

Financial Intelligence Unit

"The Catalyst for AML/CFT"

Since the mid 1980's, the need for a modern Anti-Money Laundering (AML) strategy has become an internationally accepted best practice. Depriving criminals of the proceeds of their crimes is seen as an important tool in combating organized crime and corruption while also acting as a mechanism to maintain the integrity of the financial sector. With the development of Anti-Money Laundering (AML) strategies, it was discovered that law enforcement agencies require access to pertinent information to combat financial crime. The implementation of a system requiring financial institutions to disclose suspicious transactions/activities created the need for a central agency to assess and process these disclosures. The first Financial Intelligence Units (FIUs) were established in the early 1990's to address the needs of the law enforcement agencies.

What is a Financial Intelligence Unit (FIU)?



An FIU is a central, national agency responsible for receiving, requesting, analyzing and disseminating to the other law enforcement agencies, disclosures of financial information: (i) concerning the suspected proceeds of crime and potential financing of terrorism, or (ii) required by national legislation or regulation, in order to combat money laundering and terrorist financing.

In 2003, the Financial Action Task Force (FATF) issued explicit instructions for the establishment and functioning of an FIU to effectively withstand the adverse effects of money laundering and terrorist financing. Additionally, institutions such as the International Monetary Fund (IMF) and the World Bank having recognized the importance of the FIU in the AML/CFT framework, have provided technical assistance and training for the establishment and strengthening of FIUs.



The FIU and Confidentiality

Information received by the FIU should only be used for purposes authorized by law. Employees of the FIU are required to respect this confidence even after their employment with the FIU has ended.

The Financial Intelligence Unit Act, Cap 21.09 outlines that any person who obtains information in any form, as a result of his or her affiliation with the FIU, shall not divulge that information to another person. A person who discloses any information commits an offense and is liable, on summary conviction, to a fine not exceeding ten thousand dollars (EC\$10,000) or to imprisonment for a term not exceeding one year or both. There should also be enhanced security for the physical and electronic protection of information and communication channels with reporting entities.

It is imperative that entities collect and promptly report all suspicious transactions or activities to the FIU as this information is essential to identifying financial crimes in the Federation.

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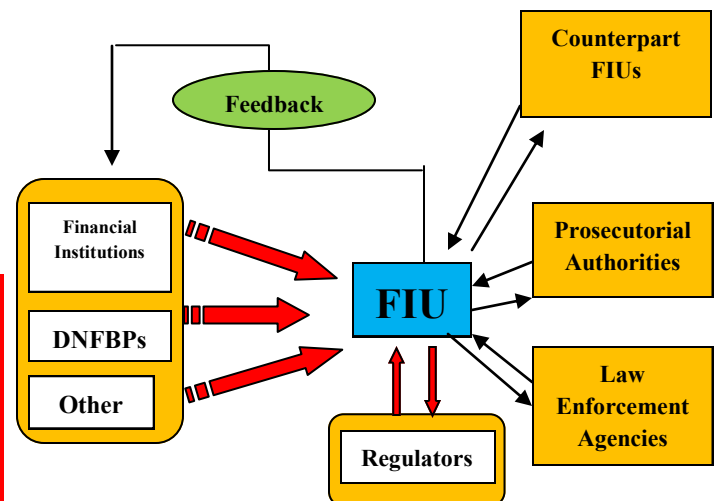
What are the Functions of the FIU?



The core functions of an FIU call for objectivity in decision making, the timely processing of incoming information and strict protection of confidential data. As the exchange of information between FIUs and other relevant agencies is based largely on trust, building and developing an FIU that inspires trust from its counterparts is key to effective cooperation.

The primary function of an FIU is to generate a continuous flow of timely and useful information to detect and deter incidences of money laundering and terrorist financing, in collaboration with regulators and local law enforcement agencies. The FIU **receives information** from reporting/regulated entities and other FIUs, **analyses the information** and **disseminates the results** to investigators, prosecutors and other FIUs. The work of the FIU is paramount to the fight against money laundering and terrorist financing.

The diagram below outlines the main FIU relationships and the information channel flow with respect to its functions.



1. Receive Information

Due to the constant flow of information, there needs to be a balance between the quantity of information provided to the FIU and its capacity to store and analyze it. The staff of the FIU reviews the information submitted by regulated entities. The analysis of the submitted information is used to assist the FIU in determining which persons and/or entities are obligated to report and what must be reported. This is forwarded to the police for further investigation then to the Prosecutors if further action is necessary.

