FINANCIAL
REPORTING AUTHORITY
CAYMAN ISLANDS GOVERNMENT

PORTFOLIO OF LEGAL AFFAIRS

ANNUAL REPORT

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MESSAGE FROM THE DIRECTOR

I am pleased to report on the operations of the Financial Reporting Authority ("FRA") in this annual report for the 2019 financial year ("the Reporting Period"), which marks the seventeenth reporting period for the FRA.

As an administrative financial intelligence unit, the FRA is responsible for receiving, requesting, analysing and disseminating financial information disclosures concerning proceeds of criminal conduct or suspected proceeds of criminal conduct. Domestically, the investigation of financial crime and associated offences falls under the ambit of local law enforcement agencies.

The FRA received 1,138 suspicious activity reports ("SARs") during the Reporting Period, compared with 935 in calendar year 2018. The 2019 SAR filings represent a 22% increase to 2018.

SARs were received from 262 different reporting entities, not including the 45 overseas Financial Intelligence Units ("FIUs") that voluntarily disclosed information to, or requested information from, the FRA.

During the Reporting Period the FRA performed initial analysis on 515 SARs. It also issued 141 directives pursuant to section 4(2)(c) of the Proceeds of Crime Law to amplify or clarify information received. The FRA also made 46 requests for information to overseas FIUs, primarily to assist local law enforcement agencies with investigations.

The FRA closed 333 SARs during the Reporting Period, resulting in 156 disclosures to local law enforcement agencies or competent authorities, and 119 disclosures to overseas financial intelligence units.

A detailed breakdown of the cases that were analysed and closed, along with details of the disclosures made by the FRA are detailed in Section III of this annual report.

There were significant changes to the staffing complement during the Reporting Period. Between January and July 2019, the Acting Administrative Manager, a Financial Analyst

(FA) and a Senior Financial Analyst (SFA) resigned. Between September and November 2019, the FRA hired a Senior Financial Analyst, three Financial Analysts and a temporary Administrative Manager. The FRA currently has ongoing recruitment exercises for a SFA and 2 FAs.

FRA staff spent significant time during the Reporting Period meeting obligations regarding the jurisdiction's 4th Round Mutual Evaluation by the Caribbean Financial Action Task Force ("CFATF"). The key activities included: preparing and implementing an action plan to address the relevant Recommended Actions (RAs) stated in the Mutual Evaluation Report (MER); attending monthly committee and working group meetings; preparing monthly update reports; providing statistics for and participating in various risk assessment working groups; prepare the First Follow Up Report that was tabled at the CFATF Plenary in November 2019. The FRA remains committed to the ongoing activities concerning the Mutual Evaluation process.

During the Reporting Period, the majority of the work undertaken by the Sanctions Coordinator was to address Recommended Actions (RAs) in the MER directly related to Targeted Financial Sanctions (TFS) for terrorist financing (TF) and proliferation financing (PF), including: implementing more timely communication of TFS; building on the existing industry guidance for TFS and improving awareness of TFS obligations; and improving the coordination and cooperation among domestic agencies regarding PF.

The Reporting Period was particularly challenging, given the continued increase in the number of SARs received, the decrease in staff for several months during the year and the ongoing responsibilities of the 4th Round Mutual Evaluation process. I would like to recognise and express appreciation to my staff for their continued commitment to the work of the FRA.

RJ Berry
Director

2019 – HIGHLIGHTS

FINANCIAL INTELLIGENCE DISCLOSURES

156 **Domestic Disclosures Made**

Top 3 Recipients of financial intelligence disclosures

RCIP-FCU	CIMA	ACC
114	27	9

Financial Sanctions Implementation

72 Financial Sanctions notices published on website

CULTURE OF COMPLIANCE

1,138 SARs received

515 SAR analysis initiated

333 SAR analysis completed

GLOBAL CONTRIBUTION

79 Inquiries received from foreign counterparts

46 Inquiries made to foreign counterparts

119 Disclosures to Overseas FIUs

TOP 3 RECIPIENTS OF OVERSEAS DISCLOSURES

FinCEN (US)	NCA – (UK)	COAF (Brazil)
35	19	9

I. LEGAL FRAMEWORK

The Cayman Islands fully understands and accepts that operating a financial services centre involves serious obligations. The Cayman Islands Government enforces a strong anti-money laundering (AML) and countering the financing of terrorism (CFT) regime through the following pieces of legislation:

1. The Proceeds of Crime Law (2019 Revision) ("PCL")

The PCL was introduced in 2008 and consolidated in one place the major anti-money laundering provisions, which were previously in three separate pieces of legislation. The PCL re-defined, clarified and simplified offences relating to money laundering and the obligation to make reports of suspicious activity to the FRA. It also introduced the concept of negligence to the duty of disclosure, and imposed a duty to report if the person receiving information knows, suspects, or has reasonable grounds for knowing or suspecting, that another person is engaged in criminal conduct, and such information came to him in the course of business in the regulated sector, or other trade, profession, business or employment.

It also governs the operations of the FRA.

In addition the Law widened the definition of criminal conduct, which is now defined as any offence committed in the Cayman Islands or any action that would have constituted an offence if committed in the Cayman Islands. As the definition was previously limited to indictable offences, the change simplified the task of assessing whether a particular set of facts falls within the PCL, and further satisfies the 'dual criminality' provisions, which mandate that the FRA may only respond to a request for information from another FIU if the offence being investigated in the overseas jurisdiction is also a crime in the Cayman Islands.

In 2019, the law was amended to provide, amongst other things, for the receipt by the FRA of cash transaction reports, wire transfer reports and threshold-based declarations or disclosures where the information is required by law. The necessary legislative framework is now in place to implement whatever threshold reporting is decided by the jurisdiction via regulations.

The same piece of amending legislation changed the set-up of the AMLSG adding the Chairman of the Anti-Corruption Commission to its membership and making some other minor amendments to the functioning of the group.

All these amendments are contained in the 2020 Revision.

2. Misuse of Drugs Law (2017 Revision) ("MDL")

The MDL has over the years been amended to give effect to the Cayman Islands' international obligations, and particularly to the United Nations ("UN") Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The MDL contains measures to deal with drug trafficking and the laundering of the proceeds from such activity. The law empowers the authorities to seize and confiscate drug trafficking money, and laundered property and assets. The Criminal Justice (International Cooperation) Law (2015 Revision) – originally enacted as the Misuse of Drugs (International Cooperation) Law - provides for cooperation with other countries in relation to collecting evidence, serving documents and immobilising criminally obtained assets in relation to all qualifying criminal proceedings and investigations.

3. Terrorism Law (2018 Revision) ("TL")

The Terrorism Law is a comprehensive piece of anti-terrorism legislation that, inter alia, implements the UN Convention on the Suppression of Financing of Terrorism.

The 2018 Revision includes the relevant FATF requirements, particularly with regard to "freezing without delay" and reporting obligations of persons in relation to any United Nation Security Council Resolutions related to terrorist financing. The FRA has also assumed responsibilities for coordinating the implementation of targeted financial sanctions in relation to terrorist financing.

4. Anti-Corruption Law (2019 Revision) ("ACL")

Brought into effect on 1 January 2010, the ACL initiated the establishment of the Anti-Corruption Commission ("ACC") and also criminalised acts of corruption, bribery and embezzlement of funds.

The ACL seeks to give effect to the UN Convention against Corruption and the Organisation for Economic Cooperation and Development ("OECD") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. International cooperation and asset recovery are important components of this legislation including measures to prevent and detect transfers of illegally acquired assets, the recovery of property and return of assets.

In June 2016 the ACL was amended, empowering the ACC to operate as a separate law enforcement agency.

5. Proliferation Financing (Prohibition) Law (2017 Revision) ("PFPL")

The Proliferation Financing (Prohibition) Law 2010 conferred powers on the Cayman Islands Monetary Authority ("CIMA") to take action against persons and activities that may be related to terrorist financing, money laundering or the development of weapons of mass destruction. The legislation required

CIMA to issue directions, where it reasonably believed that certain activities in these areas were being carried on that posed a significant risk to the interests of the Islands or the United Kingdom (U.K.).

The 2017 Revision brought the PFPL in line with the relevant FATF requirements, particularly with regard to "freezing without delay" and reporting obligations of persons in relation to any United Nation Security Council Resolutions related to proliferation financing. The FRA has also assumed responsibilities for coordinating the implementation of targeted financial sanctions in relation to proliferation financing.

6. The Anti-Money Laundering Regulations (2018 Revision) ("AMLRs")

The AMLRs came into force on 2 October 2017 and repealed and replaced the Money Laundering Regulations (2015 Revision). They aligned the anti-money laundering framework in the Cayman Islands with the FATF Recommendations.

The AMLRs were amended twice during the Reporting Period dealing with, inter alia, systems and training, customer due diligence (including enhanced customer due diligence and eligible introducers), disclosure requirements (including production of information) for persons carrying out relevant financial business and a number of regulations about designated non-financial businesses and professions (DNFBPs).

All these amendments are contained in the 2020 Revision.

The Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands (the GNs) were published on 13 December 2017. The GNs were amended in September 2019 to incorporate additional guidance on countering proliferation financing.

II. THE FINANCIAL REPORTING AUTHORITY

1. BACKGROUND

The FRA, known to counterparts worldwide by its Egmont handle "CAYFIN", is the financial intelligence unit of the Cayman Islands. As such it is the national agency responsible for receiving, requesting, analysing and disseminating financial information disclosures concerning proceeds of criminal conduct, in order to counter money laundering, terrorism, the financing of terrorism or suspicions of any of those crimes.

The FRA has evolved over the years. It began as the Financial Investigation Unit in the early 1980s, operating within police headquarters. In 2000 it underwent a name change to become the Financial Reporting Unit, with the head of unit becoming a civilian post and the appointment of a legal advisor. Line management for operational work was undertaken by the office of the Attorney General. Throughout this period, the role of the unit was to receive, analyse and investigate SARs, in addition to gathering evidence to support prosecutions.

In 2004, the Cayman Islands moved toward an administrative-type unit. The Proceeds of Criminal Conduct (Amendment) Law 2003 (PCCL) created the Financial Reporting Authority, the name by which the unit is presently known. The law, which came into force on 12th January 2004, mandated that the FRA become a full-fledged civilian body, and that its function change from being an investigative to an analytical type FIU. Accordingly its mandate was restricted to the receipt and analysis of financial information, coupled with the ability to disseminate this intelligence to agencies where authorised to do so by the PCCL. Its existence and independence were further enshrined in the PCL, which repealed and replaced the PCCL and came into force on 30th September 2008. The investigative mandate is undertaken by domestic law enforcement agencies, including the Royal Cayman Islands Police Service ("RCIPS"), the Cayman Islands Customs and Border Control ("CBC") and the Anti-Corruption Commission ("ACC").

2. Role and Function

SARs

The FRA's main objective is to serve the Cayman Islands by participating in the international effort to deter and counter money laundering and the financing of terrorism.

As noted above, a primary role of the FRA is to receive, analyse, request and disseminate disclosures of financial information, concerning the proceeds of criminal conduct, suspected proceeds of criminal conduct, money laundering (ML), or suspected money laundering, all of which are derived from any criminal offence committed in these islands or overseas if the criminal act satisfies the dual criminality test set out in the PCL; or the financing of terrorism (FT) which can be legitimately obtained money or the proceeds of criminal conduct as defined in PCL.

The FRA also serves as the contact point for international exchanges of financial intelligence within the provisions of the PCL. Financial intelligence is the end product of analysing one or several related reports that the FRA is mandated to receive from financial services providers and other reporting entities. Our ability to link seemingly unrelated transactions allows us to make unique intelligence contributions to the investigation of money laundering and terrorist financing activities.

A key priority for the FRA is to provide timely and high quality financial intelligence to local and overseas law enforcement agencies through their local FIU, in keeping with the statutory requirements of the PCL.

TFS

The FRA is responsible for ensuring the implementation of targeted financial sanctions with respect to terrorism, terrorism financing, proliferation, proliferation financing, and other restrictive measures related to anti-money laundering (AML) and combatting both the financing of terrorism (CFT) and the financing of proliferation (CFP) from and within the Cayman Islands.

The Sanctions Coordinator (SC) plays a critical role in the implementation and enforcement of these targeted financial sanctions and other restrictive measures, and in developing and enhancing the jurisdiction's AML/CFT regime, while ensuring ongoing compliance with international standards and best practices.

During the Reporting Period, the majority of the work undertaken by the Sanctions Coordinator and the FRA was to address Recommended Actions in the MER directly related to TFS for TF and PF. The major accomplishments during the Reporting Period include:

- Timely Communication of Notices
  - In September 2019, a script was added to the FRA website to allow any person to subscribe to receive sanctions notifications via e-mail. This was first announced at an outreach event and the link was also circulated to all supervisors to forward to their regulated entities. As at December 31, 2019, there are 926 email addresses on the list, including 114 online subscribers.
  - In October 2019 a new "automatic emailer" mechanism was introduced to ensure the timely communication of TFS relating to TF and PF to facilitate the freezing of assets without delay by FIs and DNFBPs. Through this mechanism, financial sanctions notices are primarily sent automatically to DNFBPs, NPOs and competent authorities including online subscribers immediately after it has been published on the FRA website.

The sanctions notifications are accompanied by a note advising entities what to do if there is a sanctions match.

- This has resulted in a significant improvement in the timeliness of communicating TFS notices the FRA receives from the Office of Financial Sanctions Implementation (OFSI), from 24 hours in December 2017 to a current average of 1-4 hours,
- 72 Financial Sanctions Notices (2018: 102) were published on the FRA Website.

- Outreach and Training
  - Presentations were made at 12 outreach events organised by Supervisors and Industry Associations; 1 financial institution requested a private presentation for their staff on TFS related to TF and PF.
  - Presentations were made at 6 training events: 3 for frontline staff of a law enforcement agency on TFS related to TF and PF, proliferation financing and dual use goods; and 3 for staff members of 2 government agencies on TFS related to TF and PF.
- Guidance
  - To build upon the TFS Industry Guidance it issued in December 2017, on September 13, 2019 the FRA issued a Quick Guide to Financial Sanctions in the Cayman Islands, which provides key information regarding the obligations of businesses and individuals in relation to financial sanctions. It is available to the public on the FRA's website and as at December 31 2019 467 printed copies of this guide have been distributed at outreach events
  - On October 18 2019, the FRA published a List of Financials Sanctions Targets By Regimes implemented in the Cayman Islands, together with the associated principal Overseas Orders in Council and their amendments. In addition, to help ensure ongoing compliance by FIs and DNFBPs, the FRA also published a Public Notice on 20 December 2019 reminding all relevant institutions, businesses or professions of their obligations under the financial sanctions regimes in the Cayman Islands. Both are available on the FRA's website.
  - The FRA also updated its TFS Industry Guidance by including new information to help relevant institutions and businesses and professions in discharging their obligations under the sanctions regimes. All the outreach conducted by the SC conveyed information relating to reporting obligations, as included in the guidance. In addition, TFS notices have a direct link to the Industry Guidance. However, this updated guidance was published on the FRA's website in February 2020.

