

MONTSERRAT

MONEY



LAUNDERING AND TERRORIST FINANCING NATIONAL RISK ASSESSMENT

2023



Table of Contents

ABBREVIATIONS	4
FOREWORD	6
EXECUTIVE SUMMARY	8
A. Overview	8
B. Challenges Encountered	10
C. Key Findings	11
D. Monitoring and Evaluations	15
E. Continuous Growth Strategy	16
CHAPTER 1	17
INTRODUCTION	18
MONTSERRAT CONTEXT	18
<i>Background and History</i>	18
INSTITUTIONAL STANDARDS AND CONVENTIONS.....	22
<i>Money Laundering</i>	22
<i>Terrorist Financing</i>	23
MONTSERRAT RISK METHODOLOGY FRAMEWORK	24
<i>Objectives of the National Risk Assessment</i>	24
<i>Montserrat Risk Methodology Process</i>	25
<i>Chart 2: NRA Risk-Based Assessment Process Flow</i>	26
WORKING GROUP METHODOLOGICAL FRAMEWORK	29
MONTSERRAT AML/CFT LEGAL, INSTITUTIONAL, AND REGULATORY AND OPERATIONAL FRAMEWORK.....	32
<i>Legislative Framework</i>	33
<i>Institutional Framework</i>	35
<i>Regulatory and Operational Framework</i>	39
<i>Challenges Encountered</i>	44
CHAPTER 2	45
RISK ASSESSMENT	46
<i>National ML Threat Assessment Summary</i>	46
<i>Threat Assessment Summary</i>	46
MONEY LAUNDERING NATIONAL THREATS	47
<i>Political, Social and Economic Stability</i>	48
<i>Economic Indicators</i>	49
<i>External Factors</i>	51
<i>Predicate Offences</i>	53
<i>Sector Assessment Financial and Non-Financial Sectors</i>	62
CHAPTER 3	71
MONEY LAUNDERING NATIONAL COMBATING ABILITY ASSESSMENT.....	72
<i>Summary Assessment of the National Combating Ability to Money Laundering</i>	72
LEGISLATION AND POLICIES	74
<i>Legislative Deficiencies</i>	74

<i>Quality of National AML/CFT Policy and Strategy</i>	75
<i>Effectiveness of ML crime definition</i>	75
COORDINATION AND COOPERATION	76
<i>Effectiveness of Domestic Coordination, Cooperation and Governance</i>	76
<i>Effectiveness of International Cooperation</i>	77
EFFECTIVENESS OF REGULATOR TO COMBAT FINANCIAL CRIMES.....	79
<i>Effectiveness of Regulatory Oversight and Supervision</i>	79
Awareness	82
EFFECTIVENESS OF CRIMINAL INVESTIGATIONS FOR ML	82
<i>Quality and Accessibility of Intelligence Gathering and Processing</i>	82
<i>Capacity, Resources, and Investigation Prioritization</i>	84
<i>FCAU Independence and Integrity</i>	86
EFFECTIVENESS OF THE PROSECUTION.....	86
<i>Capacity and resources of investigation and financial crime prosecutions</i>	86
<i>Comprehensiveness of Asset Forfeiture Processes and Laws</i>	87
<i>Integrity and Independence of Prosecutors</i>	88
<i>Effectiveness of Judicial Processes in ML cases</i>	89
EFFECTIVENESS OF THE BORDER CONTROLS	89
<i>Comprehensiveness and Effectiveness of Customs Regime on cash and similar Instruments</i>	89
<i>Treaty Agreements</i>	91
<i>Quality of Border Controls</i>	92
FINANCIAL SYSTEM	93
<i>Formalisation of Economy</i>	93
<i>Level of Financial Integrity</i>	93
<i>Effectiveness of Tax Enforcement</i>	94
<i>Availability of Independent Audit</i>	94
IDENTIFICATION INFRASTRUCTURE	95
<i>Accessibility and Quality of Identification</i>	95
<i>Availability and Access to Beneficial Ownership Information</i>	95
<i>and Independent Sources</i>	95
MONEY LAUNDERING THREAT NATIONAL ACTION PLAN	97
CHAPTER 4	98
SECTOR OVERVIEW	99
SECTOR SIZE, WEIGHT, AND PRIORITY	99
SECTORS MOST VULNERABLE FOR MONEY LAUNDERING	102
SUMMARY SECTORAL VULNERABILITY ASSESSMENT DEFICIENCIES	102
OPERATIONAL AND INSTITUTIONAL IMPACT ASSESSMENT SUMMARY	102
SECTOR ASSESSMENT	103
KEY FINANCIAL SECTORS.....	103
<i>Money Laundering Risk in the Banking Sector</i>	103
<i>Money Laundering Risk in the Credit Union</i>	108
<i>Money Laundering Risk in the Money Service Businesses</i>	111
<i>Key DNFBP Sector</i>	114
<i>Money Laundering Risk in the Legal Professionals</i>	114
<i>Money Laundering Risk in the Real Estate Sector</i>	115

<i>Other Sectors</i>	118
MONEY LAUNDERING SECTOR VULNERABILITY NATIONAL ACTION PLAN	118
KEY ACTIONS FOR ALL SECTORS	118
KEY RECOMMENDATIONS FOR THE MAIN SECTORS	119
DOMESTIC BANK	119
CREDIT UNION	119
MONEY SERVICE PROVIDERS	119
LEGAL PROFESSIONALS	120
REAL ESTATE SECTOR	120
CHAPTER 5	121
TERRORIST FINANCING OVERVIEW	122
THE NRA COMMITTEE	122
NATIONAL CFT OBJECTIVES	122
ESTABLISH THE NATURE, SCOPE, AND PURPOSE OF THE NRA AND THE CONTEXT OF THE JURISDICTION	122
ROADMAP FOR THE NATIONAL RISK ASSESSMENT (TERRORIST FINANCING)	124
THREAT DATA COLLECTION AND ANALYSIS – UNDERSTANDING TERRORIST FINANCING ..	124
REVIEW OF THE THREAT ASSESSMENT	127
TERRORIST FINANCING LIKELIHOOD ASSESSMENT AND RISK RATING	131
CHAPTER 6	135
APPENDIX	136

ABBREVIATIONS

AML	Anti-Money Laundering
CARICOM	Caribbean Community & Common Market
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Countering the Financing of Terrorism
CFP	Countering the Financing of Proliferation
CJICA	Criminal Justice International Cooperation Agency
DNFBPs	Designated Non-Financial Businesses and Professions
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EDD	Enhanced (Customer) Due Diligence
FATF	Financial Action Task Force
FCAU	Financial Crimes and Analysis Unit
FCDO	UK Foreign, Commonwealth & Development Office
FIU	Financial Intelligence Unit
FSC	Financial Services Commission
IBC	International Business Company
KYC	Know Your Customer
LLC	Limited Liability Company
MBA	Montserrat Bar Association
MCRS	Montserrat Customs and Revenue Service
ML	Money Laundering

MOU	Memorandum of Understanding
NRA	National Risk Assessment
NAMLAC	National Anti-Money Laundering and Countering Terrorist Financing Committee
MSB	Money Services Business
POCA	Proceeds of Crime Act
RMPS	Royal Montserrat Police Service
SAMLA	The Sanctions and Anti-Money Laundering Act 2018
SAR	Suspicious Activity Report
SOF	Source of Funds
STR	Suspicious Transaction Report
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
TUNMOTO	Terrorism (United Nations Measures) (Overseas Territories)
PEP	Politically Exposed Persons
PF	Proliferation Financing
PWMD	Proliferation of Weapons of Mass Destruction
XCD	Eastern Caribbean Dollar

FOREWORD

The Government of Montserrat is pleased to present Montserrat's first Money Laundering, and Terrorist Financing National Risk Assessment ("NRA"). The National Risk Assessment has enabled Montserrat to examine in detail the money laundering and terrorist financing threats and vulnerabilities which Montserrat faces.

As a jurisdiction Montserrat is committed to the fight against money laundering, the financing of terrorism and the proliferation of weapons of mass destruction. This National Risk Assessment enables Montserrat to understand its risks, and will be used as the foundation to inform the strategies to be put in place to mitigate such risks.

The preparation and finalization of this National Risk Assessment was a national initiative but special thanks is extended to the National Risk Mitigation Officer, for spearheading the work, and bringing the process to completion. Thanks, is also extended to all of the Competent Authorities and all of the members of the public and private sectors who participated in this very important exercise. With the publication of this Risk Assessment all sectors would be able to understand their risks and adopt appropriate mitigation measures.

It is anticipated that the National Risk Assessment will be reviewed every 2-3 years. The frequency of these reviews will be determined based on the progress of mitigating the national or sector-specific threats and vulnerabilities exposure.

The Government of Montserrat is committed to ensuring that the international standards for AML/CFT are met and is prepared to allocate resources to this initiative, so that Montserrat can demonstrate to the world that this jurisdiction is a safe place to do business.

Chair of NAMLAC
The Hon. Sheree Jemmotte-Rodney
Attorney General

GOVERNMENT OF MONTSERRAT

EXECUTIVE SUMMARY

NATIONAL RISK ASSESSMENT

2023

Executive Summary

A. Overview

Montserrat is a small economy with a limited financial system and has a population of approximately 4,500. Given the jurisdiction's status as a British Overseas Territory along with its unique features of having a small population, small economy with a limited financial system, the context and materiality of Money Laundering, Terrorist Financing and Proliferation Financing risks, threats, vulnerabilities, and consequences facing the island is very low. Consequently, these distinctive characteristics necessitates a tailored understanding and approach to combating money laundering (ML), terrorist financing (TF), and proliferation financing (PF) in Montserrat.

As an active participant in both the Financial Action Task Force (FATF) and the Caribbean Financial Action Task Force (CFATF), Montserrat has demonstrated a deep comprehension of the global significance of combating illicit activities. As a result, the jurisdiction has in place comprehensive legislation, regulations, policies, systems, and strategies to effectively address potential financial crimes. To effectively address the issues of ML, TF, and PF, the jurisdiction has embraced a strategy that is anchored in risk-based approach. Montserrat has taken steps to proactively combat illicit potential activities and safeguard the integrity of its financial system despite its unique features and low risks of ML, TF and PF

Montserrat is unwavering in its dedication to adhering to the most stringent international standards, in matters of anti-money laundering and countering the financing of terrorism (AML/CFT). In a display of the jurisdiction's dedication, Montserrat has successfully crafted a **National Risk Assessment (NRA)**. The NRA aligns with FATF's recommendation, which requires countries to identify, assess, and understand the risks associated with money laundering and terrorist financing within their jurisdiction. The NRA was officially established under the supervision of the National Anti-Money Laundering and Countering Terrorist Financing Committee (NAMLAC), which is presided over by the Honourable Attorney General.

The NRA offers a comprehensive analysis of the unique risks associated with money laundering and terrorist financing in Montserrat by reviewing the context and materiality of the existing and potential threats, vulnerabilities, and consequences as of the date of this report. In addition, the NRA provides a detailed description and analysis of the proposed measures aimed at mitigating any identified money laundering and terrorist financing risks. Furthermore, it explores potential areas for improvements within Montserrat's existing frameworks.

The NRA commenced in 2018, with active participation from various stakeholders in the public and private sectors. Also, support was provided by the Foreign Commonwealth and Development Office (FCDO), external consultants, and international agencies who all provided invaluable technical assistance during this process.

The assessment was conducted by thoroughly reviewing activities spanning from 2019 to 2023. This process took 5 years, and completed, coordinated, and drafted by the National Risk Mitigation Officer (NRMO), Mr. Deron Boyce, under the guidance of NAMLAC. The NRA was approved by Cabinet on the 18th of December 2023. The NRA includes an analysis of Montserrat's economic and geographical

landscape, considering its legal, regulatory, judicial, and institutional framework, along with an examination of predicate offences and prevailing trends. Furthermore, the NRA conducts an evaluation of the effectiveness of the measures in-place within the jurisdiction to combat the identified threats and vulnerabilities. This assessment involved an in-depth examination of key sectors and their vulnerabilities to money laundering and terrorist financing. Additionally, the NRA will be used to develop a National Strategy and a detailed action plan to address any identified deficiencies and appropriate measures to mitigate these risks.

The NRA process utilised a methodology that followed a structured risk-based approach covering both quantitative and qualitative assessments incorporating various techniques such as: questionnaires, interviews, and the examination of pertinent statistical data. The process entailed the establishment of stakeholder working committees comprised of representatives from various key governmental and private sector institutions. These working committees were responsible for collecting, analysing, and evaluating all the data accumulated. The working committees are as follows:

- a) National Threat and Vulnerability Assessment Teams - This team was led by the Office of the Director of Public Prosecution (DPP), Financial Crimes and Analysis Unit (FCAU), Royal Montserrat Police Service (RMPS) and Montserrat Customs and Revenue Service (MCRS).
- b) Banking Sector/ Other Financial Institutions Teams - This team was led by the Ministry of Finance (Representative) with assistance from the Bank of Montserrat and a representative from the Eastern Caribbean Central Bank (ECCB).
- c) Designated Non-Financial Business and Professionals (DNFBPs)/ Insurance Team - This team was led by the Attorney General's Chambers along with assistance from the Financial Services Commission (FSC) and the Deputy Governor's Office.
- d) Terrorist Financing Team – This team was led by the FCAU, the Attorney General's Chambers and the Governor's Office.

The implementation of this model allowed Montserrat to effectively analyse the primary factors, that contribute to the risks associated in each area to money laundering and terrorism financing. Moreover, the evaluation of the identified risk areas were then consolidated to establish a national risks rating, ensuring the use of both macro and micro-level risk assessment. This macro and micro risk assessment method, offered a systematic approach to understanding risk exposure, ranging from a broad national perspective to the inherent risk factors linked to money laundering and terrorist financing through the lens of the competent authorities. It considered multiple variables, such as regulatory and legislative frameworks, institutional and operational structures, geographical factors, and economic conditions, to provide a comprehensive understanding of the risk landscape. In addition, the NRA report carefully combined quantitative evidence, such as statistics, with qualitative information in the form of case studies, typologies, interviews, and inherent understanding of the jurisdiction to ascertain the risk ratings.

Furthermore, this assessment module was constructed using the definitions as noted:

1. ***“ML threat”*** pertains to the potential/ actual magnitude and attributes of illicit gains resulting from criminal activities within/to/from the jurisdiction and *have the potential to / cause* harm to the state or other jurisdictions.
2. ***“TF threat”*** a person or group of people¹ with the potential to cause harm by raising, moving,

¹ This may include both natural and legal persons.

storing, or using funds and other assets (whether from legitimate or illegitimate sources) for terrorist purposes. TF threats may include domestic or international terrorist organisations and their facilitators, their funds, as well as past, present and future TF activities, and individuals and populations sympathetic to terrorist organisations.

3. **"ML vulnerabilities"** denote the deficiencies or loopholes in a country's safeguards against money laundering and the financing of terrorism. At both the national and sectoral levels it is possible for vulnerabilities to be present.
4. **"TF Vulnerabilities"** TF vulnerability comprises those things that can be exploited by the threat or that may support or facilitate its activities. Vulnerabilities may include features of a particular sector, a financial product or type of service that makes them attractive for TF. Vulnerabilities may also include weaknesses in measures designed specifically for CFT², or more broadly in AML/CFT systems or controls, or contextual features of a jurisdiction that may impact opportunities for terrorist financiers to raise or move funds or other assets (e.g. large informal economy, porous borders etc.). There may be some overlap in the vulnerabilities exploited for both ML and TF.
5. **"ML Consequences"** refer to the impact or harm that money laundering may cause and includes the effect of the underlying criminal activity on financial systems and institutions, as well as the economy and society more generally. The consequences of money laundering may be short or long term and relate to the national population, specific communities, the business environment, or international interests, as well as the reputation and attractiveness of a country's financial sector.³
6. **"TF Consequences"** In the TF context, consequence refers to the impact or harm that a TF threat may cause when eventuated. This includes the effect of the underlying terrorist activity on domestic or institutional financial systems and institutions, as well as the economy and society more generally. Notably, consequences for TF are likely to be more severe than for ML or other types of financial crime (e.g. tax fraud etc.), which impacts how countries respond to identified threats. Consequences of TF are also likely to differ between countries and between TF channels or sources, and may relate to specific communities or populations, the business environment, or national interests. Given the challenges in assessing consequences, countries need not take a scientific approach when considering consequences, and instead may want to start with the presumption that consequences of TF will be severe (whether domestic or elsewhere) and consider whether there are any factors that would alter that conclusion.

Montserrat understands that the combination of its identified threats, vulnerabilities and consequences constitute the *risk exposure of the jurisdiction*.

B. Challenges Encountered

The NRA process faced numerous challenges, primarily centred around the complexities associated with gathering statistics pertaining to investigations and intelligence. Upon examination, it was determined that the desired information was either unavailable or the existing data lacked the necessary level of detail. Within the jurisdiction, a notable issue is evident in the context of consistent data

² In particular, FATF Recommendation 5 (R.5) and Recommendation 6 (R.6) set out in detail the specific requirements to criminalise TF and implement targeted financial sanctions on the basis of the International Convention for the Suppression of the Financing of Terrorism (1999) and relevant UN Security Council Resolutions (UNSCRs).

³ It should be noted, however, that given the challenges in determining or estimating the consequences of ML to all the variables, countries can opt to focus their risk-assessment efforts primarily on achieving a comprehensive understanding of their money laundering threats and vulnerabilities – which is what Montserrat has done.

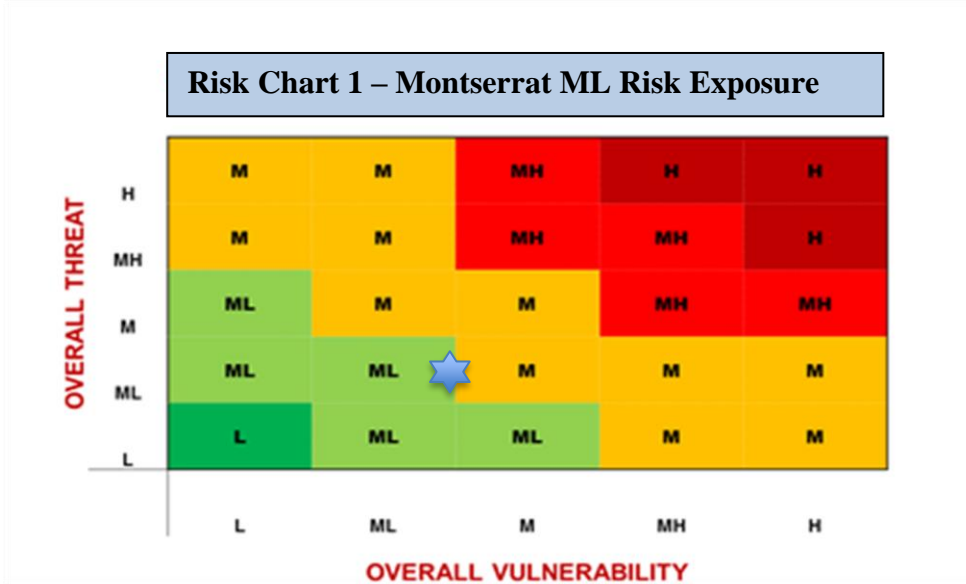
recording and analysis. This practice had a significant impact on the analysis conducted, which resulted in a heavy reliance on online sources, cases, FATF typology reports, competent authorities inherent understanding, and informal data collections. Limited availability of data and statistics is also a reflection of the low level of activities taking place in the jurisdiction due to Montserrat’s small economy, extremely low volumes of financial transactions and given the low levels of crimes.

The Competent Authorities (CAs) despite issues faced with proper data and statistics availability implemented and taken measures to improve systems and processes for data collection, storage, and analysis. The quick proactive response underscores the significance attributed to the compliance requirements to effectively address the international recommendations.

Nevertheless, qualitative assessments were employed by illustrating case scenarios as a means of evaluating the effectiveness in the national combating ability and the vulnerabilities. Moreover, the competent authorities have already initiated the crucial task of collecting pertinent information to substantiate these risk findings and enhance the public knowledge of the regulatory requirements. The objective is to mitigate the prevalence of any non-compliance, address concerns related to data storage and geo-security, and increase the conviction rate for ML offences. In addition, reassessments will be conducted within specific sectors, designated as primary risk concerns to the context and materiality of Montserrat, and will incorporate the new data generated in the updated NRA.

Key Findings

The NRA resulted in an overall National Money Laundering Risk rating of **Medium-Low**, which was a combination of the National Money Laundering Threat at **Medium-Low** and the Overall Sectoral Money Laundering Vulnerability at **Medium**, which is illustrated in chart 1. Also, the NRA resulted in the Terrorists Financing Risk rating of **Low**, which was a combination of the Terrorist Financing Threat Assessment at **Low** and the Overall Terrorist Vulnerability Assessment at **Low**. The underlying crimes identified as posing the most significant risk to money laundering and terrorist financing in Montserrat is illustrated in tables 1 through 3 below.



National Money Laundering Summary Findings

Threat Assessment

The assessment team collected information from the Government departments, law enforcement agencies, private sector, judiciary, and intelligence unit. Also, qualitative reviews were employed in cases where data was insufficient. After utilising the methodology, it was determined that the **Highest** areas of ML national threats in Montserrat are **Sexual exploitation including sexual exploitation of children, Fraud, Trafficking in human beings and migrant smuggling, Tax Crimes (related to direct and indirect taxes) and Illicit trafficking in narcotic drugs and psychotropic substances**. While there is no evidence that child exploitation is a direct ML threat to Montserrat, NAMLAC has recognized this as a social scourge that needs to be eradicated thus proactively preventing it becoming a ML matter for the jurisdiction. The overall level of the National ML threat in Montserrat was determined at **Medium-Low**. Furthermore, although there was a lack of comprehensive data, it has been determined that the external factors and financial inclusion continues to be significant areas of concern regarding the potential threats posed by the presence of unknown variables.

Table 1: ML Predicate Offences Priority Areas

Unique ID	Risk Description	ML Risk Concern	ML Threat Ratings	ML Priority Ratings
Predicate Offence	Sexual exploitation including sexual exploitation of children	Significant	Medium	3
Predicate Offence	Fraud	Significant	Medium	4
Predicate Offence	Trafficking in human beings and migrant smuggling	Significant	Medium	4
Predicate Offence	Tax Crimes (related to direct and indirect taxes)	Significant	Medium	4
Predicate Offence	Illicit trafficking in narcotic drugs and psychotropic substances	Significant	Medium	4

Vulnerability Assessment

In line with the methodology employed for context and materiality, the national vulnerability ratings by the assessment team complemented the limited statistical data with qualitative reviews to gain the understanding of Montserrat's national ML vulnerability. The data was gathered through a process involving the analysis of the competent authorities' inherent risk understanding, conducting interviews, and questionnaires with the sectors and the competent authorities. The examination of the collected information revealed the possible and actual loopholes/vulnerabilities to ML, at the national level as **Medium**.

National Combatting Ability

The assessment team identified three key priority areas with material importance within the national combatting framework to the potential and actual ML in Montserrat in the context and materiality to Montserrat's economy. These areas are not necessarily deficient in various aspects of the institutional practices, regulatory measures, or operational controls. Based on the risk assessment, Montserrat

determined an overall **Medium-High** effectiveness of the combatting ability. However, the priority areas for the national combatting ability in Montserrat was not only about the deficiencies but rather, the jurisdiction’s priority based on its efforts to addressing the concerns which holds significant importance to the economy of Montserrat. This decision is primarily driven by Montserrat’s understanding of its risk appetite and applying a risk-based approach to mitigate the key priority areas.

Furthermore, it is noteworthy that the identification of these key areas does not necessarily imply that there is an abuse of ML due to the findings, but rather serves as an indication of the jurisdiction's risk awareness to the relevant defence mechanisms. Table 2 below highlights the specific areas that have been deemed as key priorities in the national combatting ability of ML.

Table 2: ML National Combatting Ability Priority Areas

Unique ID	Risk Description	Risk Measures in place	Priority areas*
ML National Combatting Ability	Quality and Accessibility of Intelligence Gathering and Processing	Medium-Low	2
ML National Combatting Ability	Quality of national AML/CFT policy and strategy	Medium	3
ML National Combatting Ability	Capacity and Resources of Investigation and Financial Crime Prosecutions	Close to excellent	3

Sector Vulnerability Ratings

The assessment team determined an overall sectoral ML vulnerability rating of **Medium-Low**. The combination of each sector threat levels and the sectors vulnerabilities, determined the money laundering risk ratings per sector as illustrated below.

Table 3: Sectors Overall Money Laundering Risk Scores

Unique ID	Risk Description	ML Threats	Threat Priority Ratings	ML Vulnerability	Vulnerability Priority Ratings	ML Risk per Sectors	Overall Priority Ratings
Financial Sector	Credit Union	Medium-Low	5	Medium	5	Medium	5
Financial Sector	Money Service Business	Medium	5	Medium	5	Medium	5
DNFBP	Real Estate	Medium-Low	6	Medium	5	Medium	5
DNFBP	Trust And Company Service Providers International	Medium	6	Low	6	Medium-Low	6
Financial Sector	Domestic Banks	Medium-Low	6	Medium	6	Medium	6
DNFBP	Legal Professionals	Medium-Low	6	Medium-Low	5	Medium-Low	6
DNFBP	Virtual Assets Service Providers	Medium-Low	4	Low	6	Medium-Low	6
DNFBP	Accountants	Low	7	Low	7	Low	7
DNFBP	Money Lenders	Low	7	Low	7	Low	7
DNFBP	Trust And Company Service Providers Domestic	Medium-Low	6	Low	8	Medium-Low	7
Financial Sector	International Banks	Low	8	Low	7	Low	8
Financial Sector	Insurance Companies	Low	7	Low	8	Low	8
DNFBP	High Value Dealers	Low	8	Medium	7	Medium-Low	8
Sector Overall Ratings		Sectors ML Threat Medium- Low		Sectors ML Vulnerability Medium-Low		Sectors Overall ML Risk is Medium Low	

Note the key priority areas: After carefully considering the importance of various sectors and their overall impact on the jurisdiction, it has been concluded that Montserrat's vulnerability mitigation efforts will not only include the high-risk areas. Instead, the jurisdiction will prioritise its efforts based on addressing the concerns which holds significant importance to the economy of Montserrat. This decision is primarily driven by Montserrat's understanding of its risk appetite and applying a risk-based approach to mitigate the key priority areas. This approach considered reputational implications, the effectiveness and efficiency of implementing mitigating measures, and other inherent factors related to jurisdiction.

National Terrorist Financing Summary Findings

As there has been no terrorist activity in Montserrat or linked to the jurisdiction the assessment team determined the Terrorist Financing threat as **Low**. Nonetheless, Montserrat has connections through the UK Overseas Territories Counter Terrorist Financing Forum which enables officials in Montserrat to obtain information in relation to the TF and the liaison with UK OT officials on relation to TF matters. Montserrat also has MOUs in place with organisations and various jurisdictions who funnel information to Montserrat when necessary. The terrorist financing vulnerability was also determined as **Low**. Consequently, the TF risk was rated **Low**.

D. Monitoring and Evaluations

Under the guidance of NAMLAC, the Government of Montserrat will align the Action Plan to the jurisdiction's risk appetite and the key priority areas to effortlessly implement the necessary mitigating measures from the NRA. The action plan will be managed by NAMLAC and reviewed monthly to ensure the completion and update of the actions recommended.

Furthermore, the Action Plan will seamlessly integrate into implementation maps that will be devised by the jurisdiction to combat ML/TF. This merger will result in a uniformed and comprehensive strategy for executing Montserrat's mission of ensuring compliance and combating financial crimes. The proposed central plan, will be known as the National Implementation Plan (NIP), aimed to address the identified risk and priority areas within the jurisdiction's overall framework monitored by short, medium, and long-term deliverables.

In addition, Montserrat will finalise the development of a National Policy on AML/CFT, as well as the National Strategy, by aligning its application to the findings provided by the NRA and NIP documents. Furthermore, the National Policy and National Strategy documents will serve as foundational pillars, providing comprehensive guidelines for the effective implementation of the AML/CFT recommendations.

Additionally, Montserrat will undertake a Sectoral Risk Assessment (SRA) of the sectors to enable a deeper understanding of the sectors' risks. This augments the NRA as it only covers national concerns of the key sectors whereas the SRA will be reviewing the products, customers, funds, business activities and inherent business models of all the sectors. The primary objective of this assessment is to establish a deeper sense of the jurisdictional risk understanding. This will assist the development of

direct policies, procedures, and measures that are specifically designed to effectively address and manage the unknown variables associated with money laundering and terrorist financing.

Montserrat will actively pursue a comprehensive national communication plan for AML/CFT awareness, education, and national financial inclusion campaign, among other key issues.

E. Continuous Review Strategy

The NRA will be subject to regular reviews; the proposed timeframe for the review would be every 2-3 years. The frequency of these reviews will be determined based on the progress of mitigating the national or sector-specific threats and vulnerabilities exposure. If a more immediate evaluation becomes necessary, the assessment will be promptly carried out.

The NRA serves as a testament to the relentless commitment of the Government of Montserrat in upholding the utmost global standards in combatting money laundering, terrorism, and proliferation financing. The Government of Montserrat expresses its gratitude to all individuals who have contributed or aided in the lengthy process of information gathering, analysis, and preparation of this report. Furthermore, the Government eagerly anticipates the ongoing collaboration, cooperation, and coordination efforts in the future.

GOVERNMENT OF MONTSERRAT

BACKGROUND

NATIONAL RISK ASSESSMENT

2023

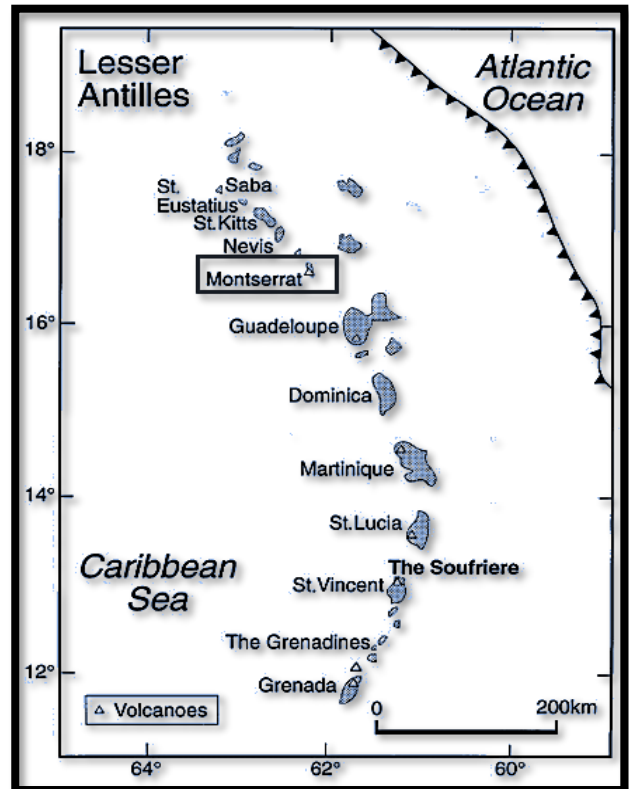
Introduction

Montserrat Context

Background and History

- 1.1 Montserrat, is a small British Overseas Territory, located in the Lesser Antilles chain. Positioned around 25 miles away from Antigua in the Eastern Caribbean, and approximately 1,200 miles southeast of Miami, Florida, USA. Spanning an area of approximately 102 square kilometres, or roughly 39.4 square miles, this captivating landmass offers a compact yet diverse landscape for exploration and appreciation.
- 1.2. Montserrat is internally self-governing. The British monarch, as the Head of State, is represented by The Governor. The Montserrat Constitution Order (Cap. 1.01) establishes the framework for the arms of Government. The Executive authority in Montserrat resides upon His Majesty, and it is further supported by the presence of a Cabinet specifically designated for Montserrat. The Cabinet comprises the Premier, three additional Ministers, and two ex officio members, namely the Attorney General and the Financial Secretary. The legislative branch comprises His Majesty and a Legislative Assembly. The Legislative Assembly comprises nine elected members and two ex officio members, namely the Attorney General and the Financial Secretary. The judicial system of Montserrat comprises the Magistrate Court and the hierarchical structure of the, Eastern Caribbean Supreme Court (ECSC), which consists of the High Court within Montserrat and an itinerant Court of Appeal which serves all of the ECSC jurisdictions including Montserrat. Final appeals from the Court of Appeal go to The Judicial Committee of the Privy Council.

Image 1 – Geographic Location of Montserrat



Source: World Atlas

- 1.3. Montserrat is a member of the Organisation of Eastern Caribbean States (OECS), the Eastern Caribbean Currency Union (ECCU), and the Caribbean Community (CARICOM).
- 1.4. This small, beautiful gem of an island experienced a series of explosive volcanic eruptions starting in 1995 that persisted for several years. The explosive activity concluded in 2010 but the volcano is still considered active. These eruptions had devastating consequences, leading to the destruction of the

island's capital, Plymouth. In June 1997, a catastrophic eruption wreaked havoc upon the island, resulting in the abrupt closure of both the airport and seaports and rendering approximately two-thirds of the southern landmass uninhabitable. The Montserrat Volcano Observatory diligently maintains close surveillance of the volcano. While the northern region of the island remains largely unaffected, the ongoing volcanic activities have had a dampening effect on the island's open economy. This volcanic activity inflicted severe economic and social upheaval, exacerbating the already dire circumstances faced by the affected community. The agriculture sector has persistently grappled with the challenge of insufficient land for cultivation and consequently the devastation of crops.⁴ A staggering two-thirds of the island's population, totalling 12,000 inhabitants, were forced to flee their homes and subsequently the island.

- 1.5. Since the onset of the volcanic activity, and ensuing displacement of the island’s residents, there has been no significant growth in the population. The population over the last several years has fluctuated between 4000- 5000 people, settling at approximately 4,500 as of March 2023⁵.

- 1.6. The demographic makeup of Montserrat is diverse, with a mix of ethnicities and nationalities represented. As at the 2018 Labour Force Census and Intercensal Count, Montserrat Demographic make-up was as follow: -
 - African/Black – 86.2%
 - Mixed – 4.8%
 - Hispanic/Spanish – 3.0%
 - Caucasian/White – 2.7%
 - East Indian/Indian – 1.6%
 - Other – 1.7%

- 1.7. Most of the population in Montserrat are of African or Caribbean descent, reflecting the island's history as a former British colony with a legacy of slavery and indentured labour.

- 1.8. The overall unemployment rate estimated during the Intercensal count in 2018 was 6.5%. In 2020 the Government of Montserrat (GOM) completed a Labour Force Survey which estimated unemployment at 8.7%. However, it is important to note that due to the small size of the population and workforce in Montserrat, the estimates may be subject to greater variability than in larger countries. Furthermore, the age breakdown as per the 2020 mid-year population estimates is as follows:

Table 4: Population Breakdown⁶

Age Group	Male	Female	Total	Total %
0-14	383	414	797	17.23
15-24	249	249	498	10.77
25-54	916	1,007	1,923	41.57
55-64	325	277	602	13.01
65+	411	395	806	17.42

⁴ Analytics, M. (n.d.). *Montserrat | Economic Indicators|Moody’s Analytics*. Montserrat | Economic Indicators|Moody’s Analytics. <https://www.economy.com/montserrat/indicators#ECONOMY>

⁵ Statistics Department Montserrat. See also Montserrat Population 2023 (Live). (n.d.). Montserrat Population 2023 (Live). <https://worldpopulationreview.com/countries/montserrat-population>

⁶ Montserrat’s Economic Unit, Ministry of Finance.

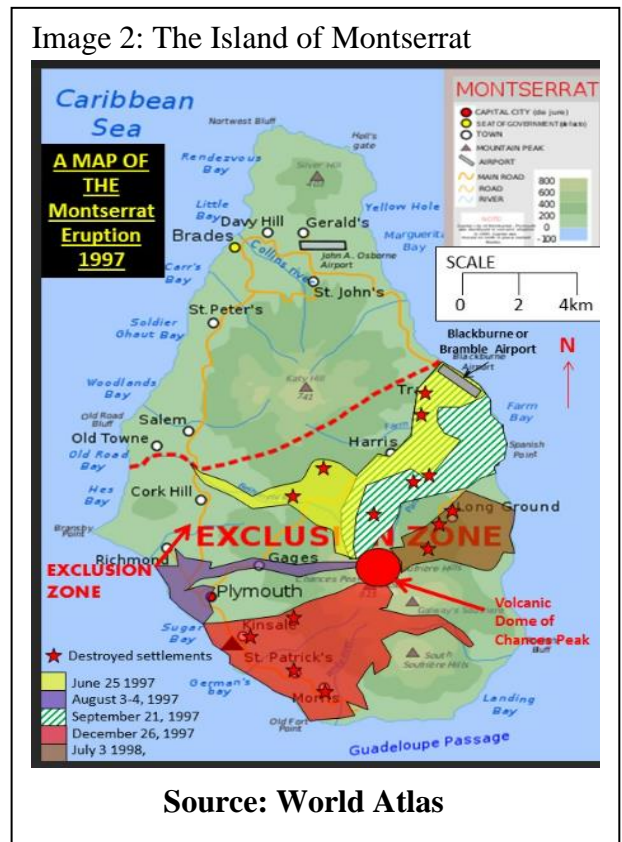
Total	2,284	2,342	4,626	100.00
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1.9. Overall, the population of Montserrat is relatively young, with almost one-fifth of the population being under the age of 15, and just over 12% of the population being 65 years or older. The last median age was calculated in 2018 and the median age was recorded as 39.67 with an average age at 39.80.⁷

1.10. As of September 2020, Montserrat’s Labour Force stood at 2,727 persons, of these 1,406 males and 1,321 females. The Labour Force comprises of persons 15 years and older who are employed (had a job and worked, had a job but did not work) and unemployed (looked for work or wanting work and was available).