Who should Report?

The scale and variety of transactions passing through both regulated and non-regulated entities make them a prime target for financial misuse. Reporting entities include, but are not limited to, the following:

- * Banks & Credit Unions
- * Insurance/Security Companies
- * Brokers
- * Casinos
- * Trust & Corporate Service Providers
- * Money Remittance Firms
- * Real Estate Agents
- * High Value Dealers
- * Lawyers & Notaries
- * Accountants

What should be Reported?

The FATF Recommendation 13 states that if a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report **promptly** its suspicions to the FIU. Regulation 11 of the Anti-Money Laundering Regulations (AMLR), 2011 states that any suspicion noted should be reported to the FIU within **24 hours** by the Compliance/Reporting Officer.

A suspicious transaction causes a reporting/regulated entity to have a feeling of apprehension about the transaction, based on a person's unusual circumstances or activities or the person involved in the transaction. Reporting entities should assess the suspicion using a risk-based approach for customer due diligence and transaction and behavioural monitoring.

The AMLR stipulates that entities should maintain a **Register of Enquiries** made by the FIU. The Register should contain at minimum, the date, nature of the enquiry, name and agency of the enquiring officer, powers being exercised, and the details of accounts or transactions involved.

The AML/CFT Regulations also stipulate that an entity should maintain a Suspicious Transaction Report Register which contains all the STRs filed with the FIU. An STR varies among entities but contains the following information:

- * Customer Name and Aliases
- * Places, Dates, Times of Transaction (s)
- * Account Information
- * Narrative describing the suspicion
- * Reporting Entity generating the STR.

Appendix H of the Financial Services (Implementation of Industry Standards) Regulations, 2011 provides a sample Suspicious Transaction Report.

REFERENCES

- * IMF– The Financial Intelligence Unit: An Overview
- * FATF International Standards AML/CFT
- * Financial Intelligence Unit Act Chapter 21.09

2. Analyze Information

The second core function of the FIU is the analysis of the reports received from reporting entities. The purpose of the analysis is to establish whether the data contained in the reports provide an adequate basis to warrant further investigation or prosecution. The process is started with the receipt of a new report and continues with the collection of additional data. The information goes through several forms of analysis and ends with either a detailed case which is forwarded to law enforcement or the reaching of a conclusion that no suspicious activity was found. The ability to quickly analyze data is vital for a system aimed at countering the laundering of the proceeds of crime.

The FIU undertakes three complementary levels of Analysis:
Tactical: Collecting data needed to build a case establishing wrong doing and the reasons behind the commission of a criminal offense.
Operational: Using tactical information to formulate different hypotheses on the activities of the suspect to gather intelligence.
Strategic: Developing knowledge to be used in shaping the work of the FIU.

3. Disseminate Information

The third core function of the FIU is the dissemination of the information it has received and the sharing of the results of its analysis. The ability of the FIU to quickly share reliable financial intelligence and related information with domestic and foreign authorities is critical to the success of its mission. The FIU must be able to promptly provide information to competent authorities for law enforcement work because funds move rapidly in and out of financial institutions and across national borders. The ability of the FIU to share information not only affects the efficiency of the country's AML/CFT framework but its ability to cooperate internationally.

What challenges does the FIU face?

The FIU currently faces a series of unique challenges. The scope of their responsibilities now must encompass the financing of terrorism in addition to money laundering and predicate offenses. This raises the need for new methods of analysis and training as well as more capacity for the FIU in terms of staffing. The range of reporting entities is also being widened to include Casinos, Car Dealerships etc thus increasing the scope of the FIU's duties.

Collaboration with the FIU

Maintaining the integrity of the Financial System is a joint effort between the various AML/CFT agencies along with the private and public sectors. Coordination and regular communication with the FIU are therefore paramount. The information reported to and analyzed by the FIU is not only useful but necessary in the fight against Money Laundering and Terrorist Financing. Reporting entities should therefore be mindful and take the necessary steps to ensure that effective mechanisms are in place to detect, record and report suspicious activities.

if you **SEE**
something
SAY
something

Topics Discussed:

- ⇒ What is a FIU?
- ⇒ The FIU and Confidentiality.
- ⇒ What are the core functions of the FIU?
 - * Receive
 - * Analyze
 - * Disseminate
- ⇒ What challenges does the FIU face?
- ⇒ Collaboration with the FIU.