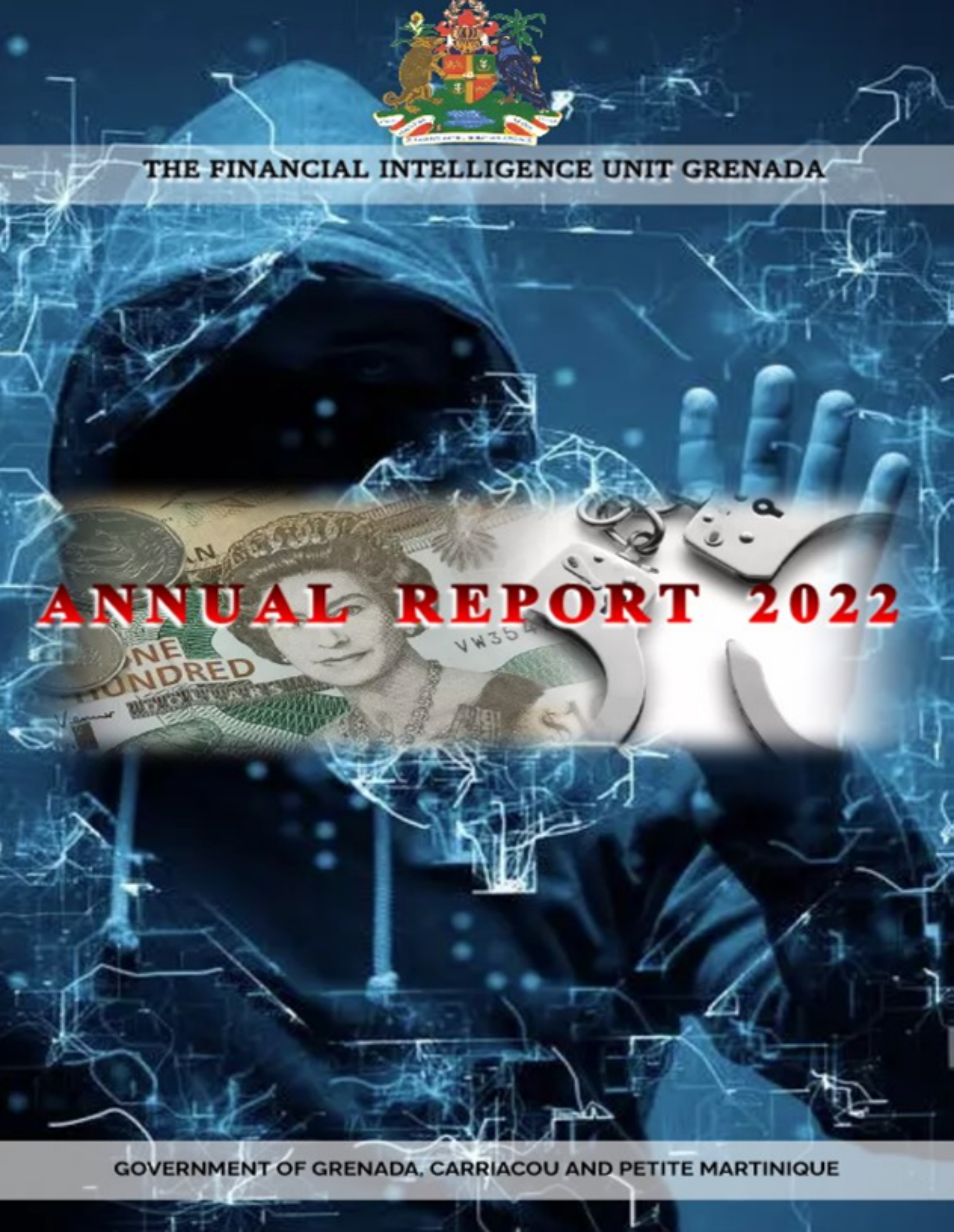
THE FINANCIAL INTELLIGENCE UNIT GRENADA



ANNUAL REPORT 2022

GOVERNMENT OF GRENADA, CARRIACOU AND PETITE MARTINIQUE

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April 30th, 2023

The Honourable Dickon Mitchell
Minister of National Security
Ministerial Complex
Botanical Gardens
St. George's

