



March 31, 2017

FOR IMMEDIATE RELEASE - US International Narcotics Control Strategy Report

Financial Services Regulatory Commission (FSRC) – Nevis Branch: US International Narcotics Control Strategy Report

Summary of Regulatory Framework

Dear Colleagues, please find attached extracted pages from the US International Narcotics Control Strategy Report 2017 to highlight several areas in the report in relation to St. Kitts and Nevis, in particular the island of Nevis. You will see that the penultimate paragraph delivers an attack on Nevis with allegations that are unfounded and misleading.

Below are some of the measures that have been formally in place since 2009 to mitigate against money laundering and terrorist financing risks/threats to the financial services industry in Nevis. A more comprehensive response to the Report is forthcoming.

Regulatory framework regarding customer due diligence

The Anti-Money Laundering Regulations, 2011 (AMLR), Anti-Terrorism (Prevention of Terrorist Financing) Regulations, 2011 (ATR) and the Financial Services Implementation of Industry Standards Regulations 2011 (FSIISR) with appending Guidance Notes require all regulated entities to identify, verify, obtain, maintain and monitor beneficial owners of legal persons. The legislation is enforced by both of the St. Kitts and Nevis Branches of the Financial Services Regulatory Commission (FSRC).

The FSRC is the ultimate regulatory body for financial services and for anti-money laundering and countering the financing of terrorism (AML/CFT) for St. Kitts and Nevis. It was established by the Financial Services Regulatory Commission Act which was passed by the National Assembly on the 20th day of October, 2009. The FSRC monitors compliance by regulated persons and entities with the Proceeds of Crime Act, the Anti-Terrorism Act and such other Acts, regulations, codes or guidelines relating to money laundering or the financing of terrorism.

The above legislative and regulatory frameworks apply to all regulated persons and entities in Nevis which conduct fiduciary and financial services business in the following areas: the registration of international companies, the formation of trusts, the establishment of

multiform foundations, international insurance companies, money services businesses, mutual funds, credit unions, international banks and the provision of citizenship by investment services.

It is impossible to claim that there is limited amount of information on the exact number of financial entities in the Federation as the Eastern Caribbean Central Bank and both Branches of the FSRC publish on their respective websites, the names, addresses and contact details of regulated entities under their supervision. Specifically in respect to Nevis, such information can be found on the Nevis Branch's website at: <http://www.nevisfsrc.com/regulated-entities>.

As at December 31, 2016 the regulated entities supervised by Nevis Branch are as follows: - insurance managers (18), money services businesses (3), international banks (1), registered agents (55), international insurance Brokers (5) and international insurance companies (340).

The FSRC – Nevis Branch adopted a Risk-based Supervision (RBS) Framework in May, 2015 which is applicable to both off-site and on-site examination of regulated entities. The IMF through CARTAC was instrumental in providing the necessary training and expertise to develop the RBS Framework for the FSRC – Nevis Branch. Through this partnership, CARTAC also provided technical assistance to assist the Branch in the conduct of an on-site examination of the sole licensed international bank in Nevis.

The RBS Framework includes the identification of and the assessment of risks, the quality of risk management oversight provided by compliance, internal audit, external audit, risk management, senior management and the board. A CARTAC Consultant visited the Nevis Branch on the 7th day of November, 2016 to conduct a review of the RBS Framework implementation and the Branch was commended for the progress made in ensuring that important components of the framework were applied and the desired results were achieved. A summary of the framework was provided in the March 2016 edition of our monthly Newsletter which can be accessed by clicking: <http://www.nevisfsrc.com/publications/newsletters>.

Comprehensive on-site examinations of regulated entities in Nevis are conducted pursuant to section 4(2)(g) of the Financial Services Regulatory Commission Act, Cap 21.10 (FSRC Act) to ensure that the Act and enactments specified in Schedule 1 to the Act are being complied with and that the regulated entity is in a sound financial position and is managing its business in a prudent manner.

During an on-site examination, examiners from the FSRC – Nevis Branch will determine, among other things, whether there are appropriate policies and procedures established to ensure compliance with AML/CFT legislation and identify risk appropriately.

In order to achieve this, examiners will review all relevant customer files of the regulated entity as well as the citizenship by investment applications to ensure that adequate Know Your Customer (KYC) documents are obtained, maintained and up-to-date.

