

Ewart S Williams: Money laundering and terrorist financing

Opening remarks by Mr Ewart S Williams, Governor of the Central Bank of Trinidad and Tobago, at the AML-CFT PROGRAMME, hosted by the Toronto Centre, the World Bank and the Central Bank of Trinidad and Tobago, Port-of-Spain, 2 June 2008.

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Let me join Carl Hiralal in thanking the World Bank and the Toronto Centre for joining with the Central Bank to put on this Workshop on Money Laundering and Terrorist Financing.

A special welcome to all the participants from CARICOM and from the wider Caribbean region viz. Haiti, Dominican Republic, Netherland Antilles, Bermuda, Aruba, Panama.

I am very pleased that this Workshop is being put on because we in the Caribbean do not see money laundering and terrorist financing as major challenges. Money laundering is a crime, and this is so because, we the Regulators, have not raised the level of awareness sufficiently.

Money laundering is a way of legitimizing illegal activity. It contributes to making crime pay. From my vantage point, money laundering also contributes to undermining the integrity of the financial system and the market process.

Where a financial centre or institution is used, wittingly or unwittingly by criminal elements or terrorists, there is an increase in reputation risks not just to the financial institution but also to the jurisdiction. Where the integrity of the centre is brought into question, other countries and institutions generally restrict their business activities with such a centre. As a result, correspondent banking relationships, branch networks and capital market activities are negatively impacted and the long term viability of the centre is at risk with potentially serious economic consequences.

Money laundering and terrorist financing can carry a number of adverse macro-economic consequences, particularly for small economies like ours. These normally include inexplicable increases in the demand for goods and services (like real estate) that can be used to legitimize large sums of money that were derived from criminal activity. It can also lead to a reduction in the level of competition in certain business activities which generate a large volume of cash; greater volatility in international capital flows and unusual pressures on foreign exchange markets and exchange rates, due to unanticipated cross-border asset transfers.

The rapid advance of globalization and the liberalization of financial markets have no doubt facilitated money laundering and have made it truly a global phenomenon. These factors have also underscored the critical need for universal strategies to fight against money laundering. All countries must participate in this fight or the money being laundered would flow quickly to the weakest point in the international chain. It is in recognition of this reality that several international bodies, most prominently the Financial Action Task Force (FATF) and its regional counterparts, including the CFATF, have developed a host of recommendations and best practices to help all countries strengthen their anti-money laundering efforts.

For the past three years the CFATF has been conducting Mutual Evaluation of its members. The World Bank has been providing personnel to assist in these Mutual Evaluations and we are very happy for this technical assistance being provided by the Bank.

Recent CFATF evaluations of Caribbean jurisdictions suggest that members have displayed considerable commitment to improve compliance. These evaluations also indicate that there are significant deficiencies in the AML/CFT frameworks of all the countries in the region.

Ladies and gentlemen, according to our national security agencies, the Caribbean has a Geo-Strategic location between illicit drugs providing and drug consuming countries. Thus on the basis of geography alone we should be good candidates for money laundering. Yet, however, there are very few prosecutions of this crime in our region.

The CFATF has identified a number of serious deficiencies that we face in administering an effective anti-money laundering regime. Firstly, they indicate that most if not all regional jurisdictions have not enacted the required legislation under-pinning the standards in the forty plus eight recommendations.

In Trinidad and Tobago, we are now addressing the legislative requirement through the passage into law of an amendment to the Proceeds of Crime Act, 2000; the Financial Obligations Regulations, 2008 and the Financial Intelligence Unit Bill, 2008. In December 2005, the Central Bank revised the Guidelines on Combating Money Laundering and Terrorist Financing. The requirements contained in the Guideline have been encapsulated in the Financial Obligations Regulations which will provide a legal basis for such key ingredients as Know-Your-Customer, Internal Controls, Compliance, Reporting, Record Keeping and Training. The proposed amendment to the Proceeds of Crime Act, 2000 will address reporting thresholds and Suspicious Activity Reporting.

At present The Financial Intelligence Unit resides in the Counter Drug Crime Task Force and the proposed legislation will provide the Unit with the powers needed to receive and share information pertaining to suspicious transactions.

A second observation of the CFATF Reports is that there is a shortage of resources allocated to anti-money laundering activities. Many countries within the region have very limited financial and human resources and the allocation of dedicated human resources to anti-money laundering is a challenge.

Third, the CFATF Report suggests that in most of our countries AML/CFT supervision of designated non-financial businesses is virtually non-existent.

Fourth, Caribbean jurisdictions lack an effective operational framework. In such a framework, countries are required to maintain statistics not only on the number of AML/CFT examinations but also on prosecutions, convictions and the value of assets forfeited. Statistics to support the level of international cooperation and sharing of information must also be kept.

An effective implementation process also requires a dynamic public awareness programme. The public must be involved in the fight against money laundering and terrorism and meaningful involvement can be achieved through their education on key issues and signals. Growth in the general awareness of the nature of money laundering and its pernicious effects when combined with the training of relevant stakeholders can lead to the appropriate level of vigilance.

Ladies and Gentlemen for all the reasons outlined above this Workshop could not have come at a better time. From a quick glance, it is clear that the Agenda is pertinent and relevant.

I would hope that this Workshop does three things:

1. Help you to improve your knowledge of money laundering techniques and the mechanisms that could be devised to deal with money laundering.
2. Further discussions on ways of making the public more aware of money laundering. They must know that money laundering is a crime, that it affects them, the economy and the society; and

3. Contribute to strengthening the regional anti-money laundering network, get to know each other better and devise ways of sharing information with each other. Such a collaborative effort is needed in order to combat these two menaces.

I wish you five days of fruitful and stimulating discussions.