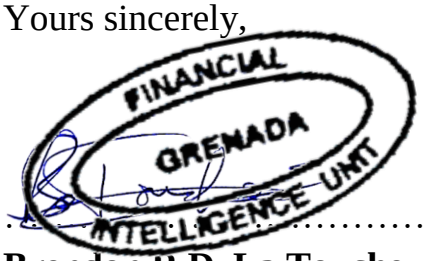
Dear Minister,

Re. Letter of Transmittal

I have the distinct pleasure to submit to you, the Annual Report on the operations of The Financial Intelligence Unit of Grenada for the period January 1st 2022 to December 31st 2022.

The Annual Report is submitted in accordance with Section 20 (2) and (3) of the Financial Intelligence Unit Act No.14 of 2012 ("the Act").

Yours sincerely,



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Brendon R.D. La Touche
Director
Financial Intelligence Unit

Vision: Towards a secure financial sector

Mission: To prevent and detect money laundering, terrorist financing and other serious financial crimes through collaboration with local, regional and international stakeholders.

Message from the Permanent Secretary of the Ministry of National Security

It is an honor as Permanent Secretary in the Ministry of National Security to welcome you to the Financial Intelligence Unit – Grenada (FIU) Annual Report 2022.

The FIU is empowered with greater responsibility as the focal point of strengthening the Anti-Money Laundering and Counter Financing of Terrorism and Countering Proliferation Financing (AML/CFT/CPF) regime. This was strategically designed to ensure that Grenada remains compliant with the international standards and best practices, as set by the Financial Action Task Force (FATF).

Grenada continues to make significant positive progress in this regard as to date our jurisdiction has been fortunate to avoid being placed on any negative 'listings' (i.e. black or grey list).

As such, it remains imperative that we continue to place even more focus on strengthening and maintaining a high quality and effective AML/CFT/CPF regime; as well as, promoting and improving greater inter-agency co-operation locally, regionally and internationally.

I am exceptionally pleased that the FIU, as a proactive hybrid (intelligence/investigative) agency, continues to do a commendable job in detecting the threats, vulnerabilities and challenges associated with Money Laundering (ML), Financing of Terrorism (FT) and other related crimes.

The dissemination of operational and strategic analysis, successful disposition of cases emanating from rigorous and thorough investigations, advisories, typologies and alerts are evidence of effective implementation of its (FIU) mandate.

The FIU has taken various measures to improve the compliance level of Reporting Entities with the continued implementation of a sound risk-based supervisory regime. Additionally, the FIU works closely with other Supervisory Authorities (i.e. ECCB and the AML Commission) to improve institutional compliance.

Finally, I would like to extend my heartfelt thanks to the FIU team for publishing this comprehensive yet succinct overview of their activities done in this reporting period.

I commend the efforts of the FIU and all relevant stakeholder agencies that are working relentlessly to sustain the status of a compliant AML/CFT/CPF regime and uphold the country's reputation in the international arena.

The Ministry of National Security, as part of its legal obligation and shared responsibility in establishing and maintaining a stable, secure and safe environment for our citizens, especially in this financial sphere, wishes to re-emphasize Government's continued commitment to providing all the necessary human resource, financial, technical and logistical support to the FIU.

Ms. Carlyn Mc Quilkin
Permanent Secretary (Ag.)
Ministry of National Security

GLOSSARY OF TERMS

FIU	**Financial Intelligence Unit**	A body established under Act No. 14 of 2012.
AML/CTF /CPF	**Anti-Money Laundering/ Combating Terrorism Financing / Countering Proliferation Financing**	A set of procedures, laws, or regulations designed to stop the practice of generating income through illegal actions.
FATF	**Financial Action Task Force**	A global money laundering and terrorist financing watchdog. It sets international standards that aim to prevent these illegal activities, and the harm they cause to society.
CFATF	**Caribbean Financial Action Task Force**	The Caribbean arm of the FATF. An organization of states and territories of the Caribbean basin which have agreed to implement common counter measures against money laundering and terrorist financing
DNFBPs	**Designated Non-Financial Businesses and Professions**	A diverse group of entities or individuals who are involved in activities outside of the traditional financial sector but have the potential to be exploited for money laundering, terrorist financing or other illicit financial activities.
ML/TF	**Money Laundering/Terrorist Financing**	The process used to disguise the source of money or assets derived from criminal activity to make it appear to be genuine. Providing funds for terrorist activity.