- Cooperation and Coordination
  - In April 2019, the Cayman Islands reviewed its co-operation and co-ordination mechanisms and established the **Proliferation Inter Agency Group (PIAG).** PIAG is a sub-committee of the Inter- Agency Coordination Committee (IACC), to provide a more focused approach on the implementation of PF-related matters. The SC is the Chairperson and members are representatives from CIMA, AMLU, FRA, DCI, GR, FCU, the Office of the Director Public Prosecution (ODPP), Customs & Border Control (CBC), the Ministry of Financial Services (MFS), Maritime Authority of the Cayman Islands (MACI) and the Ministry of Finance and Economic Development. The core purpose of PIAG is to ensure coordination and cooperation in the area of PF and to help equip FIs and DNFBPs with a better understanding of PF risks in order to successfully mitigate against those risks.
  - The FRA organised several training initiatives to enhance competent authorities' awareness of proliferation financing. On 13-14 March 2019, staff from the FRA and the AMLU attended the Financial Sanctions Implementers Meeting for Overseas Territories (OTs) at the UK consulate in Miami. From March 18 -21, 2019, the FRA organised a 4-day PF training with the UNODC on Countering Proliferation Finance for Competent Authorities (39 attendees from 12 agencies) and the private sector (12 attendees from banks, the Credit Union and an MSB). As a result of this training, competent authorities increased their knowledge on PF and have been able to use this in the development of guidance, policy and procedures in their respective entity (e.g. CIMA issued amendments to the AML/CFT Guidance Notes in September 2019 to include enhanced guidance on compliance obligations with regards to identifying and reporting PF). The FRA also produced guidance on Identifying Proliferation Finance but this was published on the FRA website in February 2020.

3. Organisational Structure and Management

The FRA is a part of the Cayman Islands Government's Portfolio of Legal Affairs. The head of this portfolio is the Hon. Attorney General. In addition, the FRA reports to the AMLSG, a body created by the same statute as the FRA. The AMLSG is chaired by the Hon. Attorney General and the membership comprises the Chief Officer in the Ministry responsible for Financial Services or the Chief Officer's designate (Deputy Chairman), the Commissioner of Police, the Director of CBC (formerly the Collector of Customs), the Managing Director of CIMA, the Solicitor General, the Director of Public Prosecutions, the Chief Officer or Director, as the case may

be, of the department in Government charged with responsibility for monitoring compliance with anti-money laundering and counter terrorism measures for Designated Non-Financial Businesses and Professions ("DNFBPs") and the Chairman of the ACC (added in 2019). The Director of the Financial Reporting Authority is invited to attend meetings, as is the Head of the Anti-Money Laundering Unit, who also serves as secretary.

The AMLSG has responsibility for oversight of the anti-money laundering policy of the Government and determines the general administration of the business of the FRA. It also reviews the annual reports submitted by the Director, promotes effective collaboration between regulators and law enforcement agencies and monitors the FRA's interaction and cooperation with overseas FIUs.

The FRA believes that a healthy and well managed organisation sustains performance. In particular, it maintains strong focus on the effective management of human, financial and technical resources.

At 31 December 2019, the FRA staff comprised a Director, Legal Advisor, Sanctions Coordinator, Senior Accountant, two Senior Financial Analysts, 6 Financial Analysts and a temporary Administrative Manager, all having suitable qualifications and experience necessary to perform their work.

It is expected that all staff abide by the highest standards of integrity and professionalism. In particular, the FRA places great emphasis on the high level of confidentiality demanded by its role, as well as the financial industry with whom it interacts. It is the FRA's belief that staff should have the appropriate skills to carry out their duties, and thus provides specialised training suited to individual responsibilities, in addition to continuing education to ensure that staff remain up-to-date with industry and regulatory developments crucial to the effective functioning of the FRA.

During the Reporting Period, staff completed 56.5 days of training through local and overseas workshops and conferences, including Financial Sanctions Training presented by the UK Office of Financial Sanctions Implementation, AML/CFT Best Practices for Cryptocurrencies and Initial Coin Offerings, GCS Advisory's 14th Annual Anti-Money Laundering / Compliance and Financial Crime Conference, Basic CFT Investigative Techniques Training presented by the World Bank, ACAMS 17th Annual AML & Financial Crime Conference and the Egmont Group's Securing a Financial Intelligence Unit.

FRA Staff also participated in and gained valuable experience from the 58 days spent representing the FRA at the 49th CFATF Plenary, Egmont Working Group Meetings, the 26th Plenary of the Egmont Group of Financial Intelligence Units, the 50th CFATF Plenary, as well as in presentations made to industry associations and reporting entities.

4. Protecting Confidentiality of Information

The PCL provides the framework for the protection of information obtained by the FRA. Furthermore a layered approach to security has been adopted for the FRA's office and systems. Protecting financial information received from reporting entities is a critical function of the FRA. Computer security measures include advanced firewalls to prevent unauthorised access to our database. In addition staff are aware of their responsibilities to protect information, and severe penalties exist, under the PCL, for the unauthorised disclosure of information in our possession and control.

The FRA constantly reviews its security procedures to ensure that those procedures remain current in its continued effort to maintain confidentiality.

5. Relationships

Working with Financial Service Providers and Other Reporting Entities

The FRA recognises that the quality of the financial intelligence it produces is shaped directly by the quality of reports it receives from financial service providers and other reporting entities. If reporting entities are to produce insightful and relevant reports of superior quality, it is of utmost importance that they understand and are able to comply with the requirements of the PCL to which they are subject.

Recognising the vital importance of working with financial service providers and other reporting entities to raise awareness and understanding of their legal obligations under the PCL, the FRA meets with MLROs to share matters of mutual interest.

The Egmont Group

The Egmont Group of FIUs is an international, officially recognised body through the adoption of the Egmont Charter in the May 2007 Plenary held in Bermuda and the establishment of its permanent Secretariat in Toronto, Canada. Its membership as at July 2019 comprises 164 countries. It sets standards for membership as well as expanding and systematising international cooperation in the reciprocal exchange of financial information within its membership. The Cayman Islands' commitment to abide by the Egmont Group Principles for Information Exchange preceded its admission to full Egmont membership in 2000. The FRA will continue to participate in the Egmont Working Groups, Plenaries and the Heads of FIU meetings.

Memoranda of Understanding (MOUs)

The FRA can exchange information with other financial intelligence units around the world with regards to information in support of the investigation or prosecution of money laundering and/or terrorist financing. However some FIUs are required by their domestic legislation to enter into arrangements with other countries to accommodate such exchanges. In this context the FRA is

empowered by the PCL to enter into bilateral agreements with its counterpart giving effect to the global sharing of information.

The FRA entered into a MOU with FIU Guernsey during the Reporting Period, bringing the number of MOUs signed and exchanged to 20 with the following FIUs as of 31 December 2019: Australia, Canada, Chile, Guatemala, Guernsey, Honduras, Indonesia, Israel, Jamaica, Japan, Mauritius, Nigeria, Panama, Poland, Republic of Korea (South Korea), the Russian Federation, Saint Vincent and the Grenadines, South Africa, Thailand and the United States.

The FRA entered into MOUs with the CBC on 26 June 2019 and with the Cayman Islands Department of Commerce and Investment on 18 September 2019.

The Caribbean Financial Action Task Force

The CFATF is an organisation of states of the Caribbean basin that have agreed to implement common countermeasures to address the problem of money laundering. It was established as the result of meetings convened in Aruba in May 1990, and Jamaica in November 1992. CFATF currently has 25 member countries.

The main objective of the CFATF is to achieve implementation of, and compliance with, recommendations to prevent and combat money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

The Mutual Evaluation Programme (MEP) is a crucial aspect of the work of the CFATF, as it helps the CFATF Secretariat ensure that each member state fulfills the obligations of membership. Through this monitoring mechanism the wider membership is kept informed of what is happening in each member country that has signed the MOU. For the individual member, the MEP represents an opportunity for an expert objective assessment of the measures in place for fighting money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

The FATF Recommendations and Methodology

Following the conclusion of the third round of mutual evaluations of its members, the FATF reviewed and updated the FATF Recommendations, in close co-operation with the FATF-Style Regional Bodies (which includes the CFATF) and the observer organisations.

The FATF Recommendations (2012) ("the Recommendations") have been revised to strengthen global safeguards and further protect the integrity of the financial system by providing governments with stronger tools to take action against financial crime.

The FATF revised its Methodology in 2013, setting out the basis for undertaking assessments of technical compliance with the Recommendations. For its 4th round of mutual evaluations, the FATF has adopted complementary approaches for assessing technical compliance with the

Recommendations, and for assessing whether and how the AML/CFT system is effective. Therefore, the Methodology comprises two components:

a) The technical compliance assessment addresses the specific requirements of the Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities.

b) The effectiveness assessment seeks to evaluate the adequacy of the implementation of the Recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system. The focus of the effectiveness assessment is therefore on the extent to which the legal and institutional framework is producing the expected results.

III. PERFORMANCE REPORTING

1. Receiving Information - Suspicious Activity Reports (SARs)

The FRA receives information from reporting entities relating to suspected money laundering, proceeds of criminal conduct, terrorism and the financing of terrorism through SARs. It also receives requests for information from local law enforcement agencies, CIMA and overseas FIUs. SARs and requests for information are collectively referred to as cases in this report.

Upon receipt, each case is examined to ensure that the report contains all the required data. The case is then assigned a reference number and data from the case is entered into the FRA's SAR database.

During the Reporting Period, the FRA received SARs from 262 different reporting entities. This number excludes the 45 overseas FIUs that voluntarily disclosed information or requested information from the FRA. SARs received from the 262 reporting entities are classified in the succeeding table according to the licence / registration that they hold with CIMA, if they are a regulated / registered entity. Reporting entities that are not regulated are classified according to the type of service that they provide. Regulated / registered entities are shown as part of the following sectors regulated by CIMA: banking, fiduciary services, insurance services, investment funds and fund administrators, money transmitters and securities investment businesses.

Designated Non-Financial Businesses and Professions (DNFBPs) consist of law practitioners, accounting professionals, real estate brokers, and dealers of high value items.

The number of reporting entities increased from 179 in 2018 to 262 in 2019. Reporting entities in the banking sector continue to be the largest source of SARs.

The number of cases filed under each of those sectors and the DNFBPs are as follows:

Sector	No of Cases
Banking	301
Money transmitters	202
Fiduciary services	156
Investment funds and fund Administrators	132
Insurance services	75
Securities investment businesses	38
DNFBPs	65
Others	6
Requests for Information – Domestic	45
Disclosures & Requests for Information – Overseas	106
Competent Authority	12
Total No of Cases	1,138

Anyone who files a SAR has a defence to any potential related money laundering or terrorist financing offences. SARs filed under the PCL do not breach the Confidential Information Disclosure Law, 2016, nor do they give rise to any civil liability. An important exception to this rule is that it is no defence to such liability, if the person making the report is also the subject of the report.

Chart 3.1 on the succeeding page shows the total number of reports by financial year since 2015/2016. The FRA received 1,138 new cases during the Reporting Period. Since fiscal year 2013/2014, the FRA has used its existing risk ranking for SARs to determine which reports are to be expedited while the rest are dealt with in accordance with existing timetables. The existing risk ranking for SARs allows the FRA to efficiently focus its limited resources.

The FRA is of the view that the growing number of SARs is indicative of the usefulness of its ongoing outreach and the continued vigilance of reporting entities against money laundering and terrorist financing.

The average number of reports received per month in 2019 was 95, compared to 78 reports per month in 2018. In December 2017, the FRA received 220 reports in a 'one-off' event. Chart 3.2 on the next page has been revised to show SARs received from January to December. In prior years it reflected the reporting period that ran from July to June.

A total of 2,070 subjects were identified in SARs (see Chart 3.3 on page 19), comprising 1,315 natural persons and 755 legal entities. 129 natural persons and 91 legal entities were the subject of multiple SARs.

In some cases, particularly where the service provider has limited information about a counterpart to the transaction, the nationality or domicile of the subject is not known. This is also the situation in those reports relating to declined business and scams. There are also instances when a requesting overseas FIU does not have complete details regarding the nationality of all the subjects of their request. During the year, the number of subjects with unknown nationality or country of incorporation was 236, comprising 146 natural persons and 90 legal entities.

The number of subjects whose nationality or country of incorporation is not identified declines from 236 to 185 when subjects from overseas request for information and cases from money transmitters are excluded. Banks and Law Enforcement also contributed subjects whose nationality or country of incorporation is not identified which totalled to 60 and 32 respectively.

Charts 3.1 and 3.2 on the next page do not include SARs received during the Reporting Period that were updates to a previously submitted report that is pending. As a consequence, the subjects of those updates are not included in the number of natural persons and legal entities identified as subjects of SARs in Chart 3.3 on page 19.