1.11. The country has experienced a significant economic downturn, which has had a profound impact on various industries. Today the main industry for exports is mining of volcanic material and the largest sector of employment is the Government of Montserrat. In 2018, 930 persons out of 2527 persons employed reported to being employed as a Central Government Employee, that is 36.81%. In 2020 roughly 42% indicated to being employed as a Central Government Employee.⁸

1.12. Following the catastrophic eruptions, the island's operational expenses are predominantly funded by the British Government and managed through the Overseas Development Assistance Funds provided by the UK. This financial support amounts to an estimated £25 million annually. Supplementary funds are obtained through various means, including income and property taxes, licences, and other fees. Additionally, customs duties are imposed on imported goods to generate further revenue.



1.13. “The last five years have presented significant challenges for Montserrat, from the active hurricane season in 2018 to the global pandemic starting in 2019 but causing economic turmoil that have lasted way beyond the 2020-2021 height of the pandemic, coupled with high global inflation. However, the GOM has shown its steadfast commitment to facilitating and promoting sustained economic growth through major infrastructure projects, such as road developments, port development and a new Hospital, which create employment opportunities for residents on island. Furthermore, through a number of capital projects, expansionary fiscal measures and programmes, the GOM is seeking to boost private sector activity and lessen the dependency on the public sector to drive the economy.

⁷ Montserrat’s Economic Unit, Ministry of Finance.

⁸ Montserrat’s Economic Unit, Ministry of Finance.

1.14. Considering the persistently high inflation in the global economy, the ongoing effects of the Russo-Ukrainian war, and the residual effects of Covid-19, Montserrat's current economic climate still presents a challenging landscape. However, despite these obstacles, there are promising signs for the island's real growth prospects in the years 2023-2024. Montserrat's economy is forecasted to expand by 3.65% in real terms underpinned by increased activity in Public Administration, Defense & Compulsory Social Security (29.26% of GDP); Transport, Storage and Communication (17.2% of GDP); Financial Intermediation (13% of GDP) and Real Estate, Renting and Business Activities (11% of GDP). This year will see the implementation of major capital projects - The construction phase of the new national hospital; Little Bay Port development to provide a safe, climate resilient harbour which will improve accessibility, trade and economic opportunities on the Island; and further housing development. Roads and bridges' rehabilitation work will also continue following the commissioning of the new asphalt plant. As construction will be underway this year the spillover effects will be felt throughout the economy and employment opportunities will be generated for local contractors, transporters, and sand miners (Mining & Quarrying 2% of GDP) .

1.15. Montserrat is set to see an influx of visitor arrivals as tourism recovers and will continue to attract small and medium-sized cruise vessels seeking a unique destination. The Hotels and Restaurants industry (3% of GDP) is projected to grow by 47 per cent this year, however, this is still dependent on whether there is a slowdown in the USA and UK economies, as travellers to our region are primarily from those locations. Tourism is an engine of growth in the Caribbean and Montserrat wishes to diversify its economy and tap into that market, the GOM intends to advance the visibility of Montserrat's tourism product as well as reintroduce the Tourist Board as the official tourism marketing and partnership organization on Island. The Forecasts for the outer years, beyond 2023-24 is also expected to be positive as the economic conditions continue to improve.”⁹

1.16. Montserrat's financial sector is small and underdeveloped compared to other jurisdictions in the Caribbean region. There is one commercial Bank, one Credit Union, and a Building Society. The jurisdiction's financial institutions predominantly cater to local needs, primarily serving the island's limited tourism industry, the residents of Montserrat and those residents who have been displaced after the catastrophes. The financial system is characterised by limited cross-border transactions and a focus on retail banking.

1.17. Several factors contribute to Montserrat's small financial context system:

- Limited economic activity: Montserrat's economy is primarily based on UK support, limited tourism, limited exports of the volcanic rocks and various resident taxed. This small economy generates relatively low levels of financial transactions. This limited economic activity restricts the growth of the financial sector.

1.18. Despite its small size, Montserrat's financial sector plays an important role in supporting the local economy. Financial institutions provide essential banking services to residents, support the local businesses, and facilitate investment in the island's economy.

⁹ Montserrat's Economic Unit, Ministry of Finance.

1.19. The small size of Montserrat's financial system and context has both advantages and disadvantages. On the one hand, it makes the system less attractive to criminals seeking to launder illicit funds or finance terrorism. On the other hand, it can limit the ability of the financial sector to diversify its services and contribute to economic growth.

Table 5 - Montserrat Economy Data¹⁰

Data Information	Jan to Dec 2022	Forecast Jan to Dec 2023
Real Gross Domestic Product	XCD\$200.67M	XCD\$207.99M
Gross Domestic Product Exchange rate	2.7 XCD/USD	2.7 XCD/USD
Gross Domestic Product - Real growth rate	2.52%	3.65%
GDP Per capita (population 4432 as at June 30 th 2022)	XCD\$45,278	XCD\$46,929
Inflation rate (average)	2.98 %	

Montserrat ML/TF Materiality

1.20. Montserrat's materiality to ML/TF refers to the extent to which the jurisdiction is considered a potential target for these illicit activities. The assessment of materiality considers various factors, including the jurisdiction's financial system, transaction frequency and values, customer base, products offerings, its proximity to high-risk jurisdictions, and its adherence to international AML/CFT standards.

1.21. Montserrat considered all these factors and categorised its overall level of materiality to ML/TF as Low through the limited financial systems, its unique context, and inherent circumstances limiting its attractiveness for financial illicit activities, with very small possibilities.

1.22. This small and underdeveloped financial sector, coupled with limited cross-border transactions, and isolated geographic location pose challenges for illicit funds and its movements. However, Montserrat's membership in FATF and CFATF, along with its proximity to larger Caribbean islands, necessitates ongoing vigilance and proactive measures to safeguard its financial system and its commitment to the global standards and the continued fight against illicit finance.

Institutional Standards and Conventions

Money Laundering

1.23. Money laundering (ML) compromises the integrity of the financial system and is a threat to global safety and security.

1.24. United Nations Convention against Transnational Organized Crime (Palermo Convention) outlines ML as *“the conversion or transfer of property, knowing that such property is the proceeds of crime, for the*

¹⁰ Montserrat’s Economic Unit, Ministry of Finance.

purpose of disguising the illicit origin of the property or of helping any person who is involved in the commission of the predicate offence to evade legal consequences of his/her action; the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime; the acquisition, possession or use of property, knowing at the time of receipt that such property is the proceeds of crime; participation in, association with or conspiracy to commit, attempt to commit and aiding and abetting, facilitating and counselling the commission of any of the offences established in accordance with this article”.

1.25. Money Laundering offences should be criminalized based on the Vienna Convention and the Palermo Convention from the process including:¹¹

- 1. the conversion or transfer, knowing that such property is the proceeds of crime.*
- 2. the concealment or disguise of the true nature, source, location, disposition, movement, or ownership of or rights with respect to property, knowing that such property is the proceeds of crime; and*
- 3. the acquisition, possession, or use of property, knowing, at the time of the receipt, that such property is the proceeds of crime.*

1.26. *“A framework designed to prevent ML is most effective when it targets resources where they will have the most effect. A country can make sure that resources are directed to prevent and mitigate its ML risks only by a good analysis and understanding of these risks. This approach is in line with the recommendations of the FATF. The FATF recommends that countries identify, assess, and understand the ML risks within their jurisdiction and then use a risk-based approach to take action and apply resources to mitigate such risks. Such a risk-based approach involves considerable effort, but it will ensure that AML regimes are set up that support measures commensurate with the actual levels and types of risk encountered.”¹²*

Terrorist Financing

1.27. The two phenomenon-**money laundering and terrorist financing** are quite distinct.

1.28. Terrorist Financing is the financial support, in any form, of terrorism or of those who encourage, plan, or engage in terrorism. Directly or indirectly, unlawfully, or willfully collecting, managing, or providing funds, assets, (securities) or services with the intention that they should be used or in the knowledge that such funds are to be used, in full or in part in order to carry out any terrorist act as defined in international instruments against terrorism.

1.29. Key Sources of Terrorist Funding (TF):

- Voluntary contributions for charity, deployed through NPO.
- Proceeds of crime
- Proceeds of legal enterprise
- State-sponsor – assistance from foreign Government

¹¹ Article 3(1)(b)&(c) Vienna Convention and Article 6(1) Palermo Convention

¹² World Bank NRA Brochure. [World Bank Document](#)

1.30. Key Intermediaries of TF that may require Observation:

- Religious/ Charitable Organization
- Shell Companies
- Financial Institutions, E.g. Banks – offshore – Correspondent

1.31. Terrorist financing involves the solicitation, collection, or provision of funds with the intention that they may be used to support terrorist acts or organisations. Funds may stem from both legal and illicit sources.

1.32. The primary goal of individuals or entities involved in the financing of terrorism is therefore not necessarily to conceal the sources of the money but to conceal both the financing and the nature of the financed activity.

1.33. Countries should criminalize TF based on the International Convention for the Suppression of the Financing of Terrorism (1999) (the Terrorist Financing Convention) and relevant United Nations Security Council Resolutions (UNSCRs). However, Recommendation 5 contains elements which deliberately go beyond the various international legal obligations.¹³

Montserrat Risk Methodology Framework

Objectives of the National Risk Assessment

1.34. The core objectives of the NRA are to:

1. Identify, assess, and understand the level of threats resulting from illegal activities that may generate proceeds of crime to/from/within Montserrat's economy.
2. Identify, assess, and inform the public and private sectors of the weaknesses/ vulnerabilities in the legal and regulatory, institutional, and operational frameworks of the national AML/CFT regime.
3. Understand the risk exposure levels of ML/TF risks for both public and private sectors in Montserrat.
4. Develop mechanism to counteract the effects of the risk exposure and determine the allocation of resources for institutional, legislative, regulative, and operational restructuring required to support the prevention, investigation, mitigation, correctional measures, and prosecution/confiscation of ML/TF related risks.
5. To join the global fight for compliance with the international standards of FATF through CFATF against ML/TF/PF.

1.35. In addition to the core objectives, the NRA is intended to inform government policy makers, operating agencies, regulators, supervisors, financial institutions, DNFBPs, NPOs, the private sector, and any other institution/ body.

1.36. It is of utmost importance for the public and private sector to have a comprehensive and lucid understanding of the threats posed by different sectors. This understanding will enable the development

¹³ FATF Recommendation 5 (R.5) and its Interpretive Note (INR.5) set out in detail the specific elements required to comply with the obligation to criminalise terrorist financing (TF).

of innovative aligned policy campaigns that specifically target the vulnerabilities and potential gaps in the existing system, with the aim of ensuring common jurisdictional compliance.

1.37. Furthermore, the NRA will play a crucial role in informing operational decisions pertaining to priority setting, guidance notes, resource allocation, effective mitigation of identified threats focused on economic, social, and political ramifications. Moreover, the NRA will also prioritise risks that can be swiftly rectified within a span of six months to one year.

1.38. To effectively address the most pressing concerns and develop appropriate strategies, it is essential that both the public and private sectors possess a comprehensive understanding of the risks at hand. By prioritising this understanding, they can align their efforts towards the primary objectives to effectively mitigating these identified risks in Montserrat.

1.39. The NRA analyses a range of both known and unforeseen risk factors though the known unknown variables for Montserrat. Furthermore, the NRA includes a comprehensive examination of the existing national measures implemented to address AML/CFT strategies. It will also facilitate the formulation of Montserrat’s National Policy and National Strategy documents, aimed at mitigating both identified and known unknowns, identified risks associated with prevention and correction efforts.

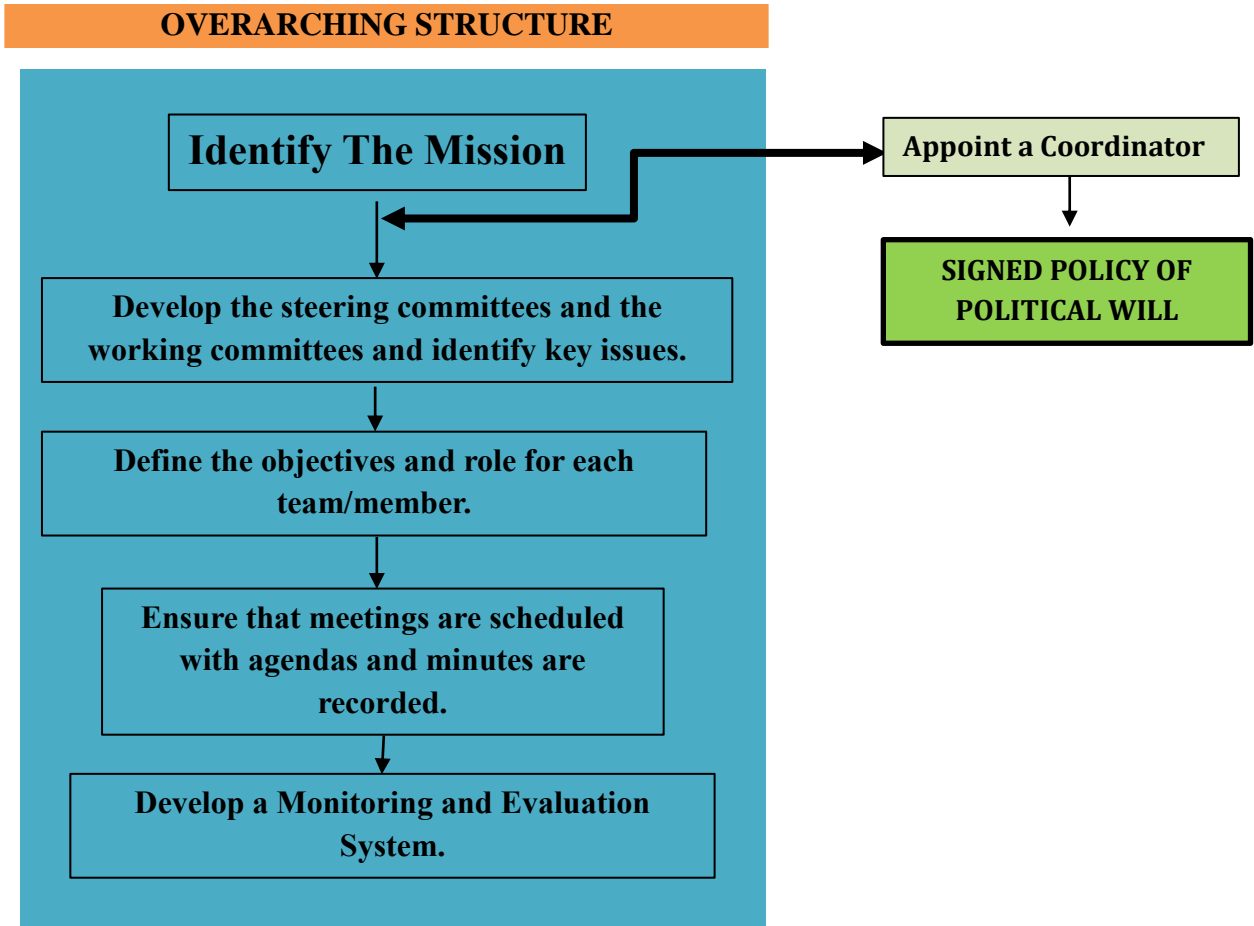
Montserrat Risk Methodology Process

1.40. In 2018, Montserrat began its first attempt to conduct a detailed analysis of the potential and actual risks connected with ML/TF, in the form of an NRA. This NRA process took approximately 5 years to complete, starting in 2018 and ending in 2023. It was a collective effort of a wide variety of public and private sector stakeholders, who participated in the development of the NRA with guidance from NAMLAC and coordination efforts by the National Risk Mitigation Officer. The NRA provides a thorough examination of specific activities, AML/CFT measures in place, and regulated sectors compliance from 2019 to 2023. The NRA was approved by Cabinet on the 18th of December 2023.

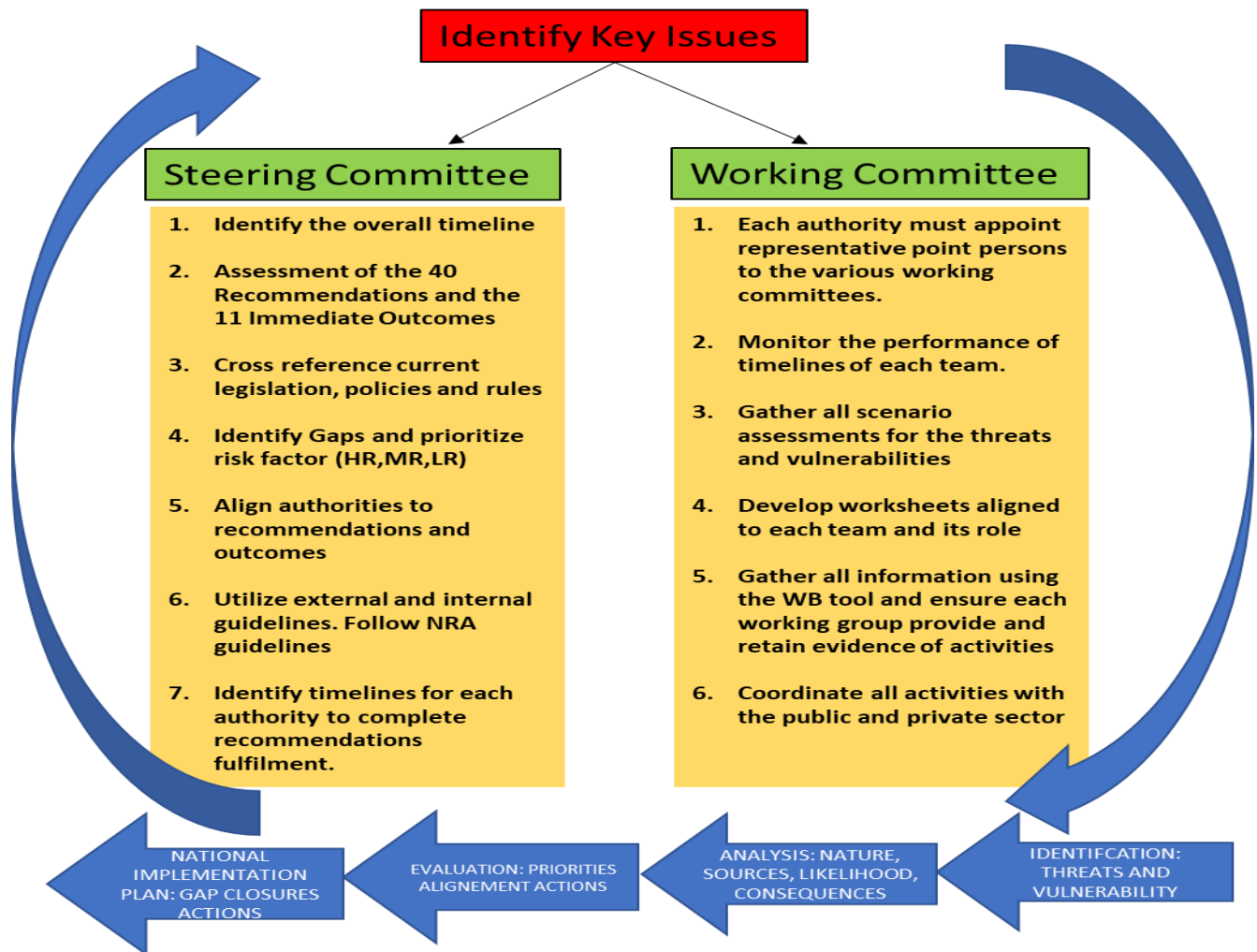
1.41. A Risk Based Assessment Process Flow was developed, as illustrated in Chart 2 below. This process was broken down into four sections, detailing the structured approach to the development of the NRA report.

- 1. Overarching Structure**
- 2. Operating Activities**
- 3. Monitoring & Evaluation**
- 4. Report Development**

Chart 2: NRA Risk-Based Assessment Process Flow



OPERATIONAL ACTIVITIES



MONITORING & EVALUATION

STATUS PROGRESS REPORTS

activities performed - Status of programme - Approvals - Disbursements - Constraints - Projections – Recommendations - Lessons Learnt

REPORT DEVELOPMENT

REPORTS

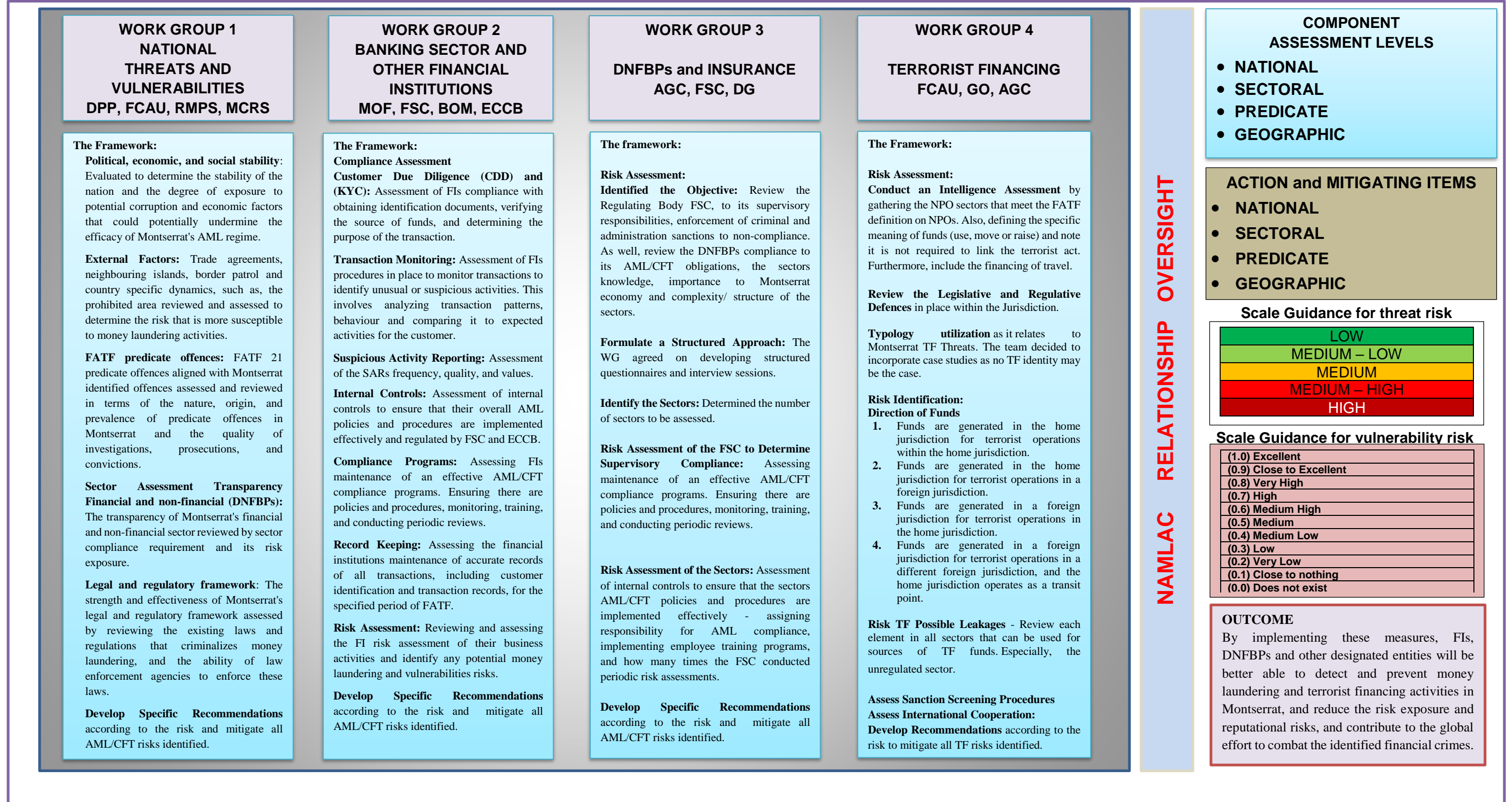
1. NATIONAL RISK ASSESSMENT
2. NATIONAL IMPLEMENTATION PLAN
3. NATIONAL POLICY & NATIONAL STRATEGY
4. SECTORAL RISK ASSESSMENT

1.42. NAMLAC conducted the NRA methodology utilising a jurisdictional self-assessment, following the FATF NRA template structure, and supplementary statistical assessment methods. The methodological framework shown in chart 3 below employed a comprehensive risk-based approach, comprising a range of data collection methods, such as statistics, questionnaires, and face-to-face interviews. Note, qualitative methods were instructed to compensate for the lack of statistics. The process entailed a series of steps that were undertaken by the development of various working groups.

1. **National Threat Assessment/ Vulnerability Team (Merged)** - The consolidation of this team was required due to the constrained human resources of Montserrat. Led by the Office of the Director of Public Prosecution (ODPP), the Financial Crimes and Analysis Unit (FCAU), Royal Montserrat Police Service (RMPS), and Montserrat Customs and Revenue Services (MCRS). The data pertaining to the national threats and vulnerability assessments was gathered from various sources, including supervisory authorities, the intelligence unit, law enforcement agencies, the Governor's Office, customs and immigration, and the judicial arm of Government. The vulnerability assessment primarily relied on qualitative information, which was gathered through a comprehensive review of local literature, FATF typology reports, local cases, informal discussions, and domestic, regional, and international articles. Additional information was collected through a combination of in-person and virtual interviews with competent authorities.
2. **Banking Sector/ Other Financial Institutions Team (Merged)** - This team was led by the Ministry of Finance (MOF) with assistance from the Bank of Montserrat (MOB) and a representative from the Eastern Caribbean Central Bank (ECCB) through the Financial Services Commission (FSC). The data was collected using a methodology like that employed by the threat and vulnerability team. In addition, the ECCB has allocated funding to support the provision of technical assistance aimed at conducting a comprehensive preliminary assessment of the various risk factors within the entire jurisdiction.
3. **DNFBPs/ Insurance Team** - This team was led by the Attorney General's Chambers (AGC) with assistance from the FSC and FCAU. The acquisition of information followed a methodology like that employed by the threat and vulnerability team. The data was collected from a variety of sources, including outreach programmes, online sources, written questionnaires, and interviews conducted with non-financial operators and insurance companies.
4. **Terrorist Financing Team** – This team was led by the Governor's Office (GO) and supported by the FCAU and AGC. Data was provided from meetings, online sources, technical support from His Majesty Treasury and FATF typologies reports. TF was a separate team, as there are factors associated with TF that are distinct from ML. In addition, a key focus in combating TF is preventing future terrorist acts from occurring whereas with combating ML, the criminal activity (the predicate offence) has already taken place. Another difference is that transactions associated with TF may be conducted in very small amounts, which may be overlooked in ML, but can have huge implications in the TF risk context.

Chart 3

**GOVERNMENT OF MONTSERRAT
WORKING GROUP
METHODOLOGICAL CONTEXT and MATERIALITY FRAMEWORK**



1.43 The methodological framework, as depicted in chart 3 above, facilitated the effective determination of the main drivers of money laundering and terrorism financing risk factors in this distinct manner. Thereby enabling a comprehensive evaluation at both the macro and micro risk factors. Moreover, the evaluation of the identified risk areas was ultimately consolidated to establish a full grasp of the national-level risk exposure. The assessment method presented, offers a systematic approach that considers the various risk factors associated with money laundering and terrorist financing. These risk factors include both the extrinsic circumstances and the intrinsic factors that contribute to such illicit activities. Additionally, the NRA report uses the collective information of quantitative data, coupled with qualitative studies.

1.44 Furthermore, it is critical to note that the jurisdiction acknowledged at both the national and sectoral levels, the possibility of *potential/ actual* threats, and vulnerabilities to the risk factors. This assessment module was constructed using the definitions as noted:

- 1** “*ML threat*” pertains to the potential/ actual magnitude and attributes of illicit gains resulting from criminal activities within/to/from the jurisdiction and *have the potential to / cause* harm to the state or other jurisdictions.
- 2** “*TF threat*” a person or group of people¹⁴ with the potential to cause harm by raising, moving, storing or using funds and other assets (whether from legitimate or illegitimate sources) for terrorist purposes. TF threats may include domestic or international terrorist organisations and their facilitators, their funds, as well as past, present and future TF activities, and individuals and populations sympathetic to terrorist organisations.
- 3** “*ML vulnerabilities*” denote the deficiencies or loopholes in a country's safeguards against money laundering and the financing of terrorism. At both the national and sectoral levels it is possible for vulnerabilities to be present.
- 4** “*TF Vulnerabilities*” TF vulnerability comprises those things that can be exploited by the threat or that may support or facilitate its activities. Vulnerabilities may include features of a particular sector, a financial product or type of service that makes them attractive for TF. Vulnerabilities may also include weaknesses in measures designed specifically for CFT¹⁵, or more broadly in AML/CFT systems or controls, or contextual features of a jurisdiction that may impact opportunities for terrorist financiers to raise or move funds or other assets (e.g. large informal economy, porous borders etc.). There may be some overlap in the vulnerabilities exploited for both ML and TF.
- 5** “*ML Consequences*” refer to the impact or harm that money laundering may cause and includes the effect of the underlying criminal activity on financial systems and institutions, as well as the economy and society more generally. The consequences of money laundering may be short or long term and relate to the national population, specific communities, the business environment, or international interests, as well as the reputation and attractiveness of a country’s financial sector.¹⁶
- 6** “*TF Consequences*” In the TF context, consequence refers to the impact or harm that a TF threat may cause if eventuated. This includes the effect of the underlying terrorist activity on domestic or institutional financial systems and institutions, as well as the economy and society more

¹⁴ This may include both natural and legal persons.

¹⁵ In particular, FATF Recommendation 5 (R.5) and Recommendation 6 (R.6) set out in detail the specific requirements to criminalise TF and implement targeted financial sanctions on the basis of the International Convention for the Suppression of the Financing of Terrorism (1999) and relevant UN Security Council Resolutions (UNSCRs).

¹⁶ It should be noted, however, that given the challenges in determining or estimating the consequences of ML to all the variables, countries can opt to focus their risk-assessment efforts primarily on achieving a comprehensive understanding of their money laundering threats and vulnerabilities – which is what Montserrat has done.

generally. Notably, consequences for TF are likely to be more severe than for ML or other types of financial crime (e.g. tax fraud etc.), which impacts how countries respond to identified threats. Consequences of TF are also likely to differ between countries and between TF channels or sources, and may relate to specific communities or populations, the business environment, or national interests. Given the challenges in assessing consequences, countries need not take a scientific approach when considering consequences, and instead may want to start with the presumption that consequences of TF will be severe (whether domestic or elsewhere) and consider whether there are any factors that would alter that conclusion.

1.45 The combination of the identified threats, vulnerabilities and consequences constitutes the “*risk exposure of the jurisdiction.*” In addition, central to the NRA, was a methodological tool developed through a self-assessment excel-based model which enabled Montserrat to identify the main drivers of ML/TF risks and will be used as a template for future data risk-modelling to update the next NRA.

The NRA process involved the following four (4) phases:

- 1. Identification and collection of information and data.** These were drawn from the known, unknown, and suspected threats or vulnerabilities. At this stage, Montserrat developed various comprehensive methods of data gathering that allowed the jurisdiction to understand the necessary deficiencies in data accessibility and availability; but which also facilitates a subjective analysis of the money laundering threats, based on estimates of the undetected proceeds derived from suspected crime.
- 2. Analysis and assessment of the information and data collected.** During this stage, Montserrat diligently assessed the characteristics, origins, probability, and potential outcomes of the risk variables that were identified. Additionally, Montserrat assigned risk concerns to the jurisdiction accordingly. The primary objective at this stage was to acquire an in-depth knowledge of each area of assessment and consider the combination of threats, vulnerabilities, and consequences to assign the rating values. The analysis, unfortunately, was influenced by the extent of information discrepancy and the limited data accessibility, and as such FATF typology reports were employed.

Money Laundering Risk Concern

- Insignificant – won’t cause any concern
- Minor – can cause concern, only to a mild extent
- Significant – can cause concern or harm that may require attention but limited
- Major – can cause irreversible concerns or harm that require constant attention
- Severe – can result in significant international and domestic concern

- 3. Evaluation.** This process entailed carefully assessing and evaluating the risks according to the context and materiality. This was achieved by developing ratings, assigning weights to each risk area, and aligning priorities based on its jurisdictional significance, as well as other key considerations, such as materiality. These ratings are then used to determine the order of priority based on addressing the jurisdictional priority high-risk issues and ensuring that the mitigating actions are in line with the overall purpose and objectives of the NRA. Ultimately, this evaluation will play a crucial role in developing Montserrat's national policy and strategy for combatting the identified gaps in risk mitigation.

The priority areas are listed from 1 – 10 where 1 is the most urgent and 10 is the least. It is based on weighting the level of importance on key variables; namely,

1. the reputational impact,
2. the connectivity to other sectors,
3. the measure of the ML/TF potential overall impact (national, regional, and international considerations),
4. the speed of correction and mitigation requirements,
5. known unknown variables, and
6. the inherent risk of the jurisdictional understanding directed through NAMLAC.

4. National Implementation Plan (NIP). The national implementation plan is the combination of the National Action Plan and the current Implementation Road Map. The NIP aims to identify the deficiencies and the methods of closing these deficiencies/ weaknesses in the jurisdiction of Montserrat. This implementation plan is the final step of the NRA to ensure that Montserrat is fully equipped to mitigate against all the identified risks.

1.46 This module made it possible to determine a quantitative and qualitative understanding of the possible avenues for ML criminals’ activities, from/ to and through criminal activities in Montserrat.

1.47 To rank the money laundering risk the working groups set benchmarks to ensure consistency of ratings across all teams.

Table 6: The ML Benchmarks

Ratings	XCD\$
High	More than 250,000
Medium-High	More than 100,000 but less than 250,000
Medium	More than 50,000 but less than 100,000
Medium-Low	More than 10,000 but less than 50,000
Low	less than 10,000

Montserrat AML/CFT Legal, Institutional, and Regulatory and Operational Framework

1.48 The NRA was conducted by considering the laws, institutions, regulations, and operational frameworks and other key components of the regime. It is worth noting that the effectiveness of Montserrat's strategies to combat money laundering and terrorist financing relies heavily on the compliance of all stakeholders with the country's AML/CFT laws, rules, policies, procedures, and regulations. Furthermore, it is imperative for Montserrat to establish key institutions to effectively combat financial crimes and mitigate potential illicit activities. To effectively regulate and coordinate the financial and non-financial sectors, it is essential that both the Government and the regulated private sectors work collaboratively. The Government, in its practice of good governance, must take the lead in establishing law and order, as well as guidance notes and policies. Simultaneously, the regulated private sector, acting as gatekeepers, must diligently adhere to these regulations to ensure the integrity and stability of

the various sectors. Only through joint efforts can Montserrat achieve a robust and well-functioning risk-based system.