MLAT	**Mutual Legal Assistance Treaty**	An agreement between two or more countries for the purpose of gathering and exchanging information in an effort to enforce public or criminal laws.
POCA	**Proceeds of Crime Act**	An act that provides for confiscation, forfeiture, and other derivatives with respect to proceeds of criminal conduct and other related matters.
ECCB	**Eastern Caribbean Central Bank**	Established in 1983, this body is the monetary authority of a group of eight (8) Caribbean island economies. The primary objective is to maintain stability of the East Caribbean Currency and the integrity of the banking system.
STR / SAR	**Suspicious Transaction Report/ Suspicious Activity Report**	A transaction which is inconsistent with a customer's known legitimate business activity or normal business recognizing that a transaction is unusual.
FIs	**Financial Institutions**	A company which focuses on dealing with financial transactions such as investments, loans and deposits.
LEAs	**Law Enforcement Agencies**	A government body responsible for enforcing the law.
RGPF	**Royal Grenada Police Force**	An LEA mandated to uphold the law fairly and equally, to pursue and bring to justice those who break the law.

GARFIN	**Grenada Authority for the Regulation of Financial Institutions**	An institution responsible for regulating and supervising the non-bank financial sector in Grenada.
GPA	**Grenada Ports Authority**	Body responsible for the management of ports in line with public interest objectives and the regulation and control of navigation within the limits of Grenada's ports.
VA	**Virtual Asset**	A digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes and does not include digital representations of fiat currency or security.
VAB	**Virtual Asset Business**	The conduct of one or more of the following activities or operations for or on behalf of another person: exchange between a virtual asset and fiat currency, exchange between one or more forms of virtual assets, transfer of a virtual asset whether or not for value.

DIRECTOR'S FOREWORD

The period under review (2022) remains pivotal in the life of the FIU as it saw the advent of new management being installed in the form of a Director and Deputy Director in December 2022. It is my view that this decision signals our Government's intention to fully implement the provisions of the Financial Intelligence Unit Act and observe the spirit of the law.

Throughout 2022, the FIU engaged institutions conducting relevant business, through training and spontaneous information-sharing, to sensitize on current trends, typologies and best practices. It is heartening to mention that through these aforementioned initiatives, there are in fact promising signs that the financial sector is embracing the cultural shift in AML/CFT/CPF compliance. Of course, this does not mean that the Unit will not remain proactive and vigilant. Consequently, I take this opportunity to reiterate the Unit's mandate to continue working steadfastly to maintain a well-regulated and sufficiently monitored financial regime.

The FIU is committed to broadening its public education outreach programme, focusing on Financial Institutions (FIs), Designated Non-Financial Business and Professions (DNFBPs) with a view to sensitizing them on protocols when dealing with their clients who are considered to be conducting high-risk business.

It appears that the trend of money laundering remains constant, that is, aligned to the narcotic drug trade and incidences of fraud. The FIU has recorded some tangible successes in the number of detention and forfeiture orders for the period under review. We continue to strive towards improving this trend by employing a proactive and strategic approach to Seizures, Suspicious Activity Reports (SARS) and Investigations.

We are particularly concerned with the growing incidences of fraud via the internet (i.e. Debit Card fraud and scams involving virtually held assets. It is evident that more and more businesses are transitioning and embracing the move to online payment methods, consistent with our country's technological paradigm shift. It, therefore, underscores the need for service providers, the business community and customers to exercise the necessary precaution and effect proper safeguards to prevent the unfortunate loss of revenue/income.