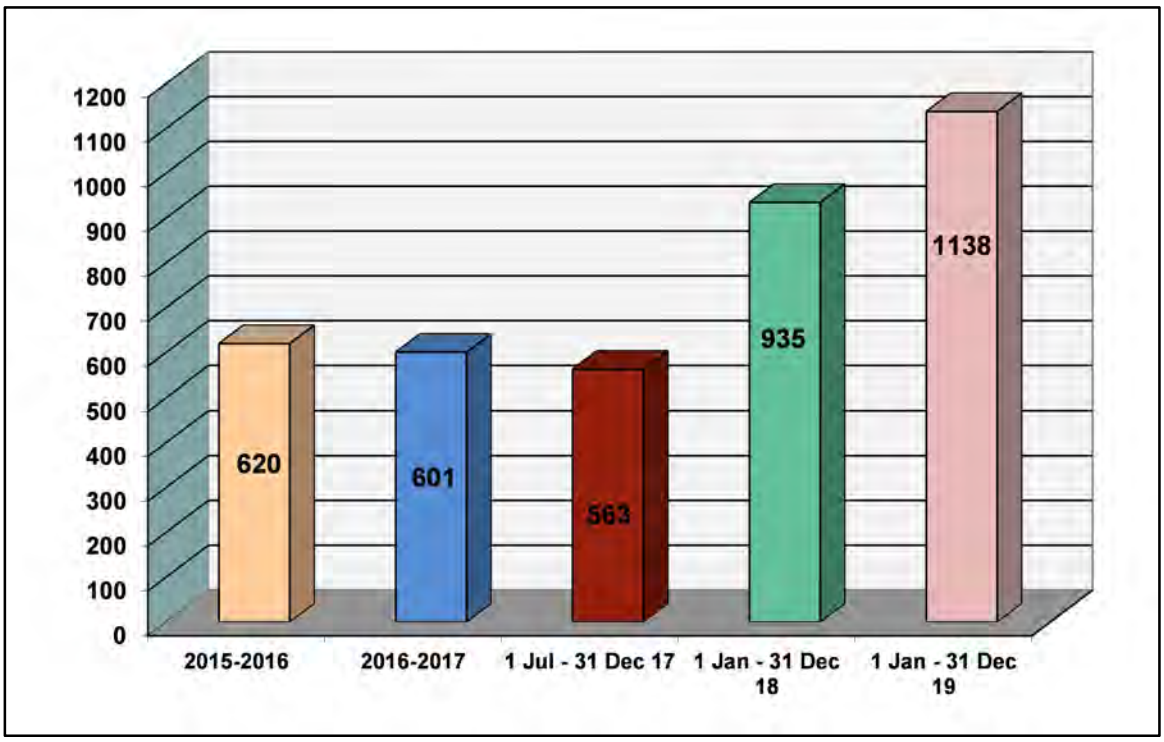

Chart 3.1: Total cases by financial year / Reporting Period

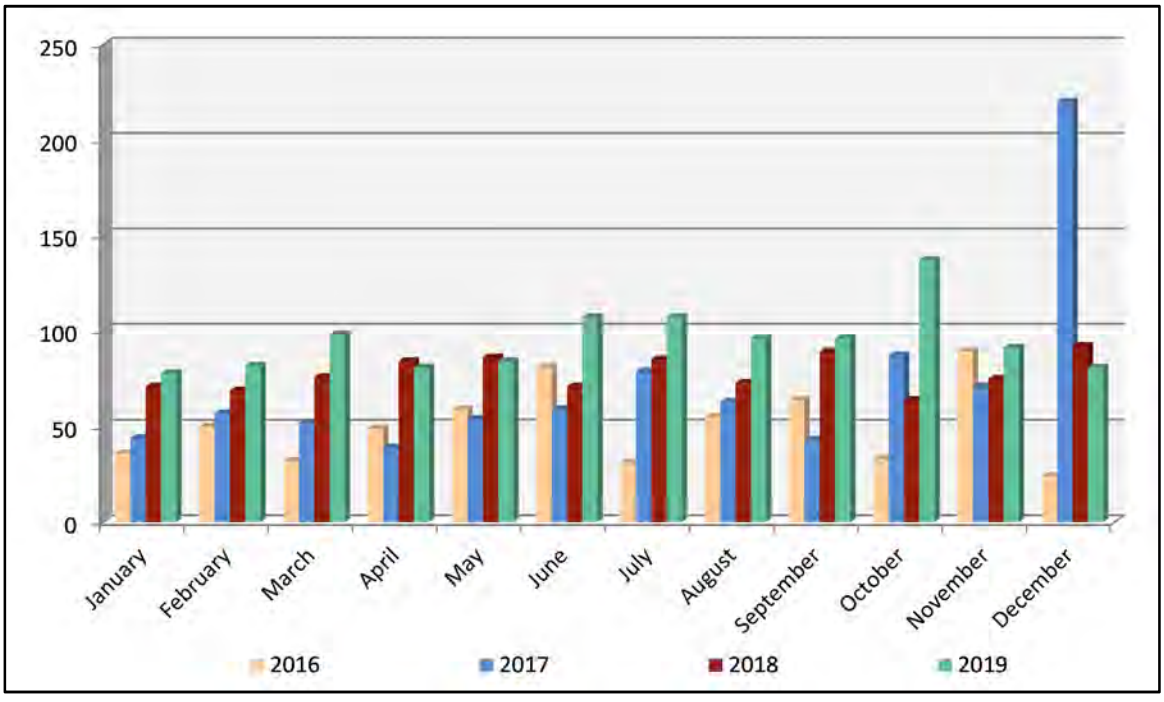

Chart 3.2: Comparison of monthly cases received

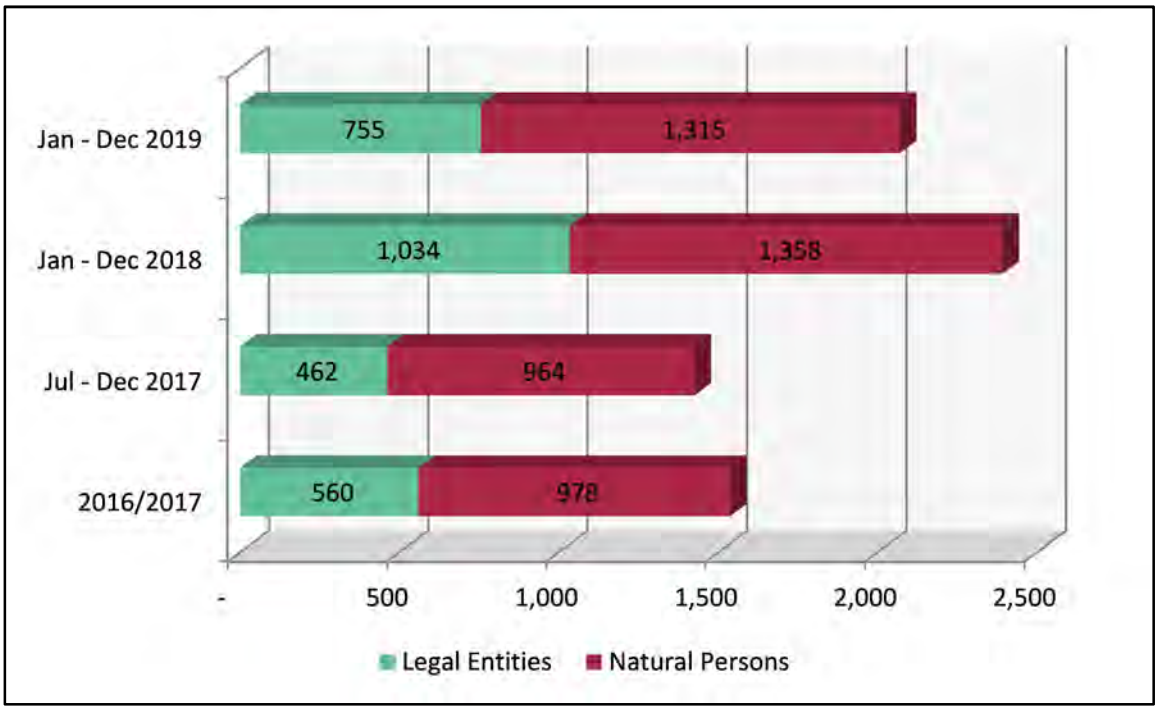

Chart 3.3: Number of subjects by financial year / Reporting Period

Countries of Subjects Reported

The international scope of the Cayman Islands' financial services industry is reflected in the wide range of subjects' countries reported in cases. The "Countries of Subjects" chart on the succeeding page lists 115 different countries for the subjects of the reports. In light of the international character of the subjects reported, our membership of the Egmont Group has proven to be a valuable resource for information exchange and requests, and has enhanced the analysis of information reported in the development of intelligence.

The greatest number of subjects was classed as Caymanian, totalling 492; 115 were Caymanian nationals (natural persons) and 377 were legal entities established in the Cayman Islands. The second largest nationality of subjects was Jamaican with 149 natural persons. The United States with 105, comprising 85 natural persons and 20 legal entities was third, followed by: The United Kingdom with 75, 62 natural persons and 13 legal entities; and Brazil with 73, 66 natural persons and 7 legal entities. Together these five countries account for 894 subjects, which represents 43% of the total.

The British Virgin Islands, Canada, Turkey, Peoples Republic of China, Philippines, Colombia, Peru, Panama, Venezuela, Australia, Mexico, Ghana, New Zealand, Spain and Lebanon are the countries with 20 to 60 subjects.

Hong Kong, Switzerland, The Russian Federation, Taiwan, Ecuador, Honduras, Argentina, Nicaragua, Guatemala, India, Malaysia, South Korea, Bahamas, Cyprus, Germany, Israel, Italy, Paraguay, Saudi Arabia, Azerbaijan, Indonesia, Iran, Pakistan,

Singapore, United Arab Emirates, Jordan, Austria, France, Guernsey, Ireland, Luxembourg, Malta and Trinidad and Tobago are the countries with 5 to 19 subjects.

The category “Others” in Chart 3.4 comprises subjects from Antigua and Barbuda, Barbados, Belgium, Belize, Benin, Bermuda, Bolivia, Bulgaria, Channel Islands, Chile, Comoro Islands, Costa Rica, Cuba, Curacao, Czech Republic, Denmark, Dominica, Dominican Republic, Egypt, El Salvador, Estonia, Grenada, Guyana, Haiti, Hungary, Iraq, Isle of Man, Japan, Jersey, Kazakhstan, Kenya, Kuwait, Kyrgyz Republic, Libya, Liechtenstein, Lithuania, Macedonia, Marshall Islands, Mauritius, Moldova, Nepal, Nigeria, Oman, Puerto Rico, Qatar, Romania, Serbia, Seychelles, South Africa, Sri Lanka, St. Kitts and Nevis, Suriname, Sweden, Syria, Thailand, The Netherlands, Turks and Caicos Islands, Ukraine, Uruguay, Vietnam and Zimbabwe.

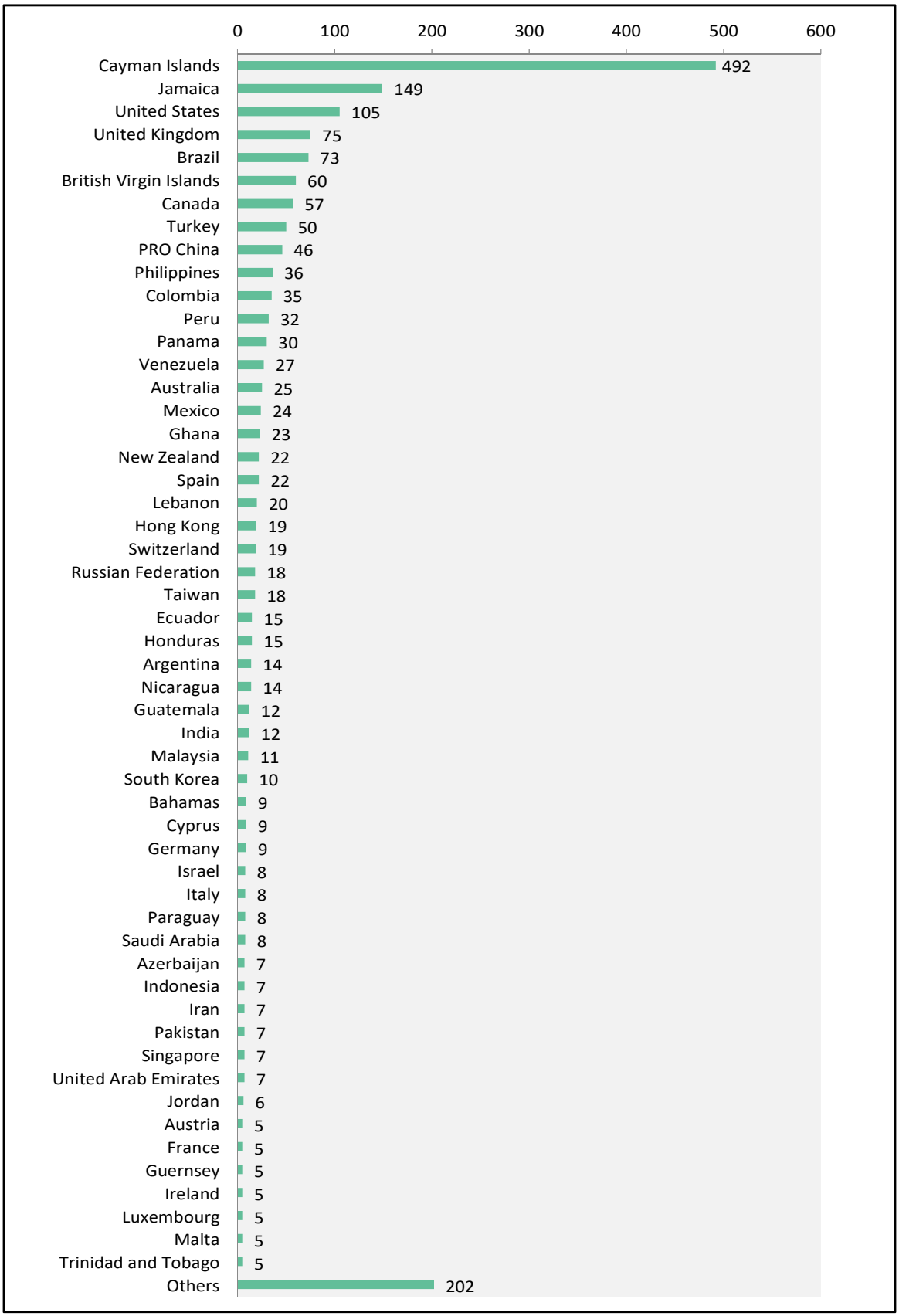

Chart 3.4: Countries of subjects in SARs reported in the Reporting Period

Sources of Cases

Chart 3.5 shows a detailed breakdown of the sources of cases. CIMA regulated financial service providers submitted a substantial portion of the cases that the FRA received. The seven largest contributors were:

- Banks - 301
- Money Transmitters – 202
- Overseas Financial Intelligence Units – 106
- Mutual Fund Administrators - 83
- Trust Companies – 78
- Company Managers / Corporate Service Providers – 78
- Insurance Businesses – 75

Banks continue to be the largest source of SARs, with 301 reports filed by 31 banks, comprising: 199 cases filed by 11 Class A banks; 98 cases filed by 20 Class B banks; and 4 cases filed by a Building Society. This compares to 379 reports filed by 29 banks during 2018, comprising: 298 cases filed by 8 Class A banks; 80 cases filed by 21 Class B banks; and 1 case filed by a Credit Union.

Money Transmitters filed 202 SARs in 2019 which is more than twice the 95 SARs filed during 2018. Mutual Fund Administrators filed 83 SARs, which is a 60% increase compared to 52 in 2018.

Trust Businesses and Company Managers / Corporate Service providers continue to be a significant source of SARs with a combined 156 SARs filed during the Reporting Period, compared to 127 in 2018.

Insurance Businesses filed 75 SARs during the Reporting Period, more than double the 32 filed in 2018.

The largest number of SARs received from DNFBPs came from law practitioners (35). Other DNFBPs filing SARs included: accounting professionals, real estate brokers, second-hand dealers and dealers of high value goods.