For the period January 2014 to December 2016, the FSRC – Nevis Branch conducted 53 full scope and follow-up on-site examinations in accordance with its RBS framework and on-site examination procedures. Compliance reports for all on-site examinations have been prepared by staff of the Branch, approved by the FSRC Board of Commissioners and disseminated to the Board of Directors and Senior Management of all assessed regulated entities. The entities are also advised of any corrective actions that should be implemented within stipulated timeframes.

Subject to section 40 of the FSRC Act and section 4(3) of the FSISR, the Branch also undertook enforcement actions in 37 instances. Such actions included the issuing of warning letters, suspension or revocation notices and the granting of restricted licences. In 2017, the Nevis Branch intends to conduct 27 full scope and follow-up on-site examinations and we are on target to fulfil that mandate.

Statistics showing the number of on-site examinations that were conducted and enforcement actions undertaken by the FSRC – Nevis Branch are publicly available in the December editions of our monthly Newsletters. Same can be accessed by clicking the link: <http://www.nevisfsrc.com/publications/newsletters>.

In 2017, the FSRC - Nevis Branch has also been successful in hosting its annual AML/CFT Awareness and Training Workshop for 12 consecutive years, a feat that no other jurisdiction in the OECS has achieved. This year saw the largest number of participants ever recorded with a total of 199 attendees from all regulated sectors. The continual increase in attendance is indicative of the importance that is placed on the fight against money laundering and terrorism financing. A press release was issued by the Branch and can be found by accessing the link: <http://www.nevisfsrc.com/publications/press-releases>.

Therefore, we are of the view that there are adequate measures in place to monitor compliance with AML/CFT legislation.

Anonymous accounts

Section 69 of the Financial Services Implementation of Industry Standards Regulations 2011 specifically states that anonymously operated accounts are not allowed and that regulated businesses shall pay special attention to all complex, unusual large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose. They are required to examine the background and purpose of such transactions and to record their findings in writing and to keep such findings available. The claim that St. Kitts and Nevis allows the creation of anonymous accounts is therefore erroneous.

Bank secrecy laws

Confidentiality provisions in both the Nevis International Banking Ordinance 2014 and the Banking Act 2015 are supported by the Confidential Relationships Act, Cap 21.02. This is the same level of protection given in all other jurisdictions that allow financial institutions to operate. However, confidential information from banks can be disclosed in connection with a request for information under an exchange of information agreement (TIEA or DTC) or in pursuance of a regulatory or criminal investigation. Therefore, the claim that there are strong bank secrecy laws in place is baseless.

The sole reference to the St. Kitts and Nevis' Third Round 2009 CFATF Mutual Evaluation Report without citing the subsequent follow-up reports is also disingenuous. In November 2014, the CFATF XL Plenary recognised that St. Kitts and Nevis had made significant progress in addressing the deficiencies in the 2009 Mutual Evaluation Report and therefore could exit the follow-up process. St. Kitts and Nevis' 9th Follow-Up Report contains a detailed description and analysis of the actions taken to rectify the deficiencies highlighted in the 2009 Report. Therefore, the public should be informed that in assessing St. Kitts and Nevis' compliance with the FATF Recommendations, the 9th Follow-Up Report MUST be taken into account.

Furthermore, the Federation of St. Kitts and Nevis' Global Forum Phase 2 Peer Review Assessment was published in 2014 in which a rating of "Largely Compliant" was assigned. The rating is comparable with those achieved by countries such as Bermuda, Cayman Islands, Guernsey, United Kingdom and the United States. This demonstrates St. Kitts and Nevis' high level of commitment and progress towards the implementation of the international standard of transparency and exchange of information. Copies of the CFATF Follow-Up Report and the Global Forum report can be accessed by clicking the link: <http://www.nevisfsrc.com/publications/international-reports>.

Forwarded for your information.