Legislative Framework

Core Legislation

1.49 The following list below presents a comprehensive inventory of the primary, pertinent laws and regulations that were in effect at the time of establishing this NRA for AML/CFT:

- 1 Anti-terrorism (Financial and Other Measures) (Overseas Territories) Order, 2002, (SI 2002/1822)
- 2 Terrorism (United Nations Measures) (Overseas Territories) Order, 2001 (SI 2001/3366)
- 3 Chemical Weapons (Overseas Territories) Order, 2005, (SI 2005/854)
- 4 Anti-money laundering and Terrorist Financing (Amendment) Regulations, Cap. 4.04
- 5 Anti-Money Laundering and Terrorist Financing Code, Cap. 4.04
- 6 Banking Act, Cap. 11.03
- 7 Building Societies Act, Cap. 11.22
- 8 Criminal Justice (International Cooperation) Act, 4.06
- 9 Customs (Control and Management) Act, Cap 17.04
- 10 Co-operatives Societies Act, Cap 11.21
- 11 Company Management Act, Cap 11.26
- 12 Financial Services Commission Act, Cap 11.02
- 13 Insurance Act, Cap. 11.20
- 14 International Business Companies Act, Cap 11.13
- 15 International Banking and Trust Companies Act, Cap 11.04
- 16 Limited Liabilities Company Act, Cap 11.14
- 17 Limited Partnership Act, Cap 11.10
- 18 Mutual Fund Act, Cap 11.17
- 19 Money Services Businesses Act, Cap 11.30
- 20 Proceeds of Crime Act, Cap 4.04
- 21 Sanction and Anti-Money Laundering Act 2018 (SAMLA)
- 22 The Sudan (Sanctions) (Overseas Territories) Order, 2014, (SI 2014/2707)
- 23 The Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019
- 24 Counter-Terrorism (Sanctions) (Overseas Territories) Order 2020
- 25 The Counter-Terrorism (International Sanctions) (EU Exit) Regulations 2019
- 26 Counter Terrorism (International Sanctions) (Overseas Territories) Order 2020
- 27 The Afghanistan (Sanctions) (Overseas Territories) Order 2020
- 28 The Afghanistan (Sanctions) (EU Exit) Regulations 2020 (ASR 2020) as amended
- 29 The Isil (Da'esh) and Al-Qaida (United Nations Sanctions) (EU Exit) Regulations 2019
- 30 The Isil (Da'esh) and Al-Qaida (United Nations Sanctions) (EU Exit) Regulations 2019(2019 No. 466),
- 31 The Chemical Weapons (Sanctions) (Overseas Territories) Order 2020
- 32 The Chemical Weapons (Sanctions) (EU Exit) Regulations 2019

1.50 However, the AML/CFT landscape in Montserrat is governed by three fundamental laws: the Proceeds of Crime Act Cap. 4.04 (POCA), the Anti-money laundering and terrorist financing (Amendment) Regulations, Cap. 4.04 (AML/CFT Regulations) and the Anti-Money Laundering and Terrorist Financing Code, Cap. 4.04 (the Code). These laws play a pivotal role in ensuring the effective regulation and prevention of money laundering and terrorist financing activities in the jurisdiction.

- 1.51** While the POCA establishes a legal framework that defines criminal offences and offers investigative resources to aid law enforcement inquiries, the AML/CFT Regulations, and the Code establish a regulatory framework for institutions operational activities.
- 1.52** The POCA was enacted *“to repeal and replace the Proceeds of Crime Act (Cap.4.04), the Drug Trafficking Offences Act (Cap. 4.08), and sections of the Criminal Justice (International Co-operation) Act (Cap.04.06) with the intent of consolidating and updating the law relating to confiscation orders in relation to persons who benefit from criminal conduct, restraint orders to prohibit dealing with property, money laundering offences, court orders to assist in investigations relating to money laundering or a person’s benefit from criminal conduct and cooperation with overseas authorities, to introduce new provisions allowing for the forfeiture of property which is, or represents, property obtained through unlawful conduct, to establish a framework for the prevention and detection of money laundering and terrorist financing and for incidental and connected purposes.”*
- 1.53** The AML/CFT Regulations were enacted to give effect to obligations relating to the prevention and detection of money laundering and terrorist financing as stipulated by the POCA. The applicability of ***the Code*** is specific to ‘service providers’ within the meaning of the regulations and directors and boards of service providers.
- 1.54** **The Code** addresses risk assessment, enhanced due diligence measures, and prescribes the situations under which a service provider is expected to apply such measures. These situations include private banking; a legal entity that is a personal asset holding vehicle; a company that has nominee shareholders or shares in bearer form, and more. It also addresses the compliance as it relates to suspicious transaction reporting. Furthermore, the Code now requires service providers to establish and maintain reporting procedures, whether or not there is a tax related matter.
- 1.55** A few other crucial descriptions of legislation in Montserrat or extended to Montserrat from the United Kingdom to fight against ML/TF are described below, but not limited to:
- 1. Penal Code (Cap 4.02).** This Code provides for a range of offences, several of which are predicate offences associated with money laundering.
 - 2. Terrorism (United Nations Measures) (Overseas Territories) Order, 2001 (SI 2001/3366).** This Order prohibits the raising of funds for purposes of terrorism; it places restrictions on making funds available and providing financial services to terrorists. It creates a regime that allows for the disclosure of information, on the authority of the Governor, to the United Nations and any government of a country for the purpose of detecting evasion of measures relative to terrorism.
 - 3. Anti-terrorism (Financial and Other Measures) (Overseas Territories) Order, 2002, (SI 2002/1822);** restricts transactions in terrorist property and creates extra-territorial jurisdiction in respect of offences relative to terrorism – that is to say, engaging in fundraising or money laundering, using, or possessing property or arranging fundraising activities, for terrorist purposes. It also enables the registration and enforcement of foreign confiscation orders by an order of the Governor.
 - 4. The Afghanistan (Sanctions) (EU Exit) Regulations 2020 as amended by the Afghanistan (Sanctions) (EU Exit) (Amendment) Regulations 2022, which was extended to Montserrat**

with modifications by the OIC, The Afghanistan (Sanctions) (Overseas Territories) Order 2020 – which gives effect to the UK’s international obligations resulting from various United Nations Security Council Resolutions imposing a sanctions regime in view of the situation in Afghanistan, including UN Security Council Resolution 2255 (2017) adopted by the Security Council on 21 December 2015 (and previously UN Security Council Resolution 1988 (2011)). The Regulations and the OT Order enables the relevant authorities to take the necessary action to freeze assets in respect of the Taliban and persons associated with them, and to prohibit funds being made available to such persons. It also prohibits the supply of military goods and technical assistance related to military activities to designated persons.

5. **The Isil (Da'esh) and Al-Qaida (United Nations Sanctions) (EU Exit) Regulations 2019 (IAUNSR 2019) as extended to Montserrat with modifications by the OIC, The Isil (Da'esh) and Al-Qaida (United Nations Sanctions) (Overseas Territories) Order 2020**-which gives effect to the United Kingdom's international obligations resulting from UN Security Council Resolution 2368 (2017) (“the Resolution”) adopted by the Security Council on 20 July 2017 (and previous resolutions). The Resolution imposes a sanctions regime in respect of ISIL (Da'esh) and Al-Qaida, and associated individuals, groups, undertakings and entities (“the UN sanctions regime”). The Regulations and the OT Orders provide that those people designated by the UN as being associated with ISIL(Da'esh) & Al-Qaida, either by Resolution or the 1267/1989/2253 ISIL (Da'esh) and Al-Qaida Sanctions Committee, are designated for the purposes of these Regulations. provides for and enables the relevant authorities to take the necessary action to freeze funds of designated persons and entities in respect of targeted individuals, groups, undertakings and entities associated with ISIL (Da’esh) and Al-Qaida, and to prohibit funds being made available to such persons. It also prohibits the supply of military goods and technical assistance related to military activities to designated persons.
6. Other Overseas Territories Orders in Council (OOIC) have been passed to extend UK sanctions regulations with modifications. It is the UK’s Government policy to ensure that the OTs are legally and practically enabled to implement the sanctions agreed at the UN and in the UK, to ensure compliance with international obligations and policy commitments. Thus, all designations made under UN and UK sanctions measures have immediate effect in Montserrat once the OOIC come into force. All new or amended OOIC’s are gazetted in Montserrat. There are currently 34 regimes that are subject to financial sanctions in the UK that are in force in Montserrat [OFSA Consolidated List Search \(hmtreasury.gov.uk\)](https://www.hmtreasury.gov.uk/OFSA/consolidated-list-search).

Institutional Framework

- 1.56 In Montserrat, the effective implementation of the AML/CFT regime is entrusted in multiple competent authorities. These authorities hold the responsibility for overseeing and managing the diverse components of this comprehensive framework. In pursuit of an optimal operational structure, each agency assumes an affirmed position wherein they engage in collaborative efforts with one another. This strategic approach facilitates the establishment of a complete network that includes many aspects of institutional operations. The effectiveness of this cooperative network is exemplified through the implementation of Memorandums of Understanding (MOUs) among all competent authorities. Additionally, a political directive by the Governor and the Premier was jointly issued on **March 30th, 2023**, in the form of an overarching policy directive for AML/CFT. This directive encourages all competent authorities to collaborate with a shared objective of achieving the most efficient operation. The goal is to enhance the NRA and effectively combat ML/TF.

1. **Reporting Authority (RA):** The Reporting Authority is established under **Sec. 128 (1) of the Proceeds of Crime Act Cap 4.04** and is the Financial Intelligence Unit (FIU) for Montserrat under s.129 (1) POCA. The RA is responsible for receiving, analyzing, and disseminating information in relation to Money Laundering, Terrorist Financing, and Proliferation Financing. RA comprises the Attorney General, the Commissioner of Police, the Commissioner of the Financial Services Commission, the Comptroller of Customs, and the Chief Immigration Officer, and such other person, having appropriate qualifications or experience, as the Governor acting on the advice of the Cabinet may appoint, for such term as the Governor acting on the advice of Cabinet specifies.

2. **National Anti-Money Laundering and Countering Terrorist Financing Committee (NAMLAC):** NAMLAC was created under the vision of the Reporting Authority and approved by the Cabinet of Montserrat on **30th August 2018** by **Memorandum No. 2018/130 of 377/2018** to be responsible for coordination and development of AML/CFT policies to standards promulgated in the FATF 40 Recommendations and 11 Immediate Outcomes in Montserrat. The mandate of NAMLAC is the forum for conducting high-level discussions to address emerging issues, provide strategic advice and develop policies for Montserrat's overall plan to AML/CFT/CPF. The mandate was introduced and adopted by minutes dated **19th December 2022**. The members of the NAMLAC includes:
 - Policy Making Bodies-** the Deputy Governor, Premier, Attorney General, Financial Secretary, Head of Governor's Office

 - Law Enforcement** – Commissioner of Police, and Director of Prosecutions

 - Financial Intelligence Unit** - Director of the Financial Crime and Analysis Unit.

 - Supervisory and Regulatory Authorities** – Representative of the Eastern Caribbean Central Bank Commission, and the Financial Services Commission.

 - Customs/ Border Control** – Director General, Customs and Revenue

 - Private Sector, Special Hearings** – General Manager, Bank of Montserrat
General Manager – Co-operative Credit Union Ltd.

3. **Working Committees (WC):** The Working Committees, also known as working groups, play a crucial role in the assessment process acting as the vehicle for conducting analysis, evaluation, and investigations of the data collected. These committees, established under NAMLAC, are responsible for coordinating the implementation of policies, recommendations, and developments across different sectors. Their primary focus is on fostering cooperation and coordination in the context of AML/CFT. Additionally, the committees are tasked with gathering relevant information to assess the risks associated within the jurisdiction on money laundering and terrorist financing.

4. **Governor's Office:** The Governor's Office holds the responsibility for ensuring the implementation of targeted financial sanctions with respect to terrorism, terrorism financing (TF), proliferation, proliferation financing (PF), and other restrictive measures related to CFT and CPF to/from and within Montserrat. The Governor's Office assumes a pivotal role in executing focused financial sanctions and other restrictive measures, as well as in the

advancement and reinforcement of the jurisdiction's AML/CFT regime. Simultaneously, the Governor's Office must ensure continuous adherence to AML/CFT international standards and optimal practices.

5. **Attorney General's Chambers (AGC):** The AGC plays a crucial role as the focal point of contact and is responsible for matters including mutual legal assistance, and advising on the AML/CFT standards and procedures and assisting in formulating these standards, and the relevant policies arising therefrom, into legislation. The Legislation establishes the required structures and outlines the necessary procedures for authorities and financial institutions to comply with AML/CFT measures. The Legislation provides the framework for the implementation of effective anti-money laundering and countering the financing of terrorism measures.
6. **Financial Crimes and Analysis Unit (FCAU):** The FCAU is a Unit under the Royal Montserrat Police Service, to which, in accordance with the powers conferred under s.128(4)(b) of the Proceeds of Crime Act, the Reporting Authority has delegated some of its functions. Its primary role is to receive, request, analyses, investigations, and distribute financial information related to the proceeds of criminal activities or suspected proceeds of criminal activities. The unit operates with the objective of combating money laundering, terrorism, and the financing of terrorism, as well as addressing any suspicions related to these crimes.
7. **Financial Services Commission (FSC)** The FSC established under the Financial Services Commission Act, Cap 11.02 serves as the central agency responsible for, among other things, supervising and monitoring compliance by specified service providers with the Anti Money Laundering and Terrorist Financing Legislation, regulations, codes, and guidelines. It achieves this as part of the other essential functions such as licensing, supervision, regulation, and enforcement of various financial service providers empowered by Part 9, POCA.

These providers include a wide range of entities, including domestic and international banks, trust companies, insurance companies, mutual funds, corporate service providers, company managers, international business companies, and money transmitter services. The FSC's comprehensive oversight ensures compliance with AML/CFT measures, thereby fostering a secure and thriving financial landscape.

The FSC is also the exclusive supervisory authority over non-financial service providers or DNFBPs and VASPs for AML/CFT/CPF purposes. This includes overseeing entities such as law firms, real estate agents, accountants, car dealerships, and other vendors engaged in the sale of high-value commodities. Furthermore, in addition to its other responsibilities, the FSC also oversees Non-Profit Organizations (NPOs), ensuring their adherence to the legislative and regulatory obligations to safeguard NPOs from financing abuse by terrorist actors.

8. **Companies Registry:** The Registrar of Companies is a competent authority responsible for the Companies Registry, and for the incorporation of Companies, and other legal entities and arrangements under the relevant pieces of legislation. The Companies Registry would be responsible for providing beneficial ownership information in relation to legal persons and arrangements.

9. **The Office of the Director of Public Prosecution (ODPP):** The ODPP holds the crucial responsibility of overseeing the prosecution of criminal cases including AML/CFT cases across the various tiers of the Eastern Caribbean Supreme Court. This includes the Magistrate's Court, the High Court, and the Court of Appeal.
10. **The Royal Montserrat Police Services (RMPS):** The RMPS is responsible for preserving the peace, preventing, and detecting crime and other infractions of the law, and enforcing the laws of Montserrat. The RMPS is guided by the provisions of the Police Act but is also empowered and guided by the laws of Montserrat, to include the Proceeds of Crime Act (Cap. 04.04) and the Penal Code (Cap. 04.02). The RMPS has a mandate to ensure the overall safety of members of the community through the prevention of crime, enforcement, and protection of the laws in Montserrat, also can arrest and seize property.
11. **The Montserrat Customs and Revenue Service (MCRS):** The MCRS is a department within the Ministry of Finance and Economic Management established under the Montserrat Customs and Revenue Service (Enabling) Act (Cap. 17.06) in 2017. The MCRS is comprised of the Inland Revenue Unit and the Customs and Excise Unit. The MCRS is mandated to administer and collect assigned revenues by way of taxes and fees and to provide such other assigned services as assigned by law for the Government of Montserrat. MCRS is one of the main revenue collecting agencies of the Government of Montserrat, responsible for the collection and protection of the Government's revenue. In addition, the Customs Unit is responsible for processing arrival and departing vessels and aircraft, arriving, and departing passengers as well as imports and exports. The MCRS is one of the competent authorities whose role is essential to combating smuggling and some forms of money laundering while at the same time facilitating the flow of legitimate international trade and travel.
12. **Ministry of Finance and the Premier (MoF):** The MoF and the Premier hold the role of Policy Formulation and Implementation. The MoF is responsible for implementing AML/CFT policies, ensuring that the findings and recommendations of NAMLAC are advanced and align all such policies and priority to the Government agenda with international standards and effectively address the country's specific risks. Also, the MoF is responsible for the resource allocation and capacity Building. The MoF ensures that adequate resources are allocated for AML/CFT efforts in budgetary needs, including funding for investigations, training, and technology. It also supports capacity building initiatives to enhance the expertise of AML/CFT professionals.
13. **National Risk Mitigation Officer (NRMO):** The NRMO facilitates the coordination among various agencies, departments, and Ministries to effectively prepare for reviews in relation to AML/CFT. This involves the preparation of reports which highlight the gaps within the legislative, regulative, and institutional frameworks to inform NAMLAC's recommendations. Additionally, the NRMO takes the lead in conducting the necessary preparatory work to address these deficiencies and effectively mitigate the risks that have been identified. Also, the NRMO serves as the central hub for engaging with local, regional, and international stakeholders and as the secretariat for the NAMLAC.

Regulatory and Operational Framework

A. Financial Services Commission

1.57 As highlighted previously, the FSC serves as the supervisory body empowered by Part 9, of POCA for licencing, supervision, and regulation pertaining to matters of financial stability and AML/CFT for regulated financial institutions and non-financial business and professionals as defined in the regulations.

1.58 The table below provides information as to the limited nature and size of the regulated sectors.

Table 7: The Domestic Regulated Sectors¹⁷

Domestic Operations	Number of registered entities
Banking	1
Credit Union	1
Legal Professionals	6
Accountants	6
High value dealers	3
Real Estate	6
Money Lenders	3
Trust and company Service Provider	1
Insurance	8
Insurance Broker (Intermediary)	1
Money Service Businesses	3
NPOs	11
Total Domestic Operations	50

Table 8: The International Regulated Sectors

International Operations	Number of registered entities
International Banks	4
Trust Company	1
Total International Operations	5
Total Entities Regulated in Montserrat (Domestic and International)	55

¹⁷ The data presented here has been compiled by the FSC, specifically as of the date of the NRA completion. Furthermore, it is important to note that the supervision for anti-money laundering activities is not imposed on the non-profit organisations (NPOs) but is strictly reviewed for TF. Although the FSC assumes the role of supervisor for NPOs, its responsibilities encompass various functions, duties, and powers, including supervision and enforcement, information gathering, and disclosure to the Reporting Authority and law enforcement authorities in Montserrat. The central concern regarding NPOs pertains to their susceptibility to being exploited as a means for financing terrorist activities. This issue will be thoroughly examined in the Terrorism Financing (TF) section of the National Risk Assessment (NRA).

1.59 The FSC AML/CFT supervisory framework currently comprises the following components:

1. Assessment of ML/TF Risk, Controls and Procedures
2. Licensing and authorisations
3. Regulation and information
4. Offsite and onsite supervision
5. Enforcement
6. Monitoring and reporting

Assessment of ML/TF Risk, Controls and Procedures

1.60 The FSC has introduced and continues to develop its AML/CFT/CPF Risk-based Supervisory framework. This risk-based approach is anchored and set out in the organisation's Risk-Based Prudential & AML/CTF/CPF Supervision Procedure Manual and further bolstered by Sectoral Risk Assessment currently being finalized. Additionally, the FSC conducted full scope AML/CFT/CPF Risk-Based Supervision on the sole Domestic Bank and Credit Union in July 2023 and November 2023 respectively. Based on the results of the SRA, the FSC's supervisory onsite roadmap will be directed accordingly for other regulated entities in the first quarter of 2024 and beyond.

Licensing and Authorisations

1.61 A key component of the FSC in its supervision functions is the robust market entry controls. The process of achieving this is facilitated by the licencing process of the FSC. The FSC assumes a crucial role as a "gatekeeper" in evaluating all businesses operating in Montserrat. It places significant emphasis in upholding Montserrat's rigorous regulatory standards for approved institutions during the licence and registration application process.

1.62 The various Regulatory Acts administered by the FSC describes the legislative requirements for the licensing or registration of the respective institutions. Domestic banks are licensed by the Minister of Finance and supervised by the Eastern Caribbean Central Bank under the Banking Act Cap. 11.03

1.63 The licensing process in Montserrat for all regulated institutions consists of four stages:

1. Pre-Application Stage:

Preparation: Prior to formally applying for registration with the FSC, the institution should ensure that it has a well-prepared business plan, financial projections, source of funds, organisational structure, AML/CFT manual and any other necessary requested documentation by the FSC.

2. Application Stage:

Submit Application: The institution must submit a formal application to the FSC. The application form and required documents can usually be obtained from the FSC's website or directly from their office.

Due Diligence: The FSC will conduct a thorough due diligence process, which may include background checks on key individuals involved in the institution, a review of financial stability, and an assessment of the institution's proposed operations against the risk factors.

Review and Evaluation: The FSC will review the application, assess the institution's compliance with regulatory requirements, and determine whether it meets the necessary standards.

3. Licensing Stage:

Licensing Decision: Upon successful completion of the application process and approval by the FSC, the institution will be granted a license to operate as a financial institution or service provider in Montserrat.

Conditions: The FSC may attach specific conditions to the license, which the institution must adhere to as part of its ongoing operations.

4. Post-Licensing Stage:

Upon licensing/registration, the institution is subjected to maintain ongoing compliance with all regulatory requirements set out in the various enactments administered by the FSC. This includes reporting requirements, capital adequacy standards, risk management practices, and adherence to AML/CFT regulations.

5. Supervision:

The FSC conducts ongoing monitoring, including changes in ownership and controller information of the entities and supervise and monitor the institution's activities to ensure compliance to the AML/CFT regulations and financial stability. This may involve regular reporting, audits, and onsite and offsite inspections of the business and changes to the beneficial ownerships.

6. Regulation and information:

The FSC provides relevant input to NAMLAC and, as appropriate, to Cabinet on AML/CFT-related items. The FSC is also responsible for providing comprehensive guidance to its regulated sectors on:

1. How the AML/CFT regulations will be applied;
2. The expectations of the FSC for individual sector compliance with the regulations and processes, and
3. Enhancing overall understanding of AML/CFT matters, through training and distributing pertinent information, including AML/CFT risks.

1.64 The FSC has implemented a comprehensive programme of industry outreach and communications. This initiative includes its recently established social media platforms to further enhance engagement and facilitate effective communication with consistent updates on pertinent topics and fosters a collaborative dialogue with various industries and stakeholders.

Offsite and onsite supervision

1.65 The FSC has commenced a full-scale risk-based approach to on-site and off-site supervision activities appropriate to the level of ML/TF risk in each supervised sector. In 2023, the FSC conducted a full scope risk based on-site examination of the Domestic Bank in collaboration with the ECCB and in November 2023 conducted AML/CFT/CPF risk-based onsite examination of the sole Credit Union. The FSC's proposed risk-based framework for AML/CFT supervision will be underpinned by the risk profiles of each sector identified in the completion of the NRA and the FSC's Sectoral Risk Based Assessment (SRA). The FSC is anticipated to continuously review and implement revisions to the supervisory strategy across various sectors.

1.66 The results of the NRA and the SRA will provide the main inputs for the sectoral risk profiling and supervision planning. This will enable the FSC to allocate its resources accordingly to conduct macro and micro sectoral analysis of risk that can be used to prioritise higher-risk sectors for enhanced supervision.

1.67 The results of the SRA will be shared with the sectors and a formal programme will be instructed to implement follow-ups to ensure that matters are addressed in an appropriate and timely manner. The FSC has the powers under the various enactments as well as in its enforcement manual to take the necessary supervisory actions for failure to comply with FSC's requests.

Enforcement

1.68 The FSC exercises its powers of enforcement to fulfil its function as a supervisor and regulator of financial institutions and non-financial institutions in Montserrat, to demonstrate its commitment to adhering to international standards and to foster a fair operating environment in Montserrat. The FSC will act in accordance with the principles set out in its Regulations and Guidance Documents. A key guiding principle is that the Commission will apply enforcement sanctions that are effective, dissuasive, and proportionate to all the surrounding circumstances, including risk. Enforcement actions are specifically intended to address and alleviate failures of compliance or breaches of regulations, and to mark them with dissuasive outcomes. Where the nature of the breach is of sufficient seriousness, enforcement measures or a combination of remediation and enforcement measures may be required.

B. Montserrat Bar Association Self-Regulatory Body Approach

Oversight and Supervision

Legislation and guidelines

1.69 According to Part 2 of the Legal Profession Act (Cap.2.21) , the purposes of the Bar Association are:

- a. to maintain and improve the standard of conduct and proficiency of the legal profession in Montserrat;
- b. to represent and protect the interests of the legal profession in Montserrat;
- c. to protect and assist the public in Montserrat in all matters relating to law;
- d. to promote good relations within the legal profession, between the legal profession and persons concerned in the administration of justice in Montserrat and between the legal profession and the public generally;
- e. to promote good relations between the legal profession and professional bodies of the legal profession in other countries and to participate in the activities of any international association of lawyers and to become a member of the international association;
- f. to promote, maintain and support the administration of justice and the rule of law;
- g. to do any other thing incidental or conducive to the achievement of the purposes set out in paragraphs (a) to (f).

In addition to the above, the Bar Association ensures that its members comply with Schedule 3, Part A, Code of Ethics General Guidelines, and implementation of all disciplinary actions for non-compliance.

Risk Assessment

1.70 The Bar Association has recently taken measures to enhance its comprehension and evaluation of the nature, extent, and possible risks associated with its regulated members. This has been achieved where the Bar Association has agreed to create a risk assessment guidance document and the implementation of data calls from the FSC, which entail the submission of comprehensive information, covering the following details:

- the risks of the firms
- the nature of the businesses
- clients

- transaction amounts
- services provided
- geographical details of the clients.

1.71 Upon completion, the Bar Association will gain a greater perspective regarding the risk assessments provided by its members. The examination of the risk assessments is widely regarded as an essential element of the supervisory framework, aligning with the compliance requirements that is based on risk evaluation.

Transparency and Beneficial Ownership

1.72 Montserrat does not presently have a Public Beneficial Ownership (BO) Framework in place. Although Montserrat does not have a publicly available BO database, the companies registered are not complex in structure, nature and size but are simple and the incorporator/s in most cases are the owners, directors, and shareholders. Importantly these registered companies are predominantly owned by one or two persons. Note, the relevant information is readily available upon request at the Companies Registry and is accessible by all Competent Authorities.

1.73 Nonetheless, the Companies Registry is currently building an electronic platform and database that will house all the information for legal entities and arrangements as well as the publicly accessible and transparent Beneficial Ownership Register. The expectation from the electronic system being built is that at the stage of incorporating a company at the point of onboarding, ID and address confirmation is required to be uploaded to the system. As part of the due diligence verification, the system will perform checks using uploaded ID automatically against world check and other open sources platforms. Based on this process, if there is an adverse finding then an alert it will be escalated for staff review and from the initial transaction a suspicious activity report will be made to the FIU, if warranted. The same is also required for all officers and beneficial owners in relation to any company being incorporated. After incorporation, the ongoing monitoring process is that all beneficial owners, directors' and senior officers' detail will automatically be checked against world check and other open sources daily, and again if any red flags, an alert will be made for human review and for a report to be made to the FIU, if warranted. The system will automatically log the last time the check of information was verified.

1.74 Additionally, Montserrat's risk-based approach to beneficial owners from higher risk countries will immediately be flagged for additional review and any further or necessary action.

1.75 Montserrat does not have any overly complicated legal structures and where such possibility might exist under the International Business Companies Act, this legislation is to be repealed and any IBCs will need to be re-registered under the new Companies Act expected to be in force by quarter one 2024 which will strengthen the BO arrangements for the jurisdiction in keeping with FATF's and international standards. Law enforcement, the Financial Intelligence Unit and other competent authorities are capable of enforcing actions to prevent the misuse of legal persons and arrangements for ML/TF.

1.76 Comparatively, the OECD conducts peer reviews of its member jurisdictions' ability to cooperate with other tax administrations. Effective exchange of information requires that jurisdictions ensure information is available, that it can be obtained by the tax authorities and that there are mechanisms in place allowing for exchange of that information. According to the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes, Montserrat was deemed to be substantially compliant with international standards for tax transparency and exchange of information in the most recent peer review report published in 2021. Montserrat's compliance with international standards on

exchange of information upon request (EOIR) was evaluated and deemed sufficient. The report determined that Montserrat had implemented the necessary legal and regulatory framework for EOIR and provided timely and effective assistance to its treaty partners.

Challenges Encountered

- 1.77** The NRA process faced numerous challenges, primarily centred around gathering statistics. Upon examination, it was determined that the desired information was either unavailable or the existing data lacked the necessary level of detail. Within the jurisdiction, a notable issue is evident in the context of consistent data recording. This practice had a significant impact on the analysis conducted, which resulted in a heavy reliance on online sources, cases, FATF typology reports, competent authorities inherent understanding, and informal data collections.
- 1.78** Additionally, access to comprehensive information and data to conduct analysis pertaining to the various sectors' threats and vulnerabilities were not readily accessible. Moreover, competent authorities have indicated that the lack of accessible information and data can be attributed to the scarcity of money laundering cases in Montserrat, coupled with no existence of any instances of terrorist financing.
- 1.79** The prompt identification of data issues has resulted in the swift implementation of new systems and processes for data collection and storage by the RMPS, FCUA, and MCRS. The quick proactive nature of this response underscores the significance attributed to the compliance requirements to effectively address the international recommendations. Moreover, the action plan includes a structured schedule that outlines the strategic implementation of enhancements to the IT systems. These improvements are specifically designed to facilitate the efficient collection of data across various departments.
- 1.80** Furthermore, it is crucial to acknowledge that all competent authorities possess knowledge of the various potential threats, vulnerabilities, and risks associated with their respective areas of expertise within the jurisdiction. However, it is important to note that there is a lack of conclusive data to substantiate most of the jurisdiction's money laundering and terrorist financing risk exposure. In essence, this raises the use of subjective depiction of risk classification areas, but given the size of Montserrat recorded context and the limited financial systems authenticates the low level of materiality to the ML/TF potential risk factors.
- 1.81** Nevertheless, qualitative assessments were employed by illustrating case scenarios as a means of evaluating the effectiveness in the national combating ability and the vulnerabilities. Moreover, the competent authorities have already initiated the crucial task of collecting pertinent information to substantiate these risk findings and enhance the public knowledge of the regulatory requirements. The objective is to mitigate the prevalence of any non-compliance, address concerns related to data storage and geo-security, and increase the conviction rate for ML offences. In addition, reassessments will be conducted within specific sectors, designated as a risk concern areas to the context and materiality of Montserrat, and will incorporate the new data generated in the next NRA.

GOVERNMENT OF MONTSERRAT

NATIONAL MONEY LAUNDERING

THREAT ASSESSMENT

2023

Risk Assessment

- 2.1 The National ML Risk rating is defined as a combination of ML threats and ML vulnerabilities. The NRA resulted in an overall National Money Laundering Risk rating of **Medium-Low**, which was a combination of the National Money Laundering Threat at **Medium-Low** and the Overall Sectoral Money Laundering Vulnerability at **Medium**.

National ML Threat Assessment Summary

- 2.2 The ratings for the national threat of ML were determined through a methodological assessment that involved analysing quantitative data and applying a weighting criterion based on the proceeds of crime generated, the number of cases reports, the conviction rates, and the number of predicted offences for each specific offence taking keen consideration to the context and materiality of the threats. Additionally, a holistic approach was also adopted to fully understand the national perspective by including the impact of various factors, such as the strength of the legal framework, economic indicators, geographic location, political and social stability, and the transparency of both the financial and non-financial sectors. Furthermore, in instances where statistical data was unavailable, the assessment team relied upon inherent understanding of the jurisdiction, as well as information obtained from open-source channels to determine the jurisdiction's ML threat.

Threat Assessment Summary

- 2.3 The data utilised for the compilation of the national threat assessments gathered from various sources, including FCAU, MCRS, Tax Office, RMPS, DPP, and FSC. Appropriate support was also obtained from other Government agencies with relevant information or knowledge, including the Department of Statistics. In addition, a comprehensive analysis was conducted, involving a review of official legal and socioeconomic documents, local literature, and internationally recognised articles.
- 2.4 The national threat level of ML in Montserrat was determined as **Medium-Low**. The analysis conducted by the assessment team relied on conclusions based on estimates of the undetected proceeds derived from various crimes and the reliance of the past cases, with no monetary value, and the potential for ML because of the insufficient availability of statistical intelligence. Consideration was also given to Montserrat's context and the technical guidance given by the relevant competent authorities based on their knowledge and involvement with the relevant sectors.
- 2.5 Based on the results of this analysis, the assessment team concluded that the predicate offences that posed **the highest priority for ML threat in Montserrat** are:
1. **Sexual exploitation including sexual exploitation of children,**
 2. **Fraud,**
 3. **Trafficking in human beings and migrant smuggling,**
 4. **Tax Crimes (related to direct and indirect taxes) and**
 5. **Illicit trafficking in narcotic drugs and psychotropic substances.**

2.6 The sectoral analysis identified the following sectors as **highest priority for ML threats**:

1. **Virtual Assets Service Providers**
2. **Credit Union**
3. **Money Service Business**

2.7 **Note:** Despite the lack of a direct link for ML activities in some of these identified areas, Montserrat has still assigned high priority to these areas due to the increasingly proactive understanding of the context and materiality of its circumstances. This is due to a growing understanding of the potential risks posed by ML, the increasing sophistication of ML techniques, lack of technology, and the significance of these issues to the social fabric and context of Montserrat. The response would ensure that these issues for example sexual exploitation do not present heightened ML risk for the jurisdiction.

2.8 As such Montserrat recognises that the absence of detected ML activity does not necessarily mean that it is not occurring, or the potential of it does not exist. In fact, ML is often a hidden crime, and it can be difficult to detect without specialised knowledge and tools. For these reasons, Montserrat is aware that the nature of ML is evolving, with criminals using increasingly sophisticated techniques to hide their activities.

Money Laundering National Threats

2.9 The assessment team responsible for evaluating Montserrat's national ML threats consisted of representatives from various key authorities, including ODP, FCAU, RMPS, and MCRS (which includes the tax and immigration offices). The primary goals of the threat and vulnerability assessment team were to identify the critical areas of ML threats that pose or may pose a significant ML risk to Montserrat, with keen understanding of the context and materiality of all ML threats. Additionally, the aim of this team is was combine the sector assessments conducted by the other WGs to gain a comprehensive understanding of Montserrat's ML risk profiles and ensure that all ML risk is appropriately aligned to the importance of the jurisdiction's economy. The review included an examination of the following:

1. **Political, economic, and social stability:** Political, economic, and social stability was evaluated to determine the stability of the nation and the degree of exposure to potential corruption and economic factors that may potentially undermine the efficacy of Montserrat's AML/CFT regime. According to the Global Corruption Barometer (GCB) Transparency International 2019 Report on Latin America and the Caribbean, *"more than half of all citizens surveyed in the region believe that corruption is getting worse in their country and that their government is not doing enough to combat it."*¹⁸

¹⁸ Montserrat was not included in this survey, but the Caribbean as a region is represented as a whole, and as such, the findings of this survey was used as a true representation of factors pertinent to Montserrat's economy.

2. **External Factors:** Montserrat's geographic location plays a significant role in the AML/CFT risk assessment. Trade agreements, neighbouring islands, border patrol and the country's context, such as, the prohibited zone - which contributes significantly to potentially porous borders - may serve as transit points for illicit goods or funds and can be more susceptible to money laundering activities.
3. **Predicate offences:** The 21 main predicate offences were identified, assessed, and reviewed in terms of the nature (context and materiality), origin, and prevalence of the predicate offences in Montserrat.
4. **Sector Assessment Transparency in the Financial and non-financial sectors (DNFBPs):** The SARs, transparency, sector size, compliance, cases related to sectors, and importance of Montserrat's financial and non-financial sector.

Political, Social and Economic Stability

Political and Social

- 2.10 The threat and vulnerability assessment team carefully analysed the GCB report and multiple variables including, but not limited to, disorderly transfer of government powers, abuse of public powers, armed conflict, violent demonstrations, social unrest, international tensions, terrorism, and regional conflicts. These parameters effectively capture the likelihood of political and social instability.
- 2.11 Montserrat is known for its peaceful society, characterised by the absence of acts of violence that could potentially jeopardise the social stability, financial systems, and consequently, the overall harmony of the society. Over the course of the last five years, based on RMPS data, Montserrat has experienced 0 homicide, 6 grievous bodily harm, and 13 illegal firearms or ammunition linked to reported gun crimes. Also, in the same period, there have been no uprisings, no uncontrolled large protest gatherings, and no gun violence involving heavy duty weapons. In addition, no known organised criminal groups, gangs or uncontrolled groupings are known to exist in Montserrat. Furthermore, Montserrat has one of the lowest homicide rates in the world.
- 2.12 Additionally, Montserrat is a small, tightly connected society with a small population and a strong sense of community cohesion. Also, like any other society, Montserrat encounters its fair share of social challenges, but it is generally regarded as a socially stable society with no prevalence of social disorder.
- 2.13 Furthermore, Montserrat was also determined to be politically stable. This is because there have been no reports or accusations of corrupt election practices in pursuit of political power, there is institutional autonomy in the pursuit of justice, there is sufficient transparency in information dissemination, there are adequate procurement guidelines, there is no evidence of torture, bribes or boundary manipulations to corrupt election practices, there is no evidence to suggest an abuse of political powers, there is a parliamentary opposition and an elective democracy, and election terms and procedures are in accordance with the Constitution.

2.14 These findings, contrast with the Global Corruption Barometer (GCB) Transparency International 2019 Report on Latin America and the Caribbean which found that, *“more than half of all citizens surveyed in the region think corruption is getting worse in their country and that their government is doing a bad job of tackling it.”* In this report the collective regional consensus rated political and social stability as High risks to corruption.