As we move ahead, we intend to heighten the focus on terrorist financing, by further mandating and following up with reporting entities to be vigilant, while scrutinizing their systems with a view to identifying any known, suspected or listed terrorist organization, while strengthening their existing CFT program and protocols to hinder and ultimately prevent these activities.

The FIU continues to remain relevant and current notwithstanding the ever- evolving and dynamic nature of the AML/CFT system. It would therefore be crucial to note that the Proceeds of Crime Act (POCA) with its accompanying regulations and the Terrorism Act (TA) continue to be useful tools in our legislative armory as we forge ahead in our campaign to rid our nation of the scourge of money laundering and terrorist financing.

Special mention must be made of the many local, regional and international stakeholders who have maintained the spirit of inclusiveness, collaboration and cooperation; attributes which remain critical to the survival of the FIU. Throughout this period of review, the FIU initiated and participated in several successful joint operations with other local law enforcement agencies.

Finally, I wish to extend high commendation to the hard working and diligent staff of the FIU for their unwavering commitment to ensuring that the work of the Unit continues unabated and that we are able operate at an optimal and efficient level.
The notable achievements of the FIU for this period are directly attributable to the determination and dedication of the staff despite the challenging circumstances and constraints faced. I remain ever so proud that the FIU has been incessant in its efforts to detect and deter ML/FT/PF and other related financial crimes.

The Government of Grenada, through the Ministry of National Security continues to show its confidence in the FIU and to support our daily operations/efforts, for which we are immensely appreciative. The FIU also signals continued gratitude to the relevant competent authorities and reporting entities stationed locally, regionally and internationally.

Brendon R.D. La Touche
Director
Financial Intelligence Unit

SECTION 1: Overview of FIU

In compliance with Recommendation 29 of the Financial Action Task Force, we saw the establishment of The Financial Intelligence Unit (FIU) of Grenada. This unit is considered hybrid because it not only: (1) Analyzes suspicious transactions from reporting entities but additionally, it (2) Investigates towards litigation.