Regards,

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United States Department of State

**Bureau for International Narcotics and Law
Enforcement Affairs**

**International
Narcotics Control
Strategy Report**

Volume II

Money Laundering and Financial Crimes

March 2017

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- 9. “Arrangements for Asset Sharing”: By law, regulation, or bilateral agreement, the jurisdiction permits sharing of seized assets with foreign jurisdictions that assisted in the conduct of the underlying investigation. No known legal impediments to sharing assets with other jurisdictions exist in current law.
- 10. “Information Exchange Agreements with Non-U.S. Governments”: The country/jurisdiction has in place treaties, memoranda of understanding, or other agreements with other governments to share information related to drug-related money laundering.
- 11. “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 12. “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 13. “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 14. “Financial Institutions Transact in Proceeds From International Drug Trafficking That Significantly Affects the U.S.”: The jurisdiction’s financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.

Comparative Table

“Y” is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards. Please see the individual country reports for information on any deficiencies in the adopted laws/regulations.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YVN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Albania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Algeria	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Antigua and Barbuda	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Aruba²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Belize	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Benin	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Bolivia	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N

² The Netherlands extended its application of the 1988 UN Drug Convention to Aruba, Curacao, and Sint Maarten and the UN Convention against Transnational Organized Crime to Aruba.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
	Govt/Jurisdiction													
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
British Virgin Islands ³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Cabo Verde	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Cambodia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands ³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
China	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Cuba	Y	Y	Y	Y	Y	Y*	Y	Y	N	N/A	Y	Y	Y	N
Curacao ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Dominica	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Egypt	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

³ The UK extended its application of the 1988 UN Drug Convention to British Virgin Islands and Cayman Islands. The UNCAC has been extended to British Virgin Islands. The UNTOC has been extended to British Virgin Islands and Cayman Islands.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Int'l Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
	Govt/Jurisdiction													
El Salvador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Guatemala	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Guinea-Bissau	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N
Guyana	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y
Haiti	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Hong Kong⁴	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	Y	Y	Y*	N	N	N	N/A	Y	N	Y	N/A
Iraq	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y
Korea, Dem. People's Rep.	Y	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N	Y	N	N	N

⁴ The People's Republic of China extended the 1988 UN Drug Convention, the UNTOC, and the UNCAC to the special administrative region of Hong Kong.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
	Govt/Jurisdiction													
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N
Laos	Y	Y	Y	N	Y	Y*	Y	N	N	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Morocco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Pakistan	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y
Panama	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
St. Kitts and Nevis	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Senegal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Int'l Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
	Govt/Jurisdiction													
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sint Maarten²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Suriname	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Timor-Leste	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
United Arab Emirates	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Vietnam	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y

* FIU is not a member of the Egmont Group of FIUs

KEY AML LAWS AND REGULATIONS

Spain enacted its current law on Preventing Money Laundering and the Financing of Terrorism in 2010; the law entered into force immediately. All associated implementing regulations were approved and entered into force in May 2014. Spain has comprehensive KYC and STR regulations.

Spain is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>

AML DEFICIENCIES

Spain is largely compliant with FATF recommendations. Spain has addressed two noted deficiencies: in 2016, SEPBLAC received a nearly 29 percent budget increase in order to increase personnel from 54 to 79 employees; and in June 2017, the new EU Funds Transfer Regulation will become effective in Spain.

As of October 2016, Spain has not started the process to update its current national law on Preventing Money Laundering and the Financing of Terrorism to transpose and implement EU Directive 2015/849. Additionally, effective controls are not in place to ensure lawyers comply with their AML obligations. Spain has not updated its penal code to extend the maximum period of disbarment for professionals.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

A number of money laundering cases have been prosecuted, including those involving third-party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success in disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions (terms of imprisonment and periods of disbarment) imposed for money laundering offenses is a weakness, as is the limited judicial system's capacity to handle complex money laundering cases in a timely fashion.

Spanish officials report the following statistics regarding money laundering-related prosecutions and convictions (2015 data is tentative): cases concluded: 64 (2014), 76 (2015); people being prosecuted: 275 (2014), 277 (2015); cases resulting in convictions: 45 (2014), 53 (2015); persons convicted: 186 (2014), 180 (2015); convicted person holding a position in the judicial system: 1 (2015).

St. Kitts and Nevis

OVERVIEW

St. Kitts and Nevis (SKN) is a federation composed of two islands in the Eastern Caribbean. Its economy is heavily reliant on tourism, construction, and the offshore financial sector. SKN remains a transit point for drug traffickers going to the United States and Europe.

VULNERABILITIES AND EXPECTED TYPOLOGIES

SKN remains susceptible to corruption and money laundering because of the high volume of narcotics trafficking around the islands. The growth of its offshore sector coupled with unusually strong bank secrecy laws also remains problematic.