2.15 However, the using the set criteria the assessment team included all the findings in its analysis and ultimately, the threat and vulnerability team concluded and rated Montserrat’s political and social stability as **Low ML threat**.

Economic Indicators

Unemployment, Gross Domestic Product, and Informal Economy

Unemployment

2.16 High unemployment rates by themselves may not inherently pose a direct threat for money laundering. Indirectly, however, high unemployment rates may increase the risk of money laundering by fostering economic instability, desperation, and opportunities for criminal activities. The overall unemployment rate estimated during the Intercensal count in 2018 was 6.5%. In 2020 the GOM completed a Labour Force Survey which estimated unemployment at 8.7% which is relatively low, and the average inflation rate for 2022 was 2.98% which is also low. Also, the average gross monthly income on island as of 2018 is \$3,061XCD. This was estimated based on responses received through the 2018 Intercensal count and Labour Fore Survey. Observations conducted on-site revealed that numerous individuals hold two or three occupations to maintain an average income as there is no minimum wage on the island, but there is a yearly tax threshold allowance of \$15,000XCD for all income earners.

2.17 However, the GOM is committed to conduct an Enhanced Country Poverty Assessment (ECPA) which includes, the Survey of Living Conditions or Household Budgetary Survey to be carried out before the end of 2023 to set a baseline for the minimum wage. Nonetheless, the economic phenomenon of multiple employment is a sign of economic instability and can be inferred to foster illicit activity, such as money laundering. However, based on the social depiction of the people in Montserrat, there is a minimal tendency to subscribe to such assumptions and the assessment team assigned a low ML threat concern.

Gross Domestic Product (GDP)

2.18 GDP indicators, on their own are not necessarily indications to determine money laundering threats. However, the size and nature of a country's economy can influence the level and type of money laundering activities that may take place.

2.19 Montserrat’s economy is small with limited resources, highly dependent on recurrent UK budgetary support and imports from both regional and international sources to fulfil its consumption needs. In 2022, Montserrat's current account balance stood at approximately -EC\$18.34 million, indicating a deficit in its financial transactions. This implies that Montserrat experienced a greater outflow of funds than inflow during that period. Furthermore, according to the data compiled by the Statistics Department and the Eastern Caribbean Central Bank, Montserrat's total imports amounted to approximately EC\$ 168.21 million while its overall exports reached EC\$149.87million in the year 2022.¹⁹ Hence, Montserrat is involved in significant international trade, with a particular focus on imports. This active participation in global commerce and investments exposes the jurisdiction to a higher risk of money laundering. The high number and the need of trade imports provides ample opportunities for illicit funds to be used and concealed through trade importation.

2.20 Based on the trade importation of Montserrat there is a possibility that ML funds can be used to fulfil such needs. However, there is no statistical or reported evidence of such, but the assumptions are relevant, and the assessment team assigned for the possibility of Medium-Low ML threat concern.

Informal Economy

2.21 Montserrat was observed to have an informal economy with a predominance of cash-based enterprises. However, based on the small number of business activities, low spending patterns and minor operations this informal economy is considered to be of minimal materiality to the ML concern. The presence of an informal economy can have significant implications for money laundering. Although, the jurisdiction posture is that the informal nature of the economy is of minor concern for ML; taking an evidenced driven approach, there is a proposal to quantify the extent of the informal economy by conducting measures to ascertain full financial inclusion through a National Communication Plan.

2.22 Based on Montserrat’s inherent understanding that there is minimal materiality to ML in the informal economy; as such; the assessment team assigned a Low ML threat concern.

2.23 Considering all the economic factors above, the assessment team rated the ML threat posed by economic stability as **Low**.

2.24 Overall, the political, economic, and social stability ML threats were combined and rated as **Low**. The political and social ML threat was rated **Low**, and the economic ML threat was rated **Low**.

¹⁹ Total imports/exports are of goods, services, investment incomes and transfer payments.

External Factors

Geographic location

- 2.25** To determine a rating of the external factors, the threat and vulnerability assessment team reviewed and evaluated the ML threat ratings of the region, the prohibited zones, the border controls, the reported predicate crimes associated with external factors, and cross border sharing of intelligence.
- 2.26** The Caribbean is a region that is vulnerable to money laundering threats due to its geographical location. The Caribbean is strategically located between North and South America and serves as a significant transit point for illicit goods entering and leaving the region and is considered a High risk for ML threat.²⁰ However, there is no evidence to suggest that Montserrat borders are being used as transit point. The only suspicious finds were of inconsequential values and cannot be assigned as a transit point. Hence the mere existence in the region is not sufficient to assign a high rating but rather a **Medium-low** ML threat concern to acknowledge the geographic location, but there is no proven record to justify a high-risk rating.
- 2.27** In addition to the regional location, the volcanic exclusion zone in Montserrat is susceptible to drug trafficking, human trafficking, and the entry into the jurisdiction of contraband goods. Over 65 percent of the island's coastline monitored to some extent by the authorities. This is due to the fact that the island's territory and coastline surrounding it are prohibited. On the surface, this information may appear to be High ML threat to Montserrat, but the extent of the ML danger is minimal, as the MCRS in collaboration with law enforcement has in place air surveillance and border coastguard patrols with the RMPS help to mitigate the unknown factors to the jurisdiction. As a result, the assessment team assigned a **Medium-low** ML threat concern.
- 2.28** The RMPS has identified Antigua and Barbuda, St. Kitts and Nevis, the Dominican Republic, and Haiti as jurisdictions that present a heightened risk in terms of drug smuggling and other predicate offences in Montserrat. This is due to their proximity and the presence of criminal networks that have been exposed in previous investigations, for off island offences. For example, Antigua is the point of entry into Montserrat and in the past marijuana smuggling into Montserrat has been discovered in its direct route of entry. Nonetheless, these were not for distribution purposes but rather insignificant portions of personal use.
- 2.29** Regarding human trafficking and migrant smuggling, there were four cases between 2019 - 2023 but this issue has not frequently occurred in Montserrat. Furthermore, due to the small population size, the RMPS is often aware of all new migrants coming into the island, but intends to give greater focus to departures as there seems to be instances where persons have departed the island not through the established points of exit. This unknown element has raised concerns with the predicate crime of human smuggling possibilities within the island. As a result, the ML threat posed by human trafficking and migrant smuggling is regarded as **Medium-Low** ML threat, as evidenced by the predicate threat data,

²⁰ Based on the finding in the Global Corruption Barometer (GCB) Transparency International 2019 Report on Latin America and the Caribbean different variables were tested around the region which concluded that corruption is on the rise around the regions. This report further determined that the region is perceived as a high risk area with the government and its agencies deemed to be less trusted.

unknown variables, and the lack of intelligence assessment from MCRS, FCAU and the RMPS. Also, given the fact that Montserrat is a small close knitted jurisdiction, all/most new immigrants on island will be quickly observed and this fact lessens the risk element. Nonetheless, there is still considerable unknown variables regarding the issue of human trafficking, migrant smuggling, and contraband goods due to the porous borders because of the exclusive zone, but this is mitigated through the MCRS efforts outlined prior to.

2.30 In addition, MCRS stated that there is collaboration between RMPS and MCRS to combat the porous borders, and officers are well-trained in a variety of technical proficient methods and techniques for detecting and countering most threats, but noted there may be a need for increase machinery and technical equipment.

Cross-border Analysis

2.31 To assess the ML threat to cross-borders, the assessment team reviewed the accessibility of information and intelligence. The Egmont Group a globally recognised network of FIUs with an objective is to facilitate the exchange of crucial intelligence among these FIUs, Montserrat is not yet a member. The non-membership status could potentially undermine the effectiveness of detecting and addressing ML threats, as the FCAU may not have access to crucial intelligence shared within the Egmont Group.

2.32 To mitigate such, Montserrat has several MOUs and treaty relationships with several countries, but the support is greater regionally as opposed to internationally. This is mainly because the proceeds of criminal offences in Montserrat are relatively small due to its context and materiality, in comparison to the international thresholds to warrant an international investigation. As a result, these small levels of illicit proceeds in Montserrat restricts the ability of the local agency FCAU, to request further investigations from other international agencies to a local cross-border matter. In most cases therefore, no action is taken, and the case is dropped. As a result, the RMPS and FCAU indicated that Montserrat has very few instances of international investigations.

2.33 Considering the preceding, there have recently been a growing level of international support with a proven case and conviction in 2023, to the recovery of illicit fraudulent funds of £189,000 of the original (circa £250,000) lost and a few other pending cases with international support.

2.34 Additionally, Montserrat has proactively addressed the issue of limited financial intelligence by enhancing its legislative framework for the FIU so that it could renew its application for membership in the Egmont Group.

2.35 The FCAU receives from the FSC sector-specific data pertaining to countries that have been designated as high-risk by FATF. Additionally, FCAU also receives information from the CFATF notifications regarding sanctions, as well as regional and international MOUs that have been duly signed. As a result, the assessment team assigned a rating of **Medium-Low** threat level.

2.36 After considering the ML threat ratings of the region, the prohibited zones and its porous borders, the reported predicate crimes associated with external factors, and cross border sharing of intelligence the

assessment team determined that the ML threat rating for external factors as **Medium-Low ML threat** due to the mitigating measures in place and the absence of ML.

Predicate Offences

- 2.37** The determination of the domestic crime profiles involved the process of gathering and analysing the full range of predicate offences as required by the Financial Action Task Force (FATF). While considering any peculiarities in Montserrat's criminal laws, context, unique realities and the materiality of the crimes: the information, data, and cases from competent authorities were collected for the basis of the assessment. To this end, the assessment team gathered data from the period 2019 to 2023 to determine:
- the numbers of cases reported,
 - the number of cases investigated and prosecuted for each offence, for money laundering,
 - the numbers of intelligence provided to the FCAU,
 - the value of the proceeds of crime, and
 - the value of property seized or frozen.
- 2.38** By considering this dataset, the assessment team was able to determine whether the source of Montserrat's money laundering threat is international, domestic or a mix of the two. The assessment team also identified which predicate offence is most prominent to the money laundering threat in Montserrat.
- 2.39** Furthermore, this module attempted to include qualitative understanding of the possibilities to criminal elements and the potential values that criminals may derive from and through criminal activities in Montserrat if the activity were to be present. Also, each predicate offence was assigned a money laundering threat ranking of Low, Medium-Low, Medium, Medium-High, or High to assist in the risk understanding of the jurisdiction.
- 2.40** Upon conducting the analysis, the assessment team determined that the **Highest** areas of ML predicate threats in Montserrat are **Sexual exploitation including sexual exploitation of children, Fraud, Trafficking in human beings and migrant smuggling, Tax Crimes (related to direct and indirect taxes) and Illicit trafficking in narcotic drugs and psychotropic substances.**
- 2.41** The assessment team employed the categories below to frame the ML threat concerns of the jurisdiction, considering all the variables and factors discussed above, with particular emphasis on the fact that ML may not be directly represented in the data and can also be based on the potential and severity of the crimes to ML and the implications on the economy based on the context and materiality of Montserrat consideration of risk.

Money Laundering Threat Concern

- Insignificant – won't cause any concern
- Minor – can cause concern, only to a mild extent
- Significant – can cause concern or harm that may require attention but limited
- Major – can cause irreversible concerns or harm that require constant attention
- Severe – can result in significant international and domestic concern

2.42 In addition, the jurisdiction assigned priority weightings to each of the ML threats listed using the scale of 1 – 10, where 1 is the most urgent and 10 is the least urgent. It is based on weighting the level of importance on key variables; namely,

1. the reputational impact,
2. the connectivity to other sectors,
3. the measure of the ML/TF potential overall impact (national, regional, and international considerations),
4. the speed of correction and mitigation requirements,
5. known unknown variables, and
6. the inherent risk of the jurisdictional understanding directed through NAMLAC.

Table 9: Montserrat Predicate Offences between 2019 - 2023²¹

Predicate Crimes	Identified POC XCD\$	Number of cases reported	Number of convictions	Number of persons convicted
Theft, robbery, Burglary and handling stolen goods	\$129,573.77	228	47	28
Corruption and bribery	0	14	12	3
Murder, grievous bodily injury	0	10	5	5
Fraud	\$44,625.27	15	5	2
Participating in an organized criminal group	0	0	0	0
Smuggling (including in relation to customs and excise duties and taxes)	0	0	0	0
Trafficking in human beings and migrant smuggling	0	4	2	2
Sexual exploitation including sexual exploitation of children	0	0	7	1
Tax Crimes (related to direct and indirect taxes)	\$2,188,534.68	9	0	0
Counterfeiting currency	0	1	1	1
Counterfeiting and piracy of products	0	0	0	0
Environmental crime	0	0	0	0
Kidnapping, illegal restraint and hostage taking	0	0	0	0
Illicit arm trafficking	0	3	0	0

²¹ Data provided by RMPS, CID.

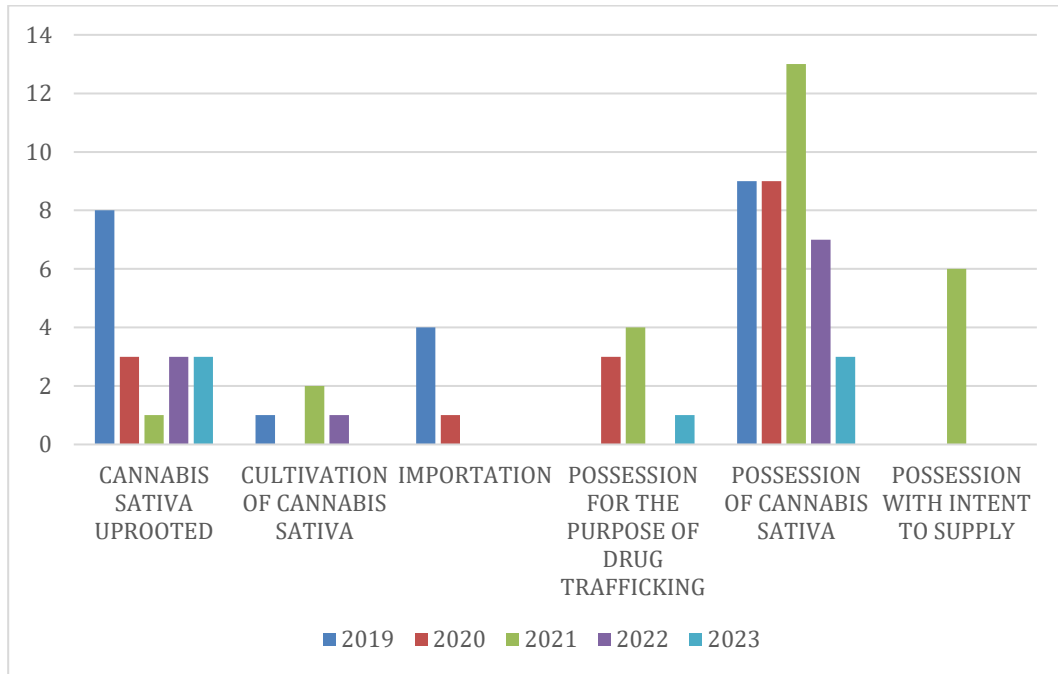
Predicate Crimes	Identified POC XCD\$	Number of cases reported	Number of convictions	Number of persons convicted
Illicit trafficking in narcotic drugs and psychotropic substances	0	46	39	31
Illicit trafficking in stolen and other goods	\$33,980	0	6	3
Piracy	0	0	0	0
Forgery	0	14	1	1
Extortion	0	0	0	0
Inside trading market manipulation	0	0	0	0
Terrorism, including terrorist financing	0	0	0	0

2.43 The table above shows recorded proceeds of crime aligned to Theft, Robbery, Burglary and Handling Stolen Goods, Tax Crimes, Counterfeiting currency, and Fraud. However, the assessment team evaluated the context and materiality of these offences to ML and after such, the analysis revealed that there were little or no consideration of ML in some areas, as such other factors were considered to apprehend a fair understanding of the ML threats to all the predicate offences in Montserrat; the severity of the cases, known unknown variables (jurisdictional inherent understanding), and the potential for cross border implications associated with each category of the predicate crimes to ML.

Significant ML Treat Concerns Predicate Crimes

Drug-Related Offences

Chart 4: Number of Reported Drug Offences by Type, 2019-2023



Source: Analysis of data from RMPS, CID

2.44 Drug-related offences have emerged as the predominant category of predicate threats in Montserrat, constituting a significant portion of all recorded crimes over the past five years. Cannabis is the primary substance that is both used and discovered on island. In the past, cultivation of this particular commodity was predominantly carried out in the jurisdiction. However, recent intelligence provided by RMPS indicates a significant change in the market dynamics.²² There is now a growing trend towards importing this commodity from neighbouring countries.

2.45 It is crucial to acknowledge that in Montserrat, the mere possession of any controlled substance, regardless of its quantity, is prohibited under the law. In contrast, the neighbouring islands have made the decision to decriminalise smaller quantities of substances for personal use. This, however, may inadvertently lead to a lack of awareness among tourists who are island hopping and could unknowingly find themselves in violation of Montserrat law. Consequently, the assessment team opted to exclude all reported offences related to possession from the analysis. This decision was made based on the understanding that possession alone does not meet the criteria to be considered a predicate threat for money laundering.

²² This statement is based on RMPS and FCAU internal intelligence on the discovery of imported cases versus the domestic discoveries. The disparity of discoveries is now shifting based on recorded data of the RMPS.

- 2.46** Among the pertinent drug offences, 5 cases, represents 10% of the total, were specifically linked to the importation of cannabis. In contrast, drug trafficking and possession with the intent to distribute accounted for a share of 26% of the total drug offences. Moreover, it is worth noting that cannabis was significantly associated with these cases and categories.
- 2.47** During 2019 to 2023, law enforcement agencies diligently carried out their duties by seizing and subsequently eliminating small quantities of illicit substances. Specifically, a total of 652 cannabis plants and 888.6 grammes of narcotics were confiscated and destroyed in relation to cannabis drugs (non-possession). As the table 10 below demonstrates, the weight of drugs, notably for some of the more severe offences, appears to be extremely low as compared to international standards. This was considered by the assessment team ML threat ratings when reviewing various factors, including the size of Montserrat, its small population, and the context and frequency of the offence.

Table 10: Drug-Related Offences where Weight of Drug was Recorded (2019-2023)

Offence	Weight in Grams
Importation	2
Possession for the Purpose of Drug Trafficking	177
Possession With Intent to Supply	142
Total	321

Source: RMPS, Drug Related Offences 2019-2023

- 2.48** After carefully consideration of all the factors presented, the assessment team has concluded that drug-related offences posed a significant predicate offence concern to the jurisdiction, but based on the materiality of the proven values of the offence there is little merit for ML and as such a **Medium ML** threat were place on the offence. Also, Montserrat experiences infrequent occurrences of this offence based on the recorded instances and relatively small proportion when compared to global statistics. Withstanding this, the issue continues to be of great importance for Montserrat, despite the relatively low global comparisons.

Fraud

- 2.49** The ML threat and vulnerability assessment team relied on the reports of fraudulent-related activities in Montserrat stemming from SARs, general fraudulent acts that can potentially lead to ML, the confirmed criminal proceeds laundered through fraudulent acts, as well as the number of prosecutions from fraudulent activities.
- 2.50** Utilising this analysis, from 2019 to 2023 the team discovered that there were 15 cases reported of fraudulent-related activities in Montserrat, with no actions stemming from SARs, 1 general fraudulent act that led to ML charges, \$44,625.27 confirmed criminal proceeds laundered through fraudulent acts and 2 persons prosecuted from fraudulent activities.

2.51 Owing to the fact that currently there is no online, fully accessible and publicly available beneficial ownership registry in the jurisdiction, this vulnerability can be taken advantage by persons who understand the legal system or wish to pursue fraudulent objectives.

Case 1

Mr. W was charged with the crime of Concealing the Proceeds of Criminal Conduct in 2018. Between January 1, 2007, and November 4, 2008, the defendant concealed or disguised property, namely EC\$855,380.54 transferred from investors into the bank account of CW Incorporated for the sale of land at X, which was in whole or in part, directly or indirectly, the proceeds of criminal conduct, namely the fraudulent conduct of Mr. W.

1. Falsely claiming to be a legitimate Director of X and/or
2. Asserting that he had the legal right to sell land at X, and/or
3. Filing with the Companies Registry a change of directors application for X Limited and/or
4. Receiving funds into the bank account of Mr. W Incorporated for the sale of land at X in order to avoid prosecution or the issuance or execution of a confiscation order.

Mr. W was judged guilty of the crime by a nine-person jury after an eleven-day trial that began in June 2022 and sentenced to 3 ½ years in prison.

Mr. W filed an appeal against his conviction. Also, no confiscation has occurred. In Antigua, the international elements consisted of the purchasers (witnesses) and the trace of benefit (realisable assets).

2.52 From the evaluation conducted by the ML threat and vulnerability team, it has been determined that the level of ML threat posed by fraudulent activities is **Medium** given the small relations to ML. This determination was made based on the evaluation of and reliance on the limited number of cases stemming from fraudulent activities and the low proceeds of crime from fraudulent actions. Further, the team’s decision of the ML threat rating was significantly linked to the qualitative cases, the absence of complex corporate structures in Montserrat, and known and unknown variables.

Sexual Exploitation including Sexual Exploitation of Children

2.53 Montserrat threat and vulnerability assessment team rated sexual exploitation of children as a **Medium** ML threat based on the severity and nature of a growing number of cases in the jurisdiction. Although these cases are not yet proven in the confines of ML or have not been determined to be ML cases, these matters have significant ability to evolve into ML. Thus, the potential to ML threat is the ambit of consideration. Also, the definition of “**ML threat**” includes the *potential or actual* magnitude and attributes of illicit gains resulting from criminal activities within/to/from the jurisdiction and have the *potential to cause* harm to the state or other jurisdictions.²³

²³ September 16, 2021 FinCEN Calls Attention to Online Child Sexual Exploitation Crimes. [FinCEN OCSE Notice](#)

- 2.54** Using the definition of ML Threat, the assessment team relied on the element for the potential of ML and the potential to cause harm to the state. Furthermore, the assessment team considered the severity and nature of the case to the materiality of Montserrat's economy.
- 2.55** To combat this problem, RMPS in collaboration with the Ministry of Education, initiated in July 2023, a joint effort to implement: stronger laws and law enforcement, better education, and awareness-raising efforts, and improve access to support those who are victims of this crime.

Trafficking in Human Beings and Migrant Smuggling

- 2.56** The assessment team examined the reported incidents, proceeds of crime, entry points, and convicted cases in Montserrat pertaining to this predicate offence. Between the years 2019 and 2023, a total of four individuals were reported for activities of human smuggling. Notably, within this same timeframe, two out of the eight individuals were convicted for their involvement in this unlawful activity.
- 2.57** Although the cases have not been assigned a monetary value, the assessment team considered the connectivity of the partially opened borders and its potential threat to ML in Montserrat. However, the infrequency of the incidents is still relatively low, with an average of less than one individuals per year. Nevertheless, the assessment team considered the limited instances of human trafficking and factored in the partially opened borders and the definition of ML threat and subjectively agreed at a **Medium** ML threat rating. However, given the fact that Montserrat is a small close knitted jurisdiction, all/most new immigrants on island will be quickly observed and this fact lessens the risk element. Nonetheless, there is still considerable unknown variables regarding the issue of human trafficking, and migrant smuggling due to the partially opened borders because of the volcanic exclusion zone and the monetary potential for transit movements.

Tax Crimes

- 2.58** Tax crimes, including tax evasion and fraud, represent a significant ML concern to Montserrat's financial system and pose material risk to the economy of Montserrat, given its small financial landscape and depends as a source of revenue. Montserrat has 9 pending cases with a proceeds of crime totalling \$2,188,534.68 related to tax offences. These cases underscore the threat to Montserrat's financial system to ML associated with tax crimes, and as such the assessment team assigned a **Medium** ML threat.
- 2.59** To address these concerns, Montserrat has initiated stronger AML/CFT frameworks and recruited new tax experts. This includes enhancing the reporting requirements for financial institutions, conducting stricter due diligence on potential tax crime suspects, and raising awareness among stakeholders about the risks of ML associated with tax offenses.

Minor and Insignificant ML Treat Predicate Crimes Concerns

2.60 Out of the 21 categories of predicate offences that were examined, it was determined that 8 was of minor concerns to ML and the remaining 8 was of insignificant concerns to ML where the ML threat rating was either Medium-Low or Low, with lower priority. This was attributed to a range of factors, including the absence of criminal offences within the jurisdiction, very low or no financial gains for such offence, and the inherent understanding of the jurisdiction. In cases where limited or no evidence of criminal activities the team carefully assigned appropriate weightings to the subjective understandings of the known unknowns and unknown unknowns variables.

ML Predicate Threat Ratings and Priority Alignment

2.61 After considering all the relevant factors, including the jurisdiction's context, materiality, and the potential and severity of ML risks, the assessment team has determined the following ratings and priorities for Montserrat in table 11.

2.62 These ratings reflect the assessment team's assessment of the jurisdiction's predicate threats to ML and the need for targeted mitigation measures. The ratings reflected in the ML threat for its predicate offences and jurisdiction concerns indicates that Montserrat is not considered a high-risk jurisdiction for ML, but it is not immune from the threat of ML and requires attention.

2.63 The assessment team's findings and recommendations will be used to inform Montserrat's AML/CFT policies and strategies and to guide the development of targeted mitigation measures.

Table 11: ML Threat Ratings and Priority

Unique ID	Risk Description	RISK CONCERN	ML THREAT RATING	PRIORITY RATING
Predicate Offence	Sexual exploitation including sexual exploitation of children	significant	Medium	3
Predicate Offence	Fraud	significant	Medium	4
Predicate Offence	Trafficking in human beings and migrant smuggling	significant	Medium	4
Predicate Offence	Tax Crimes (related to direct and indirect taxes)	significant	Medium	4

Unique ID	Risk Description	RISK CONCERN	ML THREAT RATING	PRIORITY RATING
Predicate Offence	Illicit trafficking in narcotic drugs and psychotropic substances	significant	Medium	4
Predicate Offence	Corruption and bribery	Minor	Medium-Low	6
Predicate Offence	Smuggling (including in relation to customs and excise duties and taxes)	Minor	Medium-Low	7
Predicate Offence	Counterfeiting and piracy of products	Minor	Medium-Low	7
Predicate Offence	Terrorism, including terrorist financing	Minor	Low	7
Predicate Offence	Counterfeiting currency	Minor	Medium-Low	8
Predicate Offence	Illicit arm trafficking	Insignificant	Low	8
Predicate Offence	Illicit trafficking in stolen and other goods	Minor	Low	8
Predicate Offence	Forgery	Minor	Low	8
Predicate Offence	Theft, robbery, Burglary and handling stolen goods	Insignificant	Low	9
Predicate Offence	Murder, grievous bodily injury	Insignificant	Low	9
Predicate Offence	Participating in an organized criminal group	Insignificant	Low	9
Predicate Offence	Environmental crime	Insignificant	Low	9

Unique ID	Risk Description	RISK CONCERN	ML THREAT RATING	PRIORITY RATING
Predicate Offence	Kidnapping, illegal restraint and hostage taking	Insignificant	Low	9
Predicate Offence	Piracy	Insignificant	Low	9
Predicate Offence	Extortion	Insignificant	Low	9
Predicate Offence	Inside trading market manipulation	Insignificant	Low	9

Sector Assessment Financial and Non-Financial Sectors

Summary of the Sector Assessment

2.64 The FSC as the Regulator of the sectors has transitioned to a risk-based approach for regulating the various sectors as part of its AML/CFT supervision. This risk-based approach is anchored and set out in the organisation’s combined Risk-Based Prudential & AML/CTF/CPF Supervision Procedure Manual and further bolstered by the Sectoral Risk Assessment currently being finalized.

Findings

2.65 The national threat sectoral analysis was conducted by the threat and vulnerability assessment team which revealed that **the Credit Union, Money Service Businesses, and the Domestic Bank** can be the most susceptible to the ML threats and were given significant concerns for ML Threats.

2.66 However, after conducting its evaluation, the assessment team decided that the priority focus for the jurisdiction will not only include the significant ML concern areas, but also the **Virtual Asset Service Providers (VASPs)**, due to the connectivity of the emerging risk and the limited understanding the jurisdiction has at the time of this report. It is noted that there are no known VASPs operating in the jurisdiction and a recent legislation has been passed to regulate the sector. Nonetheless, due to the connectivity of the jurisdiction to the UK where VASPs exist and the ease of access to the development/possibilities that may arise within the jurisdiction, the assessment team has placed emphasis on building greater understanding and technology to address this emerging circumstances surrounding this ML threat.

2.67 The analysis involved a review of the SARs submitted from each sector, the nature of the industry, FATF typology reports, cases of ML stemming from the sector, AML/CFT due diligence practices, FSC regulations in each sector, and the connectivity of the sector to other sectors.

2.68 In addition, there was a central understanding by the assessment team that ML threats to the sectors are heightened in part by the small population size and the close-knitted society. Noting that sector participants of all types are *less likely* to perceive their "neighbour" as someone who should be reported for illicit activities and close personal relationships may dissuade them from doing so. However, this was balanced to the materiality of any possibility to define the ML threat or its possibilities.

ML Sector Threat Ratings and Priority Alignment

2.69 After considering all the relevant factors, including the jurisdiction's context, materiality, and the potential and severity of ML risks, the assessment team has determined the following ratings and priorities for Montserrat in table 12.

2.70 These ratings reflect the assessment team's assessment of the jurisdiction's sector threats to ML and the need for targeted mitigation measures. The ratings reflected in the ML threat for its sectors and jurisdiction concerns indicates that Montserrat is not considered a high-risk jurisdiction for ML in its sectors, but it is not immune from the threat of ML and requires attention to the growing emerging threats and the connectivity.

2.71 The assessment team's findings and recommendations will be used to inform Montserrat's AML/CFT policies and strategies and to guide the development of targeted mitigation measures.

Table 12: ML Sector Threat Ratings and Priority

Unique ID	Risk Description	RISK CONCERN	ML THREAT RATING	ML PRIORITY RATING
DNFBP	TCSPs International	significant	Medium	3
DNFBP	VASPs	Minor	Medium-Low	4
Financial Sector	Credit Union	significant	Medium-Low	5
Financial Sector	Money Service Business	significant	Medium	5
Financial Sector	Domestic Banks	significant	Medium-Low	6
DNFBP	Legal Professionals	Minor	Medium-Low	6
DNFBP	Real Estate	Minor	Medium-Low	6
DNFBP	TCSPs Domestic	Minor	Medium-Low	6
Financial Sector	Insurance Companies	Minor	Low	7

Unique ID	Risk Description	RISK CONCERN	ML THREAT RATING	ML PRIORITY RATING
DNFBP	Accountants	Minor	Low	7
DNFBP	Money Lenders	Minor	Low	7
Financial Sector	International Banks	Minor	Low	8
DNFBP	High value dealers	Minor	Low	8

Significant ML Treat Concerns to the Sectors

Financial Institutions

Banking Sector

A. Domestic Banks

- 2.72** The main ML threat facing the domestic banking sector is the fact that there is only one commercial bank in Montserrat and as such, it is used for all local, regional, and international transactional activities. This concentrated reliance renders the domestic bank open to be targeted for ML endeavours. Furthermore, during 2019 – 2023, 71% of the SARs reported for money laundering suspicion came from this commercial bank. In 2022 alone, 87% of all large transactions flowed through this commercial bank. However, based on the assessment, the commercial bank has fairly sound internal controls, adheres to corresponding banking rules for all international transactions, and all high value transactions are sufficiently monitored which reduces the ML threat. Consideration was also given, inter alia, to the customer base, i.e. the majority of the Bank’s customers are salaried employees from the public and private sectors.
- 2.73** Nonetheless, the financial and economic reliance on the banking sector played an import role in the weight allocation of assigning the ML threat.
- 2.74** Based on the analysis, the assessment team determined that the ML threat level for the domestic banking sector is rated as **Medium-Low**. This rating is given despite the relatively high number of SARs submitted by the domestic banking sector. However, the assessment team considers the materiality of the reported SARs and the bank's strict adherence to its procedural practices when making this assessment. The fact that there is only one bank for all banking transactions necessitates a higher level of vigilance in reporting suspicious activity. Additionally, the high number of SARs reported in percentage terms is but relatively low in size of the jurisdiction’s context and justifiable given the bank's diverse banking requirements and its obligation to report suspicious concerns and threshold transactions.
- 2.75** Furthermore, the FCAU has conducted all investigations on the SARs submissions and noted that there is no connectivity to ML in the period. However, the lack of legislation for AML/CFT due diligence

practices for local PEPs is the reason for ML concern, but the jurisdiction is taking steps to amend the POCA to correct this matter. Also, in July 2023, the FSC conducted a full-scale risk-based onsite assessment along with the ECCB on the domestic banking sector to capture all the ML threats and vulnerabilities to which any deficiencies in its AML/CFT/CPF systems will be addressed through corrective actions.

Credit Union

- 2.76** The assessment was based on the number of intelligence stemming from the institution, the nature of the business, and the institutional structure. Based on the findings, the assessment team determined the ML threat for the Credit Union was **Medium-Low**.
- 2.77** The Credit Union is a member-owned, financial cooperative that provide savings, loans, and other financial services to its members only. Note, the FSC conducted a full risk-based AML/CFT/CPF onsite examination of the Credit Union in November 2023 which will ensure that the entity’s AML/CFT/CPF framework is enhanced significantly.
- 2.78** Additionally, the assessment team acknowledges that the institutional structure of the Credit Union maybe exploited by money launderers due to the unique characteristics and operational frameworks to move illicit funds through the financial institution in small quantities. However, given the nature of Montserrat’s financial system and that the domestic operates as the clearing house for all financial transactions in the jurisdiction makes the Credit Union less penetrable for any real material ML threats. Also there have been only two (2) SARs reported in 2023 by the sector, but the priority alignment of 5 illustrates the jurisdiction understanding of the ML possibilities and is currently developing risk frameworks through the FSC to ensure safeguards and measures are maintained to lower the ML risk concern.

Money Services Businesses (MSB)

- 2.79** The assessment was based on the number of intelligence stemming from the sector, the nature of the business, and the jurisdictions for inbound and outbound flows, and FATF typology reports. Based on the findings, the assessment team determined the ML threat for the MSBs as **Medium**.
- 2.80** Following the FATF Typology reports for MSBs, the assessment team was able to understand the commonalities linked with the sector for ML threats.²⁴ Also, between 2019 – 2023, 18% of the SARs reported for ML suspicions came from the MSBs. Furthermore, the FSC maintains regular and active communication with MSBs to ensure their adherence to AML/CFT regulations, considering the nature of their cash-intensive operations. Moreover, the MSB sector possesses various attributes that render it a highly attractive vehicles for the initial phases of the ML process, namely placement and layering.

²⁴ GUIDANCE FOR A RISK-BASED APPROACH MONEY OR VALUE TRANSFER SERVICES. [Guidance-RBA-money-value-transfer-services.pdf.coredownload.pdf \(fatf-gafi.org\)](https://www.fatf-gafi.org/publications/guidance/Pages/guidance-RBA-money-value-transfer-services.pdf.coredownload.pdf)

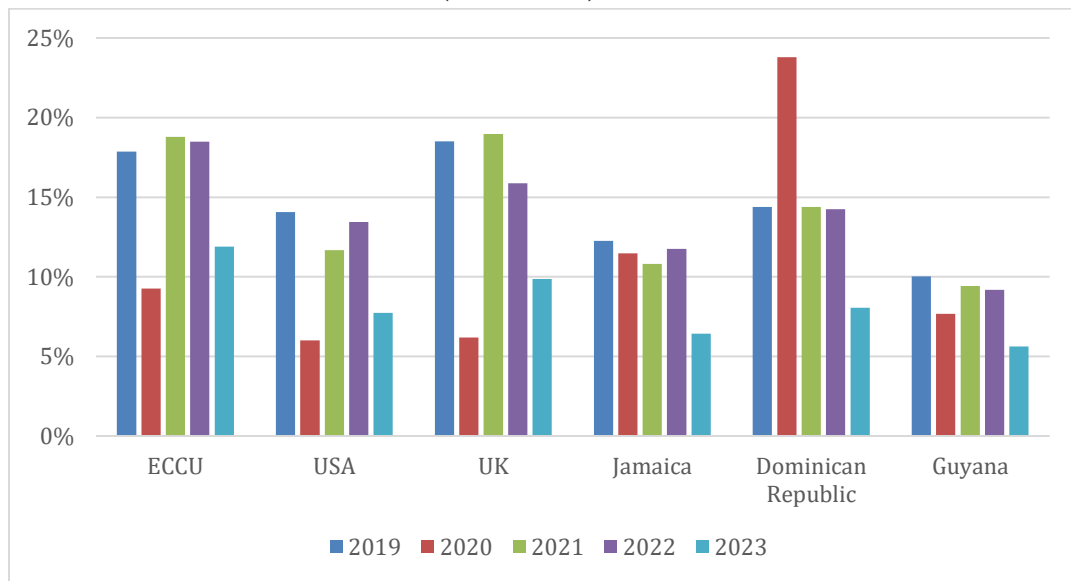
Table 13: MSB Sector Transaction Volumes and Values, 2019-2023

Activities	2019	2020	2021	2022	2023	Average
Receiving activities						
Transaction Volumes	9,525	10,218	11,800	11,692	8,764	10,400
Total value of all transactions (XCD'000)	7,641	8,680	10,975	11,442	8,579	9,463
Sending activities						
Transaction Volumes	17,341	16,028	17,275	14,916	11,368	15,386
Total value of all transactions (XCD'000)	10,099	20,501	11,905	10,105	7,529	12,028

Source: Data analysis based on data provided by FSC

2.81 In addition, the volume and frequency of transactions are typically high for both inflows and outflows but relatively low in comparison to other jurisdictions, given the size and context of Montserrat. The average total value of all receiving transactions per year, was only around XCD\$9m, across an average of XCD\$10k payments (i.e., around XCD\$900 average transaction value). For outbound transactions, the average total value of all transactions per year was XCD\$12m, across an average of XCD\$15k transactions (i.e., an average of approximately XCD\$800 per transactions). Therefore, the ML threat from the MSB is limited by scale.

