate agents** (in certain circumstances)
- **Trust and Company service providers** (in certain circumstances)

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



- **Businesses very desirable to criminals and money-launderers**
- **Potential for misuse for ML/FT**
- **Characteristics : concealing identity of Beneficial Owners; high value in small sizes; cash intensive; gatekeepers**



# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING

CRCA CONFERENCE



**HOW CLEAN IS YOUR MONEY?**



# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## How Clean is Your Money?

- **Risks to Your Business**
- **Cash Intensive**
- **Location**
- **Kind of services/goods offered**
- **Complacency**
- **Indifference/ignorance**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



- **Assess your Risks**
- **Implement Systems and Controls**
- **Designate a Compliance Officer**
- **Conduct CDD - Know your Client**
- **Monitor transactions**
- **Vet/Train Staff**
- **Keep records**
- **Report Suspicious Transactions to the FIU**



## How the FIU Conducts Supervision

- Issue of risk assessment core to FATF 40 Recs
- IO 3 and Rec 28 – Risk profile drives the supervisory process
- Frequency, scope and intensity

- **Rec 28 – DNFBPs should be subject to effective systems for monitoring and ensuring compliance with AML/CFT requirements**
- **IO 3 – Supervisors appropriately supervise, monitor and regulate DNFBPs for compliance with AML/CFT requirements commensurate with their risks**
- **Supervisors must understand the ML/FT risks**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## FIU's RISK Assessment

- **National/Sector specific risk assessment**
- **Size of entity**
- **Payment methods**
- **Services/ goods offered**
- **Client base**
- **Legal structure of entity**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



- **Beneficial Owners**
- **STR filings**
- **Response to FIU's requests**
- **Internal/External Audits**
- **Level of Regulatory compliance**
- **Public information**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## Elements of effective Supervisory regime

- **Identify Entities**
- **Risk Analysis of Sectors and Entities**
- **Approve Designated Compliance Officers**
- **Monitoring and Enforcement**
  - Conduct Compliance Inspections
  - Feedback and follow-up on deficiencies
  - Enforcement re: non-compliance
- **Training and Outreach**
  - Promote awareness of AML/CFT obligations
  - Issue Guidelines



# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



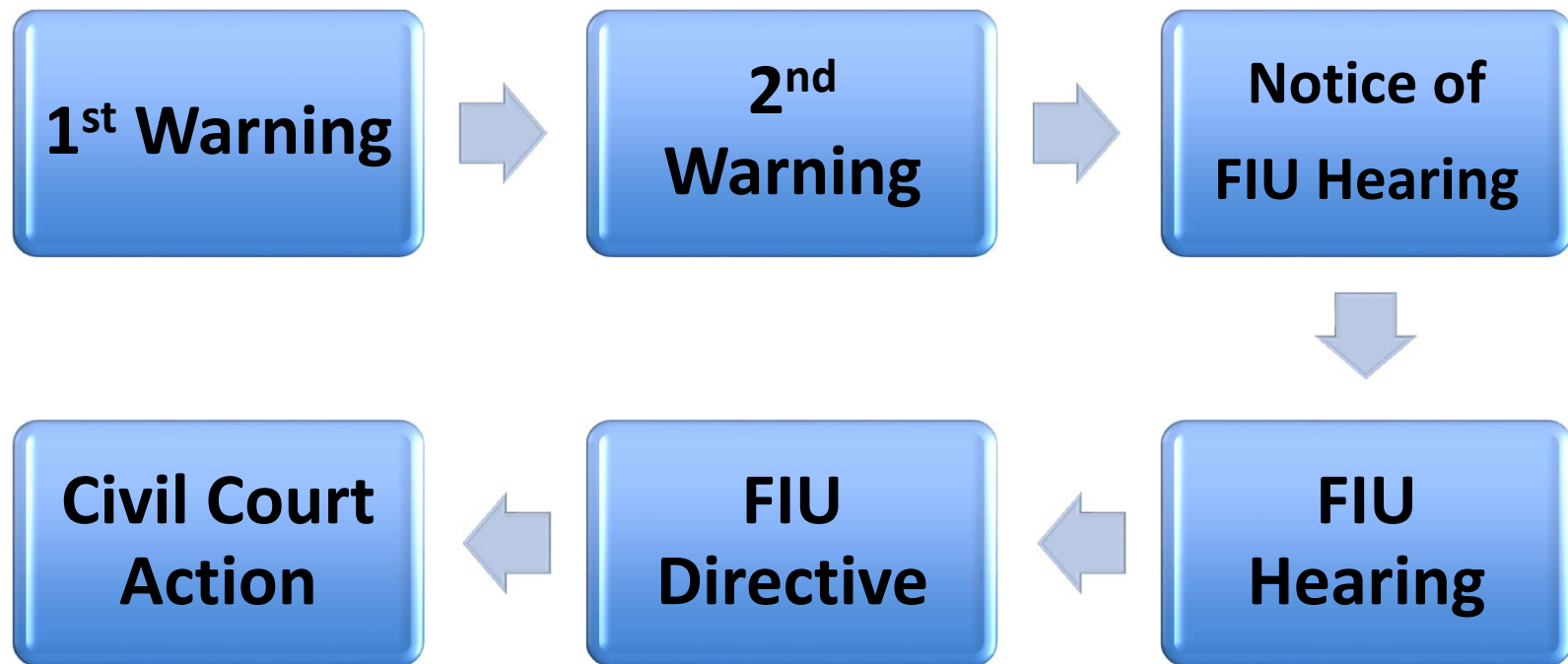
## **SANCTION Powers**

- **Effective, Proportionate and Dissuasive**
- **Broad range – criminal, civil, administrative**
- **Applicable to entity, directors, senior management**
- **Actions improve level of compliance**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## ENFORCEMENT



# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



- AML/CFT Compliance is not an option
- Costs to Compliance & Non-Compliance
- Sufficiently robust systems and procedures in place to deter/detect ML/FT
- POCA section s 45 (2) – **imputes knowledge or reasonable grounds to suspect** that property is criminal property if a financial institution or listed business **fails to take reasonable steps to implement or apply procedures** to control or combat money laundering in accordance with the Regulations

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## **INSIDERS – the Threats from within:**

- **Members of staff**
- **Friends and relatives of staff**
- **Persons contracted to provide services**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



**Donald R. Cressey, an American criminologist -  
Fraud Triangle Theory - the 3 triggers  
required to lead to fraud :**

- **Pressure**
- **Opportunity**
- **Rationalisation**

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



## POCA PROTECTS FROM INSIDE AND OUT

**Compliance with POCA regime – 2 benefits:**

- **Sends message outside that Business is AML/CFT guided**
- **Sends message inside that the Business has systems which can detect criminal activity**



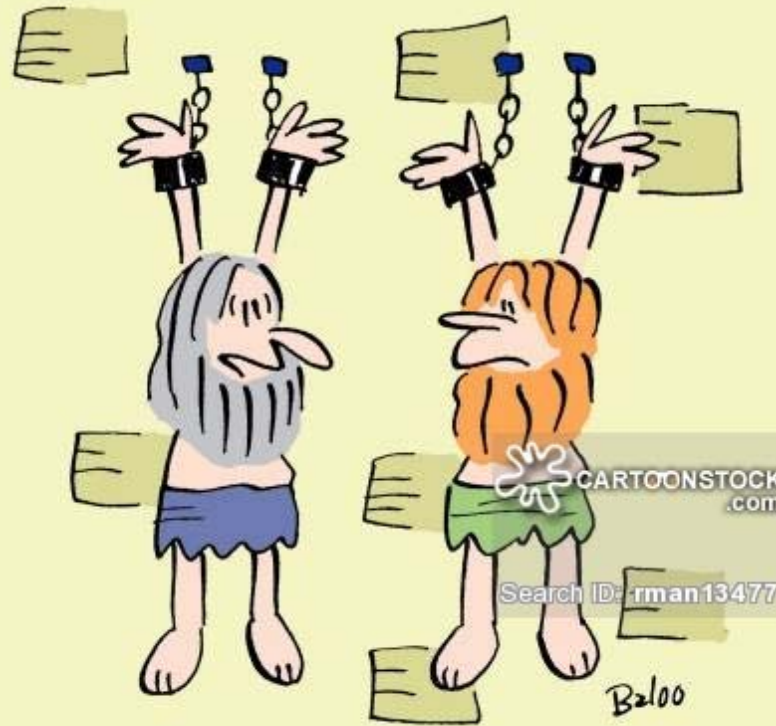
## Internal controls - to deter and detect ML/FT

- They ought to be robust and internally visible with the expectation that the Business will act where criminal activity is detected to protect the Business and recover assets

# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



"I'VE BEEN HERE SO LONG I  
DON'T REMEMBER WHAT I DID,  
BUT IT HAD SOMETHING TO  
DO WITH NON-COMPLIANCE."





# PROTECTING YOUR BUSINESS FROM MONEY LAUNDERING



RESOURCES - FATF Guidance Notes

<http://www.fatf-gafi.org/documents>

- **Risk-Based Approach for Real Estate Agents**
- **Risk-Based Approach for Trust and Company Service Providers (TCSPs)**
- **Risk-Based Approach for Dealers in Precious Metals and Stones**
- **Risk-Based Approach for Accountants**
- **Risk Based Approach for Legal Professionals**
- **Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals**
- **Risk-Based Approach for Casinos**

# THANK YOU FOR YOUR ATTENTION



The FINANCIAL INTELLIGENCE UNIT of  
TRINIDAD AND TOBAGO  
[www.fiu.gov.tt](http://www.fiu.gov.tt)



[CRCACONFERENCE.COM](http://CRCACONFERENCE.COM)