

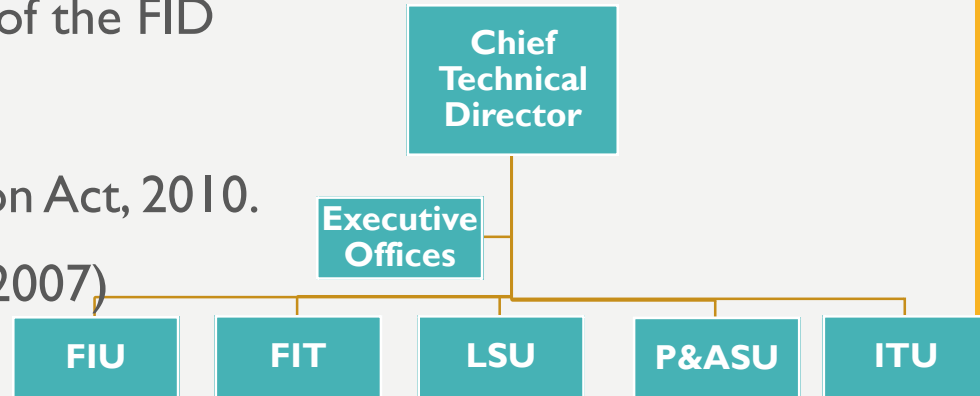
**ANTI-MONEY
LAUNDERING
TRAINING 2017**



THE FINANCIAL INVESTIGATIONS DIVISION

- Established in December 2002
- The Designated Authority, which ultimately refers to the Chief Technical Director of the FID
- Governed by;

1. Financial Investigations Division Act, 2010.
2. The Proceeds of Crime Act (2007)
 - Amended October 2013
3. **The Proceeds of Crime (Money Laundering Prevention) Regulations (2007)**
 - Amended 2013
4. Terrorism Prevention Act (2005)
 - Amended 2011



THE FINANCIAL INVESTIGATIONS DIVISION

Objectives

1. Investigate allegations of money laundering, financial crime and corruption in liaison with other national and regional law enforcement agencies.
2. Detect, deter and aid the prosecution of offences committed under the various acts dealing with financial crimes, by causing a reduction of the actual and expected profits that would evolve from such corrupt activities.
3. Collaborate with international bodies combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

INTERNATIONAL BODIES

- The Financial Action Task Force (FATF)
- Caribbean Financial Action Task Force (CFATF)
- Mutual Legal Assistance (Criminal Matters) Act.
- Egmont

DE-RISKING/DE-BANKING

- De-risking practices by global financial institutions threaten to cut off access to the global financial system for remittance companies and local banks in certain regions, putting them at risk of losing access to the global financial system.
- If the current trend continues, people and organizations in the more volatile areas of the world or in small countries with limited financial markets could be completely cut off from access to regulated financial services.
- Keeping individuals and businesses in regulated financial systems is a precondition for effective systems to mitigate risks and combat financial crimes.
- Global financial institutions are increasingly terminating or restricting business relationships with remittance companies and smaller local banks in certain regions of the world - a practice that is called "de-risking."

COMPETENT AUTHORITY

- The Betting, Gaming and Lotteries Commission (BGLC), as the Competent Authority, has a duty to monitor the compliance of licensees with the requirements of Part V of POCA and regulations made thereunder and to issue guidelines regarding effective measures to prevent money laundering.

REGULATED SECTOR

- The regulated sector includes Financial Institutions and Designated Non Financial Institutions.
- Designated Non-Financial Institutions include:
 - Real Estate Dealers
 - Accountants
 - Attorneys-at-law (suspended)
 - Gaming Machine Operators

PRESCRIBED REPORTS

Reports to be submitted by DNFI's under POCA



- **Suspicious Transaction Report (STR)**
- **Authorized Disclosure and Request for Consent**

WHAT IS A SUSPICIOUS TRANSACTION REPORT?