Chart 6: Top six Countries/ Country Grouping by % of total outbound transaction values (2019-2023) from MSB sector



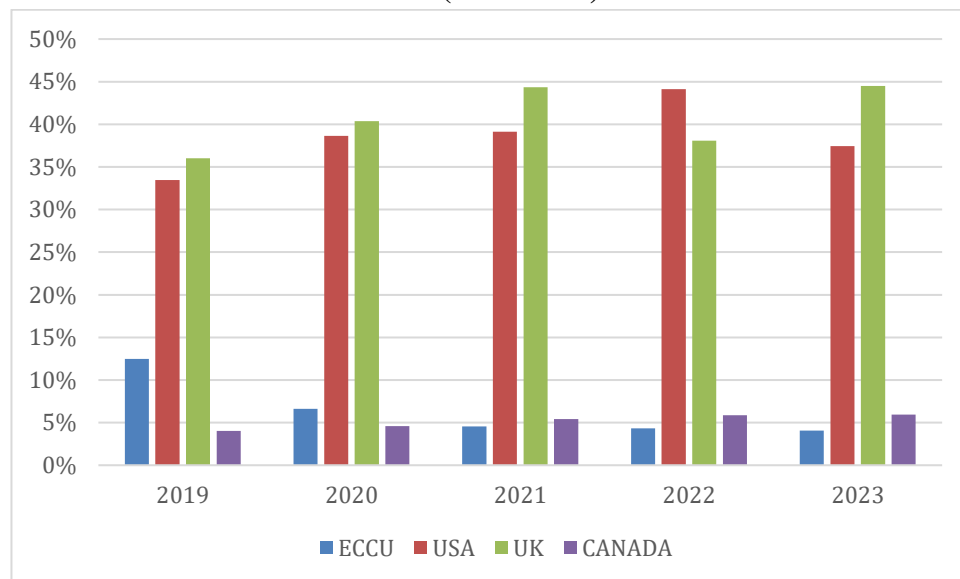
Source: Data analysis based on data provided by FSC– note 2023 data is up to the end of October.

Outbound Transactions

2.82 The countries of the assessment included ECCU, USA, UK, Jamaica, Dominican Republic, and Guyana.

1. The concentration of transaction values was lower in sending transactions than receiving transactions. Still, the top six geographies (the ECCU is treated as a single geography for this research) accounts for more than 80% each year, with the exception for 2020.
2. In 2020, these countries made up 64% of the value of total transactions, and a significant portion was accounted for by Gambia, Nigeria, Togo, Haiti, and Benin. These countries of remittances were largely attached to the year 2020.
3. By value, the UK, the US, and the ECCU were the biggest net recipients of outbound transactions from Montserrat. While also, the Dominican Republic, Jamaica, and Guyana were the largest net recipients of outbound transactions from Montserrat (which could be deemed higher risk based on their proximity and the inherent risk concerns of these jurisdictions). However, because of the influx of these nationals within the jurisdictions the assessment team determined the ML threat as Low.
 - a. In 2020, Santo Domingo, in the Dominican Republic, got up to 24% (XCD4.9m) of the value of transactions that flowed out of the country.
 - b. The sanction jurisdictions were not listed as having any transaction values (unless they were in the "Other" group, which didn't have much value for any year except 2020).
4. Russia, China, and other possibly riskier countries were either very small (less than 2%) or didn't happen at all. Thus, the ML threat classifications were deemed low.

Chart 7: Top four Countries/ Country Grouping by % of receiving activity transaction values (2019-2023) from MSB sector



Source: Data analysis based on data provided by FSC – note 2023 data is up to the end of October.

Inbound Transactions

- 2.83** The countries assessed included ECCU, USA, UK, Canada.
1. The incoming transactions by value from these four groupings accounted for 80-90% of all transaction in each year. The assessment team considered these jurisdictions lower ML risk.
 2. The assessment team denoted that since Montserrat is a British Overseas Territory, the UK flows were justified for 35-45% of annual inbound transactions.
 3. There were other jurisdictions that were also observed but the inflows were small as compared to the largest countries inward transaction value nations. These included, US Virgin Islands, British Virgin Islands and Chili in 2019. The assessment team did not deem these jurisdictions high-risk.
 4. All other jurisdictions that may be deemed high risk had little (less than 2%) or no inbound transactions. Thus, the ML threat classifications were deemed low.
 5. Iran and North Korea had no transaction values (unless they were included in "other," which was of negligible value) . Thus, the ML threat classifications were deemed low.
- 2.84** Given the nature of the business, reported SARs, the small scale of money flowing to and from multiple jurisdictions of both low and high-risk countries and the presence of the expat communities on island the assessment team originally rated the ML threat as **Medium**. This is however mitigated owing to the FSC's and the head offices of the MSBs, consistent interaction with the sector to ensure compliance and the presence of expats on the island were considered legitimate clients sending funds home to their families.

Minor ML Treat Concerns to the Sectors

- 2.85** The assessment team determined that the rest of the sectors were of minor concern for ML threats and as such assigned **Medium-Low or Low** ML threats with low priority ratings. Particularly in the insurance sector a total of nine insurance companies exists where the primary focus of the insurance sector is general policies and not life insurance. Also, there have been no prosecutions pertaining to ML in the context of insurance fraud or any SARs from this sector.
- 2.86** In regard to the DNFBPs, all DNFBPs are registered with the FSC and must comply with AML/CFT regulations and POCA provisions within Montserrat. According to the Non-Financial Service Provider (NFSP) Register 2021, the following organisations qualified and are registered with the FSC in the various sectors below:

Table 14 – DNFBPs Registered in Montserrat

Domestic Operators	Number of registered entities
Legal Professionals	6
Accountants	6
High value dealers	3
Real Estate	6
Money Lenders	3
Trust and Company Service Provider	1
Total	25

International Operators	Number of registered entities
Trust Company	1
Total	1

Note: Data as of July 2023. Furthermore, this register also includes the Building Society under Money Lenders, which should be reclassified as a FI once the legislation and regulations are amended to allow for such realignment.

- 2.87** The general findings of the DNFBPs are that these entities are typically sole traders with minimal activities, limited or no foreign transactions and limited products/ values or transactions that can raise ML concerns.
- 2.88** The Real Estate sector is small with typically no real material investments to raise any ML concerns with an average monthly sale of 10 homes per month.²⁵ Furthermore, all foreign purchases whether legal or natural person, must undergo an application for a land holding licence which is subject to a high degree of KYC and cabinet approval.
- 2.89** The Money lenders in Montserrat conduct small value loans, with only repeat local customers, comply with all regulatory requirements for KYC due diligence, do not facilitate non-locals, and no SARs stemmed from the sector for ML in the past five years. However, the Building Society (which is part of the money lenders sector) due to its unique operational structure was originally a concern, but in the past 3 years there have been no new customers since 2020 and only just resumed this service in March 2023. Also, Montserrat is preparing new legislation to cover all operational ML concerns of the Building Society, lowering any unforeseen circumstances.
- 2.90** The one trust and company service provider (TCSP) licensed to operate domestically and internationally is the domestic bank within the jurisdiction, but based on the prudential records and the advice of the FSC the local entity has not operated this arm of business in the past five years and over. Additionally, the international trust and company service providers is not allowed to carry on business in Montserrat and as such, poses no ML threat to the jurisdiction. Nonetheless, this entity is regulated by the regulatory and supervisory under the same rigorous AML/CFT regime and strong BO measures in place prior to

²⁵ Average monthly sales for the period 2019 to present recorded at the Land Registry is 2019 – 15.17, 2020 – 11.67, 2021 – 13.75, 2022 – 13.83, and 2023 – 9 (Jan – Aug).

issuing licenses. Additionally, the entity submits the relevant financial and prudential data to the FSC. The risk this posed to the jurisdiction is merely reputational. The International Trust activities are low volume and only has one settler on its books.

2.91 The assessment team did not identify any registered VASPs, any informal operators of VASPs, any intelligence from regional or international counterparts of the VASPs connectivity to Montserrat. However, the assessment team noted that they considered typology reports that the digital economy poses a greater ML threat because of its global possibilities.²⁶ Also, the team has placed emphasis on building greater understanding and technology to address this emerging sector and the surrounding ML threat possibilities.

²⁶ [FinCEN Alert, FIN-2023-Alert005, September 8, 2023](#) FinCEN Alert on Prevalent Virtual Currency Investment Scam Commonly Known as “Pig Butchering”

GOVERNMENT OF MONTSERRAT

NATIONAL MONEY LAUNDERING

NATIONAL COMBATING ABILITY ASSESSMENT

2023

Money Laundering National Combating Ability Assessment

Summary Assessment of the National Combating Ability to Money Laundering

- 3.1** The National threat and vulnerability assessment team investigated the deficiencies in Montserrat's existing defence and response mechanisms to combat ML. Based on the intelligence collected, the team determined a national ML combating ability was rated as **Medium-High**.
- 3.2** The objective of the national combating ability assessment was achieved by conducting a detailed analysis of Montserrat's national vulnerabilities through the lens of the effectiveness of its measures in place to combat the threat of ML. This comprised of the development of a jurisdictional self-assessment model, the utilisation of item listed in the World Bank Published Assessment variables, FATF NRA template, with alignment to the overall internal and external structure of effectiveness in the legal and regulatory system, and the analysis of political, economic, and social factors.

As detailed in the methodological framework the scale for the ratings are:

Table 15: ML combating and vulnerability ability scale

(1.0) Excellent
(0.9) Close to Excellent
(0.8) Very High
(0.7) High
(0.6) Medium High
(0.5) Medium
(0.4) Medium Low
(0.3) Low
(0.2) Very Low
(0.1) Close to nothing
(0.0) Does not exist

Table 16: National ML Combating Ability Ratings

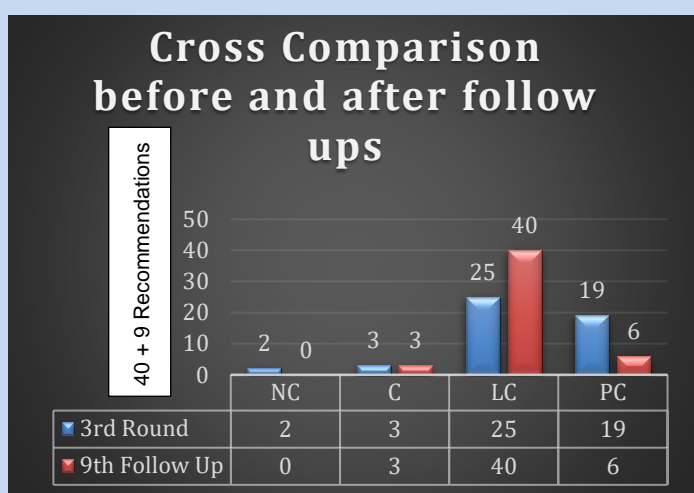
Category Input Variables	Vulnerability rating	Priority
National	Effectiveness	Ratings
- Legislative Deficiencies	Close to excellent	8
- Quality of national AML/CFT policy and strategy	Medium	3
- Effectiveness of ML crime definition	Close to excellent	8
- Effectiveness of Domestic Coordination, Cooperation and Governance	Close to excellent	7
- Effectiveness of International Cooperation	Medium	4
- Effectiveness of Regulatory Oversight and Supervision	Medium-High	4
- Quality and Accessibility of Intelligence Gathering and Processing	Medium-Low	2
- Capacity, Resources, and Investigation Prioritisation for Financial Crime	High	5
- FCAU Independence and Integrity	Medium	4
- Capacity and Resources of Investigation and Financial Crime Prosecutions	Close to excellent	3
- Comprehensiveness of Asset Forfeiture Processes and Law	High	4
- Integrity and Independence of Prosecutors	Close to excellent	7
- Effectiveness of Judicial Processes in ML Cases	Medium-High	6
- Comprehensiveness and effectiveness of Customs Regime on Cash and Similar Instruments	Medium	6
- Effectiveness of Treaty Agreement	High	7
- Quality of Border Controls	Medium-High	6
- Formalisation of the Economy	Medium-High	6
- Level of Financial Integrity	High	7
- Effectiveness of Tax Enforcement	High	6
- Availability of Independent Audit	High	7
- Accessible and Quality of Identification	High	9
- Availability and Access to Beneficial Ownership Information and Independent Sources	Low	4
Overall National Effectiveness to Vulnerabilities	Medium-High	

Legislation and Policies

Legislative Deficiencies

3.3 Since the last publication of Montserrat's MER in 2011, Montserrat has made substantial progress in strengthening its AML/CFT legislative and supervisory framework through the enactment and amendment of several laws and the development of various institutional frameworks. As a result of these ongoing efforts, Montserrat has a robust legal and regulatory framework that is supported by the Statutory Instruments, which are subsidiary legislations enacted by the UK Parliament and subsequently extended to Montserrat.

Chart 8 - Depicting the percent breakdown of compliance from the 3rd Round MER
Technical Assessment after follow-ups.



According to Montserrat's ninth Follow-Up Report, the Technical Compliance of the 40 Recommendations stands at 82% rated as Largely Compliant, 12% as Partially Compliant, 6% are Fully Compliant, and 0% are non-compliant.

From 2011 to 2016, Montserrat's compliance with FATF Recommendations improved dramatically, as all non-compliant legislative gaps were resolved through the introduction of institutional processes and legal frameworks to combat the mechanisms of Money Laundering and Terrorist Financing. Also, its **Largely Compliant status increased by 60%** and its **Partial Compliant status decreased by 68%**.

After Montserrat submitted its ninth follow-up report, Montserrat was withdrawn in May 2016 from expedited follow-ups and received a favourable report.

Note: The Technical Assessment of the 4th Round Mutual Evaluation has been modified to 40 Technical Recommendations and 11 Intermediate Outcomes, as opposed to the previous 40 plus 9 Technical Recommendations. *However, the fundamental legislative compliance principles remain the same.*

Table Guide

- NC – Non-Compliant
- PC -Partially Compliant
- LC – Largely Compliant
- C- Compliant

3.4 Also, it is important to note that based on the recommendations provided by CFATF in the 3rd round evaluation, Montserrat's legal framework is substantially complaint.²⁷ In addition, Montserrat has initiated more legislative developments such as, the Virtual Asset Business Act, the Financial Intelligence Unit Act, a New Companies Bill, amendments to the POCA to meet address technical recommendations, with a Building Societies Bill in final drafting stage.

²⁷ Montserrat's 3rd round evaluation follow-up report 9th edition conclusion, CFATF website.

3.5 However, after careful consideration of all the legislative deficiencies, the assessment team concluded that the legal and regulatory framework of Montserrat ML combatting ability is **Close to Excellent**. This determination considers the fact that the laws and regulations that are in currently in place are still adequately robust and supported by the United Kingdom, through its Statutory Instruments to effectively combat the ML concerns of the jurisdiction.

Quality of National AML/CFT Policy and Strategy

3.6 Montserrat's political will and dedication to combating financial crimes and crimes in general is commendable. On **30th March 2023**, the Governor and the Premier dispatched a joint memorandum to all authorities encouraging continued support and commitment to the work of CFATF. Both are also members of NAMLAC.

3.7 A vulnerability lies in the absence of an approved national AML/CFT policy and strategy. The absence of these documents will create a lack of structure and ultimately hinder the Government's efforts and allocation of resources to combat money laundering. In addition, the lack of a national policy and strategy documents may lead to competent authorities working in isolation to achieve individual objectives, rather than focusing collectively on national priorities.

3.8 To address this issue, NAMLAC has prepared draft documents of a national AML/CFT policy and a national strategy for the jurisdiction. These draft documents are separate instruments which will be distributed to the competent authorities to develop aligned AML/CFT policies and strategies within their authorities and are all scheduled to be finalised and approved by NAMLAC at the end of 2023. There is also a proposal for a government-allocated fund to fight against ML and a proposal for a national AML/CFT educational campaign to educate the public and combat financial crimes by investing in crime-fighting agencies' equipment and personnel.

3.9 Nevertheless, the national threat and vulnerability team evaluated the situation and assessed the combating ability as **Medium**. The team acknowledged the draft policy and strategy documents in the evaluation process, and it was evident that these documents are not yet operational but there is an urgency by NAMLAC to swiftly implement the national policy and strategy documents before the end of 2023. NAMLAC, also demonstrated the understanding and importance of the documents to strengthening the policymaking functions of its mandate.

Effectiveness of ML crime definition

3.10 The effectiveness of the Montserrat ML crime definition was rated **Close to Excellent**.

3.11 The Part 1, Section 2 of the POCA defines money laundering *as any act that constitutes a money laundering offence; or would constitute a money laundering offence if done in Montserrat*. The language of the section classifies the offence based on whether it would constitute an offence in Montserrat if occurred outside of the jurisdiction.

- 3.12** Also, Part 1, Section 2 of the POCA defines *criminal conduct as a conduct that constitutes or would constitute an offence if it had occurred in Montserrat*. Therefore, the definition of illicit conduct includes actions committed in other jurisdictions.
- 3.13** Montserrat's POCA makes the offence of money laundering applicable to those who perpetrate the underlying offences. Section 116 (2) of the POCA states that *it is irrelevant who committed the criminal act, or who benefitted from it and other sections of the Act criminalise a broad category of offences that are predicate to money laundering but are nonetheless considered money laundering for purposes of the Act*.
- 3.14** The definition of an offence in Part 1, Section 3, of the Penal Code *is an act, attempt or omission punishable by law to perpetrate the offence*. In addition, section 19 of the Penal Code states that those *who aid or abet, counsel, or procure the commission of a crime may be charged with the same crime as the principal offender*. Furthermore, Part 1, Section 2 of the POCA defines money laundering offence to include specifically *attempt, conspiracy or incitement, aiding, abetting, counselling, or procuring the commission of any of the ML offences created by sections 118, 119, 120, or 121*.
- 3.15** Based on the factors listed above, the assessment team has observed that Montserrat complies fully to the Vienna and Palermo Conventions in all the provisions related to money laundering offences definition. However, the UK has not yet extended the Convention to Montserrat which impacted the rating.

Coordination and Cooperation

Effectiveness of Domestic Coordination, Cooperation and Governance

- 3.16** Montserrat has successfully implemented coordination mechanisms to facilitate national cooperation among multiple agencies to fight against AML/CFT, through the creation of NAMLAC. NAMLAC was created under the vision of the Reporting Authority approved by Cabinet of Montserrat on **30th August 2018** by **Memorandum No. 2018/130 of 377/2018** to be responsible for coordination and development of AML/CFT policies to standards promulgated in the FATF 40 Recommendations and 11 Immediate Outcomes in Montserrat. The mandate of NAMLAC was introduced and adopted by minutes dated **19th December 2022**.
- 3.17** NAMLAC, meets and record all sessions on a regular basis to deliberate on national AML/CTF matters, share valuable information, initiate collaborative endeavours, uphold laws and policies, and develop strategies to combat various kinds of criminal activities. As a result, cooperation and coordination mechanisms exist at the national level.
- 3.18** In addition, on **3rd October 2022**, Montserrat recruited a National Risk Mitigation Officer to oversee the implementation of the country's AML/CFT regime to assist with coordination and administration of policies and implementation. This was in response to Recommendation 31 (Deficiency 2) of the MER

Follow-Up Report (2016), which recommended establishing a secretariat to monitor the implementation of the country's AML/CFT regime.

- 3.19** To evaluate the operational effectiveness, the assessment team examined the coordination and cooperation mechanisms currently in place among various domestic authorities. Montserrat has adopted numerous Memorandums of Understanding (MOUs) among all the competent authorities with the FCAU to ensure the sharing of intelligence and information are effectively operational between and among all competent authorities. Presently, all the competent authorities have signed MOUs for the protection of the jurisdiction from AML/CFT, through sharing of information and intelligence. Furthermore, the FCAU is expected to initiate the sharing of sanitised SARs to assist/ support the operational activities of the competent authorities towards the remit in AML. This action addresses the MER FUR 2016 recommendation (R.31 - Deficiency 3).
- 3.20** The current position regarding R.31 (Deficiency 7) of the MER FUR (2016), which highlighted the duplication and joint roles of senior personnel between organisations, which creates potential conflicts of interest, is still identified as an existing vulnerability in cooperation and coordination. This is evident in the role of the FCAU and the RMPS, where multiple staff members carry out responsibilities for both agencies and recognising the importance of this particular issue, this is being addressed. The FIU Act was recently passed and is soon to be in force which will resolve the lack of transparency in the RMPS and the newly established FIU.
- 3.21** However, given the island's small population and consequently limited human resource capacity, double tasking in some areas is unavoidable. Due to limited human resources and a deficiency of individuals with specialised skills, it is essentially impossible for Montserrat to assign roles and responsibilities to a single individual. Despite this, there is a growing urgency from the authorities to implement new legislation, policies, manuals, procedures, and mandates for greater transparency and improvement within the authorities to develop measures for mitigating potential conflicts of interest.
- 3.22** Based on the details above, the effectiveness of domestic coordination and governance in Montserrat was rated **Close to excellent**. Although there is a lack of complete openness, there is an increasing effort to foster coordination, cooperation, and good governance; however, this effort is diminished by the inherent risk of limited skilled resources and double hatting creating unavoidable potential conflicts of interest.

Effectiveness of International Cooperation

- 3.23** Montserrat is permitted by its domestic legislation and regional MOUs to share information with regional and international regulators, agencies, and other organisations. Montserrat is also party to, regional and international treaties which has developed into strong links with international counterparts. Also, Montserrat is an active member with regional agencies to fight against AML, namely, CFATF.

- 3.24** Montserrat has also benefited from various Mutual Legal Assistance, through the Mutual Legal Assistance Treaty (MLAT) and the various tax treaties and agreements that Montserrat is signatory to. As a result, Montserrat can both provide and request information, to assist, or gain assistance from overseas authorities in investigations and even, through appropriate mechanisms, in the prosecution of relevant crimes. These agreements and assistance have provided Montserrat competent authorities with the relevant support, intelligence, and information.
- 3.25** However, the most notable absence is the FCAU non-membership in the Egmont Group, which has hindered somewhat its ability to receive timely intelligence from its counterparts through the Egmont Channels. Montserrat has passed the FIU Act which establishes an independent FIU and efforts are ongoing to prioritise the FIU in becoming a member of Egmont. In addition, steps have been taken to improve the technology and its location to reassure international bodies and partners regarding the security of sensitive information and its operations.
- 3.26** Based on this information, the combatting ability effectiveness resides in the absence of Montserrat's membership with the Egmont Group. As a result, Montserrat's capacity to conduct thorough investigations is hindered, thereby impeding its effectiveness in combating financial crimes, although there are informal means of access. In essence, these limitations hamper somewhat the capacity of the competent authorities to efficiently address the risks of money laundering that arise in cross-border scenarios.
- 3.27** Despite the inherent constraints and limitations, table 17 below provides evidence of the commendable efforts made by Montserrat in establishing meaningful connections with various nations. Most of these interactions primarily revolve around conducting thorough due diligence checks on companies or individuals, which may include investigations into beneficial ownership. Additionally, there are requests to ascertain whether individuals have any criminal records or assets that are known to counterpart authorities. The latter primarily covered inquiries into SARs or predicate offences, which involve suspected instances of fraud, scams, hacking, and drug-related offences.
- 3.28** However, as discussed previously, even though Montserrat has MOUs and treaty relationships with several countries to foster regional and international cooperation in criminal matters, there has been greater support regionally, as opposed to internationally. This is mainly because the proceeds of criminal offences in Montserrat are relatively small, in comparison to the international thresholds to warrant an international investigation. These small levels of illicit proceeds in Montserrat restricts the ability of the local agencies; FCAU, RMPS OR MCRS, to request further investigations from other international agencies, as the threshold for initiating an investigation is often higher. In most cases therefore, no further action is taken, and the case is dropped.

**Table 17: Information Sharing with International Partners
2019-2023**

Requests made	Request Received
Anguilla	Antigua & Barbuda
Antigua & Barbuda	Dominica
ARIN CARIB Members	Panama
Barbados	Dominican Republic
British Virgin Islands	USA
Canada	St Vincent & Grenadines
Cayman Islands	
Dominica	
Grenada	
Jamaica	
Panama	
St Maarten	
St Vincent	
Turks & Caicos	
United Kingdom	
USA	

Source: Data of Requests Made and Received, FCAU February 2023

3.29 In conclusion, this evaluation identifies the effectiveness of regional and international cooperation as an area requiring improvements. Nonetheless, this concern was diminished by the low ML threat levels and small values to the international ML thresholds. Also, a favourable sign includes the United Kingdom and other international bodies²⁸ providing support for AML/CFT in technical training to boost the international cooperation for intelligence and investigation. This was exemplified in a recent case involving the UK crimes team and the Montserrat competent authorities.

3.30 After taking all factors into consideration, the assessment team determined the effectiveness of international cooperation as **Medium** vulnerability to combating ability effectiveness.

Effectiveness of Regulator to Combat Financial Crimes

Effectiveness of Regulatory Oversight and Supervision

3.31 The FSC commenced practically the roll-out of its AML/CFT/CPF regulatory and supervisory risk-based approach with full a scope onsite examination of the sole domestic bank supported by the ECCB in collaboration with the FCAU in July 2023. This was followed by a full risk-based AML/CFT/CPF onsite examination of the sole Credit Union in November 2023. In accordance with section 161 of the Proceeds of Crime Act, Chapter 04.04 (POCA), the Financial Services Commission (FSC) supported by the ECCB

²⁸ These bodies include Interpol, Cranfield University, OECD, UNODC, CARICOM-IMPACS, RUSI, ECOFEL, BASEL, and ARIN CARIB.

and FCAU conducted this examination which was based on data and information included in the books and records of the Bank over the period 1 March 2022 to 31 March 2023. The following examination areas were covered:

1. AML/CFT Governance;
2. Ongoing Monitoring;
3. Customer Due Diligence;
4. Record Retention; and
5. Reporting.
6. Wire Transfers

3.32 In the FSC's most recent Strategic Plan (2022-2025), two key weaknesses were identified: inadequate staffing to handle the regulatory workload and a lack of relevant training opportunities for the Commission.²⁹

3.33 However, the supervisory staff of the Commission is building capacity by engaging in internal and external comprehensive training programmes on AML/CFT risk-based supervisions. One of the training initiative was conducted by the ECCB in collaboration with the World Bank. The training spanned from the year 2020 to 2022, providing the Commission's supervisory staff with the relevant guidance, knowledge and information for an effective risk-based AML/CFT supervisory framework. The FSC has also benefited from the ECCB's funded ACAMs scholarships enabling staff to attain the designation qualification as Certified Anti-Money Laundering Specialists.

Inspection/ examination regime

3.34 In addition, every financial institution and registered DNFBPs must establish, document and maintain internal effective system of internal controls, which provide policies, processes and procedures for identifying and preventing money laundering and terrorist financing, so that the risks inherent in their business relationship or a one-off transaction can be readily identified with respect to possible money laundering and terrorist financing activities. Compliance manuals and risk assessments are reviewed as part of the FSC's supervisory approach to ensure that regulated entities comply with the requirements in all applicable laws and regulations. During on-site inspections, the FSC assesses the regulated entities AML/CFT compliance with their statutory obligations. All deficiencies are outlined in the examination findings and recommendations are made with stipulated deadlines to remedy the deficiencies.

3.35 According to table 18 below, 2 risk-based onsite examinations in 2023 were carried out. During the period under review the FSC followed-up with the Domestic Banks and 2 International Banks based onsites in 2018 to ensure that steps were taken to address the deficiencies highlighted in the Onsite Examination Reports.

²⁹ The FSC's strategic plan 2022-2025, SWOT analysis, p. 21

Table 18: FSC Financial Institutions Inspections 2019-2023

Examinations	2019	2020	2021	2022	2023
No. of onsite examinations	0	0	0	0	2
No. of offsite examinations	0	0	0	0	2
No. of follow up examinations	4	4	0	1	0
Spot checks	0	0	0	1	0
Total	4	4	0	1	2

FSC provided: The total number of organisations examined were 4 FIs

3.36 Although, the regulator’s policy stipulates that the on-site inspections must occur within two to three years, this objective proved unattainable considering the restrictions imposed by the Covid-19 pandemic.

3.37 Also, the AML/CFT violations observed were of a minor nature and did not meet the threshold for regulatory discipline or sanctions. All recommendations were successfully implemented within the following two years, as indicated in the same table above.

Table 19: FSC inspection regime for DNFBPs

Examinations	2019	2020	2021	2022	2023
No. of onsite examinations	0	0	0	0	0
No. of offsite examinations	2	2	0	0	0
No. of follow up reviews	0	0	0	0	0
Spot checks	0	0	0	0	0
Total	2	0	0	0	0

Total number of organisations examined: None.

3.38 The FSC has not conducted onsite AML/CFT risk-based examination on any of the DNFBPs. However, the FSC has reviewed off-site policies and procedure manual submitted by a few of the registered DNFBPs. The development and implementation of a Risk-Based Approach to supervise and regulate the DNFBPs will direct the FSC’s next steps based on its SRA results. The results from its SRA will inform the supervisory onsite schedule for first quarter 2024 and beyond for DNFBPs.

Coordination

3.39 The FSC maintains a strong collaborative relationship with various bodies at the domestic, regional, and international levels. In the national context, the FSC collaborates closely with the FCAU and all other competent authorities to notify agencies of high risks jurisdictions from the FATF and CFATF, among other issues. Additionally, the FSC receive copies of large transaction reports from FIs Regionally and internationally, the FSC coordinates supervision with:

- Eastern Caribbean Central Bank (ECCB) - MOU
- ECCU Single Regulatory Units (SRUs)
- Caribbean Association of Insurance Regulators (CAIR) -MOU
- Caribbean Association of Pension Regulators (CAPS)
- Overseas Territories (OTs) Regulators

- Caribbean Association of Credit Unions (CACCS)
- Superintendent of Banks in Panama - MOU
- H.M. Treasury
- Caribbean Financial Action Task Force (CFATF)

Awareness

- 3.40** The FSC held its first press conference in October 2023, that supports the goals of the supervisory unit and the overarching mandate of the FSC to enhance its supervisory framework for all sectors under its remit to fully risk based. It is the FSC’s aim to hold press conferences on a targeted basis to continue highlighting the importance of its role in combatting ML/TF with the hope of building greater partnerships and collaboration with regulated entities, other key stakeholders, and the public. The FSC regularly publishes matters relevant to supervision, regulation, AML/CFT/CPF on its social media pages (@fscmontserrat on both Facebook and Instagram). The FSC has made it a mission to spread awareness on the need to highlight the issue of Money Laundering and Anti-Terrorism activities in the jurisdiction. The FSC uses the opportunity during the entrance and exit onsite examination meetings to inform the entities of the necessity to develop policies and procedures to assess, understand and mitigate the risks faced by their various sectors.
- 3.41** The FSC has conducted training to Domestic Bank in 2021, where gaps noted during on-sites and the institution’s approach to remedy the deficiencies were communication to the institution. One primary goal of the training was to promote compliance and prevent non-compliance with the AML/CFT regulations and AML/CFT Code, advise and inform the FI of increasing AML/CFT awareness and understanding of the requirements. The FSC has also recently joined with the FCAU in its weeklong training (week of December 6, 2023) with all regulated/supervised entities in highlighting the importance of the filing suspicious activity reports, ML/TF issues and relevance of the mutual evaluation process.
- 3.42** The FSC will continue its efforts at promoting clear understanding by FIs and DNFBPs of their obligations and ML/TF risks during training scheduled in 2024 and ongoing targeted sector meetings.
- 3.43** In conclusion, taking all factors above into consideration the combating ability of the FSC was rated as **Medium-High**.

Effectiveness of Criminal Investigations for ML

Quality and Accessibility of Intelligence Gathering and Processing

- 3.44** The FCAU serves as the hub for intelligence gathering within the jurisdiction. It acquires its intelligence through SARs submitted by FIs and DNFBPs however, as of July 2023, most submissions are from FIs and MSBs. The table 20 below provides a summary of SARs submitted to the FCAU between 209-2023.

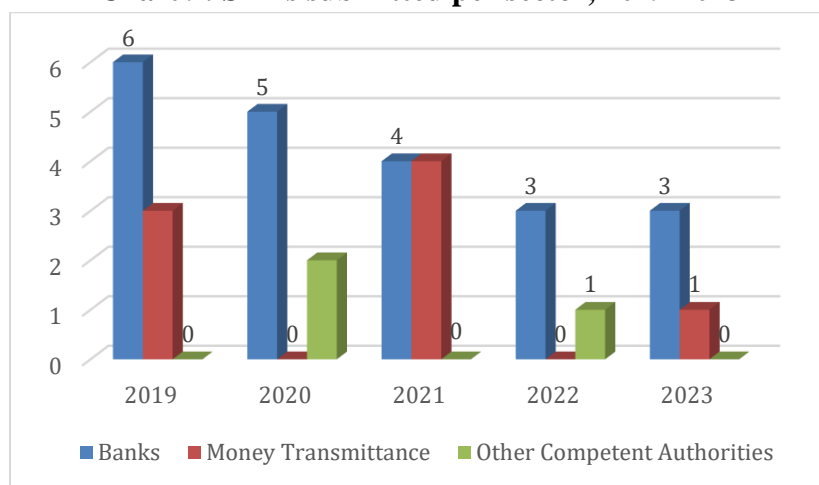
Table 20: Disposition of Intelligence Cases Received from 2019 to 2023

Decision Criteria	2019	2020	2021	2022	2023
Intelligence Submitted by SARs	9	7	8	4	4
Classification of SARs					
Intelligence (kept for future reference)	3	3	3	1	0
Under Inquiries (further analysis)	2	3	2	3	4
Pending (seeking advice from ODPP)	3	0	0	0	0
Closed (deemed no further action)	1	1	3	0	0

Source: FCAU, 2023

3.45 In the past five years, the FCAU received 32 SARs from all reporting entities. However, none of these SARs led to any prosecutions or convictions after the FCAU analysis. Upon review, the FCAU found that the number of SARs has gradually decreased. Most of the SARs were categorized as ‘intelligence’, which means they were of limited investigative value given the context and materiality of Montserrat. Despite this, the FCAU continues to review SARs that are still under investigation for potential prosecution. Within the past five years, the Office of the Director of Public Prosecutions (ODPP) reported that only one SAR was referred for prosecution from the FCAU. However, no arrests were made as the accused left the country before this was possible. The FCAU emphasized that not all investigations will lead to criminal charges but acknowledged the context and materiality of Montserrat.

Chart 9: SARs submitted per sector, 2019-2023



Source: FCAU, February 2023

3.46 The chart 1 above shows that in the year 2019, a total of 9 SARs were submitted from all the sectors. However, there was a drastic drop of more than 50% in the subsequent three years. Over the years, there has been a gradual decline in submissions, with only four SARs received in the year 2023 from all sectors. However, it is important to note Montserrat’s small economy and limited materiality.

3.47 During the time-period of the assessment, only 1 out of the 32 SARs resulted in a possible ML prosecution. However, this may be attributed to the small economic context and limited materiality of the financial sector, and not related to the effectiveness of the reporting entities in ensuring the relevance

and accuracy of information contained in SAR reports. The submission of SARs may vary depending on several factors, including the entity's risk management practices, the low frequency of transactions, and the limited values.