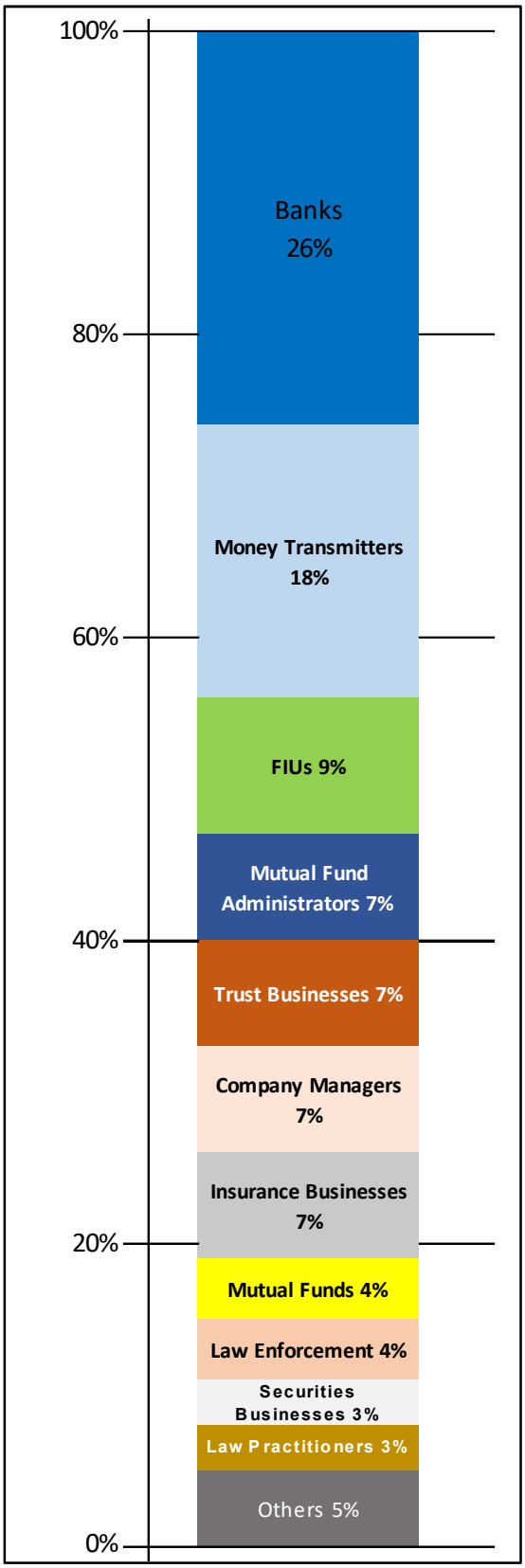

Chart 3.5: Sources of Cases

2. Analysing Information

The FRA conducts in-depth research and analysis by matching data in the SAR to existing records and intelligence information in the SAR database, as well as to information contained in other external databases. An important element of the FRA's analysis is the ability, provided for by the PCL, to request information from any person, in order to clarify or amplify information disclosed in a report, or at the request of an overseas FIU. Failure to provide this information within 72 hours is an offence under the PCL. A second important element is the FRA's ability to request and exchange information with Egmont Group members.

Consistent with the provisions of the PCL, the FRA made 141 requests locally to clarify or amplify information received in 114 cases; 94 of these requests were to the SAR filer with the other 47 going to third parties. The majority of the information requested consisted of: financial information, such as account statements and details of specific transactions; beneficial ownership (including registers); and constitutional documents. The FRA also made 4 requests to domestic agencies for information.

A total of forty six (46) requests for information were made to twenty four (24) overseas FIUs in connection with thirty (30) cases. All forty six (46) requests were to Egmont member FIUs via the Egmont Secure Web. Thirty five (35) of those requests were made on behalf of local law enforcement. These requests greatly assisted the FRA in determining whether to make disclosures to local law enforcement, as well as to overseas FIUs, or to assist local law enforcement with their investigations. Chart 3.6 below shows the number of requests made locally and overseas by financial year since 2015/16.

Upon completion of the analysis, an assessment is made to determine if the analysis substantiates the suspicion of money laundering, financing of terrorism or criminal conduct. If, in the opinion of the Director, this statutory threshold is reached, the FRA discloses the information to the appropriate local law enforcement agency, Supervisor or overseas FIU.

Additionally, the provisions of section 4(2)(ca) of the PCL allow the FRA, in its discretion or upon request, to disclose information and the results of its analysis to local law enforcement, CIMA and any public body to whom the Cabinet has assigned the responsibility of monitoring AML, in cases where the threshold of suspicion of criminal conduct has not been met.

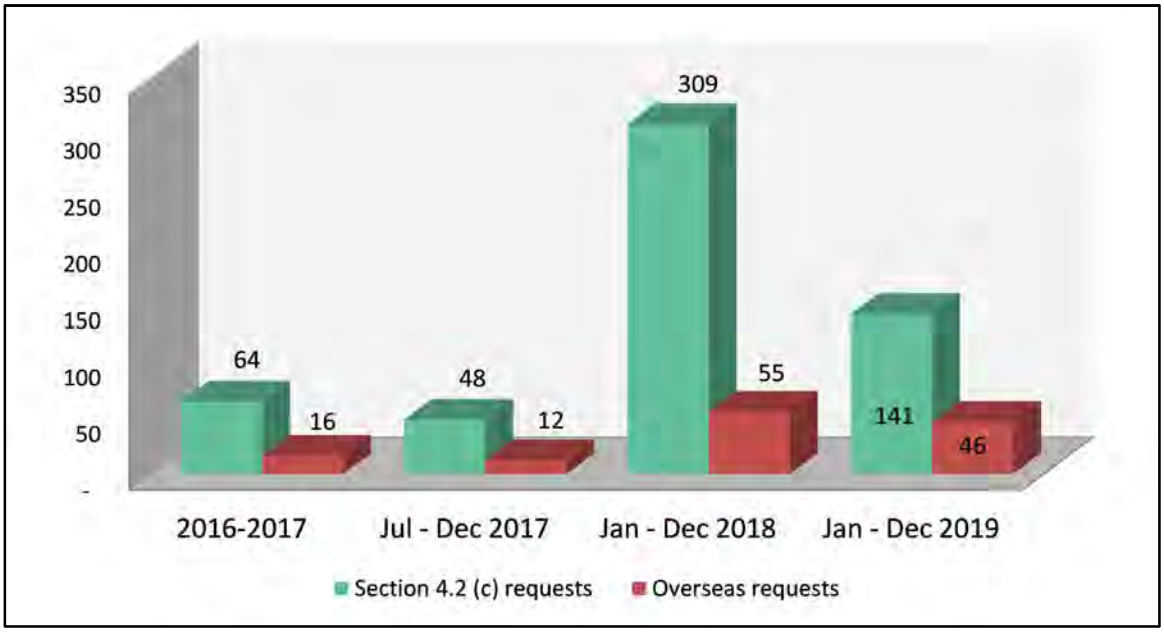

Chart 3.6: Number of request made locally and overseas

SARs Trend Analysis

The five most common reasons for filing reports during the Reporting Period were:

- suspicious financial activity – 476
- fraud – 233
- corruption – 89
- money laundering – 88
- regulatory matters - 66

Table 3.7 below provides a detailed breakdown of the reasons for suspicion.

Reason	%
Suspicious Activity	42%
Fraud	20%
Corruption	8%
Money Laundering	8%
Regulatory Matters	6%
Tax Evasion	5%
Declined Business	3%
OFAC / Sanctions	2%
Theft	1%
Others	5%
Total	100%

Table 3.7: Reasons for suspicion

Suspicious Financial Activity

A large number of reports filed with the FRA are due to 'suspicious activity', wherein the reporting entity is noticing more than one unusual activity but could not arrive at a specific suspicion of an offence. The FRA recognises that this is a perfectly valid reason to submit a SAR.

After detailed analysis by the FRA, many of these reports fail to meet the statutory threshold for disclosure. Nevertheless, they form a vital part of intelligence gathering and help build a clearer picture of the money-laundering threat to the Islands and help safeguard against criminal elements.

Some of these suspicious activities when matched to information in the FRA's SAR database have led to the identification of criminal conduct or suspicions of criminal conduct.

In an effort to provide a more detailed breakdown of what types of activities were deemed suspicious by SAR filers, we have grouped the reports by the most recognizable of the activities as follows:

a) **190 reports that involve unusual conditions or circumstances**: Unusual conditions or circumstances include suspicions about the physical condition of the money / asset being transacted, and could also include concerns about the sources of those funds. These also include unusual inquiries or requests by account holders or an approach made by local authorities for information about a customer or an account.

b) **94 reports of transactions that appear to be structured to avoid reporting thresholds**: These include reports from banks where there appear to be attempts to break transactions into smaller amounts to avoid reporting thresholds, as well as reports about multiple overseas cash withdrawals via ATMs. It also includes reports from money remitters about customers keeping their remittance below a certain amount so as to avoid having to provide source of funds information.

c) **75 reports regarding inadequate and / or inconsistent information:** Reports with inadequate and / or inconsistent information provided are those where the reporting entities have received inadequate information or deemed responses to their continuing due diligence inquiries as being evasive, incomplete or inconsistent.

d) **63 reports about transactions inconsistent with client profile:** Reports about transactions that are inconsistent with the established client profile include reports where the FSP identified that its client's recent transactions do not match the profile initially provided when the account was established and the client's explanation for the transactions appears to raise further questions.

e) **26 reports regarding high volume transactions:** Reports about high volume transactions, including those involving cash, consist of reports about subjects making multiple cash transactions (i.e., deposits, withdrawals or remittances); as well as accounts that have a noticeable high volume compared with similar accounts. Most of the time these would also involve suspicions about the sources of funds being remitted or deposited.

f) **28 reports about activities that appear to lack economic purpose**: Reports about activities that appear to lack economic purpose include those that involve complex structures where payments appear to merely pass through accounts. It also includes reports about funds being withdrawn from insurance policies within a relatively short period of time from their establishment.

Fraud

Fraud was the second most common reason for the filing of suspicious activity reports. Included in this category are bank fraud, securities fraud, internet fraud and other financial scams. During 2019 the FRA received reports regarding the following:

Bank Fraud

Cases about bank fraud generally involved the use of illegal means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by fraudulently posing as a bank or other financial institution. This can involve the use of the internet or online schemes. Included in reports about bank fraud are account take-over schemes, forged cheques, cheque kiting, debit or credit card skimming and fraudulent bank reference letters.

Business Email Compromise (BEC) frauds have become the most prevalent form of account takeover scheme identified in SARs and continue to be a serious concern and threat. BEC is where a compromised or spoofed email account is used by fraudsters to issue fraudulent payment instructions to transfer money from bank accounts. Based on SARs received in 2019, US$1.4 million was lost to these schemes and the attempted misappropriation of a further US$67.7 million was prevented by mitigating procedures. In 2018, US$2.9 million was lost to these schemes and a further US$3.2 million had been attempted, but was prevented by mitigating procedures.

Fraudsters exploit the amount of time that the fraud remains undiscovered by quickly moving the money into mule accounts. Most filings reported companies initially being contacted via emails that were made to appear similar to those of the legitimate users.

Internet fraud and online schemes have been an area of concern for law enforcement. Just as technology has become an integral part of business and government processes, criminals also have come to rely on technology as a tool to support their illegal operations. Based on reports received, banks and their customers continue to be the target of phishing and account take-over schemes.

Investment/Securities Fraud

Investment/Securities Fraud, more specifically insider trading and stock manipulation, are regularly identified as reasons for suspicion. Most of these reports received during the Reporting Period raised suspicions that the services of Cayman Islands based financial service providers are being abused to facilitate deceptive practices in the stock or commodities markets. Other reports raised suspicions that assets owned by an individual or entity that has been the subject of adverse reports regarding insider trading and stock manipulation may be tainted with the proceeds of an illegal scheme and that the reporting entity could not confirm or eliminate such possibility. A smaller portion of those reports are about actual transactions that give rise to suspicion of trading on insider information or schemes that manipulate stock values.

Unlawful schemes and other financial fraud

Suspicions of fraud through unlawful schemes, or other financial fraud, include those that involve the use of deception such as ponzi schemes, pyramid schemes, mortgage fraud schemes and advance fee frauds. Some of the reports received also identified subjects absconding with investor funds.

The FRA continues to receive SARs from money service businesses about "person in need schemes or romance schemes", which appear to be a variation of advance fee fraud schemes. The reports were mostly about victims of this type of fraud who were identified by MSBs as sending money to individuals that they do not personally know. These victims are usually of advanced age or with philanthropic desires to help individuals. The explanation for the purpose of the transaction is usually as a gift or financial assistance.

In prior years, the FRA received reports about fraudulent overpayment schemes that target Cayman Islands based online consumer-to-consumer shopping websites. In this scheme, the buyer claims to be from overseas and creates an excuse to make payment in the form of a cashier's cheque, money order or personal cheque for more than the selling price. They then instruct the seller to wire them back the extra money. The cheque the buyer sends bounces and the seller is then liable for the total amount of the cheque. More recent reports received by the FRA identified a variation of this counterfeit cheque overpayment scam that targets Cayman Islands based real estate brokers by posing as individuals wishing to acquire or rent property in the Cayman Islands. The number of reports about debt collection scams where the perpetrators claim to be international clients with large commercial accounts that need to be placed with a local collection agency for collection has continued to decrease; however, these types of fraud continue to occur, albeit less frequently, as evidenced by the occasional SAR still being received.

Other cases where fraud or some form of deception have been suspected include cases about excessive fees charged by a financial service provider, suspicions of breach of investment guidelines, allegations of misappropriation of funds or suspicions of fraudulent financial reporting.

Corruption

The ACL, as well as global benchmarks in anti-bribery legislation like the UK's Bribery Act 2010 and the US Foreign Corrupt Practices Act ("FCPA") continue to keep the focus of bribery and corruption firmly into the minds of those operating businesses in the Cayman Islands.

The Lava Jato (Operation Carwash) investigation in Brazil and other major cases have exposed the networks of corruption that connect elites at the highest levels of government and business—including transnationally—and the degree to which policy and politics have been merged in a form of state capture[1]. As the network of these

[1] Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin

individuals and companies were exposed, reporting entities have reviewed their accounts, heightened the monitoring and scrutiny of transactions that are linked to accounts identified and have reported activities that appear unusual. This has led to an increase in SARs that identify foreign corruption as the primary suspicion.

Reporting entities have also been reporting associations of accounts maintained with them that are linked to those individuals and companies that are either under investigation or have been charged for corruption overseas.

During the Reporting Period reports that identified foreign corruption included those involving entities whose beneficial owners, or related parties, are linked to overseas or local corruption investigations.