SKN derives a significant portion of its revenue from its program offering citizenship through investment (CIP); however, this program's prior lax vetting created AML and security vulnerabilities domestically and internationally. Despite recent efforts to improve the application process and vetting procedures, the CIP continues to be afflicted by significant deficiencies in vetting candidates and conducting due diligence on passport and citizenship recipients after they receive citizenship. An individual is eligible for economic citizenship with a \$400,000 minimum investment in real estate. Also, an applicant is eligible by making a contribution ranging from \$250,000 to \$356,000 (based on an application for two adults and two dependents) to the Sugar Industry Diversification Foundation, a special project approved for the purpose of citizenship by investment. Applicants must make a source of funds declaration and provide evidence supporting the declaration. The Ministry of Finance has established a Citizenship Processing Unit to manage the screening and application process.

KEY AML LAWS AND REGULATIONS

The AML legislation is at the federation level and covers both St. Kitts and Nevis. Each island has the authority to organize its own financial structure and procedures. St. Kitts has acts governing companies, limited partnerships, foundations, and trusts that are registered in St. Kitts, while Nevis has Ordinances that govern corporations, limited liability companies, trusts, and multiform foundations. Most of the offshore financial activity is concentrated in Nevis.

The Eastern Caribbean Central Bank (ECCB) has responsibility for regulating and supervising the domestic sector of SKN. Offshore banks, which are supervised by the Financial Services Regulatory Commission, are required to have a physical presence in the federation; shell banks are not permitted.

St. Kitts and Nevis is a member of the CFATF, a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=335&Itemid=418&lang=en

AML DEFICIENCIES

There is a limited amount of information on the exact number of financial entities in the federation. In 2010, St. Kitts had licensed approximately 36 corporate service providers, three trust providers, 116 captive insurance companies, and over 2,100 companies and foundations. Nevis had over 11,000 IBCs, 4,200 limited liability companies, over 1,000 trusts, and over 110

insurance companies. Nevis can form an IBC in less than 24 hours, and bearer shares are allowed though “discouraged.” Internet gaming entities must apply for a license as an IBC.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

SKN did not report passage of new enforcement legislation or prosecutions in 2016, and there have been no money laundering prosecutions or convictions since 2013. There are no guidelines to provide law enforcement the authority to conduct an investigation based on a foreign request for assistance. SKN’s legislation incorporates provisions for civil penalties; however, they continue to be applied in an unreliable manner and do not apply to all pertinent financial sectors. Bearer shares are authorized if the bearer share certificates are retained in the protected custody of persons or financial institutions authorized by the Minister of Finance. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer as well as the certificate’s beneficial owner.

In May 2014, the U.S. Department of Treasury’s Financial Crimes Enforcement Network (FinCEN) issued an advisory to alert U.S. financial institutions that certain foreign individuals abuse the SKN CIP to obtain SKN passports for the purpose of engaging in illicit financial activity or evading sanctions. The use of the SKN CIP is promoted in foreign locales, such as Dubai, possibly as a way of facilitating the evasion of sanctions. FinCEN is engaging SKN to evaluate if recent CIP improvements sustainably address U.S. AML/CFT concerns.

Financial oversight in Nevis remains problematic due to SKN allowing the creation of anonymous accounts, strong bank secrecy laws, and overall lack of transparency of beneficial ownership of legal entities. The ambiguous regulatory framework regarding customer due diligence makes Nevis a desirable location for criminals to conceal proceeds.

The Government should focus on addressing these issues. SKN must work toward transparency and accountability in financial regulation. Specifically, it must precisely determine the exact number of internet gaming companies present on the islands and conduct the necessary oversight of these entities. The government should ensure all relevant entities covered under the AML laws and regulations are subject to sanctions that are proportionate and dissuasive. SKN should promote close supervision of the CIP and be transparent in reporting monitoring results.

St. Lucia

OVERVIEW

St. Lucia’s main sources of revenue are tourism and the offshore banking sector. It has a diverse manufacturing sector and the government is trying to revitalize the banana industry. St. Lucia is a transit point for illegal drugs going toward the United States and Europe.

VULNERABILITIES AND EXPECTED TYPOLOGIES