- 3.48** Also, to date no DNFBP have submitted a SAR report to the FCAU. This is particularly because of the small economic context and limited activities within the DNFBPs. However, to ensure that this is not a compliance concern of the DNFBPs the FSC has initiated discussions, developed, and issued AML/CFT guidelines, and conducted training sessions with all DNFBPs.
- 3.49** Withstanding this, the FCAU has received the relevant training for analysing and investigating suspicious activity. Sufficient training has been completed on risk management and stress testing in banking and insurance. The members of the FCAU have also been attached to international partner jurisdictions, where they were exposed and participated in live cases, which has improved their investigatory capabilities. As a result, the FCAU has undergone a variety of comprehensive training to proficiently analyse and investigate SARs.³⁰
- 3.50** However, after careful examination it became evident that the information analysed by the FCAU lacks an organised structure of data collection but has recently introduced a new analytical tool, Altia to develop investigative intelligence. This new tool will be used for analytical modelling, predicting trends and statistical data analysis, which will improve the data/intelligence.
- 3.51** Additionally, outside of SARs, the FCAU receives intelligence from the competent authorities, such as the MCRS, in the form of currency declaration forms. The FCAU conducts independent inquiries on the declaration forms to deem the validity of the declarations. The FCAU also received intelligence from the RMPS for ML interception cases. In addition, the FCAU received regional and international intelligence, but the international intelligence is limited, because Montserrat is not a member of Egmont Group. The limited availability and access to international intelligence negatively affects the quality of FCAU's intelligence framework. Furthermore, the FCAU is expected to initiate the sharing of sanitised SARs to assist/ support the operational activities of the competent authorities towards the remit in AML.
- 3.52** Upon careful evaluation, the assessment team concluded that the current state of intelligence availability and quality to combating ML is **Medium-Low**.

Capacity, Resources, and Investigation Prioritization

- 3.53** The assessment team reviewed the investigative agencies within each of the competent authorities, including the RMPS, FCAU, and MCRS. Notable, there were significant variations in each competent authority's capacity to investigate serious offences. However, all the competent authorities that were investigated faced similar constraints that limits their effectiveness. Note, that the FCAU is the only entity to investigate intelligence concerning ML.

³⁰ Training for the FCAU is attached in the appendix.

3.54 The common constraints among these competent authorities are:

1. Insufficient human resources,
2. Inadequate technical and equipment,
3. Inconsistent methods of data storage and inadequate collection of data,
4. A wide disparity in knowledge between top-level and middle-level management, and
5. A lack of experience in handling complex cases due to the infrequent number of cases.

3.55 Despite these limitations, the investigative teams at the competent authorities are provided with worldclass training exercises, on investigative techniques, and actively participates in a variety of training programmes offered by international and regional institutions.³¹ Although, these competent authorities received numerous international and regional training interventions, it was noted that none of these included integrity training.

3.56 The focus of the training received by the investigative and protective authorities were specifically designed to enhance the expertise and knowledge of the staff members in how to tactically deal with financial crimes.

3.57 Furthermore, it is worth noting that the investigation efforts of the FCAU are not hindered by any known restrictions imposed by the government. Moreover, the FCAU possesses full autonomy to carry out investigations until their completion, without the need for external approvals. This autonomy is permitted because the FCAU is a hybrid entity with the collection and investigative arms in the unit. Its officers hold the dual role of police officers, enabling them to receive, analyse, investigate, and disseminate intelligence.

3.58 It has been observed that the process of conducting ML and predicate crime investigations can span several months to even several years before charges are laid and prosecutions are concluded. The prolonged nature of the process can be attributed, in part, to the inherent difficulties associated with fostering international cooperation, inadequate staffing for prosecutors and limited concerns around prioritisation of ML cases (that may lead to other frequent predicate offences or other offences taking priority). Additionally, the absence of Montserrat's membership in the Egmont Group poses a significant obstacle to the advancement of complex international investigations and hampers the authorities' ability to obtain crucial information for their inquiries easily. However, access to the UK counterparts, such as the National Crime Agency, can assist Montserrat, in any resource constraints in the process of acquiring such information.

3.59 The assessment team recognises these constraints as weaknesses in the investigative capacity of the FCAU in Montserrat, but the external support from the UK which boost the institution's ability to conduct comprehensive investigations. As a result, the assessment team has rated the combating ability as **High** due to numerous training activities exposed to the jurisdiction.

³¹ Please see appendix for training programs undergone by the various sectors.

3.60 However, the assessment team suggests employing key personnel to bridge the gap in middle management and increase the technical equipment. Also, develop a new system for record keeping with consistency between the competent authorities (to facilitate the sharing of information). Furthermore, prioritise training based on the jurisdictional needs, and allocate resources based on the high-risk areas of the jurisdiction national strategy (when completed) to combat ML.

FCAU Independence and Integrity

3.61 FCAU staff are employed by the Government of Montserrat; the budget for the FCAU is part of the Police Budget, in the annual financial allocations, so the Commissioner of Police controls the expenditure. All requests for financial support in the form of technical equipment, human resources, training, and salaries are made to the Government of Montserrat; the Director and all staff members of the FCAU are employed under the RMPS as police officers and perform the roles of financial investigators and analysts for the FCAU. Nevertheless, based on an analysis of the SARs rejected for further investigations and open-source research, FCAU's operations have not revealed any investigatory or procedural violations. Considering all these factors, the Unit structure lacks independence and there is potential for conflict of interest which represents the vulnerabilities.

3.62 However, Montserrat has recently passed the FIU Act which is soon to be in force to correct all the weaknesses identified in the current affairs of the FIU and the FCAU and rated the present state of effectiveness for independence and integrity of the FCAU as **Medium**.

Effectiveness of the Prosecution

Capacity and resources of investigation and financial crime prosecutions

3.63 As of July 2023, the ODPP has five staff members: three prosecutors, one paralegal and one clerical officer. Over the years, the ODPP has sought to ensure its officers get up to speed in prosecuting ML. The staff has attended workshops and training courses in which experts in the area have made presentations and given lectures on the prosecution of ML. For example, in 2022/2023, the ODPP attended a webinar hosted by Justice Clearing House specifically designed to prosecute ML matters. Additionally, in September 2023, the ODPP participated in two lectures hosted by the International Association of Prosecutors (IAP) that focused primarily on prosecuting ML. These training sessions provided in-depth coverage of the elements of ML offences, the burden of proof in ML cases, and sentencing considerations for ML offences.

3.64 Notwithstanding the continuous training undergone by the ODPP, the assessment team recommends an increased need for human resources to ensure that the delay in ML case conclusions is not blocked due to shortages in the human resources.

3.65 Consequently, the assessment team rated the combating ability of the ODPP as **Close to excellent** due to the training capacity and prosecuting experience in dealing with all crimes in the jurisdiction.

Comprehensiveness of Asset Forfeiture Processes and Laws

3.66 Clear criminal and civil procedural guidelines outlining the process for asset forfeiture are included in the legislation of POCA which allow prosecutors to action asset seizures from proceeds of crime. However, the vulnerability lies in the fact that there is no approved national AML policy document for the confiscation of criminal proceeds, instruments, and property of equivalent value in place for money laundering. The table 21 below shows the extend of asset forfeiture in the jurisdiction for the last 5 years.

Table 21: Asset Confiscation 2019 to 2023

Order	Offence	Status	Assets
2019			
Production Order	Obtaining a Pecuniary Advantage	Suspect left the jurisdiction before charges were filed	EC\$61,544.62
Cash Detention	Possession with intent to supply	Court ordered funds to be returned	EC\$12,694.00
Restraint Order	Drug Trafficking Offence	Linked to Cash Detention Order of EC\$12,694.00	EC\$48,126.28
Production Order	Cheating Public Purse	Matter before High Court as defendants have been charged	US\$900,000.00
2020			
Cash Detention	Possession with intent to supply	Still before the Court as accused appeal sentence	EC\$3596.00 US\$182 £100
Production Order	Possession with intent to supply	Linked to Cash Detention of EC\$3596	EC\$3596.00
Cash Detention	Possession with intent to supply	Cash Forfeited	EC\$2613.55
Production Order	Deception	Cash was found to have come from legitimate source	£4000.00
Production Order	Possession with intent to supply	Cash Forfeited	EC\$6209.55
2021			
Production Order	Deception	Matters before the High Court	US\$99,963.86
Production Order	Cheating the Public Purse	Link to cheating public purse of US\$900,000.00	US\$900,000.00

Order	Offence	Status	Assets
Production Order	Money Laundering	Matters before the High Court	US\$99,963.86
2022			
Production Order	Cheating Public Purse	Matters before the High Court	US\$900,000.00
Restraint Order	Cheating Public Purse	Linked to Cheating Public Purse of US\$900,000.00	
Confiscation	Concealing Proceeds of conduct	Matters before the High Court	EC\$855.380.54
2023			
No data			

- 3.68** There is legislative process in place for the ODPP to conduct asset freezing or confiscation, where such payments are made to the National Assets Forfeiture Fund. The table above shows the history of Montserrat’s attempt to execute the process, where in most cases the matters are still before the court. Those cases where funds have been granted are rightfully held in the National Forfeiture Fund with a total of **XCD\$30,876** and there are no records of payments out of the fund designated for the use of specific develops according to the legislation in POCA, Part 5 targeted to enhance the efforts of combating ML. Also, recently assets have been seized from an overseas jurisdiction of a confiscation amount for £250,000 attempted, but retrieved £189,000, 2023.
- 3.69** The assessment team also advises that although the values of confiscations are low and limited to the support internationally, there may be a need to establish an asset recovery team that will collaborate closely with all relevant authorities. This team should focus on formulating a comprehensive national policy to complement the national policy for the confiscation of criminal proceeds, efficient liquidation of assets, and seizure of instruments and properties of equivalent value in money laundering. Additionally, the team should provide valuable support to the registrar, FCAU and the ODPP in various aspects related to confiscation proceedings.
- 3.70** Ultimately, the assessment team rated the combating ability as **High** but encouraged the competent authorities to coordination more effectively to seamlessly capture all assets in an efficient manner to avoid any possible deficiencies.

Integrity and Independence of Prosecutors

- 3.71** Prosecutions of ML and related financial offences are instituted without interference, political or social pressure, corruption, intimidation, or abuse of office. The ODPP is not led by media or political pressure and as such performs its duties independently and impartially. There is no evidence to suggest that the ODPP is compromised. Furthermore, the ODPP has demonstrated its independence and impartiality by conducting investigations and prosecutions against former high-ranking government and private officials. In the execution of the office a former government official in question has been convicted and is presently serving a sentence for charges related to predicate offences.

3.72 The assessment team rated the ML combating ability as **Close to excellent** based on the ability to perform its functions independently and impartially with little or no evidence of integrity concerns. Further, the ODPP is subject to the Government of Montserrat Disciplinary Code as is provided for in General Orders and other disciplinary measures. Additionally, the ODPP is open to civil suits for any civil liability caused.

Effectiveness of Judicial Processes in ML cases

3.73 The capacity and resources for judicial processes, as well as the integrity and independence of judges, is regarded very efficient, as Eastern Caribbean Supreme Court judges are specifically trained to handle complex financial criminal cases. Notably, the judge in place while drafting the NRA, in Montserrat, oversees High Court matters and is trained to hear cases of international terrorism and judicial process for financial criminal matters. In addition, the judicial process is governed and safeguarded by the ethical standards of the Legal Profession and the Eastern Caribbean Supreme Court, as well as disciplinary codes of conduct. Consequently, the assessment team determined that the Courts have sufficient capacity to adjudicate ML cases and the Courts' independence and integrity are in good standing.

3.74 There is minimal vulnerability in the Court system, except for the fact that the sole judge for hearing proceedings is not permanently based on the island, which could potentially cause a protracted delay in the judicial process. This concern is lessened by the fact that virtual hearings are now instructed within the Court system. Taking all into consideration, the assessment team determined that the combating ability to ML was **Medium-High** because the number of Court cases requiring adjudication is limited and the regular absence of the Judge does not substantially impede the administration of justice as there is a process for virtual hearings and Judges also sits in Antigua and St. Kitts where Montserrat matters are heard.

Effectiveness of the Border Controls

Comprehensiveness and Effectiveness of Customs Regime on cash and similar Instruments

3.75 Customs plays a significant role in criminal investigations, especially those involving the illicit cross-border transport of cash and similar instruments, but it faces capacity and resource constraints. However, all custom officers are extensively trained.³²

3.76 Customs does not have access to any cargo, baggage, or package scanning devices or any other equipment that would permit electronic or technological examination of goods at the sea or airport upon entry and exit at the sea. Therefore, all examination is conducted by hand. In addition, the examination of departing passengers is not conducted by customs officers, but rather by port/airport security.

³² Please see the list of training in the MCRS at the appendix.

- 3.77** This means there is a risk that undeclared, restricted and or prohibited items can be imported without the knowledge of Customs due to the lack of thorough examinations. The current scenario has the potential to undermine the effectiveness of AML/CFT mechanisms. However, due to the infrequency of visitation and the temporary closure of the sea bridge the cross-border deficiency is materially diminished.
- 3.78 Arriving passengers-** are subjected to the mandatory declaration of cash or monetary instrument valued at over US\$10,000 or EC equivalent. This request is made in section 5 on the Customs Declaration Card which is to be completed by all passengers on arrival into Montserrat. The legal authority for requesting this declaration from all arriving passengers is provided for in section 27 of the Customs (Control and Management) Act CAP 17.04.
- 3.79 Importers** - that import unaccompanied packages or mail that contain currency, cheques, or monetary instruments or any combination exceeding \$27,000XCD or equivalent in any currency are to make such declaration as per section 30 of the Customs (Control and Management) Act CAP 17.04.
- 3.80** Between 2019 and 2023, the Customs division saw only three currency declarations by arriving passengers. These three were all made at the airport, with none being made at either the seaport or post office. The amounts declared were US\$9,006 (plus Can\$195), US\$10,000 and Can\$55,000 and were followed by mandatory filings to the FSC, which this process of filing is a deficiency as these cash declarations should be made to the FCAU for analysis. However, there were no seizures of currency at any of Montserrat's ports of entry. Although, there have been multiple seizures of minor quantities of drugs on vessels at Little Bay Port or in Montserrat's territorial waters these seizures were not accompanied by cash, or of no ML concerns.
- 3.81** Furthermore, based on the identified system of customs regime for cash and cash instruments there are documented weaknesses in the operations of the Customs Division pertaining to cash in transit. There is a possibility that unreported currency is entering Montserrat because not all arriving persons or items/goods are currently screened, and the manual searches conducted may not be comprehensive or effective. During the reporting period the Customs Division had not come across any situation that would have merited the direct seizure of Cash or Monetary Instruments. However there have been cases where customs issued fines for “**Compounded Offences**” relating to activities that were in breach of customs laws, processes and procedures as provided for under section 127 of the Customs (Control and Management) Act CAP 17.04 for matters relating to :
- i. Untrue Customs declaration of value of goods
 - ii. Use of improper invoices
 - iii. Failure to declare goods
 - iv. Breach of Custom procedures.
- 3.82** As a recommended because the airport currently only possesses scanners for departing passengers it maybe advantageous to introduce additional scanners for arriving passengers, as well as implement scanners at the seaport for cargo shipments and ferry travels. This approach would not only enhance the safety and security measures within the jurisdiction, but also streamline the efficiency of the conducted

checks. Assisting the staff to effectively allocate resources and prioritise import destinations that present higher levels of risk.

- 3.83** As a result of the above, the assessment team rated the combating ability as **Medium** due to the Comprehensiveness and Effectiveness of Customs Regime on cash and similar Instruments as well as the extensive training undergone by the staff members.

Treaty Agreements

- 3.84** Montserrat, being members of both CARICOM and OECS, enjoys the privilege of specific provisions that facilitate the easy flow of trade within and between the territories of these regional treaty agreements. As per the provisions of the treaty agreements, businesses and individuals enjoy the privilege of transporting goods among all its Member States. However, it is important to note, that all customs checks, and clearance procedures remains a mandatory requirement for all personnels and goods, upon entry and exist in Montserrat.
- 3.85** The facilitation of cross-border trade and investment through these agreements gives rise to situations that can be exploited for money laundering and other financial offences. However, despite the risks, these agreements offer significant benefits to member states by promoting economic growth and development.
- 3.86** Nonetheless, criminal organisations and individuals may seek to exploit this channel to launder illicit funds or commit other financial offences as persons who may have previously undergone heighten due diligence checks at airports/ seaports because of their country of origin (or the risk identification strategy of the jurisdiction), can now potentially evade such scrutiny by obtaining these CBI passports.
- 3.87** However, there are robust compliance mitigation measures within both the regional bodies, also MCRS has undertaken training regionally and internationally to mitigate the potential ML concerns in the CBIs.
- 3.88** To combat these issues, Montserrat maintains a standard procedural practice for all entry and exist by air, maritime, and the entry of goods via postal services to ensure that there is a common standard check at all points. However, it is recommended that Montserrat and the other party members who do not offer CBI, advocate within the body associations for better administrative provisions and sharing of investor identification information, including details of previous residencies to ensure regional safeguards and protection of the national security.
- 3.89** After considering all the information, the ML combating ability is assessed as **High**. This determination is based on no proven cases for ML/TF from the CBIs in Montserrat and the technical training to identify certain factors.

Quality of Border Controls

- 3.90** Geographically, Montserrat is situated between North and South America, that is notoriously known as a high-risk channel for illegal activities.³³ Additionally, the volcanic eruptions have rendered approximately 2/3 of Montserrat's landmass and coastline uninhabitable and largely unmonitored creating an exclusion zone. On the surface of this information this would constitute a serious vulnerability from the potential ease of unmonitored access to and from the terminal and maritime exclusive zones. However, the extent of the ML danger is minimal, as the MCRS has in place air surveillance and border coastguard patrols which ensures that there are minimum unknown factors to the jurisdiction.
- 3.91** Furthermore, situated within the exclusion zone is Plymouth, the former capital of Montserrat. Prior to the volcanic eruptions, Plymouth was the only port of official entry and exit to and from Montserrat. Authorities on island have been informed that even today, vessels using obsolete charts have attempted to gain entry through the port of Plymouth.
- 3.92** Consequently, the Customs Division of the MCRS cannot affirm with certainty that "Customs Entry or Departure Clearances" are granted to all vessels entering or leaving Montserrat. This current scenario weakens the AML/CFT mechanisms of Montserrat.
- 3.93** In addition, Custom faces a range of equipment shortages but it is mitigated through the reliance of the Marine Division of the RMPS to utilise the Police marine vessels when it is necessary to conduct maritime border, coastline patrols and checks. This is however a highly capable solution for cooperation of both RMPS and MCRS to conduct border security and customs enforcement.
- 3.94** In addition, UK FCDO Home Office, Marine Coastguard Agency, the US Coastguard and DFT have provided analysis, training, and capacity building to Montserrat's Port Authority, RMPS and MCRS on border security.
- 3.95** Consequently, the authorities' have demonstrated well-coordinated endeavours to uphold jurisdictional protection, and as such the assessment team has deemed the combating ability as **Medium-High**. This assessment considered the porous borders and the potential risks associated with the exclusion zone but considered the specialise training, connectivity, and ML materiality. .
- 3.96** Also, the assessment team advises to prioritise the quality of border controls, in the National Policy and National Strategic Plan to ensure that the ML combating ability is maintained or improved, as the jurisdiction's landscape context is expected remain.

³³ Based on the Global Corruption Barometer (GCB) Transparency International 2019 Report on Latin America and the Caribbean. The Caribbean region is designated as a transit point used for onward shipments of drugs and narcotic-crime destined to other jurisdictions.

Financial System

Formalisation of Economy

- 3.97** Montserrat's economy is primarily cash-based, but made-up of small business operators with minimal materiality to ML. Additionally, Montserrat (FSC, FCAU and the Governor's Office) is currently developing a national communication plan with the focus of AML/CFT financial awareness, promote financial inclusion, and determine the true extend of the cash-based economy. Consequently, the cash-based economy in Montserrat is not necessarily considered an informal economy due to the inherent understanding of the competent authorities.
- 3.98** However, during the height of the Covid-19 pandemic in 2020, when stringent limitations were imposed on business operations and individuals' mobility, an estimated sum of \$20 million USD was remitted through the utilisation of MSBs (see table 13). This is double all the amounts, in every other year and it accounts for the largest flow of remittances in the last 5 years despite the restrictions in place.
- 3.99** As a result, the assessment team as rated the combatting ability to the formalisation of the economy for ML as **Medium-High**.

Level of Financial Integrity

- 3.100** This variable assesses the extent to which the tax system of the country ensures both transparency in financial matters for its citizens and residents, as well as the appropriate sharing of information among tax authorities and law enforcement agencies.
- 3.101 EU Blacklisting:** In 2019, Montserrat was one of thirteen Caribbean nations identified on the list of 30 non-compliant nations deemed tax havens. However, Montserrat has taken the adequate measures to resolve tax transparency and prevent base erosion and profit shifting (BEPS) activities resulting in the removal from the EU Blacklisting.
- 3.102 As of February 2023,** Montserrat was placed on the EU's "greylist" pending commitments to introduce the minimum standard in relation to BEPS Action 13 – Country-By-Country Reporting. As of July 2023, Montserrat was peer reviewed, and it is a firm belief that Montserrat has met the minimum standard and is expecting the inclusive Framework Action 13 peer review report in the autumn of 2023 to be compliant by the EU's Code of Conduct Group and therefore will be removed from the "greylist". See: [pdf \(europa.eu\)](https://ec.europa.eu/europa.eu)
- 3.103 OECD Assessment:** According to the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes, Montserrat was deemed to be substantially compliant with international standards for tax transparency and exchange of information in the most recent peer review report published in 2021. Montserrat's compliance with international standards on exchange of information upon request (EOIR) was evaluated and deem sufficient. The report determined that Montserrat had

implemented the necessary legal and regulatory framework for EOIR and provided timely and effective assistance to its treaty partners.

3.104 The assessment team concluded that Montserrat's capacity to comply with international standards is crucial to prevent being re-listed on the blacklist. Such an outcome could have far-reaching consequences and undermine the overall effectiveness of financial integrity measures. After careful evaluation, it was determined that the vulnerability effectiveness rating is **High**.

Effectiveness of Tax Enforcement

3.105 The collection of taxes, levies, and fees accounts for 1/3 of Montserrat's total revenue, constituting a significant contribution to the economy. The MCRS audit department has been operational for the past two years, since 2021. The role of the Tax Audit Unit in the Inland Revenue Division of the MCRS is to conduct Tax Audits on or Assess Returns and declarations from larger taxpayers or taxpayers with complex accounting systems, including the examining and verifying of all relevant books and records where there is a need to do so or where there are concerns for tax purposes. In addition, the Unit is also responsible for “drawing up additional demands where income tax has been under declared or tax underpaid. Based on the finding by the Unit there may be the need to issues and outcomes with taxpayers and or respond to their questions and concerns regarding their tax affairs.” With this type of work along with the relevant training there is now and additional mechanism by which matters such as money laundering concerns could be raised and referred as required.

3.106 In addition, the intelligence unit often work with the MCRS tax department by requesting information for tax fraud to complement the intelligence research, in situations where there is no concrete evidence of money laundering proceeds from investigations carried out through SARs or other financial investigative matters.

3.107 Based on these findings, the tax administration system is sufficiently equipped, and the assessment team rated the combating ability as **High**.

3.108 However, the assessment team recommended that the audit and tax team systems are upgraded to ensure that schedule audits are flagged due to certain criteria, to assess, analyse, and audit institutions based on sectors and high-risk businesses, as well as individuals known to the entities from the sanitised SARs proposal. Also, the inclusion of seamless information sharing for tax crimes: direct or indirect taxes with the FCAU.

Availability of Independent Audit

3.109 There are chartered accountants who conduct independent audits for businesses or corporations. However, there are currently no regulatory body in Montserrat tasked with overseeing the auditing of independent auditors. The absence of a governing body for accounting firms is not materially impactful for ML concerns given the fact that the auditing firms conduct audits on a small portion of businesses

that exist in Montserrat plus the government tax offices are well equipped to ensure that the ethical practices are maintained in companies' financial records.

3.110 Consequently, the assessment team assigned a combating ability of **High** effectiveness rating despite the absence of a governing body for the independent auditors. However, as an element of caution the assessment team recommends that the accounting firms on the island establish a professional association to oversee their services. This association should be structured by well-documented guidelines and enforcement disciplinary measures. Alternatively, it could be beneficial to explore the possibility of a regional body of association for the accounting firms.

Identification Infrastructure

Accessibility and Quality of Identification

3.111 In Montserrat, three forms of identification are accepted for official purposes.

1. Passports
2. Social Security Identity Cards/ Identification Cards
3. Driver's Licence

3.112 These identification requirements apply to both domestic and foreign applications for business registration, as well as know your customer (KYC) requirements for FIs and DNFBCs. Two forms of photo identification, a character certificate, proof of address (utility bill; does not have to be a local address), and a curriculum vitae for business applications (this last item is only required in certain instances) are the norm in the jurisdiction. In some instances, however, individuals who are not the primary applicant are exempt from providing two forms of photo identification.

3.113 All IDs are cross-referenced against the FSC's and financial institutions' security databases. Passports, social security cards, and driver's licences from Montserrat all comply with high quality and security standards and are regarded as secure identification documents. Regionally and internationally issued licences and identification documents must meet the same benchmark as the governing jurisdiction.

3.114 The assessment team rated the effectiveness to the combating ability as **High**.

Availability and Access to Beneficial Ownership Information and Independent Sources

3.115 Currently, there is no legal requirement to record Beneficial Ownership (BO) information within the jurisdiction. This is due to the absence of a distinct statutory requirement in the Companies Act for the keeping, obtaining, and timely access to information on beneficial ownership and control of local companies, which remains a cause for concern to independent sources of information. However, Cabinet has approved a new Companies Bill to correct this issue of BO concerns and the legislation is before the Legislative Assembly.

3.116 Despite this, the full records of registered companies are fully available to the public, once the office is contacted and the prescribed small fee is paid, any member of the public can obtain access to any records. Additionally, if a member of the public having searched any file wishes to copy any aspect of the records, they are facilitated accordingly by the Registrar with the charging of a small fee for each page copied.

3.117 The CIPO is currently developing a fully electronic platform that will not only allow for company incorporation online but will house the Beneficial Ownership Registry, where the non-protected information is available and accessible to the public through online searches without imposition of any fees/charges in keeping with FATF's requirement for a fully transparent and accessible BO Registry. Also, the public will be able to continue conducting deeper/normal searches on any registered company records as currently exist, only this time will be facilitated online from anywhere in the world through the payment of a small fee. The public, existing registered companies, lawyers, and other key stakeholders are already aware of these coming developments as the FSC has been transmitting this information strategically through public press conferences, media interviews, meetings and discussions with relevant stakeholders, media – print, radio, media outlets social media platforms and prominently on the FSC's social media platforms @fscmontserrat (Facebook and Instagram).

3.118 In addition, the company's registry currently entails a small number of businesses which all complies with statutory filing requirement of annual returns with the companies' requirements and there is a robust system for individual enforcement actions.

3.119 Nevertheless, the Companies Act grants solicitors the authority to act as legal representatives for a company in specific situations, thereby contributing to the prevailing uncertainty among the beneficial owners. Registered agents who are licenced under the Company Management are the only individuals eligible for appointment as registered agents. The agents in question are bound by AML/CFT obligations both as licensees under the Company Management Act and as registered DNFBPs.

3.120 The assessment team noted the passage of the new Companies Bill to address these concerns but has assigned a **Low** combating ability in the current state.

Money Laundering Threat National Action Plan

Table 22 – ML National Threat Action Plan

Action Plans	Competent Authorities	Timeline	Priority
Formulate and effectively implement a national AML/CFT policy and strategy.	NAMLAC	Q4, 2023	1
In force the Companies Bill to increase the availability and accessibility of information for conducting company due diligence and enhance BO information.	AGC, FSC	Q1, 2024	3
The audit and tax team should develop a system for schedule audits which, can be accessed, analysed and interpreted based on sectors and high-risk businesses, as well as individuals. Also, the inclusion of seamless information sharing for tax crimes: direct or indirect taxes with the FCAU.	MCRS	Q2, 2024	5
FSC, FCAU and Governor's Office to impose the National Communication Plan for financial inclusion and build AML.CFT awareness.	FSC, FCAU and GO	Q2, 2024	4
Advocate within the CARICOM and OECS membership body for better administrative provisions and sharing of investor identification information, including details of previous residencies to ensure regional safeguards and protection of the national security to the CBIs.	AG and GO	Q3, 2024	7
The Judiciary should seek the services of a permanent High Court Judge on the island.	AG and GO	Q3, 2024	6
Establish an asset recovery team that works closely with all competent authorities but manages the process flow for the judiciary and the ODPP in order to assist both offices with various aspects of the confiscation process.	ODPP, FCAU and Judiciary	Q1, 2024	3
Priority be placed on establishing an autonomous FCAU, with a designated budget, training on integrity to eliminate the possibility of integrity breaches for money laundering cases involving high-ranking members of society, so the institution can perform objectively and professionally.	NAMLAC	Q1, 2024	2
Increase recruitment and training of key personnel in the MCRS to bridge the gap in middle management and increase the technical equipment available to MCRS to achieve greater accuracy from investigations.	MCRS	Q3, 2024	6
Develop a new system for record keeping among all competent authorities with consistency among the competent authorities on what is being collected and stored. Also encourage sharing of digital information among the competent authorities through the MOUs to develop patterns and prioritise risk areas based on national needs.	NAMLAC	Q2, 2024	3
Ensure effective formal coordination between all competent authorities to effectively combat money laundering and illegal cross-border cash transportation by strengthening the legal framework.	NAMLAC	Q2, 2024	4
In force all passed legislation to combat the identified threats	NAMLAC	Q1, 2024	2

GOVERNMENT OF MONTSERRAT

SECTORAL

VULNERABILITY ASSESSMENT

2023

Sector Overview

- 4.1 The assessment team which consisted of the FSC, FCAU, and the AGC determined an aggregated sectoral ML vulnerability rating of **Medium-Low**. The rating is a combination of the assessment ratings for each sector. In addition, the vulnerability ratings for each sector have been weighted using a combination of various factors including context and nature of the business operations, materiality of operation as it relates to ML, and the importance each sector has on the economy of Montserrat as illustrated in Table 23.
- 4.2 The assessment team employed a macro approach to evaluate the vulnerabilities of each sector. This involved utilizing questionnaires, interviews, and a jurisdictionally developed assessment model to identify and evaluate the vulnerabilities that exist within the 'key operators' of each sector. The assessment team assessed both external and internal elements of the sectors as well as the supervisory body, FSC, to determine the weaknesses in the operational, regulatory, and institutional structures to money laundering.
- 4.3 The FSC is currently conducting its Sectoral Risk Assessment (SRA) which will inform the FSC's risk-based approach to resource allocation. This involves focusing on supervising entities that are most susceptible to being misused for ML/TF. The supervised entities will incorporate the findings of the NRA and SRA into their own ML/TF risk assessments.

Sector Size, Weight, and Priority

- 4.4 The assessment team conducted its analysis for priority by assigning weights to each sector, ranging from 1 to 10 (1 being the lowest weight and 10 being the highest weight). Sectors deemed vital to Montserrat's economy were assigned a higher weight to reflect their greater significance. These ratings were subsequently aggregated to determine the overall sectoral vulnerability score of the jurisdiction. Additionally, a priority grading for sectors was computed based on the input data, and it ranges from 1 to 10, with 1 being the highest priority and 10 the lowest.
- 4.5 In assessing the significance of a sector to Montserrat's economy, several factors were considered. These included the sector's contribution to the GDP, the pivotal role played by certain professions across multiple sectors, informal business activities that may not be adequately captured in GDP, and the degree of susceptibility to money laundering vulnerabilities.

Table 23 – Depicting the sector rating for vulnerabilities.

Sector	Sector Size ³⁴	Weight	Sector Vulnerability Score	Priority Ranking
Banking	9%	7 (Montserrat has one Commercial Bank which facilitates all corresponding activities, the Bank is the 'clearing house' for all Non-Bank Financial Institutions (NBFIs) and other sectors operating in the financial space and is exposed to ML/TF risks but the bank has strict AML/CFT measures in place and supervised strongly by the FSC especially heightened by the regulator's RBA full scope onsite examination in July 2023)	Medium	6
Credit Union	9%	5 (high turnover, not typically monitored as Banks but has similar AML/CFT controls in place with less stringent applications and can offer avenues for the small ML/TF transactions. Supervised strongly by the FSC especially heightened by the regulator's RBA full scope onsite examination in November 2023)	Medium	5
Money Service Businesses	1%	7 (High value of transactions, low contributions to GDP, key facilitator to ML/TF, but well supervised internationally)	Medium	5
Insurance	3%	2 (2 companies out of 6 active companies are licensed to carry out long-term insurance businesses. Due to the size of agency staff and portfolio, the resources are supported by Head Office Operations and has the overall responsibility by approving any changes within the programme. The Companies have procedures in place to identify and assess AML/CFT risks)	Low	8

³⁴ This percentage is the sum of all financial institutions categories by the Economics Unit, which includes, the Bank of Montserrat, Credit Union, and the Building Society. The Statistics Department compiles the GDP data based on the methodology provided under United Nations Systems of National Account (SNA) 1993 and 2008. All data collected makes up the Gross Domestic Product based on a sample that is annually reviewed. Classifications (Banking, Business Services etc) are done based on the International Standard Industrial Classification (ISIC) as provided in SNA 1993 and 2008 methodologies. In instances where there is no response or a there is a low response rate the Statistics Department supplements with administrative data. Furthermore, the sector size is not used as a measure of comparability but simply for illustration purposes in most parts. The basis of ratings was heavily dependent on the qualitative data assessments.

Sector	Sector Size ³⁴	Weight	Sector Vulnerability Score	Priority Ranking
		associated with customers whom it has identified as high-risk.		
Lawyers	1%	4 (Critical sector to the structure of Montserrat's economy, low contributions to GDP, exposed and connected to other vulnerable sectors and with slight resistance to comply with the AML/CFT measures)	Medium-Low	5
Accountants	1%	4 (small operators, with client to a majority of small businesses operators and essentially provide private & voluntary accounting, auditing & other related services to small businesses, self-employed individuals, charitable & non-governmental organisations).	Low	7
Money Lenders (Building Society)	9%	4 Low volume of business and transactions. Little ML concerns.	Low	7
Real Estate	5%	5 (Volumes and frequency of transactions low, however sector is inherently vulnerable to ML internationally. Increased onsite will be done based risk-based approach and SRA results to gain a better understanding of the sector).	Medium	5
High Value Dealers	N/A	2 (Based on the jurisdiction's context and the FSC's preliminary SRA findings this sector is very small to nonexistent but due to its inherent risks internationally, the FSC will put in place guidance manual and systems to ensure sector's AML/CFT supervisory framework is sound)	Medium	7
Trust Companies International	NA	2 There is no impact for ML in the jurisdiction as no activity takes place in Montserrat	Low	8
Virtual Assets Service Providers	NA	3 There are growing concerns but there is newly passed legislation for VASPs in 2023, but not yet in force	Low	7

Sectors Most Vulnerable for Money Laundering

4.6 Based on the findings, the NRA has identified the following sectors most susceptible to money laundering. These sectors include:

- **Credit Union**
- **Money Service Business**
- **Real Estate**
- **Domestic Bank**

However, the following sectors were identified as having the **highest priority** for the most urgent needs based on the jurisdictional inherent understanding. This is not a ranked list:

- **Credit Union**
- **Money Service Business**
- **Real Estate**
- **Legal Professionals**
- **Domestic Bank**

Summary Sectoral Vulnerability Assessment Deficiencies

Operational and Institutional Impact Assessment Summary

- 4.7** The quality of operations across all sectors are impacted by vulnerabilities related to:
1. The absence of documented risk assessments for each sector; and
 2. The incompleteness of documented procedures and policies (manuals) for guided processes and procedures on AML/CFT for all sectors.
 3. Ethical standards training for all sectors due to the small context of the jurisdiction and to prevent any potential wrongdoing.

Note: The absence of formal documentation was often related to small entities operating as sole traders. As such, limited weighting was given to the ML implications for this lack of formality, considering the materiality of the issue. Consequently, the assessment team decided to assign greater weighting to the operational implementation of compliance in all the sectors business practices for AML/CFT.

Regulatory Vulnerability Impact Assessment Summary

- 4.8** Supervisory staff of the Supervisory Authority benefited from the World Bank Risk-Based Approach to AML-CFT Supervision and Monitoring Training for Regulators of the ECCU during 2020 - 2022. Since then, the FSC has prepared AML/CFT guidelines for the regulated sectors. In collaboration with the ECCB, the FSC has rolled out the AML/CFT/CPF Risk-based supervision of the Domestic Bank and Credit Union and will continue this approach with all other sectors based on its SRA findings. Although

the Supervisors are committed to an effective risk-based supervision framework, for FIs and DNFBPs, the extent of coverage and frequency of supervision remains a challenge for the FSC due to resources and capacity issues.