Also included in this category are requests for information from overseas FIUs regarding corruption investigations, transactions which appear to be linked to bribes or the solicitation of bribes or kick-backs.

Money Laundering

The processes by which proceeds of crime may be laundered are extensive. The financial services industry, which offers services and products for managing, controlling and possessing money and property belonging to others, is susceptible to abuse by money launderers. While all crimes can be a predicate offence for money laundering, this category is used by the FRA to identify SARs whose reason for suspicion is the specific act of disguising the original ownership and control of the proceeds of criminal conduct, by making such proceeds appear to have been derived from a legitimate source. This includes the provision of financial services that aid in the concealment of the original ownership and control of the proceeds of criminal conduct.

Close to half of the SARs held in this category are requests for information from overseas FIUs and local law enforcement pertaining to money laundering investigations. Most of these requests for information, particularly those from FIUs cite money laundering as the offence under investigation.

SARs received from domestic reporting entities in this category include those reports that identify that the subject is under an overseas investigation, or is closely associated with individuals who are under money laundering investigation. Also included in this category are those reports that identify transactions that appear to be structured to circumvent money laundering guidelines.

Tax Evasion

Section 247A of the Penal Code (2017 Revision) became effective 1 December 2017, implementing the requirement under FATF Recommendation 3 to include tax crimes as a predicate offence for money laundering. The amendment to the Penal Code makes certain acts or omissions, when done with the intent to defraud the government, an offence in the Cayman Islands

America and the Caribbean, p4, available at https://publications.iadb.org

3. Disseminating Intelligence

Disposition of Cases

The dissemination or disclosure of financial intelligence, resulting from its analysis, is a key function of the FRA. Once information is analysed and the Director has reviewed and agreed with the findings, a determination is made regarding onward disclosure.

Pursuant to section 138 of PCL, financial intelligence is disclosed to the following designated agencies where the required statutory threshold, suspicion of criminal conduct, has been met:

- Local law enforcement agencies in the Cayman Islands.
- CIMA, DITC and any public body to whom the Cabinet has assigned the responsibility of monitoring compliance with money launder regulations under section 4(9) of the PCL.
- Overseas financial intelligence units.

The statutory purposes of onward disclosure are to:

- report the possible commission of an offence;
- initiate a criminal investigation;
- assist with any investigation or criminal proceeding; or
- facilitate the effective regulation of the financial services industry.

The PCL was amended in December 2017 to allow the FRA to disseminate, in its discretion or upon request, information and results of any analysis to ~~the~~ CIMA, any public body to whom the Cabinet has assigned the responsibility of monitoring compliance with money laundering regulations under section 4(9) of PCL, and any law enforcement agency within the Islands (section 4(2)(ca)). A further amendment was made to the PCL in December 2018 removing the requirement to obtain the consent of the Hon. Attorney General for the FRA to disseminate information to an overseas FIU.

Cases which do not meet the threshold for disclosure (or are not disclosed under section 4(2)(ca)) are retained in the FRA's confidential SAR database pending future developments. As new cases are received and matched with data in the SAR database, prior cases may be re-evaluated with the receipt of new information.

During the Reporting Period, the FRA received 1,138 new reports. The FRA completed the review of 210 of these reports, leaving 928 in progress at 31 December 2019. Of the 210 new reports analysed, 80 resulted in a disclosure, 40 were deemed to require no further immediate action, 69 were replies to requests from FIUs and 21 were replies to requests from local agencies.

The FRA also completed analysis on 84 of 564 reports carried over from 2018, 12 of the 351 reports carried over from the interim period of 1-Jul-17 to 31-Dec-17, 18 of 313 cases carried over from 2016/17, 6 of 206

	No. of Cases					
			1 Jul – 31 Dec			
Disposition	2019	2018	2017	2016-17	2015-16	2014-15
Cases Analysed Requiring No Further Action	40	126	91	81	170	270
Cases Analysed that Resulted in a Disclosure	80	221	93	149	186	158
Reply to Domestic Requests	21	17	8	8	3	-
Reply to Overseas Requests	69[2]	91[3]	32	68[4]	61[5]	57
In Progress (as at 31 December 2018)	928	480	339	295	200	83
Total Cases	1,138	935	563	601	620	568

Table 3.8 Disposition of reports received as at 31 December 2019

reports carried over from 2015/2016, 1 of 84 reports carried over from 2014/2015, and the 2 remaining reports carried over from 2013/2014, a total of 123 reports. Of the 123 previous reports that were completed, 42 were deemed to require no further immediate action, 56 resulted in a disclosure, 21 were replies to requests from FIUs and 4 were replies to a local request.

Table 3.8 shows the disposition of the reports for the past five reporting periods as at 31 December 2019.

As at 31 December 2019, the FRA had commenced initial analysis on 115 of the 480 pending 2018 cases, 50 of 339 pending Jul – Dec 2017 cases, 39 of 295 pending 2016/2017 cases, 38 of 200 pending 2015/2016 cases and 43 of 83 pending 2014/2015 cases. Those cases are in varying stages of completion.

The total number of reports that resulted in voluntary disclosures during the reporting period was 136. These 136 reports comprise 80 reports from 2019, 37 reports from 2018, 7 reports from Jul – Dec 2017, 7 reports from 2016/2017, 4 reports carried over from 2015/2016 and 1 report carried over from 2013/2014. Those voluntary disclosures as well as other action taken on cases carried over from prior years are reflected in Table 3.8 above. (See Table 3.11, 3.12, 3.13, 3.14, 3.15 and 3.16 for prior year comparison). Information contained in those 136 reports was disclosed in the manner shown in Table 3.9 below. The total number of cases disclosed exceeded the number of actual cases, as some disclosures were made to more than one local law enforcement agency and / or overseas FIUs.

[2] Nine of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[3] Ten of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[4] Six of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[5] One of these cases also resulted in disclosures, but is not included in the number of cases disclosed to avoid double counting.

	Reporting Period					
Recipient	2019	2018	2017	16-17	15-16	14-15
RCIPS	79	31	7	8	4	-
CIMA	28	12	2	3	2	-
Other LLEAs	6	1	1	-	-	-
Other	-	1	-	-	-	-
Overseas FIUs	47	33	6	6	4	-

Table 3.9: Number of SARs that contributed to disclosures made during 2019

Financial Intelligence Disclosures

While some SARs have a direct and immediate impact on investigations both domestic and overseas, some are more useful when coupled with information available in other SARs, as well as law enforcement and regulatory publications. Both instances however assist in the production of financial intelligence.

The actual number of financial intelligence disclosures (i.e., the number of letters containing financial intelligence) is presented below.

Recipient	2019	2018	2017[6]
RCIPS	114	178	39
CIMA	27	73	8
Immigration	5	16	1
Customs	-	2	-
Tax Information	1	1	-
ACC	9	12	2
Overseas FIUs	119[7]	206[8]	39
Total	276	489	89

[6] The FRA only started monitoring financial intelligence disclosures beginning July 1, 2017.
[7] Includes 32 responses to 31 RFIs from overseas FIU that disclose substantial information
[8] Includes 43 responses to 41 RFIs from overseas FIU that disclose substantial information.

The top 5 reasons for disclosures made to the RCIPS during the reporting period were:

- fraud – 40%
- money laundering – 22%
- corruption – 11%
- theft – 7%
- suspicious activity – 7%

The top 5 reasons for disclosures made to Overseas FIUs during the reporting period were:

- fraud – 41%
- money laundering – 20%
- corruption – 19%
- illicit gaming – 7%
- suspicious activity – 7%

Voluntary Disclosures Overseas

The FRA discloses financial intelligence to its overseas counterparts, either as a result of a suspicion formed through its own analysis, or in response to a request for information. During the Reporting Period, the FRA made 87 voluntary disclosures to overseas FIUs from 95 reports completed. Those 95 reports comprise 45 reports from 2019, 33 reports carried over from 2018, 6 reports carried over from Jul - Dec 2017, 6 reports carried over from 2016/2017, 4 reports carried over from 2015/2016 and 1 report carried over from 2013/2014.

In 2018 the FRA made 163 voluntary disclosures to overseas FIUs from 100 reports completed. Those 100 reports comprise 70 reports from 2018, 18 reports from Jul - Dec 2017, 5 reports from 2016/2017, 6 reports

carried over from 2015/2016 and 1 report carried over from 2013/2014.

The FRA also responded to 90 requests for information from overseas FIUs. We provided substantial information in 31 of those responses, while minimal or negative responses were provided in 59. Those reports comprise 69 reports from 2019, 14 reports carried over from 2018, 5 reports carried over from 2016/2017, 1 report carried over from2015/2016 and 1 report carried over from 2014/2015.

In 2018 the FRA also responded to 110 requests for information from overseas FIUs. We provided substantial information in 41 of those responses, while minimal or negative responses were provided in 69. Those reports comprise 77 reports from 2018, 20 reports from Jul – Dec 2017, 11 reports carried over from 2016/2017 and 2 reports carried over from 2013/2014.

Chart 3.10 on the next page shows that those voluntary disclosures and responses went to 66 different jurisdictions.

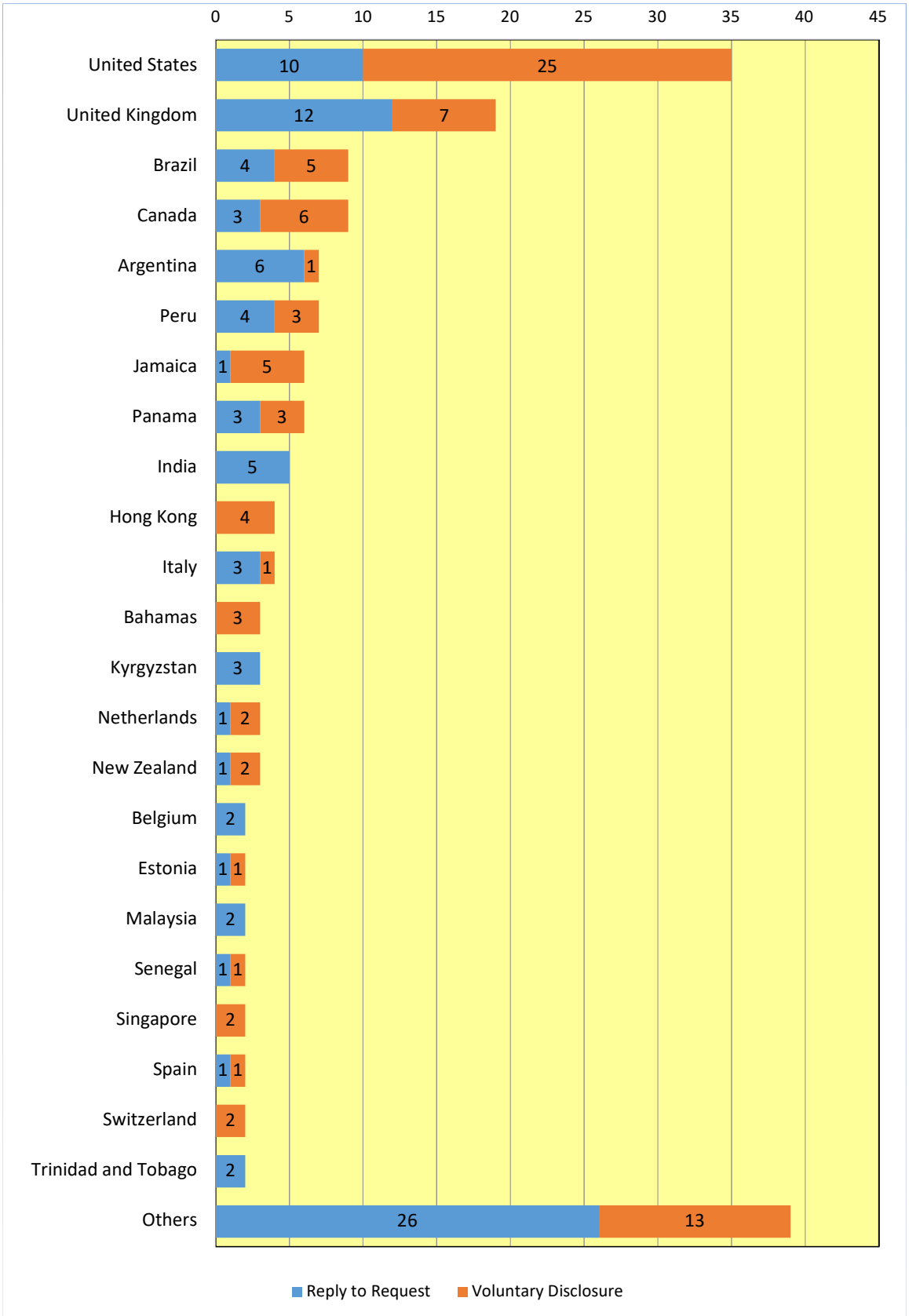

Chart 3.10: Overseas disclosures and replies to request for information

Disposition of 2018 Reports Carried Over to Reporting Period

During the Reporting Period, 84 of the 564 reports carried over from 2018 were completed: 30 reports were deemed to require no further action, 37 resulted in a disclosure, 3 responses to domestic requests and 14 Responses to overseas FIUs. Of the 37 reports that resulted in a disclosure: 31 were disclosed to RCIPS; 1 was disclosed to Immigration; 1 was disclosed to DITC; 12 were disclosed to CIMA; and 33 were disclosed to Overseas FIUs. The updated disposition of reports from 2018 is as follows:

Disposition	2018 Cases Carried Over to 1-Jan-19	2018 Cases Analysed through 2018	Total
Cases Analysed Requiring No Further Action	30	96	126
Disclosed to ACC only	-	10	10
Disclosed to CIMA only	-	14	14
Disclosed to CIMA and Overseas FIU	1	3	4
Disclosed to CIMA and RCIPS	-	14	14
Disclosed to CIMA, RCIPS and HM Customs	-	1	1
Disclosed to CIMA, RCIPS and CI Immigration	-	1	1
Disclosed to CIMA, RCIPS, DITC and Overseas FIU	1	-	1
Disclosed to CIMA, RCIPS and Overseas FIU	10	43	53
Disclosed to RCIPS only	3	38	41
Disclosed to RCIPS and CI Immigration	-	6	6
Disclosed to RCIPS, DITC and Overseas FIU	-	1	1
Disclosed to RCIPS, CI Immigration and Overseas FIU	-	1	1
Disclosed to RCIPS and Overseas FIU	17	41	58
Disclosed to CI Immigration only	1	1	2
Disclosed to Overseas FIU only	4	10	14
Reply to Domestic Requests	3	14	17
Reply to Overseas Requests	14	67	81
Reply to Overseas Requests and Disclosed to Overseas FIU	-	1	1
Reply to Overseas Requests, Disclosed to CIMA and RCIPS	-	1	1
Reply to Overseas Requests and Disclosed to RCIPS	-	8	8
In Progress as of 31 December 2018	-	564	564
Cases carried forward to 1 January 2019	(564)	-	(564)
In Progress as of 31 December 2019	480	-	480
Total Cases	-	935	935

Table 3.11: Disposition of cases carried over from 2018

Disposition of Jul - Dec 2017 Reports Carried Over to Reporting Period

During the Reporting Period, 12 of the 351 reports carried over from Jul – Dec 2017 were completed: 4 reports were deemed to require no further action, 7 resulted in a disclosure, and 1 was a reply to domestic requests. Of the 7 reports that resulted in a disclosure: 7 were disclosed to RCIPS; 1 was disclosed to Immigration; 2 were disclosed to CIMA; and 6 were disclosed to Overseas FIUs.