A person in the regulated sector is to make a required disclosure (STR) if:

- that person knows or believes, or has reasonable grounds for knowing or believing, that another person has engaged in a transaction that could constitute or be related to money laundering;
- (b) the information or matter on which the knowledge or belief is based or which gives reasonable grounds for such knowledge or belief, came to him in the course of a business in the regulated sector.

WHAT IS MONEY LAUNDERING ?

HOW DOES THE LAW DEFINE MONEY LAUNDERING?

- S. 92: where a person:
 - (a) engages in a transaction that involves criminal property;
 - (b) conceals, disguises, disposes of or brings into Jamaica any such property; or
 - (c) converts, transfers or removes such property from Jamaica,and the person knows or has reasonable grounds to believe, at the time that the property is criminal property.
- S. 93: acquire, use or possession of criminal property and the person knows or has reasonable grounds to believe that the property is criminal property

CRIMINAL PROPERTY AND CONDUCT

- Property is criminal property if it constitutes a person's benefit from criminal conduct or represents such a benefit, in whole or in part and whether directly or indirectly (and it is immaterial who carried out or benefited from the conduct);
- Criminal Conduct means conduct which constitutes an offence in Jamaica or occurs outside of Jamaica and would constitute such an offence if the conduct occurred in Jamaica.

Process of Money Laundering

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graph LR; A[SOURCES OF INCOME] --> B[PLACEMENT]; B --> C[LAYERING]; C --> D[INTEGRATION]
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SOURCES OF INCOME

- Tax Crimes
- Fraud
- Embezzlement
- Drugs
- Theft
- Bribery
- Corruption

PLACEMENT

GOAL
Deposit Criminal Proceeds Into Financial System

- Change of Currency
- Change of Denominations
- Transportation of Cash
- Cash Deposits

LAYERING

GOAL
Conceal the Criminal Origin of Proceeds

- Wire Transfers
- Withdrawals in Cash
- Cash Deposits in Other Bank Accounts
- Split and Merge Between Bank Accounts

INTEGRATION

GOAL
Create an Apparent Legal Origin for Criminal Proceeds

- Creating Fictitious Loans, Turnover/Sales, Capital Gains, Deeds, Contracts, Financial Statements
- Disguise Ownership of Assets
- Criminal Funds Used In Third Party Transactions

SUSPICIOUS TRANSACTION SUBMISSION DATE

- STRs are to be made to the Nominated Officer as soon as is reasonably practicable and in any event within fifteen days after the information came to the person.
- The Nominated Officer should then report to the Designated Authority as soon as is reasonably practicable and in any event within fifteen days after the information came to him.
- The report is to be submitted with a cover letter (in duplicate) on the entity's letterhead and a stamped copy of the cover letter will be returned in acknowledgement of receipt.

SUSPICIOUS TRANSACTION REPORTS

STR forms can be downloaded at

www.fid.gov.jm

Completed Forms should be submitted with a cover letter (in duplicate) on the entity's letterhead

A stamped copy of cover letter is returned in acknowledgement of receipt.

AUTHORIZED DISCLOSURE AND REQUEST FOR CONSENT

- An authorized Disclosure under Section 100(4) of POCA is a report to an authorized or nominated officer of information or other matter that causes the person making the report to know or believe, or to have reasonable grounds for knowing or believing that property is criminal property;
- The disclosure (report) should be made before doing the prohibited act, for which the consent of the DA is required.

The Compliance Officer can proceed with a prohibited act (i.e. deal with suspected criminal property):-

(a) the FID gives consent;

(b) the FID does not notify of a refusal within 7 days;

(c) the FID notifies of a refusal but there is no order to restrain within 10 days of the notice.

This gives the FID a chance to see if the subject of the consent is the subject of an investigation and as such the FID has essentially 17 days to investigate and apply for a restraint order.