Sector Assessment

Key Financial Sectors

Money Laundering Risk in the Banking Sector

- 4.9** For many years Montserrat’s Domestic banking space was occupied by two institutions, namely Royal Bank of Canada (RBC) and Bank of Montserrat Ltd (BOM). In December 2019, a consortium of indigenous Banks in the Eastern Caribbean Currency Union (ECCU) entered into an agreement to purchase the Eastern Caribbean banking operations of RBC of which Montserrat was a part of. In 2021, the acquisition process of the RBC’s operations was completed in Montserrat and the BOM acquired the banking assets of RBC, leaving BoM as the sole Bank in the jurisdiction’s Domestic Banking space. The Government of Montserrat owns more than 50% shares of the domestic bank, and as of the end of the Bank’s financial year, September 2022, its total assets were at EC\$410m total deposit while the liabilities were at EC\$376m and operating income was at a loss of EC\$293k. This sector according to the GoM Economics’ Unit, accounted for 9% of Montserrat’s GDP in the year of 2022.³⁵
- 4.10** There are four (4) International Banks licenced under the International Banking and Trust Companies Act in Montserrat. These institutions were licenced and are supervised by the FSC. These licensees are prohibited from carried out banking business within the ECCU.
- 4.11** The Domestic Banking Sector's ML threat level has been assessed as **Medium-Low**, while its vulnerability to ML is determined to be **Medium**. The combination of a **Medium-Low** ML threat level and **Medium** ML Vulnerability in the Domestic Banking Sector has led to a **Medium** ML risk rating for the banking sector.³⁶ Also, the Banking is assigned a priority rating of 6.
- 4.12** The International Banking Sector only poses a reputational risk to the jurisdiction. as these Banks are not permitted to carry on business in Montserrat (As such should therefore be considered separately from the Domestic Banking Sector and has a low ML risk concern.)

³⁵ This percentage is the sum of all financial institutions categories by the Economics Unit, which includes, the Bank of Montserrat, Credit Union, and the Building Society. There is no specific break down of the Banking Sector’s contribution of the total percentage provided by the unit. The Statistics Department compiles the GDP data based on the methodology provided under United Nations Systems of National Account (SNA) 1993 and 2008. All data collected to compile the Gross Domestic Product is based on a sample that is annually reviewed. Classifications (Banking, Business Services etc) are done based on the International Standard Industrial Classification (ISIC) as provided in SNA 1993 and 2008 methodologies. In instances where there is no response or a there is a low response rate the Statistics Department supplements with administrative data.

³⁶ The assessment of the vulnerability of the banking sector only includes the Domestic arm of the banking sector. The international banks vulnerability will be assessed under the FSC SRA.

- 4.13** It is the view of authorities that although the banking sector may be viewed as a prime target for ML there are few offences committed in Montserrat that generate substantial illicit profits. The low number and value of transactions generated in the financial sector suggests that criminal monies are not entering the mainstream economy through financial institutions. In total, between 2020-2022, the value of all large transactions in the FI sector was less than XCD\$200m per year. This represents a significant decrease since Royal Bank of Canada (RBC) exited the market in 2020 (in 2019 large transactions were XCD\$740m of which RBC accounted for 87%), which has reduced the risk level further.

Banking Sector Vulnerability to Money Laundering

Banking Sector AML/CFT Control Framework Deficiencies

Quality of AML/CFT Supervision

- 4.14** The prudential regulation of the banking sector falls under the purview of the ECCB through the Banking Act Cap 11.03, with local oversight, including the supervision of AML/CFT performed by the FSC. The banking sector follows a comprehensive framework for AML/CFT, which is founded on the global standards and recommendations of the FATF. In Montserrat, it was observed that there are adequate regulatory framework and mandates that empowers the relevant authorities to effectively oversee and in force AML/CFT compliance measures within the Banking Sector. The FSC ensures such, through an internal framework of regulations, protocols, processes, and handbooks, in conjunction with statutory directives that mandate banks to obtain a licence to conduct business in Montserrat, as per the Banking Act Cap. 11.03. Financial institutions, including banks, are obligated to comply with the AML/CFT requirements outlined in the Proceeds of Crime Act, and its regulations; the Anti-Money Laundering and Terrorist Financing Code, the Exchange of Information Act, Cap.11.16, and the Financial Services Commission Act, Cap. 11.02.
- 4.15** In July 2023, the FSC conducted a full scope risk-based AML/CFT/CPF onsite examination of the Bank in collaboration with the ECCB. The report outlining the recommended actions has been presented to the Bank for their review and action.
- 4.16** The FSC has undertaken awareness training session at the financial institutions in November 2021 which addressed a range of pertinent topics, such as SAR Reporting, CDD obligations, and the FATF recommendations. Additionally, attendees were provided with an overview of the Mutual Evaluation process, as well as an in-depth analysis of the 40 recommendations, with a particular emphasis on those that pertain to financial institutions.

Commitment and Leadership of Managements

Availability and Effectiveness of Entry Controls

- 4.17** The entry controls for the banking sector have been deemed fairly robust by the assessment team. This is because, the commercial banks are required to obtain a licence to operate in the jurisdiction from the ECCB. In addition, banks are regulated by the ECCB and FSC to ensure compliance with international

standards. This process meets the licencing and registration requirements of an international standard, as well as the transparency of shareholders standards by the ECCB.

- 4.18** In addition, the Supervisory Authorities conduct due diligence checks, which includes an application letter, biographical affidavits to include copies of IDs, business plans, internal control manuals and major shareholders are required to submit letters of references to include a reference from a financial institution to ensure that individuals named as directors and shareholders of the applicant are fit and proper.
- 4.19** There is a legal requirement in place which mandates.

Level of Market Pressure to Meet AML/CFT Standards

- 4.20** The banking sector is under significant market pressure to comply with AML/CFT standards set by correspondent banks. The primary focus for the local banking sector is mitigating its risk factors to maintain the correspondent banking relationships. It is imperative that the domestic commercial bank adheres to the terms of the agreement, particularly with regards to establishing effective AML/CFT controls. Failure to do so, may result in de-risking. To ensure compliance with international AML/CFT standards, the commercial bank must complete an annual questionnaire that assesses the strength of their CDD and AML/CFT controls. Periodically, every three years, the correspondent banks conduct a comprehensive evaluation of the AML/CFT controls and perform a risk assessment to evaluate the association with the BOM. In addition, the correspondent bank carries out autonomous evaluations of risks and conducts thorough reviews.
- 4.21** To date, there has been no direct influence exerted by foreign regulators upon the domestic commercial bank.

Quality of Internal AML/CFT Policies and Procedures

Comprehensiveness of AML/CFT Legal Framework

- 4.22** Montserrat has a comprehensive AML/CFT legal framework that is designed to effectively combat the risks associated with ML/TF. The banking sector also has a comprehensive understanding and institutional implementation of the AML/CFT legislation. The BOM also adheres to the jurisdictional and international standard obligations with written AML/CFT manual with procedures for CDD, record-keeping, enhanced due diligence for PEPs, SARs filing, tipping off, confidentiality, and reliance on CDD by third parties.

Effectiveness of Compliance Functions

- 4.23** The bank has implemented compliance programmes that follows the procedural practices outlined in its AML/CFT manual. These programmes are designed to carry out the requisite measures and internal audits on the Bank's products and customers on an annual basis. Nevertheless, a risk-based approach is not yet utilised in the review and implementation of such audits. The institution has acknowledged that certain elements of its functions lack a risk-based approach and has expressed its recognition of the

necessity to implement such an approach for all aspects of the bank's products and customer relationships. The bank is currently working on conducting a risk assessment of its operations, products, and customers, especially heightened by the recent findings by the FSC's full scope risk based examination of the entity and strict timelines for implementation of same.

- 4.24** In addition, there are agreements in place, such as FATCA and intergovernmental agreements, where the bank is obliged to release certain account information through the EOIR to assist in the prevention of tax evasion.
- 4.25** The Bank has also established continuous customer and transaction due diligence procedures, along with internal protocols for promptly reporting any unusual activities to the compliance officer. These measures are in place to ensure that thorough internal investigations are conducted and that appropriate reports are prepared and submitted to the FCAU, if necessary.
- 4.26** Moreover, the Bank takes measures to ensure that its staff members possess the requisite tools and knowledge to effectively discharge their compliance obligations. This includes an understanding of the potential ramifications and disciplinary measures that may be taken in the event of non-compliance with established policies.

Compliance of Bank Staff

- 4.27** The banking sector has implemented extensive KYE protocols and utilises this data to conduct routine transaction surveillance. The bank has implemented procedures to ensure that all personnel are well-versed in AML/CFT standards through comprehensive training sessions that are meticulously documented. The AML material is disseminated among all staff members to foster ongoing enhancement.

Quality of CDD Framework

- 4.28** The bank has robust measures in place for onboarding new customers. CDD is conducted in accordance with the guidelines issued by the supervisory authorities.
- 4.29** Montserrat currently do not have a Beneficial Ownership registry; however, the jurisdiction is in the process of enacting a new Companies Act to ensure that the international standards relating to BO are in place.

Quality of Bank Operations

Effectiveness of Suspicious Activity Monitoring and Reporting

- 4.30** The BOM take steps to ensure that its staff are kept abreast with the reporting requirements in relation to SARs. However, most of the bank's risk is reduced to third parties through its corresponding activities and credit card partners. For instance, Caribbean Credit Card Corporation provides the credit cards

facility which is 100% secured by customers funds and international transfers are distributed through corresponding banks where international rules are imposed to and from remittances.

4.31 The BOM has documented procedures in place for reporting SARs to the FCAU and is the largest contributor to the SARs during the period of 2019 – 2023. However, there were no money laundering prosecution resulting from these filings.

4.32 Also, there appears to be a lack of established protocols to prevent customers from utilising safety deposit boxes for cash storage purposes, and no measures are in place to mitigate the potential for money laundering activities within the institution's safety deposit box operations. However, the Bank retains the authority to terminate the agreement in the event of any violations of the safety deposit box terms. T

Analysis of Banking Sector Inherent ML Vulnerabilities

4.33 According to FATF, banking products/services that pose the greatest risk of money laundering are private banking, anonymous transactions, remote business relationships or transactions, and payment received from unknown or un-associated third parties. Further, the customer segments that create the most vulnerability to ML are non-resident high-net-worth individuals, managed corporate/trust clients and PEPs.³⁷

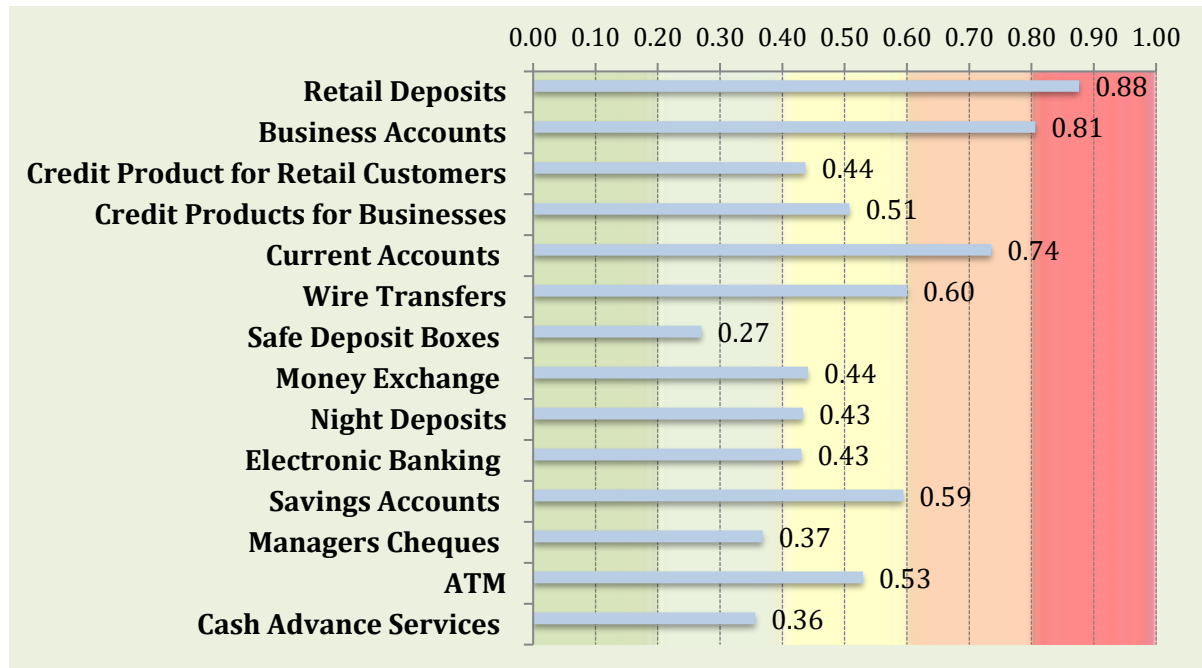
Products with the Highest Vulnerability to Money Laundering in Montserrat

4.34 The BOM offers traditional banking products. The Bank also poses an International Trust Licence under the International Banking and Trust Companies Act. The Bank does not offer private banking and the majority of its customers are salaried government employees with no suspicious banking deposits or withdrawals. The Bank also has a high percentage of diaspora customers (45%), most of whom are Montserratians who migrated to the United Kingdom and United States due to the eruption of the Soufriere Hills Volcano in 1995. The factors driving the money laundering vulnerability are:

- **Retail accounts:** A high total size and value, medium average transaction size, client base profile medium risk, and a medium high-risk cash activity.
- **Business accounts:** a high average transaction size, a medium high average transaction size, a high-risk client base, medium high risk cash activity and a medium frequency of international transactions.

³⁷ FATF, Specific Risk Factors in Laundering the Proceeds of Corruption, 2012.

Chart 10: Product Assessment Depicting the Inherent Risk to the BOM



Main Priorities to Reduce the risk of the Banking Sector Vulnerabilities to Money Laundering

- The Bank should conduct a comprehensive ML business risk assessment on all its products, services, clients, and institution.
- To mitigate these risks identified, the Bank must establish and implement appropriate and effective policies, procedures, and measures that are commensurate with its ML/TF risks identified.
- Arrange joint training sessions between the FCAU and the FSC to educate the Bank’s staff about AML/CFT identified risk in the NRA that align to their defence activities.

Money Laundering Risk in the Credit Union

4.35 At present, there is one Credit Union in Montserrat where its membership as at November 2022 stands at 4,221 members and its assets at XCD\$75m. The Credit Union is subjected to prudential and AML/CFT oversight, by the FSC and is held to the AML/CFT requirements outlined in the Proceeds of Crime Act 2019, its regulations, and the Anti-Money Laundering and Terrorist Financing Code, as well as the Financial Services Commission Act, Cap. 11.02 and Exchange of Information Act, Cap. 11.16. Furthermore, according to the Economics’ Unit of Montserrat the financial sector accounted for 9% of Montserrat’s GDP in the year of 2022 of which the credit union is included.³⁸

³⁸ This percentage is the sum of all financial institutions categories by the Economics Unit, which includes, the Bank of Montserrat, Credit Union, and the Building Society. There is no specific break down of the Credit Union sector’s contribution of the total percentage provided by the unit. However, the Statistics Department compiles the GDP data based on the methodology provided under United Nations Systems of National Account (SNA) 1993 and 2008. All data collected to compile the Gross Domestic Product is based on a sample that is annually reviewed. Classifications (Banking, includes the Building Society, Banks, Credit Unions all together, while

4.36 Based on the assessment team evaluation the ML risk was determined as **Medium**. The ML threat was rated as **Medium-Low** and the ML vulnerability was determined as **Medium**. Also, the credit union has a priority rating of 5. It was determined that the institution follows its strict policy regarding large withdrawals, of \$5000XCD and above which require the issuance of a cheque that must be cash at the BOM, where there are more stringent procedures in place. This process allows for greater scrutiny thereby enhancing the institution's overall strength and security.

Credit Union Vulnerability to Money Laundering

4.37 The institution's vulnerability has been assessed as **Medium**, primarily due to the absence of SARs filing, but the operator has a risk assessment document for the sector's clients, products, and services and an AML/CFT manual.

Credit Union's Sector AML/CFT Control Framework Deficiencies

Quality of Supervision

The FSC has recently completed in November 2023 a full-scale AML/CFT/CPF risk-based assessment of the credit union. This will bolster the internal AML/CFT systems of the CU based on the corrective actions that will emanate from the findings of this onsite examination.

4.38 The effectiveness of supervisory procedures and practices were evaluated based on the degree of adherence exhibited by licenced and registered entities to the mandatory AML/CFT obligations prescribed by the legislation and their AML/CFT Policy manuals. To date, there have been no significant deficiencies discovered or circumstances that would have warranted the imposition of fines or sanctions on the sector, based on the information provided by the FSC.

Commitment and Leadership of Management

Level of Market Pressure to Meet AML/CFT Standards

4.39 There are entry controls within this sector where all entities are licensed/registered under their respective legislations. Also, Credit Unions are required to submit an application letter or form, biographical affidavits to include copies of IDs, business plans, internal control manuals and major shareholders are required to submit letters of references to include a reference from a financial institution. Due diligence checks are carried out by the supervisory team to ensure that persons who are named directors and shareholders of the applicant are fit and proper. Also, Credit Unions are required to submit business plans if they are new entities or audited financial statements for up to 3 years if they are existing entities for review.

Business Services includes Lawyers and Accounts, etc) are done based on the International Standard Industrial Classification (ISIC) as provided in SNA 1993 and 2008 methodologies. In instances where there is no response or a there is a low response rate the Statistics Department supplements with administrative data.

Effectiveness of Compliance Function and Staff

- 4.40** The Credit Union has implemented compliance programmes that adhere to the procedural practices outlined in their AML/CFT compliance manual. These programmes are designed to carry out essential measures and internal audit controls on product offerings, customers, and practices which includes dedicated roles and responsibilities and regular reporting to those charged with governance, and the instituted compliance officers. Additionally, the compliance officer oversees all AML/CFT matters of the defences for ML/TF including regular monitoring of the AML/CFT programme, transactions monitoring and customer due diligence processes, coupled with the utilisation of computer software.
- 4.41** Furthermore, the Credit Union adheres to their internal guidelines outlining the AML/CFT for CDD practices and to the detection of all PEPs. These procedures include obtaining member information, performing independent verification checks, and producing a risk rating for members. Further enhanced due diligence procedures are driven by the risk ratings determined. For customers rated as high-risk, information is confirmed by the senior operations personnel, who conduct further background checks and EDD. The account is opened once the senior operations officer confirms those checks as sufficient.
- 4.42** The risk rating impacts the timeframe for monitoring and reviewing the customer accounts. There is an ongoing member information update programme and action is taken where the required information is not produced by members, including blocking accounts. There are also system triggers that facilitate the identification of accounts which require updates (such as expiry of IDs).
- 4.43** In addition, it should be noted that the FCAU receives and reviews all reports of large financial transactions submitted by the Credit Union. The Credit Union provides training to staff at onboarding. Recently the Credit Union has instituted targeted training for all staff ensuring that they are tested following the training sessions.

Effectiveness of Suspicious Activity Monitoring and Reporting

- 4.44** The Credit Union has implemented mechanisms to ensure that all suspicious transactions are reported to the FCAU. However, there have been five submissions from this sector to the FCAU and no prosecutions for ML of suspicious transactions stemming from the Credit Union within the last five years. In 2023, two additional SARs were reported and the matters are under investigations currently. Additionally, given the small size of the island, where most individuals, including employees, are familiar with each other, there may be a tendency towards the informal processes contributing to the low SARs submissions. Consequently, there is a pressing need to prioritise ethical and integrity training to ensure a strong foundation in these crucial areas.

Main Priorities to Reduce the Risk of the Credit Union Vulnerabilities to Money Laundering

- 4.45** The recommended actions for the Credit Union sector to mitigate the deficiencies or gaps in the AML/CFT control framework are:
- Joint training sessions on AML/CFT techniques should be arranged by the FSC and FCAU for the Credit Union's ML defence staff at various levels of the ML stages.
 - The Credit Union should provide internal training on SARs submissions, staff integrity, and arrange for further training by the FCAU on the institution's compliance obligations.

Money Laundering Risk in the Money Service Businesses

- 4.46** As of July 2023, Montserrat has three Money Service Businesses (MSBs). Among these three MSBs, one stands out as a local entity, but does not currently conduct the transmission of money to and from global destinations. Of the remaining two, they are both international companies and are in the business of remitting currencies globally. The first, is a registered agent for a regional conglomerate, while the second is a branch of an esteemed international company that has a subsidiary in the local market. After a thorough evaluation of the sector's global concept, the assessment team has classified the ML Threat as **Medium**. This classification is based on the sector's inherent attraction as a vehicle for all stages of the ML: process, layering, and integration.
- 4.47** Furthermore, the assessment team has also determined that the sector's vulnerability to ML is **Medium**. The primary focus of this investigation related to the frequency and volume of transactions. After combining the threat and vulnerability of the MSBs sector it was concluded that the ML risk in the MSBs is **Medium**.
- 4.48** Nonetheless, this sector according to the Economics' Unit of Montserrat accounted for 1% of Montserrat GDP in the year 2022.³⁹

Money Service Business Sector Vulnerability to Money Laundering

- 4.49** The MSBs sector in Montserrat is the third largest contributor of international transactions within the jurisdiction. As such it is important to recognize that this sector is inherently more vulnerable to the illicit activities of money laundering. However, the scale of transactions in this sector is relatively small in comparison to the global averages. Throughout the period from 2019 - 2023, the transactions ranged between XCD\$18 million and XCD\$29 million (see table 13). In addition, over the course of the five-year period of assessment, a notable difference was observed between the volume of outbound transactions and inbound transactions, with the outbound transactions significantly exceeding the

³⁹ The Statistics Department compiles the GDP data based on the methodology provided under United Nations Systems of National Account (SNA) 1993 and 2008. All data collected to compile the Gross Domestic Product is based on a sample that is annually reviewed. Classifications (Banking, includes the Building Society, Banks, Credit Unions all together, while Business Services includes Lawyers and Accounts, etc) are done based on the International Standard Industrial Classification (ISIC) as provided in SNA 1993 and 2008 methodologies. In instances where there is no response or a there is a low response rate the Statistics Department supplements with administrative data.

inbound remittances. This resulting pattern demonstrated a reasonable assumption of a connection between the influx of foreigners and the developing expat communities on the island.

4.50 The MSBs are subject to regulation and oversight by the FSC, in accordance with the Financial Services Commission Act. These businesses are also required to obtain a license under the Money Services Businesses Act of 2008, Cap. 11.30. Furthermore, it is important to note that the AML Regulations and Code includes a set of disciplinary actions, that can be enforced through the FSC. In addition, it is important to note that due to the MSBs international affiliations, the MSBs are subject to stringent codes of conduct to uphold their operational licenses.

4.51 However, within the last five years there has been no on-site inspections conducted on any MSB. However, the FSC received monthly reports from the MSBs which details there level of activities within the jurisdictions.

Quality of AML/CFT Supervision

4.52 In accordance with the legislation, it is mandatory for all MSBs to undergo local registration and obtain the necessary licensing to operate in Montserrat. The oversight of these entities is carried out by the FSC.

4.53 Within the last five years there has been no on-site inspections conducted on any MSB. However, the FSC receives monthly reports from the MSBs which details their level of activities within the jurisdictions and constantly dialogue with entities on AML/CFT matters to ensure their awareness and adherence to the regulations, laws and international standards. The FSC's supervisory onsite cycle in the first quarter of 2024 driven by the soon to be finalized SRA will take the MSBs sector into account.

4.54 On the other hand, the international and regional affiliates closely oversee the MSBs in accordance with the code of business practice set forth by each company's respective standards and AML/CFT manuals. Within the framework of the MSBs a crucial component involves a monthly completion and submission of a compliance checklists by the designated Compliance Officer. Additionally, an internal software system is in place to proactively identify and stop transactions that exhibit specific red flags. Furthermore, a stringent procedure is followed to ascertain the legitimacy of funds and the necessary CDD and PEPs requirements. Furthermore, it is instituted that all newly recruited staff must undergo an examination and receive training on AML/CFT protocols prior to their official commencement. Lastly, it is mandatory that all staff members undergo and renew their AML/CFT training on an annual basis to ensure strict adherence to the established procedures and processes.

4.55 As a result, the AML/CFT operations of the entities are primarily under the controls of the regional and international companies, who diligently monitor and enforce adherence to AML/CFT protocols. However, operators within this sector have indicated that also FSC provides ample training to ensure a comprehensive understanding and guidance on AML/CFT recommendations and requirements.

4.56 Nevertheless, one shortcoming is the absence of a risk assessment within the sector. Neither the head offices or the local jurisdictional agencies had undertaken a thorough examination of the clients or remitted jurisdictions to fully grasp their respective risk profiles/ exposure. Fortunately, the MSBs have

all the essential data required to produce a comprehensive risk assessment document. Furthermore, FSC receives all remittance data through the reports, and is currently building a risk framework of the sector remittances by jurisdiction, values, and volumes.

- 4.57** The completion of this analysis by the agencies and FSC is an essential step in achieving a risk framework for the sector.

Quality of AML/CFT Policies and Procedures

- 4.58** The regional and international authorities have provided the MSBs with their universal internal AML/CFT policy and procedures manual handbook, which contains all the relevant AML/CFT guidelines in accordance with the recent international amendments to the AML/CFT regulations.
- 4.59** Participants from this sector confirmed that compliance guidance is issued to all staff members who must certify they have read and understood the AML/CFT rules and procedures, and such confirmation is documented, reviewed, and updated on an annual basis.
- 4.60** There is also a robust system in place for the monitoring of transactions and reporting of any unusual activities to the FCAU assigned to compliance officers at both agencies. This sector has stated that regular submissions of suspicious transactions have been transmitted to the FCAU. Also, every transaction is subject to proper CDD controls, and each transaction beyond a specific threshold requires a source of funds authorisation. Additionally, because the jurisdiction is small the staff is often familiar with the customers place of work which is used as a secondary defence to AML/CTF. Nonetheless, the parent company also conducts checks on the system and even if the transaction is approved locally, it can still be blocked, as a final authorisation.
- 4.61** Also, the MSBs are provided with a list of sanction jurisdictions from the FSC to incorporate into the processes of their business activities. In addition, PEPs (both local and foreign) cannot be processed without filling out a form, even though Montserrat law and regulations do not currently recognise local PEPs. Furthermore, any transaction to a sanctioned location is flagged by the system and blocked. Likewise, information about the sender and the recipient is further screened for future transactions. Beyond that, customer information is stored for future references and evaluations. Additionally, real-time monitoring of consumer transactions also occurs, and any unusual conduct is identified, rejected and, if required, customers are blocked from all future transactions.

Main Priorities to Reduce the Risk of the MSBs Vulnerabilities to Money Laundering

- It is advisable to enhance the frequency of both onsite and offsite inspections within the MSBs sector to detect any potential vulnerabilities within the sector. This sector is often prone to be used for ML/TF activities, and although it possesses a strong set of controls established by its regional and international affiliates it is still crucial to consistently ensure that all necessary measures are enforced by the local entity to guarantee maximum protection.

- It is imperative to develop a comprehensive risk assessment for the MSBs, considering various factors such as high-risk countries for remittances, client’s frequency, and other inherent risk criteria.
- It is critical for FSC to complete an analysis of the risk exposure by the values, volumes, jurisdictions, and frequency for the sector.

Key DNFBP Sector

Money Laundering Risk in the Legal Professionals

4.62 As of July 2023, the FSC oversees a total of six legal professionals. Most of these legal professionals in Montserrat operate as small, independent businesses that specialise in offering services that do not entirely fall under the purview of FATF’s definition for DNFBPs. These services are typically limited to transactions involving, the establishment and management of legal entities, and the buying and selling of business entities. The data analysis was obtained through conducting interviews and questionnaires with the Montserrat Bar Association (MBA), which serves as the unified voice of the legal professionals in Montserrat. This sector according to the Economics’ Unit of Montserrat accounted for 1% of Montserrat GDP in the year 2022.⁴⁰

4.63 Legal professionals have been rated **Medium-Low** ML threat due to the proven cases within the jurisdiction, the connectivity of the sector to other areas, and the lack of a jurisdictional transparency beneficial ownership database and the resistance to comply with the SAR requirements. Also, the legal professionals were rated **Medium-Low** vulnerability for ML. Therefore, the legal sector ML Risk was classified as **Medium-Low**, given its same ML threat and vulnerability level ratings.

Legal Professionals Vulnerability to Money Laundering

4.64 All DNFBPs, including legal professionals, are subject to AML/CFT regulations, the requirements of FSC supervision, and must be registered to conduct business as a service provider within Montserrat. All Attorneys are required to be called to the Bar in the Montserrat circuit of the Eastern Caribbean Supreme Court before they can function as a legal professional within the jurisdiction. In addition, the legal professionals are familiar with the DNFBP's obligations, the regulators' expectations, and the international requirements of FATF.

4.65 As a result, the legal professionals are aware of a compliance officer's role and the critical aspect of such in this sector. The FSC since 2023 has engaged the sector through outreach to deepen the understanding

⁴⁰ The Statistics Department compiles the GDP data based on the methodology provided under United Nations Systems of National Account (SNA) 1993 and 2008. All data collected to compile the Gross Domestic Product is based on a sample that is annually reviewed. Classifications (Banking, includes the Building Society, Banks, Credit Unions all together, while Business Services includes Lawyers and Accounts, etc) are done based on the International Standard Industrial Classification (ISIC) as provided in SNA 1993 and 2008 methodologies. In instances where there is no response or a there is a low response rate the Statistics Department supplements with administrative data.

and awareness of AML/CFT obligations and has issued Risked Based AML/CFT Guidance Manual for implementation.

- 4.66** The reason for these concerns, is that most service providers are independent practitioners who, despite being legally designated as money laundering officers, lack the necessary human resources to fulfil the FATF recommendations. Furthermore, the sector has yet to perform a comprehensive evaluation of its operational activities, in terms of a business risk assessment and has not submitted any SARs to the FCAU for any suspicious transactions in the last 5 years. However, the FSC has provided the legal professionals with the relevant AML/CFT guidelines to complement the manual controls. Despite this, it is important to note that the legal professionals are well-versed in the policies and procedures surrounding AML/CFT, including the process for filing of suspicious transactions to the FCAU, and have received training on the methodology and recommendations of the FATF standards/methodology, by CFATF in August 2023. However, the sector noted that these standards are subject to frequent changes, which can impact the speed at which adaptation and compliance occur. Nevertheless, the sector must comply with AML/CFT obligations under POCA and other applicable legislation.
- 4.67** The vulnerability of the legal professionals was greatly impacted through the lack of effectiveness of both suspicious activity monitoring and reporting, as well as the compliance functions.
- 4.68** According to the MBA, it is common practice for lawyers to avoid engaging in business activities that are deemed to carry a higher level of risk. Additionally, records are kept on file for a period of no less than seven years. Also, the MBA stated that the sector mostly operates in the business of probate for local clients.

Main Priorities to Reduce the Risk of the Legal Professionals Vulnerabilities to Money Laundering

- It is recommended that the legal professional develop a single risk assessment through the MBA. This document can then be shared with its members to customise their individual business practices and distinguish high risk to low-risk clients accordingly.
- Increase the frequency of on-site and off-site evaluations of the AML/CFT controls of the FSC.

Money Laundering Risk in the Real Estate Sector

- 4.69** As of July 2023, Montserrat has six real estate companies/ agents that are supervised by the FSC. The real estate companies/ agents are typically small sole traders which serve as intermediaries in the buying and selling of properties, which these agencies receive a commission for their services. These real estate companies may also serve as property managers, overseeing properties for sale, and in some cases collect rental payments or proceeds of sale on behalf of the owner(s). In addition, all operators functioning as real estate agents are required to have a real estate license to conduct these activities. The licenses are issued by the Government of Montserrat, through the Ministry of Agriculture, Lands, Housing, and Environment which requires the payment of an annual fee.

- 4.70** However, it must be noted that the real estate market for buying and selling of homes has an average of 10 residential transactions per month. Also, the real estate market caters to a diverse clientele, comprising both local and international buyers, with mostly tourists from North America and the United Kingdom. Additionally, the real estate sector accounted for roughly 5% of Montserrat's GDP in the year 2022.⁴¹
- 4.71** Within the jurisdiction, there exist two prominent real estate enterprises that offers a wide range of services. These services include the sale of both residential and commercial real estate, property management, property development, and property rental services. Besides these two agencies, most real estate companies are small or medium-sized (to the context of Montserrat activities) and are run by sole proprietors. They primarily specialise in rental properties and engage in the sale of residential real estate. Importantly, the purchase of real estate is executed through bank transfers, regardless of whether the parties involved are locals or foreigners, as such cash transactions are not practiced in this sector. All real estate transactions are passed through the Bank.
- 4.72** Ultimately, the assessment team determined the ML risk of the real estate sector as **Medium**. This was a combination of the ML threat level of **Medium-Low** and the ML vulnerability level of **Medium**.

Vulnerability of the Real Estate Sector to Money Laundering

- 4.73** The assessment determined the vulnerability of ML is linked to the quality of AML/CFT supervision, quality of operations, and quality of AML/CFT policies and procedures within the sector. The sector identified weaknesses in the effectiveness of monitoring, and reporting of suspicious activities, inadequacies in the CDD framework, leadership and commitment from management, operational deficiencies, and weak compliance functions.
- 4.74** The sector has not yet established an AML/CFT manual detailing the protocols and measures that address AML/CFT risk factors, nor have they conducted a business risk assessment that is customised to their respective operations. However, the materiality of such is aligned accordingly as discussed.
- 4.75** Additionally, over the course of the last five years, FSC has not conducted any on-site inspections on the sector and the sector has not submitted any SARs to the FCAU regarding any suspicious transactions.

⁴¹ The Statistics Department compiles the GDP data based on the methodology provided under United Nations Systems of National Account (SNA) 1993 and 2008. All data collected to compile the Gross Domestic Product is based on a sample that is annually reviewed. Classifications (Banking, includes the Building Society, Banks, Credit Unions all together, while Business Services includes Lawyers and Accounts, etc) are done based on the International Standard Industrial Classification (ISIC) as provided in SNA 1993 and 2008 methodologies. In instances where there is no response or a there is a low response rate the Statistics Department supplements with administrative data.

Real Estate Sector AML/CFT Control Framework deficiencies

Commitment and Leadership of Management

- 4.76** There are structured protocols to manage AML/CFT controls as foreign nationals wishing to purchase property in Montserrat must attain a landholding licence before the approval of sale. These landholding licences are presented as part of the KYC documents for the purposes of a mortgage with local financial institutions.
- 4.77** However, there is no governing body of association that oversees the operators for its management upkeep in the real estate business, except for the registration documents approvals/ renewals with the MALHE.

Quality of operations and effectiveness of the compliance function.

- 4.78** There are no written specific AML/CFT rules or processes, nor is there any assessment of the sector's risk. As such, the businesses lack proper guidance on the standard practices of the AML/CFT based on risk portfolios that would naturally stem from the sector's risk assessment. In addition, there are designated personnels who serves as the compliance officer in the sector and where such enterprise is operating as a sole trader this individual the compliance officer. However, other than a workshop completed three years ago with the FSC, this sector received no other training on AML/CFT practices and updates. Nonetheless, the sector maintains proper record keeping stored electronically and hardcopy for more than ten years. In addition, the sector is managing cash for clients in other jurisdictions for property management, where cash is transferred two and from the respective owners and held in the real estate companies name. The FSC since 2023 has engaged the sector through outreach to deepen their understanding and awareness of AML/CFT obligations and has issued Risked Based AML/CFT Guidance Manual for implementation. Additionally, the FSC is conducting a Sectoral Risk Assessment which is in its final stages which will inform the sector's status.

Effectiveness of Unusual Activity Monitoring and Reporting

- 4.79** In the last five years no SARs have been submitted to the FCAU. However, the sector is not predominantly known to be cash-related business as almost all transactions involve bank transfers, where the due diligence will be undertaken.

Compliance of Staff

- 4.80** There is no body association that oversees the agencies business activities to the requirements of the licence, code of conduct, or for clients to file complaints. However, the FSC is the supervisory and regulatory body for the sector and such actions can be conducted by FSC. Also, there are several Independent Commissions established in the jurisdiction that can act in place of the association.

Main Priorities to Reduce the Risk of the Real Estate Sector Vulnerabilities to Money Laundering

- Develop customised training programmes and informative materials on AML/CFT from the FSC and FCAU.
- Ensure onsite inspections are maintained in the real estate sector to promptly identify any gaps and implement the necessary measures of corrections. This sector is prone for ML globally as its high-value transactions makes it more attractive. Swift action to correct the leakages through the onsite inspections will help mitigate these risks.

Other Sectors

4.81 After applying the same assessment criteria to the rest of the other key sectors, a common trend emerged. These sectors typically consist of small sole traders with limited financial activities, resulting in minimal ML vulnerability. Consequently, limited weighting was assigned to these sectors due to their lack of high-risk products, non-participation with high-risk customers, or no immediate presence in Montserrat that could pose an ML threat. The FSC since 2023 has engaged Accounting sector through outreach to deepen their understanding and awareness of AML/CFT obligations and has issued Risked Based AML/CFT Guidance Manual for implementation.

