



The National Risk Assessment for St. Kitts and Nevis 2019

NEXT STEPS

The National Risk Assessment (NRA) is an important exercise conducted in St. Kitts and Nevis in an effort to **identify, assess and understand** the Money Laundering/Terrorist Financing (ML/TF) risks faced by our Federation. The 2019 NRA Report is available on the websites of the Financial Services Regulatory Commission—St. Kitts Branch, the Nevis Financial Services (Regulation and Supervision) Department and the Ministry of Finance.

Why Was the National Risk Assessment Conducted?



The Financial Action Task Force (FATF), was formed in 1989 with a mandate to establish standards and promote the effective implementation of legal, regulatory and operational measures for combating money laundering (ML), terrorist financing (TF) and the financing of the proliferation of weapons of mass destruction. The FATF issued Forty (40) Recommendations which are a comprehensive set of measures designed to combat the misuse of financial systems. These Recommendations have now been universally recognized as the international standard for Anti Money Laundering/Countering the Financing of Terrorism (AML/CFT).

St. Kitts and Nevis is a member of the Caribbean Financial Action Task Force (CFATF) which is a Regional Style Body of the FATF. All member jurisdictions are required to develop and establish measures to ensure compliance with the Forty (40) Recommendations. In order to test member's compliance, the CFATF conducts Mutual Evaluations on each jurisdiction.

One of the main objectives of the Mutual Evaluation is to determine the jurisdiction's ability to effectively identify, assess and understand its ML/TF risks (Recommendation 1). The Authorities of St. Kitts and Nevis made the decision to satisfy this Recommendation by conducting an NRA with the assistance of the World Bank Tool. Upon completion of the NRA, an Action Plan was developed which outlined the necessary remedial actions to address and rectify the weaknesses noted.

Who was Involved in the NRA Process?



In order to successfully complete the NRA, a massive collaborative effort was required. All relevant authorities which are vital in establishing and maintaining an effective AML/CFT regime in St. Kitts and Nevis were invited to participate in the exercise. These included the Attorney General's Office, the Ministry of Finance, the Ministry of National Security, the Customs and Excise Department, the Financial Intelligence Unit (FIU), the Royal St. Christopher and Nevis Police Force, the Inland Revenue Department and the Financial Services Regulatory Commission (St. Kitts and Nevis).

Representatives from these Agencies formed the NRA Working Group which was further subdivided into six (6) Teams: Threat Assessment, National Vulnerability, Insurance and Securities, Banking, Credit Union and Money Services Businesses and Designated Non Financial Businesses and Professions (DNFBPs).

The Private Sector was also an integral player in the process, as most of the data required to populate the NRA Tool was received from the various Financial Institutions and DNFBPs.

Figure 1 below depicts the key players in the NRA Process.



When was the NRA Conducted?

The NRA officially began on Monday 29th January, 2018. A timeline was developed to guide the NRA Process. The exercise was completed on Thursday, 18th July 2019 with a final Workshop with the representatives from the World Bank and the Private Sector.



IT'S NOT OVER YET

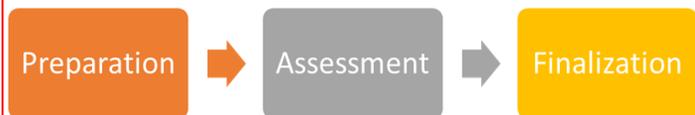
It is important to note that the NRA is an ongoing process. Risks and threats are ever evolving and the Authorities must consistently assess the Federation's AML/CFT systems to ensure that robust measures are in place and maintained to identify and mitigate these risks.

Topics Discussed:

- ⇒ Why was the NRA Conducted?
- ⇒ Who was Involved in the NRA Process?
- ⇒ When was the NRA Conducted?
- ⇒ How was the NRA Conducted?
- ⇒ What were the Results of the NRA?
- ⇒ What are the Next Steps?

How was the NRA Conducted?

The NRA was conducted in three (3) phases shown below.



Phase 1: Preparation

An initial meeting was held with the key players involved in the Federation’s AML/CFT regime to provide an overview of the NRA process and the way forward. At this meeting, the Working Group was established and members were assigned to sub-working groups to assess the vulnerabilities in each financial services sector. The World Bank Representatives and the Working Groups came together via teleconference to discuss timelines and components of the World Bank Tool. This was paramount to ensuring that the process moved seamlessly to the second phase to accomplish the objectives set by the relevant Authorities and to achieving compliance with the FATF Recommendations.

Phase 2: Assessment

The Assessment Phase commenced with a three (3) day workshop from 24 to 26 April 2018. It was facilitated by the World Bank Team and included all NRA Working Group and Sub-Working Group Members. The main objective was to introduce the Assessment Tool which was used to collect and analyze the data received from the various Government Agencies, Financial Institutions (FIs) and DNFbps.

The NRA Tool consisted of several Modules. Each Module was categorized by sectors and comprised specific variables which were collectively assessed by the respective sub-working group. The assessment ratings were based on qualitative and quantitative information and consideration was also given to the size of each sector, the size of the entities and the types of products and services offered.

Each sub-working group provided Sector reports which were combined into a draft National Risk Assessment (NRA) Report. The first draft of the NRA Report was forwarded to the World Bank in May 2019 for their review and comments.

Phase 3: Finalization

A final NRA Workshop with the World Bank was held from 16 to 18 July 2019. Representatives from the Private Sector were invited to participate and collaborate with the AML/CFT Authorities on the details of the draft report. During the final Workshop, a risk based Action Plan was developed to address vulnerabilities identified in each Sector based on the results of the NRA.

The Action Plan included the following:

- ◇ A list of all the deficiencies noted;
- ◇ The relevant AML/CFT Authorities/Regulated Entities responsible for rectifying the deficiencies;
- ◇ Detailed step-by-step procedures required to rectify the deficiencies; and
- ◇ Timeline for the completion of each procedure required to rectify the deficiencies.



What were the Results of the NRA?

The Vulnerability Ratings below were given to the various Sectors.

Domestic Insurance	LOW
International Insurance	MEDIUM
Securities	MEDIUM LOW
Commercial Banking	MEDIUM
International Banking	MEDIUM HIGH
Development Bank	MEDIUM HIGH
Money Services Businesses	HIGH
Credit Unions	MEDIUM LOW
Trust and Corporate Service Providers	MEDIUM HIGH
Gaming	HIGH
Real Estate	HIGH
Jewelers and Dealers in Precious Metals and Stones	HIGH

What are the Next Steps?



Based on the Risk Assessment Results, the following six (6) priority areas were identified to achieve a stronger AML/CFT regime:

1. Increased Human Resource Capacity;
2. Increased Collaboration Among Prudential Regulators, AML/CFT Authorities and Entities;
3. Improved Data Collection and Retention;
4. The Introduction of Independent Information Sources and Databases;
5. Legislative Review and Amendments ; and
6. Increased AML/CFT Training for Law Enforcement, Compliance Personnel and Regulators.

All AML/CFT Agencies and other authorities have begun assiduously to ensure that these areas are addressed and the stipulated timelines are met.



THE NRA REPORT– Where Can I Find It?

<http://mof.gov.kn/wp-content/uploads/2020/01/44471.pdf>
<https://www.fsrc.kn/documents/St.%20Kitts%20and%20Nevis%20NRA%20Report.pdf>