TIPPING OFF

Under Proceeds of Crime Act (POCA) section 97 (1), a person commits an offence if:-

- Knowing or having reasonable grounds to believe that a disclosure falling within section 100 has been made, he makes a disclosure which is likely to prejudice any investigation that might be conducted; or
- Knowing or having reasonable grounds to believe that the enforcing authority is acting or proposing to act in connection with a money laundering investigation which is being, or about to be conducted, he discloses information or any other matter relating to the investigation to any other person.

DEFENCES TO TIPPING OFF OR PREJUDICING A MONEY LAUNDERING INVESTIGATION

- does not know or have reasonable grounds to believe that the disclosure is likely to prejudice the investigation;
- disclosure is made in exercise of function under POCA or other enactment;
- the person is an Attorney-at-Law and the disclosure is to a client or representative regarding giving legal advice or to any person in connection with legal proceedings or contemplated legal proceedings;
- does not know or suspect the documents are relevant to the investigation; or
- he does not intend to conceal any facts disclosed by the documents from any appropriate officer.

THE CONSENT REGIME

Procedures for Seeking Consent

- **Submit authorized disclosure to FID (Form III) or STR with cover letter for the NO to apply for appropriate consent**
- **Form III is to be gazetted, should soon be available**
- **For urgent responses, a verbal consent or refusal provided, followed within 5 days by written confirmation**

INDICATORS OF SUSPICIOUS ACTIVITIES IN THE GAMING SECTOR



SUSPICIOUS ACTIVITY INDICATORS

- Any customer using cash to buy US\$3,000 without being registered on the system and refusing to be registered;
- Customer using an expired ID;
- Client requesting a winnings cheque in a third party's name or bank account/presence of a third party for all transactions who does not participate in actual transactions;
- High volume of transactions within a short period;
- Client requests the transfer of winnings to the bank account of a third party;
- Acquaintances bet against each other in even-money games and it appears that they are intentionally losing to one of the parties;
- Client requests cheques that are not for gaming winnings;

SUSPICIOUS ACTIVITY INDICATORS

- Client purchases large volume of chips with cash, participates in limited gambling activity with the intention of creating a perception of significant gambling, and then cashes the chips for a cheque;
- Client puts money into slot machines and claims accumulated credits as a jackpot win.
- Client exchanges small denomination bank notes for large denomination bank notes, chip purchase vouchers or cheques;
- Client is known to use multiple names to conduct transactions;

SUSPICIOUS ACTIVITY INDICATORS

- Transactions conducted by multiple individuals who appear to know each other outside of the premises, but ignore each other while they are inside the business;
- A client for whom verification of identity is unusually difficult and who is reluctant to provide details;
- A client who is introduced by a third party based in a country noted for drug production or exchange;
- An unwillingness to disclose the sources of funds;
- The use of a different mailing address;
- Sudden change in pattern conducted by regular customers;

SUSPICIOUS ACTIVITY INDICATORS

- Accumulating excessive credits on gaming machines by constantly adding cash and then cashing out to obtain large denomination bills;
- A person is known to be involved in illegal activities, is unemployed and gambles large sums of money;
- An individual who was recently released from prison and is unemployed and starts gambling large sums of money;
- Use of multiple debit cards to purchase tokens;
- Customer requests to add cash to winnings and then exchanging cash and winnings for a single cheque;
- Customer attempting to befriend or bribe an employee;

SUSPICIOUS ACTIVITY INDICATORS

You should look out for customers who:-

- are hurried, nervous or evasive;
- are aggressive or uncooperative;
- appear right at opening, closing or peak times;
- try to impress you with substantial future business or wealth;
- offer you a tip, bribe or other inappropriate gifts;
- provide inconsistent information when asked questions;
- come in several times in one day to conduct transactions that are just below the reporting and record keeping thresholds.

PENALTIES FOR NON-REPORTING

Under POCA only institutions can be penalized for failure to submit required reports to the Designated Authority (although the Nominated Officer can be charged for non-disclosure).