Money Laundering Sector Vulnerability National Action Plan

Key Actions for All Sectors

- Conduct additional research and development to establish a publicly accessible beneficial ownership database that caters to all sectors, simultaneously to the Companies Act that has recently passed.
- It is imperative that the FCAU provides training across all sectors on the factors that trigger the submission of a suspicious report to the FCAU, as well as the proper procedure for filing a suspicious transaction report.
- It is recommended that the FSC conduct more frequent onsite and offsite examinations across all sectors. However, all onsite examinations assessments needs will be based on risk exposure to be completed in the SRA.
- It is recommended to increase the frequency of general AML/CFT training sessions across all sectors to enhance their knowledge and compliance with AML/CFT regulations.

Key Recommendations for the main sectors

Domestic Bank

Action	Competent Authority	Priority
The BOM should conduct a comprehensive ML business risk assessment on all its products, services, clients, and institution.	FSC	Q2, 2024
To mitigate these risks identified, the BOM must establish and implement appropriate and effective policies, procedures, and measures that are commensurate with its ML/TF risks identified.	FSC	Q1, 2024
Arrange joint training sessions between the FCAU and the FSC to educate the BOM staff about AML/CFT identified risk in the NRA that align to their defence activities.	FSC, FCAU and GOS	Q2, 2024

Credit Union

Action	Competent Authority	Priority
Joint training sessions on AML/CFT techniques should be arranged by the FSC and FCAU for the Credit Union's ML defence staff at various levels of the ML stages.	FSC and FCAU	Q2, 2024
The Credit Union should provide internal training on SARs submissions, staff integrity, and arrange for further training by the FCAU on the institution's compliance obligations.	FSC and FCAU	Q2, 2024

Money Service Providers

Action	Competent Authority	Priority
It is advisable to enhance the frequency of both onsite and offsite inspections within the MSBs sector to detect any potential vulnerabilities within the sector. This sector is often prone to be used for ML/TF activities, and although it possesses a strong set of controls established by its regional and international affiliates it is still crucial to consistently ensure that all necessary measures are enforced by the local entity to guarantee maximum protection.	FSC	Q2, 2024
It is imperative to develop a comprehensive risk assessment for the MSBs, considering various factors such as high-risk countries for remittances, client's frequency, and other inherent risk criteria.	FSC and FCAU	Q2, 2024
It is critical for FSC to complete an analysis of the risk exposure by the values, volumes, jurisdictions, and frequency for the sector.	FSC and FCAU	Q2, 2024

Legal Professionals

Action	Competent Authority	Priority
It is recommended that the legal professional develop a single risk assessment through the MBA. This document can then be shared with its members to customise their individual business practices and distinguish high risk to low-risk clients accordingly.	FSC	Q2, 2024
Increase the frequency of on-site and off-site evaluations of the AML/CFT controls of the FSC.	FSC	Q1, 2024

Real Estate Sector

Action	Competent Authority	Priority
Develop customised training programmes and informative materials on AML/CFT from the FSC and FCAU.	FSC and FCAU	Q2, 2024
Ensure onsite inspections are maintained in the real estate sector to promptly identify any gaps and implement the necessary measures of corrections. This sector is prone for ML globally as its high-value transactions makes it more attractive. Swift action to correct the leakages through the onsite inspections will help mitigate these risks.	FSC	Q1, 2024

GOVERNMENT OF MONTSERRAT

TERRORIST FINANCING

THREAT AND VULNERABILITY

ASSESSMENT

2023

Terrorist Financing Overview

The NRA Committee.

The committee, under the direction of the Governor's office, is formed of the existing members of those providing the response to the FATF mutual evaluation. Assistance has also been provided by counter terrorist financing and national risk assessment specialists at HM Treasury.

National CFT objectives.

The Counter Terrorist Financing Strategy, which forms part of the National AML/ CFT/CPF strategy, dynamically delivers the Country's response to mitigate residual risks and a process to manage emerging threats, and the National Risk Assessment provides the basis for response.

The Financial Action Task Force sets out the following requirements;

Recommendation 1 lays out a number of basic principles with regard to TF risk. It calls on jurisdictions to "identify, assess and understand" the TF risks they face, including by designating "an authority or mechanism to co-ordinate actions to assess risk." On the basis of this assessment, jurisdictions should apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate TF are commensurate with the risks identified.

Establish the nature, scope, and purpose of the NRA and the context of the jurisdiction.

This assessment will take a broad vision of recent and current regional and global terrorist financing **threats** from reliable sources.

Taking into account the various terrorist financing threats, regionally and globally, the assessment will consider **vulnerability** to terrorist financing across a range of sectors and factors relevant to the Montserrat context.

This will enable the process to assess the **likelihood** of terrorist financing occurring and identify the risk level. This assessment will also address the **consequences** of terrorist financing in the jurisdiction should it occur

Montserrat context

A mountainous Caribbean Island of approximately 39.4 square miles, the Island suffered volcanic activities in 1995 which continued for several years resulting in the loss of its capital, Plymouth and leaving two-thirds of the island uninhabitable.

There has been no growth in the population over the past two years. Since the destruction of the island's capital Plymouth in 1995, and its infrastructure, and ensuing displacement of its residents, the population over the last several years has settled at approximately 4,000.

The country has suffered economic decline, affecting the tourism sector which was the major economic contributor prior to the commencement of volcanic activities. Today the main industry is mining of volcanic material. Since the devastation of the eruption, the island's operating budget is largely supplied by the British government and administered through the UK, as an overseas territory, amounting to approximately £25 million per year. Additional amounts are secured through income and property taxes, licenses, and other fees as well as customs duties levied on imported goods.

The financial sector saw the exit of the international bank, Royal Bank of Canada at the end of March 2021, which operated in Montserrat for over 75 years. This left the Bank of Montserrat Limited as the sole commercial bank in Montserrat. Review of the national statistics reveals that in the year 2020 the financial sector contributed 7.2% to Montserrat's GDP.

Strategy, Policy and Coordination

The Governor is the authority responsible for ensuring systems and procedures are in place to counter financing of terrorism and financing of proliferation. A guidance document for strategic planning is in draft for CTF in the AG Office presently. A public awareness programme for CFT will be carried out during the year (2023). A CFT risk assessment will be undertaken every 2-3 years pending approvals from the NAMLAC. Necessary actions will be raised at the NAMLAC meetings to ensure the TF residual risks, unknown risks and emerging threats are identified and mitigated dynamically.

There have been no terrorist incidents on or near the Island, no information to suggest there is or has been a terrorist threat, and no suspicious transaction reports, allegations or other intelligence relating to terrorist financing.

As there has been no terrorist activity on Montserrat or linked to the Island, the allocation of funds have not been allotted at state level to the training of TF within law enforcement agencies and Regulatory bodies. This will be considered under vulnerabilities.

Due to the absence of any quantitative or qualitative data and the lack of any information of current concern, it is not possible to subject the findings of the analysis to any mathematical or scientific process. Therefore, the assessment took into account guidance provided by the FATF⁴² and IMF⁴³ in relation to the development of a terrorist financing risk assessment and adapted them to work to the context of Montserrat. The risk levels are based on the expertise of those involved in the assessment, process and take into account the following factors;

⁴² <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Terrorist-financing-risk-assessment-guidance.html>

⁴³ [imf.org/en/Publications/Books/Issues/2023/05/12/Countering-the-Financing-of-Terrorism-Good-Practices-to-Enhance-Effectiveness-515493](https://www.imf.org/en/Publications/Books/Issues/2023/05/12/Countering-the-Financing-of-Terrorism-Good-Practices-to-Enhance-Effectiveness-515493)

- Do the relevant mechanisms exist in Montserrat?
- Is there intelligence of current interest to suggest there is criminal intent to exploit the mechanisms for the purposes of terrorist financing?

Roadmap for the National Risk Assessment (terrorist financing).

Complete initial draft version of TF NRA by 31st December 2023

15th December - Circulate V1 to the NRA Committee for comments – return by 20th December 2023
Review and consolidate comments, circulate to NRA committee for final comments and approval – returns by 4th January 2024.

7th January 2024- Challenge process – circulate to private sector and challenge champion, return comments by 12th January 2024

Review and consolidate comments

15th January 2024 Present to Governor’s Office for final approval.

20th January 2024 – Publish final version of the TF NRA

Threat Data Collection and analysis – Understanding terrorist financing

Terrorist organisations rely on numerous sources of income and they use a range of methods to move funds, often internationally, to their end point without being detected. Funds can be raised through inherently criminal means (for example, drug trafficking or collection of donations) or legal sources such as lawful income or social security payments.

Over the last decade however, the terror finance landscape has changed dramatically. The proliferation of ungoverned, or under-governed spaces has allowed terrorist organisations to exploit local populations and resources to support their operations. Together with a trend toward self-radicalised lone actors and self-financed individuals or small cells, this has led to a discernible trend toward localised terrorist financing, that said, this assessment will take a broad view on regional and global TF threats which are constantly evolving. Geography, ideology and a host of other practical concerns shape the manner in which terrorists raise, store and move funds. Terrorist financing is not only a factor of cash money, but also of resourcing the materials a terrorist group requires. The abuse of charities as a CFT threat is a global concern.

Terrorist organisations are continuing to adapt and counter law enforcement responses and they require resources to meet their destructive goals. Following the financial trail, and understanding how all types of terrorist organisations, whether large territorially based or small cells operating autonomously, need, use and manage funds is critical in detecting, preventing and sanctioning terrorist and terrorist financing activity. Understanding and exchanging information on the financial management of terrorists and terrorist organisations is important to implement CFT measures effectively.

This assessment considered a broad range of factors in understanding the terrorist financing threat.

Foreign Terrorist Fighters (FTFs)

The issue of FTFs is not a new phenomenon, but the recent scale of the issue in relation to the conflict in Syria and Iraq is disturbing. FTFs are considered one of the main forms of material support to terrorist groups, and remain a significant TF threat in the region. Self-funding by individuals and funding by recruitment/facilitation networks are assessed as the two most common methods used to raise funds for FTFs.

Fundraising through Social Media

Access to, and anonymity of the Internet and especially the rapid expansion of social media, have been exploited by terrorist groups to raise funds from sympathetic individuals globally and represents a growing TF threat. Social networks are widely used by terrorist organisations to spread their terrorist propaganda and reach out globally to sympathisers. Social networks are being also used to coordinate fundraising campaigns. Terrorist organisations are now able to conduct outreach to a large audience through a peer-to-peer horizontal communication, that starts on chats and forums, goes on through social networks (such as Facebook, Twitter and Instagram), and sometimes keeps on going through mobile application for communication (such as WhatsApp and Viber) or more secure communications networks (such as Surespot and VoIP).

Virtual Currencies

Virtual currencies have emerged and attracted investment in payment infrastructure built on their software protocols. These payment mechanisms seek to provide a new method for transmitting value over the internet. At the same time, virtual currency payment products and services (VCPPS) present TF threats.

Exploitation of Natural Resources

The exploitation of natural resources and providers of extraction and processing services is considered a subset of how terrorist organisations control and occupy territory.

This issue is also linked to how terrorist organisations fund themselves through criminal activity and through potential links to organised crime groups. Criminal activity related to this sector includes extortion, smuggling, theft, illegal mining, kidnapping for ransom, corruption and other environmental crimes. In countries where the government lacks effective control of territory and its resources, the natural resource sector may be vulnerable to exploitation for TF. These sectors represent a profitable source of revenue and may also be appealing because of weak regulation in the sector. Also relevant is the low level of detection, prosecution and lower penalties associated with criminal activity involving these sectors. There is also a higher TF risk in regions with a history of weak institutions, political instability, conflict areas and those regions rich in untapped natural resources.

Financial Inclusion

Good and poor financial inclusion pose terrorist financing threats. Good financial inclusion provides a broad range of terrorist financing opportunities for the terrorist financier. Poor financial inclusion requires less traceable methods of terrorist financing.

The formal financial sector

There is a threat of terrorist financing through the formal sector, particularly through retail bank accounts and money service bureaus whereby terrorist financiers have funded terrorist activity using these means on a national and transnational basis.

The informal financial sector

The use of money service value transfer systems such as Hawala, unauthorised MSB and other similar products pose a threat of terrorist financing.

Cash

Cash is a known terrorist financing threat, in jurisdictions where there is full financial inclusion, as well as those jurisdictions where there is low financial inclusion. The lack of currency declaration procedures also add to this threat.

Designated Non-financial Business Providers

The use of the broad range of non-banking service providers available is a terrorist financing threat, this maybe through the use of professional enablers such as trust company service providers or lawyers who may be knowingly or unwittingly involved in terrorist financing. Other non-banking service providers falling within the FATF definition are real estate business, dealers in precious metals and stones and casinos, all of whom pose a threat of terrorist financing.

Non-Profit Organisations

Charities and disaster relief agencies can be terrorist financing threats. They may be used as cover used by bad actors as a channel for TF, equally good operators may be unwittingly used by bad actors who use the function as a channel to move terrorist funds. The FSC will complete a separate sectoral risk assessment on NPO.

Border Activity

Activity at the border is a terrorist financing threat to any Country by land sea or air. This relates to the movement of funds or other terrorist property, in or out of the jurisdiction or where a jurisdiction is used part of a chain involved in the movement of terrorist property.

Communities

Individual diverse communities domiciled in a jurisdiction may pose a threat of terrorist financing through fundraising for causes they are sympathetic with. This may involve raising funds for terrorist activity elsewhere or raising funds to support action in the Country in which they live.

The diaspora from a jurisdiction overseas may be exposed to radicalisation which in turn poses a threat of terrorist financing from friends and family in the home nation, this may be with or without the knowledge of the intended use of the funds.

Illegal, unregulated, and unlicensed fishing

Whilst related predicate offences will involve the laundering of proceeds, consideration is given to the threat of terrorist financing considering Montserrat is an Island.

Competency and integrity

As a Small Island Developing State (SIDS), potential conflicts of interest in supervision, regulation, detection and enforcement as officers and perpetrators could have social network ties which may pose a threat in identifying TF as activity may be obfuscated.

Drug Trafficking

The Caribbean region is a major transit area for illicit drugs, primarily cocaine. These drugs are produced in South America, destined for markets worldwide. Small Caribbean jurisdictions are extremely vulnerable to the influence of drug trafficking at the political, economic and social levels. It is recognised that drug trafficking is a significant generator of terrorist funds and accordingly a terrorist financing threat, either through the manufacture of drugs or taxation of supply routes.

Human Trafficking and Migrant Smuggling

Evidence shows that criminals are increasingly turning to the trafficking of human beings and the smuggling of migrants given the high profitability of these illegal activities. West Africa is one of the most frequently reported regions of origin for human trafficking; North America is one of the most commonly reported countries of destination; the Caribbean Sea and Montserrat sits between the two. The same way that small Caribbean jurisdictions are extremely vulnerable to the influence of drugs originating in South America being trafficked to other markets, there is clear evidence that human trafficking and the smuggling of migrants through the Caribbean is becoming more of a problem. Considering the high-risk locations and trafficking routes there may be a threat of terrorist financing, either through direct trade or taxation of activity.

Terrorist Property

Considering the broad definition of terrorist property, manufacturers and providers of physical goods may be a terrorist financing threat, whether knowingly or unknowingly involved e.g., dual use goods

Lack of investigative and supervisory awareness of TF

A lack of investment in counter terrorist financing training for investigators and supervisors will reduce the chance of such activity being detected

Review of the threat assessment.

Having considered the broad range of potential terrorist financing threats, global and regional case studies, and taken into account input from law enforcement authorities, competent authorities and intelligence stakeholders, the following areas are considered the main terrorist financing threats in the context of Montserrat –

- Communities/ diaspora
- Financial Inclusion

- Real Estate business
- Cash
- NPO
- Retail banking
- Remittance services
- Informal financial sector
- Competency and Integrity
- Lack of investigative and supervisory awareness of TF
- Sanction Evasion leading to TF

Vulnerability Assessment

This section will talk to the context of Montserrat and to each area of terrorist financing considered to pose a specific threat to the Country, the factors which make the jurisdiction vulnerable and mitigating factors to reduce the risk of terrorist financing occurring. Residual risks will be managed as part of the national action plan and these are highlighted later in the assessment.

Vulnerabilities arising from the specific terrorist financing threats in the context of Montserrat, and other vulnerabilities exacerbating the threat and mitigating factors where applicable.

Table 24: Vulnerability and Mitigating factors

Vulnerability	Mitigating factors
Communities – those coming to the Island as well as those leaving the island to live elsewhere	The Montserrat community on Island and the diaspora are very close knit. Consultation with stakeholders has established that everyone concerned is confident that anyone becoming involved in terrorist activity would be identified and the relevant authorities alerted. Most of the diaspora are resident in the UK where there are sophisticated Governmental policies to tackle terrorism (CONTEST) which would also be a method of identifying someone who has become vulnerable to terrorism, and in turn potentially terrorist financing.
Financial Inclusion – Montserrat remains a largely cash based society with low level of financial inclusion	Low level use of financial products may lead to authorities having a lack of awareness of illicit financial activity linked to TF. However, there is no information available to suggest this method of financing is being used in the Island as a result of the low level of financial inclusion.
Small island developing states	The close knit makeup of the community may raise concerns over the integrity of officials. All officials concerned in law enforcement of competent authority roles are highly trained to perform their respective roles to the required level of competence (training/ annual reviews/ specialist roles etc) and in some cases have been trained overseas and hold internationally recognised qualifications.

Vulnerability	Mitigating factors
	The Jurisdiction actively respond to corruption and impropriety in public office.
Real Estate	<p>Providers have yet to be trained in CFT awareness and have not yet been examined for CFT by the regulator (on site or off site) so the quality and effectiveness of their detection, prevention and reporting regimes has yet to be ascertained by the regulator.</p> <p>This is in large part due to the resource deficiencies within the FSC. Engagement with the real estate sector for this NRA established that no CFT detection measures are in place by those interviewed.</p> <p>The ML and TF NRA will allow the FSC to take a RBA to supervision. There are few occurrences of terrorist financing related to real estate globally and the threat level remains unknown at this stage in the context of Montserrat.</p>
Cash – use of cash to finance terrorism on or off the island	There are declaration requirements for inbound visitors but none for outbound visitors and this raises the vulnerability of TF occurring. There is no information to suggest TF is occurring in this way
NPO	<p>These may be created by bad actors for the sole purpose of financing terror, or good business may be unwittingly exposed to TF by bad actors who use the service.</p> <p>The sectoral risk assessment has been completed by the FSC.</p>
Retail banking – a risk area globally for terrorist financing	Financial institutions themselves check customers (through CDD processes) when taking on clients and periodically following, using systems such as World Check and other agencies, which check the background of persons, groups, and entities to ascertain whether they are involved in terrorist acts. Checks are carried out that these processes are in place and working effectively by the FSC when on-site visits are made to the institutions. The FSC has indicated that training for financial institutions is carried out once all manuals and guidelines are approved by the relevant regulator.
Remittance	Globally acknowledged as a channel for funding terrorism. Service providers are the subject to supervisory activity on the Island and are required to meet regulatory requirements. There is no information to suggest remittance is used for the purposes from Montserrat

Vulnerability	Mitigating factors
Informal financial sector	<p>The use of Hawala or unlicensed money service business may exist for low-cost remittance but equally be used for low level detection terrorist financing</p> <p>The low number of cost-effective methods of changing currency on Island or transferring money outside or into the jurisdiction may raise the possibility of unauthorised financial product provision occurring.</p>
Sea Borders	<p>Limited ability to patrol its sea border – poor procedures potentially allow the movement of terrorist property with little chance of detection.</p> <p>Montserrat is part of the regional Advance Passenger information System operated through the Joint Regional Communications Centre (JRCC). All pre-boarding of passengers are checked through this system and authorities can be alerted in advance. So far, no designated terrorist or terrorist financier has been identified as entering Montserrat in the last 5 years.</p> <p>There is also significant law enforcement maritime activity in the region to inhibit the movement of illicit goods and drugs. No intelligence suggests Montserrat waters are a conduit for TF related activity.</p>
CFT training for FCAU, Police and Montserrat Revenue and Customs officers	<p>The mutual evaluation process has raised the requirement to ensure law enforcement and competent authorities need awareness in countering terrorist financing.</p> <p>FCAU staff have been provided online training in CFT.</p> <p>Montserrat Customs and Revenue Service (MCRS) has had no specific CFT training.</p> <p>The FCAU and TF investigative functions will be the subject of bi annual gap analysis exercises to gauge effectiveness,</p> <p>The Jurisdiction is also a member of the CFT Overseas Territories Forum which provides a variety of CTF related opportunities and to raise awareness, at the regional and global level.</p>
Lack of CFT training and awareness for regulators.	<p>The supervisory staff at the FSC were involved in financial sanction implementation training facilitated by HM Treasury from 17-21 October 2022.</p> <p>HM Treasury provided a CTF awareness session in 2022.</p> <p>There has been no other specific CFT training for staff involved in supervision.</p> <p>Currently, although the regulator regularly publishes sanctions lists, training, and inspection of sectors with respect to TF has not been conducted.</p>

Vulnerability	Mitigating factors
The lack of effective awareness across the private sector may cause an underrepresentation of TF disclosures.	<p>HM Treasury conducted an outreach session regarding CFT in March 2022. There has been no additional outreach since.</p> <p>The creation of a TF desk within the FCAU seeks to improve private sector awareness as part of its function.</p>
Sanctions evasion	<p>The FSC receives sanctions notices which are sent to Financial Institutions and DNFBPs regarding persons, groups and entities involved in terrorist acts and subject to restrictive measures as designated by the UN and UK. These notices are sent out within 24 hours of receipt.</p> <p>Sanctions screening and extradition</p> <p>The FSC carries out its sanction screening on UK OFSI and OFAC and records the findings on all due diligence checks. The FSC publishes sanctions notices daily on its website, within 24 hours of receipt of the notices.</p> <p>The Inland Revenue’s Tax Information Exchange Officer maintains an up-to-date register of sanctioned individuals, entities, and vessels, which is updated as and when additions or removals are notified by the Financial Services Commission. Montserrat’s list of sanctioned persons is ultimately fed from the UK. Referrals are made to this officer from Customs, Immigration and Inland Revenue teams, when required. Going forward, the Inland Revenue is putting in place an internal procedure whereby any persons owed a tax refund by the department who are suspected of being a sanctioned individual or entity will have to be checked against this register, and in areas of doubt, will be invited to prove that they are not a person subject to sanctions. Repayments of any income tax will need to be withheld until the Department is sure that it isn’t dealing with a sanctioned person.</p>

Terrorist Financing Likelihood Assessment and risk rating

In the absence of any qualitative or quantitative data, or intelligence to suggest any TF activity linked to Montserrat, the following factors have been adopted to assess the level of consequence (likelihood) of the threat and vulnerability areas addressed. In this regard ‘component parts’ refer to the existence of financial services, behaviours or opportunities.

Low risk of terrorist financing occurring – the behaviour is unlikely to happen. The component parts exist (or don’t exist at all), there is a high level of confidence as a result of mitigating factors that TF will not occur. Country response – manage inherent risks by maintaining awareness of the potential threat of TF and monitoring activity as business as usual.

Medium Risk – TF could happen as the component parts exist and there are insufficient mitigating factors to manage the risk, or the threat of TF is not clear – conduct analysis, take action and/ or take a RBA to supervision to identify activity.

High Risk – the behaviour is likely to happen as the component parts exist and there is intelligence demonstrating intent – conduct investigations and make interventions.

Table 25: TF Risk Ratings

Risk rating per threat area	Risk Ratings	Priority
Communities – those coming to the Island as well as those leaving the island to live elsewhere	LOW	7
Financial Inclusion – Montserrat remains a largely cash based society with low level of financial inclusion	LOW	8
Small island developing states	LOW	7
Real Estate – providers have yet to be trained and have not yet been examined for CFT by the regulator (on site or off site) so the quality and effectiveness of their detection, prevention and reporting regimes has yet to be ascertained by the regulator. This is in large part due to the resource deficiencies within the FSC. From engagement with the real estate sector for this NRA it was clear that no CFT detection measures are in place by those interviewed.	MEDIUM	7
Cash – use of cash to finance terrorism on or off the island	MEDIUM	7
NPO – These may be created by bad actors for the sole purpose of financing terror, or good business may be unwittingly exposed to TF by bad actors who use the service.	Low	7
Retail banking – a risk area globally for terrorist financing	LOW	7
Remittance - a risk area globally for terrorist financing	LOW	7
Informal financial sector – the use of Hawala or unlicensed money service business who may exist for low-cost remittance but equally be used for low level detection terrorist financing	MEDIUM	7
Limited ability to patrol its sea border – poor procedures allow the movement of terrorist property with little chance of detection.	LOW	8
Lack of training for FCAU, Police and Montserrat Revenue and Customs officers in the identification of TF trends and typologies.	MEDIUM	5
Lack of CFT training and awareness for regulators.	MEDIUM	4

Risk rating per threat area	Risk Ratings	Priority
The lack of effective awareness across the private sector may cause an underrepresentation of TF disclosures.	MEDIUM	8
Sanctions evasion leading to TF	LOW	8

The national response to areas where the risk of financing is considered **medium** or **high** will be addressed under the CFT strategy as part of the NAMLAC action plan. The strategy will also dynamically and regularly consider action in relation to emerging threats and to manage residual risks identified.

There were no known proceeds of funds in support of terrorism entering the financial or other sectors for the period, according to the Police and FCAU. Neither were there any intelligence reports or other forms of threat alerts raised by any international partners over the last five years.

The likelihood of money going out of the jurisdiction to support terrorism financing is considered **low** given the mitigating factors, such as the demographics of the islanders and the close-knit community, which would make it harder to conceal illicit activity linked to terrorism. There are no known terrorist groups or financiers on the island according to intelligence available.

There have been no suspicious activity reports (SARs), nor any sanctions related cases in Montserrat over the last five years relating to TF from any sector. There have been no arrests nor prosecutions over the period relating to TF or terrorism.

The overall risk of terrorist financing linked to Montserrat, or its people, is considered low

TF Consequence Assessment

Montserrat considers the consequences of any occurrence of terrorism financing linked to the jurisdiction as serious. These crimes can make the territory less stable, which in turn, can weaken law and order, governance, regulatory effectiveness, tourism, foreign investments, and international capital flows.

Terrorism financing activity in Montserrat could have serious adverse effects across borders and even globally. Countries with weak or ineffective controls are especially to financiers of terrorism. These criminals seek to conceal their criminal activities by exploiting the complexity of the global financial system, the differences between national laws, and the speed at which money can cross borders.

A jurisdiction demonstrating poor effectiveness in understanding its terrorist financing risks or tackling terrorist financing could be placed under follow up procedures by the FATF. This could discourage foreign investment with other general investment inflows also likely to decline.

Given the general economic decline and damage to vital inward investment infrastructure caused by the on-going volcanic activity, any further FATF sanction would be potentially extremely damaging to the island's prosperity and prospects.

Legal Framework

The legislation for CFT is not addressed through the local legislative framework but through the UN legislation and Orders from the UK, given Montserrat's status as an Overseas Territory. As an Overseas Territory, Montserrat cannot ratify international treaties or conventions, such international treaties or conventions must be extended by the UK. The UN Convention for the Suppression of the Financing of Terrorism has not yet been extended to Montserrat by the UK.

Nevertheless, the following Orders have been made by the UK and extended to Montserrat:

- Biological Weapons Act 1974 (Overseas Territories) Order 1975
- The Chemical Weapons (Overseas Territories) Order 2005 No. 854
- Suppression of Terrorism Act 1978 (Overseas Territories) Order 1986 No. 2019
- Terrorism Order (United Nations Measures) (Overseas Territories) Order 2001
- Anti-Terrorism (Financial and Other Measures) (Overseas Territories) Order 2002
- The Extradition Act 2003 (Overseas Territories) Order 2016
- Terrorist Asset Freezing etc. Act 2010 (Overseas Territories) Order 2011
- Cyber (Sanctions)(Overseas Territories) Order 2020
- The Cyber (Sanctions)(Overseas Territories) Order 2020 U.K. Statutory Instrument 2020 No. 1270

Provision in respect of the freezing of terrorist funds is addressed at Section 5 of the Terrorism (United Nations Measures) (Overseas Territories) (TUNMOTO). With respect to the effectiveness of the freezing of assets related to terrorist financing, there is currently a system in place although it has never been tested due to lack of any identified TF.

The Terrorist Asset-Freezing Act 2010 (Overseas Territories) Order 2011 provides for the procedure for dealing with the freezing of Terrorist Assets. This is an Order from the Privy Council in the UK which is directly applicable in Montserrat and other UK Overseas Territories. Asset Freezing is now being put in place through the Governor's Office and the concept of immediate freezing without delay is instructed through SAMLA, as well as mechanisms to be put in place for extraordinary expenses once funds have been seized or frozen. The Attorney General's Office has prepared the Financial Sanction Guidelines, Asset Freezing Forms and Compliance Reporting Forms to work in conjunction with the Governor's Office Sanctions Implementation, which is intended to be implemented in 2023.

The Extradition Act 2003 (Overseas Territories) Order 2016 permits extradition of nationals, and the definition of extradition offences includes terrorism offences.

GOVERNMENT OF MONTSERRAT
NATIONAL MONEY LAUNDERING
APPENDICES
2023

Appendix

FCAU Training

AML/CFT and Related Training for FCAU 2018-2023

Year	Name of Training	Host
2018	CFATF Open Source Internet Investigation Course	CFATF
	Achieving Best Evidence	RMPS
2019	Egmont Group Advance Strategic Analysis Training	Egmont
	CFATF/FATF/IMF Assessors Training	CFATF
	ECCB Counterfeit Expert Witness Training	ECCB
2020	NPS Synthetic Opioids & Dangerous Drug	CARICOM IMPACS
	Virtual Assets Seizure	Interpol
	Effective Access to Electronic Evidence	Interpol
	CFATF Assets Recovery Training	CFATF
	Trade-Based Money Laundering Webinar	CARICOM IMPACS
2021	Strategic Leadership Masterclass	Cranfield University
	Investigative Techniques for Effective Use of Banking Information	OECD
	Combatting Cash Smuggling Webinar	UNODC and CARICOM-IMPACS
	Trade-based money Laundering Webinar	FATF and Egmont
	Webinar: Countering Proliferation Financing	Royal United Services Institute for Defence (RUSI)
	Malta Workshop- AML Risk of High-Worth Individuals	Malta
	HM Treasury in Preparation for CFATF Mutual Evaluation Workshop	HM Treasury
	Asset Recovery: Freezing and Seizing Assets (Specialty)	OECD
	Improving on STR/SAR Quality	ECOFEL
	International Cooperation and Mutual Legal Assistance in Criminal Matters	BASEL
	Operational Analysis of Suspicious Transaction Report	BASEL
	International Cooperation and Mutual Legal Assistance in Criminal Matters	BASEL
	Terrorist Financing	BASEL
	Managing Financial Investigation (Intermediate) Virtual Programme	CFATF and OECD
	Virtual Standards Training	CFATF
Caribbean Conference on Corruption		

2022	Cybercrime Investigation and Cyber Security Training for Judicial Professionals Workshop	CARICOM IMPACS
	Senior Investigating Officer Course	Agencia BVI
	AML Crypto Assets Program	Organization for Economic Cooperation & Development (OECD)
	Demystifying Cryptocurrencies	ARIN CARIB
	Certification in Anti Money Laundering Specialist	ACAMS
2023	Professional Standards	CFATF
	Multi-Agency Major Incident Training	FCDO

RMPS Financial Investigation Training per year

YEAR	TRAINING TITLE
2016	Basic Financial Investigation
2017	Tactical Analysis Training
2017	Basic Financial Investigation
2017	Advanced Financial Investigation
2019	Basic Financial Investigation
2022	Basic Financial Investigation

MCRS Training

#	Year	Activity	Number of participants	Division
1	2017	RSS Financial Investigators Course 9th to 20th January, 2017 (CFATF)	1	Customs
2	2018	Advance Passenger Interdiction Training (CARICOM IMPACS)	17	Customs & IBSU
3	2019	Economic and Financial Police Investigations and Intelligence training course (Government of Italy)	1	Customs
4	2020	Trade Base Money Laundering (CARICOM IMPACS)		Customs
5	2021	(UNODC) Trade Based Money Laundering e-learning course 23rd October, 2021	2	Customs
6	2022	Junior Officer Training July 2022 (MCRS)	7	
7	2022	Small Arms & Light Weapons & Narcotics Privately made Firearms / Ghost Guns Training 22 November, 2022 (World Customs Organization)	3	
8	2022	Certified Anti-Money laundering Specialist August 2022 (ACAMS)	1	Senior manager
9	2022	SEACOP JMCU Mentoring Course	5	Customs IBSU
10	2022	SEACOP MIU Course 16th May to 20 May, 2022	2	Customs enforcement

11	2022	British Overseas Territory Cross Border Conference 25th -27th October, 2022	2	Senior Customs and Immigration
12	2022	International Immigration Border Security Training 20th to 25th November, 2022	2	Customs Immigration
13	2022	Cross Border Displacement in Disaster and Climate Change Scenarios 18th November, 2022	4	Customs and Immigration
14	2022	International Border Interdiction Training 10 to 12th August, 2022 (USCBP)	2	Trainee customs Officers
15	2022	International Passenger Interdiction Training 14th to 16th September, 2022 (USCBP)	2	Trainee customs Officers
16	2022	International Seaport Interdiction 7th to 9th October, 2022 (USCBP)	2	Trainee customs Officers
17	2022	Anti-Human Trafficking Capacity Development 12th September to 7th October, 2022 (CARICOM IMPACS)	5	Customs and Immigration
18	2023	Small Arms and light Weapons Training Webinar 7th February, 2023 (Project Bolt, WCO)	6	Custom Officers
19	2023	Trade Base Money laundering Course Online 7th to 18th February, 2023 (CCLEC)	3	Customs Officers
20	2023	Prevention and detection of Fraud Training 7th to 10th February, 2023 (Regional Security Office USA Embassy Barbados)	7	Customs and Immigration
21	2023	Intelligence Gathering & Analysis Seminar 6th - 10th February, 2023 (REDTRAC)	2	Customs enforcement
22	2023	In house Lecture on the Likely roles that the expectations of MCRS during the MVAL process. Discussions on the likely areas for MCRS would be held accountable. (April 19 th)	All MCRS Staff	MCRS
23	2023	Cash and Monetary declaration- refresher and familiarization session (May 31 st)	All Customs Staff	Customs and Immigration
24	2023	Full lecture and mentoring session on “Giving Evidence in Court”. Practical scenario of actually giving evidence	All MCRS staff	
25	2023	Period of attachment with Antigua Customs to get practical experience (August 6 th to 19 th): <ul style="list-style-type: none"> • Passenger processing profiling at busy V C Bird Airport • Examination of Goods at busy port (Deep water harbor) • Clearance of Yachts at busy marina (Two marinas) • Proper Examination Techniques Customs Law Enforcement uses to detect Smuggled Contraband and illegal substances 	7	Six trainee officers and one supervisor

		<ul style="list-style-type: none"> • How to properly use a field test kit to test for illegal substances • Detecting Counterfeit Goods • Various ways goods are smuggled into a country • Valuation (under invoicing and over pricing of goods) 		
26	2023	CFATF Standards Training - Montserrat – August 14 th to 18 th 2023 Virtual	5	Management, Customs and IRD
27	2023	Practical Exercises in FATF related subjects (Aug. 28 th) <ul style="list-style-type: none"> • Planned practical IRD exercise • Planned practical Customs exercise 	All MCRS staff	Witnessed by invited observers
28	2023	Attendance at workshops conducted by Richard Carpenter on companies Bill and related matters (Aug 28 th to 31 st)	4	Senior managers
29	2023	Cashier Training and exposure in completing SARS	Sept. 11 th	MCRS Cashier and alternatives
30	2023	4th Sept. to 30th October 2023 -CCLEC Junior Officers Virtual Training Course covering matters such as: <ul style="list-style-type: none"> • COMMUNICATION • SITUATION DEFUSION • ETHICS & INTEGRITY • WEEK 2 – SEPTEMBER 11TH, 2023 • LEGISLATION • PROHIBITION & RESTRICTIONS • INITIAL PROCESSING • CARGO REPORTING AND PROCESSES • RELEASE AND ACCOUNTING • TARIFF PREFERENCES • TARIFF CLASSIFICATION • INVOICING • VALUATION • RISK ASSESSMENT CARGO • ASSESSMENT AND SELECTION OF TRAVELLERS • PASSENGER AND BAGGAGE SEARCH • CONDUCTING VESSEL AND AIRCRAFT SEARCH • ARREST, DETENTION AND SEIZURES • DRUG IDENTIFICATION • FIREARMS • NOTE TAKING AND REPORT WRITING 	8	New and Trainee Customs Officers