The updated disposition of reports from Jul – Dec 2017 is as follows:

Disposition	Jul–Dec 2017 Cases Carried Over to 1-Jan-19	Jul-Dec 2017 Cases Analysed through 2018	Total
Cases Analysed Requiring No Further Action	4	87	91
Disclosed to ACC only	-	5	5
Disclosed to CIMA only	-	20	20
Disclosed to CIMA and RCIPS	-	5	5
Disclosed to CIMA, RCIPS and CI Immigration	-	-	-
Disclosed to CIMA, RCIPS and Overseas FIU	2	14	16
Disclosed to HM Customs only	-	-	-
Disclosed to RCIPS only	-	12	12
Disclosed to RCIPS and CI Immigration	-	1	1
Disclosed to RCIPS and HM Customs	-	-	-
Disclosed to RCIPS, CI Immigration and HM Customs	-	-	-
Disclosed to RCIPS and Overseas FIU	4	22	26
Disclosed to CI Immigration only	1	1	2
Disclosed to Overseas FIU only	-	6	6
Reply to Domestic Requests	1	7	8
Reply to Overseas Requests	-	32	32
In Progress as of 31 December 2018		351	351
Cases carried forward to 1 January 2019	(351)	-	(351)
In Progress as of 31 December 2019	339	-	339
Total Cases	-	563	563

Table 3.12: Disposition of cases carried over from 2017

Disposition of 2016/2017 Reports Carried Over to Reporting Period

During the Reporting Period, 18 of the 313 reports carried over from 2016/2017 were completed: 6 reports were deemed to require no further action, 7 resulted in a disclosure, and 5 were responses to a request from a FIU (1 request was also disclosed to RCIPS). Of the 8 reports that resulted in a disclosure: 8 were disclosed to RCIPS; 3 were disclosed to CIMA; and 6 were disclosed to Overseas FIUs.

The updated disposition of reports from 2016/2017 is as follows:

Disposition	2016-17 Cases Carried Over to 1-Jan-19	2016-17 Cases Analysed through 2018	Total
Cases Analysed Requiring No Further Action	6	75	81
Disclosed to CIMA only	-	9	9
Disclosed to CIMA and Overseas FIU	-	9	9
Disclosed to CIMA and RCIPS	-	8	8
Disclosed to CIMA, RCIPS and CI Immigration	-	1	1
Disclosed to CIMA, RCIPS and Overseas FIU	3	19	22
Disclosed to HM Customs only	-	-	-
Disclosed to RCIPS only	1	45	46
Disclosed to RCIPS and CI Immigration	-	4	4
Disclosed to RCIPS and HM Customs	-	1	1
Disclosed to RCIPS, CI Immigration and HM Customs	-	1	1
Disclosed to RCIPS and Overseas FIU	3	33	36
Disclosed to CI Immigration only	-	-	-
Disclosed to Overseas FIU only	-	12	12
Reply to Domestic Requests	-	8	8
Reply to Overseas Requests	4	58	62
Reply to Overseas Requests and Disclosed to Overseas FIU	-	1	1
Reply to Overseas Requests and Disclosed to RCIPS	1	2	3
Reply to Overseas Requests and Disclosed to CIMA and RCIPS	-	2	2
In Progress as of 31 December 2018		313	313
Cases carried forward to 1 January 2019	(313)	-	(313)
In Progress as of 31 December 2019	295	-	295
Total Cases	-	601	601

Table 3.13: Disposition of cases carried over from 2016/2017

Disposition of 2015/2016 Reports Carried Over to Reporting Period

During the Reporting Period, 6 of the 206 reports carried over from 2015/2016 were completed: 1 report was deemed to require no further action, 4 resulted in a disclosure and 1 was a response to an Overseas FIU. Of the 4 reports that resulted in a disclosure: 4 were disclosed to RCIPS; 2 were disclosed to CIMA; and 4 were disclosed to Overseas FIUs.

The updated disposition of reports from 2015/2016 is as follows:

Disposition	2015-16 Cases Carried Over to 1-Jan-19	2015-16 Cases Analysed through 2018	Total
Cases Analysed Requiring No Further Action	1	169	170
Disclosed to CIMA only	-	4	4
Disclosed to CIMA and Overseas FIU	-	3	3
Disclosed to CIMA and HM Customs	-	1	1
Disclosed to CIMA and RCIPS	-	16	16
Disclosed to CIMA, RCIPS and CI Immigration	-	3	3
Disclosed to CIMA, RCIPS, CI Immigration and HM Customs	-	2	2
Disclosed to CIMA, RCIPS and Overseas FIU	2	12	14
Disclosed to HM Customs only	-	2	2
Disclosed to RCIPS only	-	85	85
Disclosed to RCIPS and CI Immigration	-	16	16
Disclosed to RCIPS, CI Immigration and Overseas FIU	-	1	1
Disclosed to RCIPS and Overseas FIU	2	22	24
Disclosed to CI Immigration only	-	2	2
Disclosed to Overseas FIU only	-	13	13
Reply to Domestic Requests	-	3	3
Reply to Overseas Requests	1	59	60
Reply to Overseas Requests and Disclosed to RCIPS	-	1	1
In Progress as of 31 December 2018		206	206
Cases carried forward to 1 January 2019	(206)	-	(206)
In Progress as of 31 December 2019	200	-	200
Total Cases	-	620	620

Table 3.14: Disposition of cases carried over from 2015/2016

Disposition of 2014/2015 Reports Carried Over to Reporting Period

During the Reporting Period, 1 of the 84 reports carried over from 2014/2015 was completed: 1 response to an Overseas FIU.

The updated disposition of reports from 2014/2015 is as follows:

Disposition	2014-15 Cases Carried Over to 1-Jan-19	2014-15 Cases Analysed through 2018	Total
Cases Analysed Requiring No Further Action	-	270	270
Disclosed to CIMA only	-	34	34
Disclosed to CIMA and Overseas FIU	-	3	3
Disclosed to CIMA and RCIPS	-	10	10
Disclosed to CIMA, RCIPS and CI Immigration	-	2	2
Disclosed to CIMA, RCIPS and Overseas FIU	-	10	10
Disclosed to RCIPS only	-	67	67
Disclosed to RCIPS and CI Immigration	-	7	7
Disclosed to RCIPS and Overseas FIU	-	10	10
Disclosed to CI Immigration only	-	1	1
Disclosed to Overseas FIU only	-	14	14
Reply to Overseas Requests	1	56	57
In Progress as of 31 December 2018		84	84
Cases carried forward to 1 January 2019	(84)		(84)
In Progress as of 31 December 2019	83		83
Total Cases	-	568	568

Table 3.15: Disposition of cases carried over from 2014/2015

Disposition of 2013/2014 Reports Carried Over to Reporting Period

During the Reporting period, the 2 remaining reports carried over from 2013/2014 were completed: 1 was deemed to require no further action, and 1 resulted in disclosures to RCIPS, CIMA and an Overseas FIU.

The updated disposition of reports from 2013/2014 is as follows:

Disposition	2013-14 Cases Carried Over to 1-Jan-19	2013-14 Cases Analysed through 2018	Total
Cases Analysed Requiring No Further Action	1	280	281
Disclosed to CIMA only	-	40	40
Disclosed to CIMA and RCIPS	-	19	19
Disclosed to CIMA, RCIPS and Overseas FIU	1	12	13
Disclosed to RCIPS only	-	73	73
Disclosed to RCIPS and CI Immigration	-	15	15
Disclosed to RCIPS, CI Immigration, and HM Customs	-	2	2
Disclosed to RCIPS and Overseas FIU	-	28	28
Disclosed to CI Immigration only	-	4	4
Disclosed to Overseas FIU only	-	19	19
Disclosed to the Attorney General's Office	-	1	1
Reply to Overseas Requests	-	61	61
Reply to Overseas Requests, Disclosed to RCIPS	-	2	2
In Progress as of 31 December 2018		2	2
Cases carried forward to 1 January 2018	(2)		(2)
In Progress as of 31 December 2019	-		-
Total Cases	-	558	558

Table 3.16: Disposition of cases carried over from 2013/2014

4. The Year in Review

	No. of Cases					
			1 Jul – 31 Dec			
Disposition	2019	2018	2017	2016-17	2015-16	2014-15
Cases Analysed Requiring No Further Action	40	126	91	81	170	270
Disclosed to ACC only	3	10	5	-	-	-
Disclosed to CIMA only	-	14	20	9	4	34
Disclosed to CIMA and Overseas FIU	1	4	-	9	3	3
Disclosed to CIMA and HM Customs	-	-	-	-	1	-
Disclosed to CIMA and RCIPS	1	14	5	8	16	10
Disclosed to CIMA, RCIPS and HM Customs	-	1	-	-	-	-
Disclosed to CIMA, RCIPS and CI Immigration	-	1	-	1	3	2
Disclosed to CIMA, RCIPS, CI Immigration and HM Customs	-	-	-	-	2	-
Disclosed to CIMA, RCIPS, DITC and Overseas FIU	-	1				
Disclosed to CIMA, RCIPS and Overseas FIU	25	53	16	22	14	10
Disclosed to HM Customs only	-	-	-	-	2	
Disclosed to RCIPS only	32	41	12	46	85	67
Disclosed to RCIPS and CI Immigration	-	6	1	4	16	7
Disclosed to RCIPS and HM Customs	-	-	-	1	-	-
Disclosed to RCIPS, HM Customs and Overseas FIU	1	-	-	-	-	-
Disclosed to RCIPS, CI Immigration and HM Customs	-	-	-	1	-	-
Disclosed to RCIPS, DITC and Overseas FIU	-	1	-	-	-	-
Disclosed to RCIPS, CI Immigration, and Overseas FIU	-	1	-	-	1	-
Disclosed to RCIPS and Overseas FIU	13	58	26	36	24	10
Disclosed to CI Immigration only	-	2	2	-	2	1
Disclosed to Overseas FIU only	4	14	6	12	13	14
Reply to Domestic Requests	20	17	8	8	3	-
Reply to Domestic Requests, Disclosed to Overseas FIU	1	-	-	-	-	-
Reply to Overseas Requests	60	81	32	62	60	57
Reply to Overseas Requests, Disclosed to Overseas FIU	2	1	-	1	-	-
Reply to Overseas Requests, Disclosed to CIMA and RCIPS	1	1	-	2	-	-

Table 3.17 Disposition of cases received as at 31 December 2019 (detailed)

	No. of Cases					
			1 Jul – 31 Dec			
Disposition	2019	2018	2017	2016-17	2015-16	2014-15
Reply to Overseas Requests, Disclosed to RCIPS and HM Customs	2	-	-	-	-	-
Reply to Overseas Requests, Disclosed to RCIPS	4	8	-	3	1	-
In Progress – initial analysis completed	173	115	50	39	38	43
In Progress – initial analysis incomplete	755	365	289	256	162	40
Total Cases	1,138	935	563	601	620	568

Table 3.17 Disposition of cases received as at 31 December 2019 (continued)

Significant Events

Analysis of Reports

The FRA had a busy year with 2,379 reports to analyse during the Reporting Period, comprising: 1,138 new reports, 461 reports carried over from 2018, 300 reports carried over from Jul – Dec 2017, 271 reports carried over from 2016/2017, 168 carried over from 2015/2016, and 41 carried over from 2014/2015. There were also 279 reports that where initially analysed, but not completed as they required further analysis, comprising: 103 reports carried over from 2018, 51 reports carried over from Jul – Dec 2017, 42 reports carried over from 2016/2017, 38 reports carried over from 2015/2016, 43 reports carried over from 2014/2015 and 2 reports carried over from 2013/2014.

The FRA staff analysed 515 of the 2,379 unanalysed reports, during the Reporting Period, comprising: 385 reports received during 2019, 96 reports carried over from 2018, 12 reports carried over from Jul – Dec 2017, 15 reports carried over from 2016/2017, 6 reports carried over from 2015/2016 and 1 report carried over from 2014/2015. An average of 43 reports were analysed per month.

A total of 333 reports were closed during the Reporting Period, comprising: 210 reports received during 2019, 84 reports carried over from 2018, 12 reports carried over from Jul-Dec 2017, 18 reports carried over from 2016/2017, 6 reports carried over from 2015/2016, 1 report carried over from 2014/2015 and 2 reports carried over from 2013/2014. On average, 28 reports were completed per month.

The Egmont Group Meetings

The FRA did not attend the Egmont Working Group Meetings, held in Jakarta, Indonesia from 28th – 31st January 2019.

The FRA attended and participated in a meeting of the Americas Region of the Egmont Group which took place on the 10th and 11th of April 2019 in Miami, Florida. Representatives of FIUs from 23 jurisdictions in the Americas, including the Caribbean, gathered to work through three key priorities for the Egmont Group: FIU operational independence and autonomy; the role of public-private partnerships (PPPs); and the value of public-public partnerships in the fight against money laundering and the financing of terrorism.

The FRA attended and participated in the Egmont Group's Advanced Strategic Analysis Course (ASAC) Course in Port of Spain, Trinidad and Tobago from 13th – 17th of May 2019. The course was organised by The Egmont Centre of FIU Excellence and Leadership (ECOFEL), in partnership with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC-CANAFE), the Financial Crimes Enforcement Network (FINCEN) of the United States and the Financial Intelligence Unit of Trinidad and Tobago (FIUTT). This course aims to enhance FIUs' analytical capabilities in the following:

• Ability to conceptualise topics at a strategic level and create corresponding research questions
• Ability to plan a strategic intelligence analysis project and create a project plan
• Understanding of collation methods suitable for different types of data and ability to evaluate information in a strategic intelligence analysis project
• Ability to analyse quantifiable and non-quantifiable data using select analytical techniques
• Ability to report findings and results of a strategic intelligence assessment to clients
• Ability to work collectively with international partners on the development of a common operational product.

