ANTI-MONEY LAUNDERING/COUNTER FINANCING OF TERRORISM /COUNTER PROLIFERATION FINANCING IN FOCUS

Part Twenty-Nine:

An In-depth Look at the Financial Action Task Force (FATF) Forty Recommendations- Recommendation 26: Regulation and Supervision of Financial Institutions

By: The Attorney General's Chambers
and the National Anti-Money Laundering Oversight Committee (NAMLOC)

Financial institutions, which include but are not limited to banks, credit unions and insurance companies, are central to the economic development of a country. As a result, the Financial Action Task Force (FATF) mandates the supervision of these entities. Recommendation 26 of the FATF Forty Recommendations speaks to the regulation and supervision of financial institutions.

Countries are required to ensure that regulators take all requisite actions to properly regulate and supervise financial institutions using a risk based approach. A risk based approach is a process by which regulators focus more attention on areas, activities or institutions perceived as being at higher risks for money laundering or terrorist financing. In order to identify an institution's overall risk, regulators must understand the risk the institution faces from customers and products, and the thoroughness of the compliance function. Additionally, regulators must appreciate the money laundering and terrorist financing risks of the country. Within Saint Lucia, the Financial Intelligence Authority (FIA) is the regulator for money laundering.

The Financial Intelligence Authority has anti-money laundering and counter terrorist financing supervisory responsibility for financial institutions. The Money Laundering (Prevention) Act, Cap.12.20 section 8(2) states: **"the Authority may conduct an investigation into a financial institution…..if the Authority has reasonable grounds to suspect that a transaction involves the proceeds of criminal conduct or attempted transaction involves the proceeds of criminal conduct."**

All necessary legal or regulatory measures should be taken to prevent criminals or their associates from **"holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in, a financial institution"**. Further, financial institutions are required to conduct due diligence to establish the identity of the "beneficial owner". According to FATF, the term "beneficial owner" refers to the natural person(s) who "ultimately owns or controls" a legal entity and/or the natural person(s) on whose behalf a transaction is being conducted.

Countries are mandated to provide regulators with adequate human, financial and technical resources to effectively execute their functions. These functions should be exercised independently without interference. Further, there should be a level of autonomy and operational independence and staff should operate at the highest level of professional and ethical standards.

Saint Lucia is currently undergoing its 4th Round Mutual Evaluation which culminates with an onsite visit by the Caribbean Financial Action Task Force (CFATF) from September 16-27, 2019. The effective implementation by Saint Lucia of this recommendation will be assessed during this process.

The FATF Forty Recommendations are available on the Caribbean Financial Action Task Force's website at https://www.cfatf-gafic.org.