- Failure to file a report a fine of \$400,000;
- An institution found guilty of concealing or dealing with criminal property a fine of up to \$5,000,000;

PENALTIES CONT'D

Individuals can be penalized for five types of Money Laundering:

- For dealing or concealing with criminal property a fine of \$3 million, up to five years in prison or both;
- Acquiring, using, or possessing criminal property fine up to \$3 million, up to 5 years in prison or both;
- Employee non-disclosure up to \$1 million fine up to 1 year in prison or both;
- Non-disclosure by the Nominated Officer up to \$1 million fine up to 1 year in prison or both;
- Tipping off up to \$1 million fine up to 1 year in prison.

CUSTOMER DUE DILIGENCE (CDD)/KNOW YOUR CUSTOMER)

The most effective tool against money laundering is by knowing your customers. The more we know about our customers and their transactions, the more we are better able to spot potential money laundering and any other suspicious activity.

Knowing your customers will:-

- assist in detecting suspicious activities in a timely manner;
- will promote compliance with BGLC Rules & Regulations;
- will promote safe and sound money order practices;
- minimizes the risk of the Company being used for illicit activities; and
- help protect the Company's reputation.

ACCEPTABLE FORMS OF IDENTIFICATION

Local residents:-

- current valid driver's licence issued by Tax Administration Jamaica (TAJ); or
- current valid passport issued by Government departments/authorities in the country in which the person is a resident; or
- current valid voters identification with photograph

Visitors:-

- current valid passport issued by Government departments/authorities in the country in which the person is a resident; or
- current valid driver's licence issued by the Government departments/authorities in the country in which the person is a resident.

VERIFICATION OF CUSTOMER INFORMATION

- Verifying a customer's identity consists of checking some of the information provided by the customer against information obtained from a reliable and independent source.
- Where we are unable to verify a customer's identity, we are required to discontinue the transaction or the business relationship or in the case of a one-off transaction not to proceed any further. (Regulations 7 of the Proceeds of Crime (Money Laundering Prevention) Regulations).

RISK RATING

Customers must be risk rated into two (2) categories - High Risk and Low Risk. Low Risk Indicators includes customers that have a less than average chance of exposing the Company to money laundering and terrorist financing. Examples of such customers include:-

- Customers who are employed/have a regular income from known source(s).

High Risk Indicators includes customers that have a greater than average chance of exposing the Company to money laundering and terrorist financing. Examples of high risk customers include:-

- Politically Exposed Persons (Known);
- a person who is not ordinarily resident in Jamaica;
- a member of a class or category of persons specified by a Supervisory Authority and notification of which is published in the Gazette;
- a person acting as trustee.

ENHANCED CUSTOMER DUE DILIGENCE

Enhanced Due Diligence (EDD) procedures must be applied to High Risk categories. EDD procedures includes:-

- senior management approval to commence the business relationship (where applicable);
- verification of the source of funds or wealth held by the proposed client and others concerned in the business relationship or one-off transaction;
- It is acceptable to verbally obtain the customer's occupation and/or industry of work as a means of determining source of funds. We are not required to verify source of funds. Information concerning source of funds will help us to assess whether a customer's spending profile is in keeping with his/her appropriate income.

POLITICALLY EXPOSED PERSONS (PEPS)

A Politically Exposed Person is any individual who in relation to any State carries out functions similar to any of the following:

- a head of state;
- a head of government;
- a member of any House of Parliament;
- a Minister of Government;
- A member of the judiciary;
- a military official above the rank of Captain;
- a member of the police of or above the rank of Assistant Commissioner;

LIMIT ON CASH TRANSACTIONS (*POCA SECTION 101A*)

A limit is placed on cash transactions (when paying or receiving cash of Jamaican One Million Dollars (J\$1,000,000.00) or its equivalent in any other currency. (The Proceeds of Crime (Amendment) Act, 2013 Section 101A)

We are not to artificially separate a single activity or course of activities into a set of transactions so that each transaction involves a payment and receipt of cash that is less than the prescribed amount but which activity or course of activities in aggregate involves payment and receipt of cash that exceeds the prescribed amount.

THE END