The FRA attended and participated in the 26th Plenary of the Egmont Group of Financial Intelligence Units in The Hague, Netherlands from 1st – 5th July 2019. The meetings were attended by 497 participants, the Group's largest plenary meeting to date.

The plenary discussed ways in which FIUs can engage in Public-Public Cooperation (PPC) that will lead to better identifying, understanding and tackling money laundering, its predicate offences and terrorist financing. The main conclusions are:

- PPC is essential to success in the AML/CFT domain;
- access of FIUs to data systems/databases is key;
- there is always a trade-off between data protection, privacy and security;
- confidentiality of information shared must be guaranteed and results count;
- respecting the unique mandate of each party in a PPC is imperative;
- trust and cultural understanding are crucial.

It was concluded that a compendium outlining the examples and conclusions will be published following the plenary meeting. This compendium will assist FIUs entering in and starting PPC.

Other highlights from the 26th Egmont Group Plenary included the decision to publish four completed operational projects which address the following: tools and practices as well as indicators for the identification of the laundering of the proceeds of corruption; how to detect and process cases related to TF activities of small cells and lone actors; red flags and indicators for the private sector as well as insights to general business model of professional money laundering networks; and indicators, schemes, scenarios on business email compromise fraud.

Following the endorsement of Heads of FIU (HoFIU), FIUs from Dominican Republic, Ethiopia, Palestine, Papua New Guinea, Turkmenistan, and Uganda were welcomed as new Egmont Group members. HoFIU also lifted the suspension on UIF El Salvador. Egmont Membership now stands at a total of 164 FIUs.

The CFATF Plenary Meetings

The FRA participated in the 49th CFATF Plenary Meeting in Port of Spain, Trinidad and Tobago from 27th – 31st May 2019. The focus for the FRA is the Heads of FIU ("HFIU") meeting that takes place at the plenary.

OFSI, HM Treasury, gave a presentation on the necessary requirements to have an effective system for the implementation of targeted financial sanction regarding proliferation financing (TFS-PF), whilst exploring the roles of FIUs in the system. OFSI was chosen to conduct the presentation as a result of the UK's robust measures in place for PF implementation and the favourable ratings obtained for Immediate Outcome 11, in their MER. The presentation focused on several areas including: (i) requirements of an effective system for implementation of TFS-PF, (ii) definition of the risk to the financial system, (iii) situating the issue and mainstream understanding of TFS-PF and (iv) the importance of an effective industry outreach. Members were also requested to focus on cooperation and coordination mechanisms by involving all key relevant authorities including customs departments that are responsible for trade matters, as TFS-PF requires a holistic approach.

Continuing the discussion from the previous HFIU meeting regarding the threat of virtual assets (VAs) and virtual asset service providers (VASPs) being used for ML/TF purposes, the Chair arranged a presentation by FinCEN, focused on the measures FIUs should employ in the detection and analysis of STRs that involved the use of VAs. Some of the areas covered during this presentation included: (i) perceived advantages and disadvantages of VAs, (ii) risks inherent in the technology, (iii) the difference in investigations (traditional vs cyber investigations), the education in investigative tools, expertise required and techniques involved), (iv) investigative lifecycle and (v) importance of regulating VAs and ensuring that records are maintained where needed. A sanitised case was presented to demonstrate the roles of FIUs in the receipt, analysis and dissemination of STRs related to VAs.

A presentation was made by ECOFEL on Politically Exposed Persons (PEPs) focused on the self-assessment tool for FIUs regarding PEPs. The Forum was provided with the background for the self-assessment tool for PEPs that ECOFEL had been tasked with developing. A stocktaking questionnaire was sent to Egmont Group Members in June 2018. Following the stocktaking exercise, an online self-assessment tool was developed. This online self-assessment tool was shared with the Heads of FIUs present at the Forum. The self-assessment checklist is expected to be launched at the Egmont Group Plenary in the Hague, July 1-5, 2019.

ECOFEL also provided an overview of the outcomes of the Advanced Strategic Analysis Course (A-SAC) which took place from May 13 to May 17, 2019, in Trinidad and Tobago The highlights of this initiative included sharing experiences and best practices amongst FIUs,

building and strengthening networks within the AML/CFT community and empowering FIUs to position themselves as leaders. Several attendees provided positive testimonials on the training.

The Egmont Group Regional Representative ("EGRR") gave an overview on the Egmont Group Working Groups and Egmont Group Committee Meetings took place from January 28 - 31, 2019 in Jakarta, Indonesia. The Egmont Group endorsed a new Strategic Plan, and the Working Groups were provided the opportunity to advance operational projects and form new initiatives that support the organisation's four Strategic Objectives, including strengthening FIU capabilities. Members were encouraged to participate in the upcoming Egmont Group Plenary scheduled for July 1-5, 2019 in the Hague, Netherlands. A report was also presented to the Forum on the inaugural Egmont Group Americas Region Intersessional meeting held in Miami on April 10-11, 2019. This meeting was co-organised by FINTRAC, FinCEN and FIU Argentina. The Forum was informed that the Egmont Group had considered the use of technology to allow Members to attend the meetings remotely; however, this would not be explored further at this time due to considerable logistical, resource and cost implications. The Forum was informed that the Americas Regional Group is accepting applications for new regional representatives, as FINTRAC has completed its two-year term and is not actively seeking to return as the English speaking EGRR. Members expressed their appreciation for work performed by FINTRAC. The HFIUs subsequently agreed to support FIU Curacao's application for EGRR.

The EGRR also advised that candidate FIUs for Egmont membership continue to work with their sponsors to progress their application.

The Chair and CFATF Secretariat thanked Members for their input in updating the Terms of Reference (TOR) for the Chairman of the CFATF Heads. The TOR now includes changes to the global AML/CFT landscape, including those by the FATF, and is aligned with the work of the FATF and the Egmont Group.

The CFATF Secretariat provided a summary of the discussions at the FATF HoFIUs Forum, held in Paris, France on Sunday 17th February 2019. The report largely focused on the discussion of the draft paper on FIU strategic analysis capabilities and approaches, i.e. challenges and success on VAs.

Member FIUs gave brief oral and written updates on material activities / developments in their respective jurisdictions.

At the 49th Plenary the 4th Round MER for Haiti was debated and approved.

The FRA participated in the 50th CFATF Plenary Meeting in St. John, Antigua and Barbuda from 25th– 29th November 2019.

At the 31st HFIU meeting the CFATF Secretariat presented on the changes that were made to Recommendation 15, the

Interpretive Note and the Glossary to capture the activities associated with the use of VAs and VASPs. It also highlighted the changes that were made to the FATF Methodology that were adopted by the FATF Plenary in October 2019. Members were informed that the changes that were made to the FATF Standards and Methodology are geared towards ensuring that countries are applying the relevant FATF requirements, including the assessment of ML/TF risks and the implementation of preventive measures to ensure that VAs and VASPs are not misused for ML/TF and sanctions evasions. The Secretariat noted that the changes were not designed to prohibit or discourage the use of VAs and VASPs, as new technology is encouraged, and can be seen as beneficial in addressing financial inclusion.

A presentation was delivered by Chainalysis on the crypto-market landscape, with a spotlight on the illicit use of crypto assets. Whilst stating that the vast majority of crypto asset activity is not illicit, the presenter outlined some of the ways crypto-currencies can be used for ML / TF.

This presentation formed part of a series of discussions by HFIUs on VAs and VASPs, which began in November 2018. The aim of this discussion, like those before, was to sensitise delegates about the operations of VAs and VASPs and their susceptibility to be misused for ML, TF and sanctions evasion.

The Director of FIU Curacao was welcomed by the Chair and members as the new English speaking EGRR for the Americas, having been elected to the position at the 26th Egmont Plenary held in the Netherlands in July 2019.

The EGRR gave a comprehensive overview of the outcomes and discussions from the Plenary where the topics included the use of PPC in fighting ML / TF. Attendees were informed that there are plans for an EG Americas region meeting to be held during the first two weeks of March 2020. An update was also provided on some of the projects currently being undertaken by the Egmont Centre of FIU Excellence and Leadership (ECOFEL), including: a mentoring and coaching staff exchange program and an online library of reference material for FIUs; and the launch of ECOFEL's E-learning platform. The EGRR also advised that there was no change regarding the status of the applications by regional FIUs for Egmont membership.

The Egmont Group Secretariat gave a presentation regarding the Procedural Trigger 3 of the Egmont Group Support and Compliance process related to MER ratings. The presentation included a description of the process and criteria for a closer review of jurisdictions with a rating of Partly Compliant or Non-Compliant for Recommendations 29 and 40, and Moderate or Low for Immediate Outcomes 2 and 6 (where attributable to the FIU for Rec. 40, and IOs 2 and 6).

Member FIUs gave brief oral and written updates on material activities / developments

in their respective jurisdictions since the last HFIU meeting.

At the 50th CFATF Plenary the 4th Round MERs for Bermuda and The Turks and Caicos islands were debated and approved. The First Follow-Up Report for the Cayman Islands was presented for informational purposes.

Results of Disclosures of Information

Feedback from the Financial Crime Investigation Unit of the Royal Cayman Islands Police Service revealed that several disclosures made by the FRA have initiated new investigations or assisted ongoing investigations.

The FRA also provided assistance to law enforcement by responding to requests from them with any relevant information held by the FRA. Some of these cases also involved the FRA requesting information from FIUs on behalf of the local law enforcement agency.

The very nature of a criminal investigation can sometimes mean that detailed feedback is not always forthcoming. The FRA and its law enforcement partners continue to look at improving the feedback provided to reporting entities.

Industry Presentations

During the Reporting Period, the FRA made a record number of presentations at outreach events regarding their obligations under the PCL, their obligations regarding financial sanctions under the TL, PFPL and relevant Overseas Orders in Council, and the operational work of the FRA. These presentations will continue during 2020.

IV. SCENARIOS THAT WOULD TRIGGER FILING OF A SUSPICIOUS ACTIVITY REPORT (TYPOLOGIES)

The following is a compilation of sanitised cases that were analysed and completed during the Reporting Period that we believe illustrate some of the key threats facing the jurisdiction in the fight against money laundering and terrorist financing. These cases have been identified by the primary typology involved, though some of them may involve more than one typology. They are being included here for learning purposes and as a feedback tool for our partners in the fight against money laundering and terrorist financing.

1. Fraud - Ponzi Scheme

The FRA received SARs from various FSPs regarding Cayman exempt entities that belong to a collective investment scheme. Mr. P, the ultimate beneficial owner and controlling person of the investment scheme had been charged in Jurisdiction 5 with operating a Ponzi scheme that misrepresented itself as a cryptocurrency investment scheme. The FSPs provided information about the group structure and identified bank accounts owned by the exempt entities.

The FRA issued section 4(2) (c) Directives to local financial institutions and DNFBPS in furtherance of its analysis. A review of the banking transactions and the AML/KYC records revealed that several suspicious transactions, including excessive incoming funds that resulted in the schemes being over-subscribed. These funds would then be transferred out to other entities instead of being returned to the subscribers. There were also unusual purchases of several luxury items that did not appear consistent with the purpose of the investment scheme, including the purchase of a Cayman Islands registered yacht.

In early 2019, additional SARs were received concerning other previously unknown entities and bank accounts related to known associates of Mr. P. Based on a review of the banking, corporate and AML/KYC records obtained from local banks and DNFBPs, the FRA concluded that these persons were also complicit in the alleged fraud and that these entities were also used to launder criminal proceeds.

A series of disclosures were made by the FRA to the overseas FIU in Jurisdiction 5. The information was also disclosed to the FCIU and the Cayman Islands Monetary Authority (CIMA) for intelligence purposes. Sometime after the disclosures were made the FRA became aware that a criminal conviction was secured in Jurisdiction 5 against a subject included in the disclosures.

Indicators:

- Excessive incoming funds that resulted in the schemes being over-subscribed

- Unusual purchases that appear inconsistent with the purpose of the investment scheme
- Adverse information about the UBO or controlling person

2. International Corruption

A SAR was filed by Bank 1 after a review identified that its client, Company A, had received wire transfers from Company B, who is not a client. Bank 1 was screening against Company B after it had been identified in media reports as a company used for the payment of bribes in an international corruption scheme in Jurisdiction 2. The Bank identified that Company A had received a large payment from Company B previously.

As Bank 1 identified transactions between Company A and Company B, a comprehensive review of Company A's account was completed (the account was closed in 2017). It identified that Company A, which was incorporated in Jurisdiction 1 as an Investment Management Company, had maintained an account from 2012 to 2017. Company A's sole shareholder and beneficial owner is Mr. X, who is a citizen of Jurisdiction 2, where he owns a real estate and construction company. The sole director of Company A, a law firm, was also the registered agent. The sole signatory on the bank account of Company A was however only Mr. X.

Bank 1's review also identified that while the bank account for Company A was closed, Mr. X still maintained a personal account with the Bank with a balance of several million US dollars.

The FRA was able to identify that a SAR previously filed by Bank 2 had also identified that a customer had transactions with Company B. Bank 2 filed a SAR regarding its client, Company C, whose shareholders, Mr. and Mrs. J, had been associated with illicit payments made in Jurisdiction 2.

Bank statements submitted by Bank 2 disclosed that Company C maintained an account from 2013 to 2016. A review of the transactions identified that it had received a significant amount in six separate but equal wire transfers from Company B in 2014.

FRA Analysis showed neither Company A, Company B nor Company C had any links to the Cayman Islands but maintained accounts with regulated banks. FRA research confirmed that Mr. X is the owner of a real estate and construction firm in Jurisdiction 2 and that he was reported to be under investigation for corruption in Jurisdiction 2. It was also confirmed that Mr. and Mrs. J had been investigated in Jurisdiction 2 on charges of money laundering and an arrest warrant was issued.

The section 4(2)(c) Directives issued by the FRA to both banks identified that the bank account of Company B from which Company A and Company C had received funds corresponded with an account identified in charges filed in court in Jurisdiction 1 and

Jurisdiction 2. Further the rational for those transfers now appeared suspicious given the allegations against Company B. Both banks had limited understanding of those transfers from company B which were described as "distribution payments". Bank 1 in its response to the Directives also identified that prior to the accounts being closed there was a series of transfers that moved funds from Company A's account to Mr. X's personal account.

While Mr. X was not identified as a politically exposed person, his ownership of a real estate and construction company in Jurisdiction 2, together with media reports of him being under investigation raised concern that the funds held in his accounts were the proceeds of corruption. The reports of Mr. and Mrs. J being under investigation already raise suspicions of their funds in Company C being tainted with the proceeds of crime.

Disclosures were made to the FCIU and the FIUs in Jurisdictions 1 and 2 for intelligence purposes only.

Indicators:

- Funds received from sources linked to corruption scandals
- Limited information about actual investment activity
- Adverse information about the beneficial owners

3. International Corruption

Several SARs were filed by FSPs who act, previously acted or declined to act as registered office providers due to adverse media found on Mr. I, a shareholder and director of various Cayman Islands exempt companies. During a screening of its client database, the FSPs discovered adverse media reports that identified that Mr. I was wanted by authorities in Jurisdiction 7, on bribery/corruption charges. Mr. I was reported to be a fugitive after an arrest warrant was issued. Mr. I owned a freight forwarding company in Jurisdiction 7 that was accused of paying bribes to former politicians.

Analysis by the FSPs showed that prior to the issue of an arrest warrant for Mr. I and the charges being made public, the ownership of all but one of his exempt companies changed from Mr. I and Mrs. J (purported to be his wife) to Mrs. J as the sole shareholder. Limited records at the FSPs suggest that the exempt entities were used for Mr. I's personal and corporate investments, and that he maintained related accounts at two banks in which he was the sole authorised signatory. A Due Diligence memo attached to one of the SARs also provided additional financial information regarding Mr. I.

FRA analysis suggested that though Mr. I was no longer a shareholder of the exempt entities, he previously exercised and may continue to have significant influence over the exempt entities. Further, any funds held in the accounts of the exempt entities, may be tainted by the allegations against Mr. I.

The information was disclosed to the FCIU and the FIU in Jurisdiction 7 for intelligence purposes.

Indicators:

- Adverse information about the beneficial owner
- Changes in shareholder/beneficial owner information prior to allegations becoming public
- Limited information about actual investment activity

4. Money Laundering – Organised Crime

SARs were received from an Insurance Company regarding clients Mr. J and Mr. K, who had active insurance policies with an investment element, as they were alleged members of an organised crime group involved in fraud and misrepresentation in Jurisdiction 8.

FRA research provided information on how the organised group operated to defraud the government of Jurisdiction 8 of state funds by forcing state agencies to pay for overpriced medical services.

The FRA issued a section 4(2)(c) Directive to amplify the information already received. Subsequent analysis by the FRA showed that funds in the insurance vehicles were paid in large lump sum amounts without any withdrawals from the policies. The adverse information about the clients also raised concerns about the source of funds to pay the premiums for the insurance policies.

While the SARs were still under review and after the allegations against Mr. J became public, Mr. J made a request for the surrender of his policy and the return of all his funds; of note the policy was relatively new.

The SARs were disclosed to the FCIU and the overseas FIU in Jurisdiction 8 for intelligence purposes.

Having obtained the necessary order from the Grand Court, the FRA exercised its powers under section 4(2)(b) of the PCL, ordering the Insurance Company to refrain from dealing in the clients' accounts for 21 days. The FCIU obtained a restraint order prior to the expiration of the FRA's 'Refrain from Dealing Order'.

Indicators:

- Adverse information about the beneficial owner
- Concerns about sources of funds relevant to new information
- Large Lump sum deposit with subsequent request for surrenders after no significant time has elapsed

5. Fraud - Market Manipulation & Securities

A Cayman Islands limited partnership ("the Fund") filed a SAR as a result of its General Partner becoming aware of adverse information that one of the limited partners,

Mr. L, had been fined and sentenced in Jurisdiction 9 for market manipulation. The Fund was in the asset distribution process when the adverse information about Mr. L was discovered. Mr. L had made substantial contribution to the partnership both in cash and portfolio investments valued in the millions.

Mr. L was born in Jurisdiction 9 and is also a national of Jurisdiction 10.

The FRA issued section 4(2)(c) Directives to the Fund and a third party for additional information to amplify its analysis; of particular interest was that the Fund had distributed the majority of its assets in kind to each limited partner. Mr. L received shares in Company X, listed on the stock exchange in Jurisdiction 11.

As Mr. L was previously convicted of a financial crime and there are concerns about the source and timing of his investments, his investment in the limited partnership might have been proceeds of crime.

Disclosures were made to the FCIU and the FIUs in Jurisdictions 10 and 11 for intelligence purposes.

Indicators:

- Adverse information about the limited partner
- Concerns about sources of funds and timing of investments

6. Drug Trafficking

A Bank advised that it provided services to Mr. E and Mr. F, who reside in the Cayman Islands. Both individuals listed their source of funds / income as salary with their respective employer. A review of the account activity for Mr. F revealed that in addition to his monthly salary from his employer, he is also receiving regular transfers from another Bank customer, Ms. G. The Bank is not aware of any connection between Mr. F and Ms. G, except that they work for the same employer. The transactions illustrate that Mr. F is receiving multiple rounded sum of funds throughout the month from Ms. G that total to a significant amount each month.

The Bank subsequently received a request from a LLEA regarding the accounts of Mr. E and Mr. F and suspect that some of the funds flowing through the accounts might be connected to the criminal investigation.

The FRA analysis identified that Mr. F had been arrested on drug related offences and is currently not permitted to leave the jurisdiction.

A disclosure was made to the LLEA in question for intelligence purposes.

Indicators:

- High volume of transfers between client and unrelated 3rd party
- Rounded sum transactions
- Local law enforcement inquiry indicative of possible link to criminal activity

7. Fraud – Credit Card

A SAR was filed by a jeweller after receiving advice from a credit card company that a cardholder was disputing transactions as fraudulent use of the credit card. A review made by the jeweller identified that the cardholder disputing the transactions was not the same individual that had completed the purchase in its store. The jeweller's review showed that Ms. H, a visitor from Jurisdiction 5, had visited its store a couple of times before completing a substantial purchase.

The jeweller provided records showing that its salesperson performed standard verification procedures which included matching Ms. H's name on the credit card to her passport. The salesperson also contacted the credit card's customer service using the store phone for Ms. H to obtain a transaction authorization code, as the first attempt to process the credit card was declined. The transaction was completed with the authorization code provided by Ms. H.

FRA analysis shows that Ms. H did arrive from Jurisdiction 5 using the passport that she presented to the store. However certain discrepancies in the passport raised concerns about its validity. Given the sophistication of knowing credit card authorization codes, the use of matching credit card and identification cards, Ms. H may not have acted alone and that she may be part of a credit card cloning fraud scheme. The cardholder disputing the transaction appeared to reside in Jurisdiction 5. Shortly after making the purchases, she departed to Jurisdiction 6.

The FRA disclosed this information to the FCIU and the FIUs in Jurisdictions 5 and 6 for intelligence purposes.

Indicators:

- Discrepancies in the passport (validity greater than 10 years)
- Subject appears to be making exploratory visit prior to completing purchases

8. Fraud - Person in Need/Romance Scam

A MSB filed a SAR regarding the unusual remittance activity of Ms. T, a mature aged lady, who remitted funds to various individuals in Jurisdiction 3 and one person in Jurisdiction 4 during a 1 month period. Ms. T stated that the purpose of the remittances was 'gifts to friends'.

A few of the transactions were sent on the same day while others were sent days apart, which could suggest the customer structure/split the money to avoid reporting thresholds. Further, Ms. T was born in Jurisdiction 5 and did not appear to have any connection to the recipients.

The FRA issued a section 4(2)(c) Directive to the MSB to obtain 7a broader remittance history for Ms. T, which identified additional transactions to individuals in Jurisdiction 3. Given the amounts that were remitted, the activity did not appear in line with Ms. T's

profile. The remitted amounts appear to be structured and rounded sum amounts.

Given Ms. T's age, and the pattern and the purpose of remittance activity, it is suspected that Ms. T could be a potential victim of a person in need or romance scam.

Disclosures were made to the FCIU and the FIU in Jurisdiction 3 for intelligence purposes.

Indicators:

- Rounded sum transactions;
- Client sending remittances to multiple individuals;
- Client appears to be structuring amounts to avoid client identification or reporting thresholds;
- The transactional activity is inconsistent with the customer's profile

These examples are based on actual information we have received and sanitised to protect the identities of the individuals or entities concerned.

Further typologies can be found at www.Egmontgroup.org or www.FATF-GAFI.org or www.cfatf-gafic.org.

V. STRATEGIC PRIORITIES: PERFORMANCE FOR 2019 AND BUILDING ON STRENGTHS IN 2020

The FRA plays a crucial role in the jurisdiction's fight against being used for money laundering, terrorist financing, proliferation financing and other financial crime. It is also a vital agency in the Cayman Islands' efforts to demonstrate compliance with the FATF 40 Recommendations and prove effective implementation of those Recommendations.

2019 Performance

Our main priorities during 2019 were:

1. **Produce useful intelligence reports in a timely manner:** This priority was achieved to a moderate extent. During 2019, the FRA implemented a formal feedback mechanism with all domestic agencies on the use of disclosures made by the FRA, as well as suggestions for improving our disclosures. All feedback is recorded and suggestions are evaluated as to whether they should be implemented. During the Reporting Period meetings also took place between the FRA and local agencies that receive its intelligence reports. Positive feedback was received from local law enforcement agencies, CIMA and overseas FIUs regarding the usefulness of disclosures by the FRA. Local law enforcement agencies reported that a number of disclosures from the FRA either triggered a new investigation or were used to assist an existing investigation; CIMA reported instances where our disclosures triggered or assisted their investigations that resulted in regulatory enforcement action, The timeliness of disclosures is assessed periodically, with an emphasis on cases where suspected proceeds of crime are at risk of dissipation. With additional human and information technology resources that we expect to secure during 2020, we anticipate an improvement in the timeliness of intelligence reports.
2. **Promote cooperative relationships with Reporting Entities:** This priority was achieved. Throughout the Reporting Period we maintained and developed cooperative working relationships with reporting entities. We participated in numerous outreach events hosted by Supervisors, Industry Associations, the National Coordinator's Team and the FRA, making presentations on SAR filing obligations and the type of information to include in making a high quality SAR. The FRA also conducted several 'One-on-One' meetings with MLROs to give specific feedback on SAR quality, and discuss trends and other relevant matters.
3. **4th Round Mutual Evaluation:** This priority was achieved, as the FRA delivered on all major deadlines during the Reporting Period. The key activities included: preparing and implementing an

action plan to address the relevant recommended actions stated in the Mutual Evaluation Report (MER); attending monthly committee and working group meetings; preparing monthly update reports; providing statistics for and participating in various risk assessment working groups; preparing the First Follow Up Report that was tabled at the CFATF Plenary in November 2019.

4. **High Performing Staff:** This priority was achieved. Staff continue to produce high quality work under challenging circumstances. Throughout the year, staff completed 93 days of training through conferences, seminars, workshops and online courses, including in core areas such as Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing; Terrorist Financing Investigations; International Asset Tracing and Recovery; Intelligence Analysis and Research; Advanced Strategic Analysis; FATF Standards; and Blockchain and Digital Assets.
5. **Assess Existing Information Technology Infrastructure:** During the Reporting Period significant progress was made in: (i) evaluating software solutions to facilitate the electronic submission and storage of SARs, secure electronic communication with reporting entities and the provision of analytic tools to improve the research and analysis performed by staff; (ii) identifying the hardware required to run the software solutions. In accordance with the Procurement Law and Regulations, a public request for proposal was published on 4 December 2019 for software solutions, with a submission deadline of 31 December 2019. The required hardware was ordered in December 2019.

Strategic Priorities for 2020

During 2020 we will continue to build on our strengths and seek to continuously improve performance. Our main priorities for the year will remain unchanged, namely:

1. **Produce useful intelligence reports in a timely manner**

   A key priority for the FRA is to provide timely and high quality financial intelligence that meets the operational needs of local law enforcement agencies, CIMA and other Supervisors, and overseas FIUs.

   Through its analysis of information collected under the PCL reporting requirements, the FRA aims to develop specific financial intelligence disclosures and provide strategic insights into trends and patterns of financial crime.

   To deliver on this priority, we will:

   (i) Continue to periodically assess the intelligence reports we produce to ensure that they are useful to the recipients, including meeting with local agencies regularly and

obtaining formal feedback on the usefulness of our intelligence reports. Feedback will also be sought from overseas FIUs.

(ii) Actively monitor the timeliness of our disclosures, with the aim of continuously improving disclosure times.

(iii) Publish annually trends and patterns of financial crime impacting the Cayman Islands.

2. **Promote cooperative relationships with Reporting Entities**

The quality of our disclosures hinges directly on the quality of the SARs / information we receive. We are committed to developing and maintaining cooperative working relationships with all reporting entities, by encouraging an open line of communication to discuss matters of mutual interest, with a view to enhancing the quality of information we receive.

To deliver on this priority, we will:

(i) Engage with reporting entities to foster improved quality of SARs.

(ii) Correspond with reporting entities in a timely manner, both in acknowledging receipt of SARs and providing feedback on filings.

(iii) Conduct regular (likely quarterly) presentations at industry association organised events, as well as to local businesses at their request on their obligations under the PCL and the work of the FRA.

(iv) Hold 'One-on-One' meetings with MLROs to give specific feedback on SAR quality, and discuss trends and other relevant matters.

3. **4th Round Mutual Evaluation**

The FRA works with the AMLSG, the Inter-Agency Coordination Committee (and its subcommittees, such as the Financial Crime Focus Group and the Proliferation Inter Agency Group) and divisions within the Cayman Islands Government to ensure robust AML/CFT/CFP legislation, policies and programmes are implemented in the Cayman Islands.

To deliver on this priority, we will:

(i) Continue to implement the Recommended Actions identified in the MER.

(ii) Meet deadlines for reporting to the FATF and CFATF.

(iii) Ensure that records, reports and publications that evidence the implementation and effectiveness of applicable laws and regulations are prepared and maintained.

4. **High Performing Staff**

The FRA seeks to promote and create a culture of excellence and integrity that

inspires exceptional teamwork, service and performance. The development of staff by ensuring they are kept up to date with developing issues in AML/CFT/CFP is therefore critical to the effective operation of the FRA.

To deliver on this priority, we will:

(i) Provide training opportunities geared towards enhancing our ability to identify emerging trends and patterns used by criminal and terrorist organisations in money laundering, terrorist financing, proliferation financing and other financial crime.

(ii) Define clear performance expectations and provide timely feedback to staff.

5. **Robust Information Technology Infrastructure**

A robust IT infrastructure is paramount to the FRA operating efficiently. During 2020, we will be upgrading our systems to allow: secure submission and storage of SARs electronically; secure electronic communication with reporting entities; automatic population of the SAR database; and the provision of analytic tools to improve the research and analysis performed by staff to improve the financial intelligence reports we produce.

Protecting information received from reporting entities is a critical function of the FRA and we are committed to maintaining a secure database that houses all SARs received from reporting entities. A layered approach to security has been adopted for the FRA's office and computer systems. Security measures include advanced firewalls to prevent unauthorised access to our database.

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