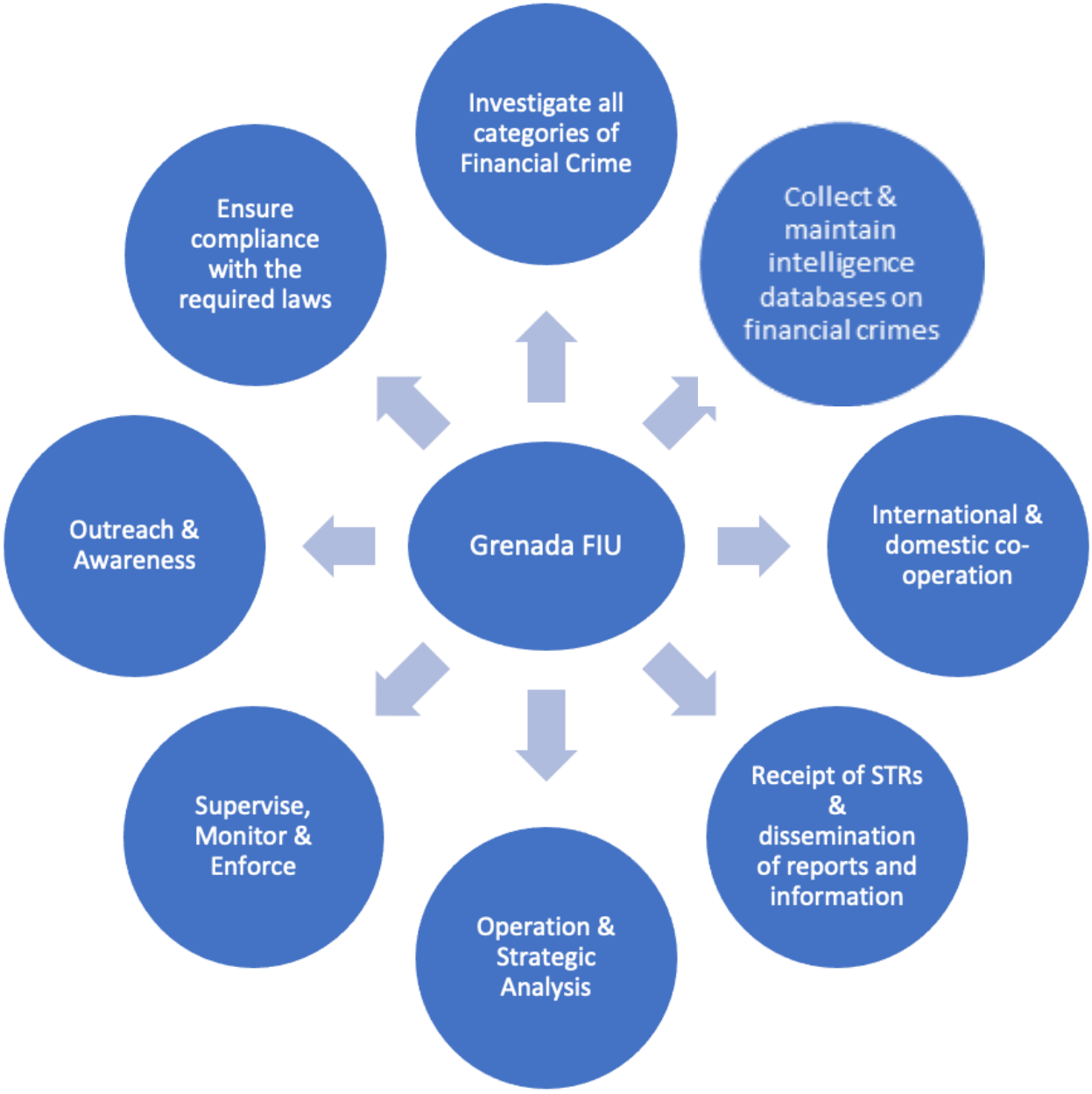
The FIU was formally established in Grenada pursuant to the FIU Act No. 1 of 2003 which was later repealed and replaced by Act No. 14 of 2012. FIU was established as a department of government that is sufficiently independent and has the authority to effectively deal with the multidimensional and complex problem of financial crimes and to be the sole department responsible for investigating reports of Suspicious Activity concerning specified offences and the proceeds of crime.

In performing its function under the Act, the FIU has an intimate relationship with other Law Enforcement Authorities (LEAs) in their investigation and prosecutions of predicate offences.

The FIU also holds the function of supervisory authority along with the AML/CTF Commission for all relevant businesses listed at section 2 of the AML/CFT Regulations. The list of relevant businesses comprises individuals and/or entities which conduct business activities that have been recognized to be vulnerable and exposed to a higher risk of misuse by criminals and their associates for ML/TF/PF purposes. As a supervisory Authority, the AML/CTF Commission and the FIU conduct joint examinations on relevant businesses for compliance with the AML/CFT laws, regulations and guidelines.

The FIU's powers and functions are broadly set out in Section 6 of the Financial Intelligence Unit No. 14 of 2012, AML/CFT Regulations SRO 5 of 2012 and AML/CFT Guidelines SRO 6 of 2012.

In sum, the roles, functions and powers of the FIU can be represented as follows:



SECTION 2: Organizational Structure of the FIU

Our total staff complement numbers fifteen (15) persons in total. The FIU is strategically organized into six (6) divisions/sub-units with a view to ensuring added efficiency and functional clarity within its overall operational mandate.
A brief description of the roles and functions of the six (6) divisions are as follows:

1. **Executive Management:**

- **Director**: Responsible for the overall operations of the Unit and spearheading all policy decisions relative to its functioning

- **Deputy Director:** Supports the Director in relation to the overall operations of the Unit; and has direct oversight over the Due Diligence Officers based at the Unit

2. **Investigation Unit:**

- Responsible for conducting all investigations relative to financial crimes
- Renders assistance to the Due Diligence unit re. Carrying out background checks within the community

3. **Asset Recovery Unit**

- Responsible for the recovery of proceeds of crime from illicit activities.

4. **Due-Diligence Unit**

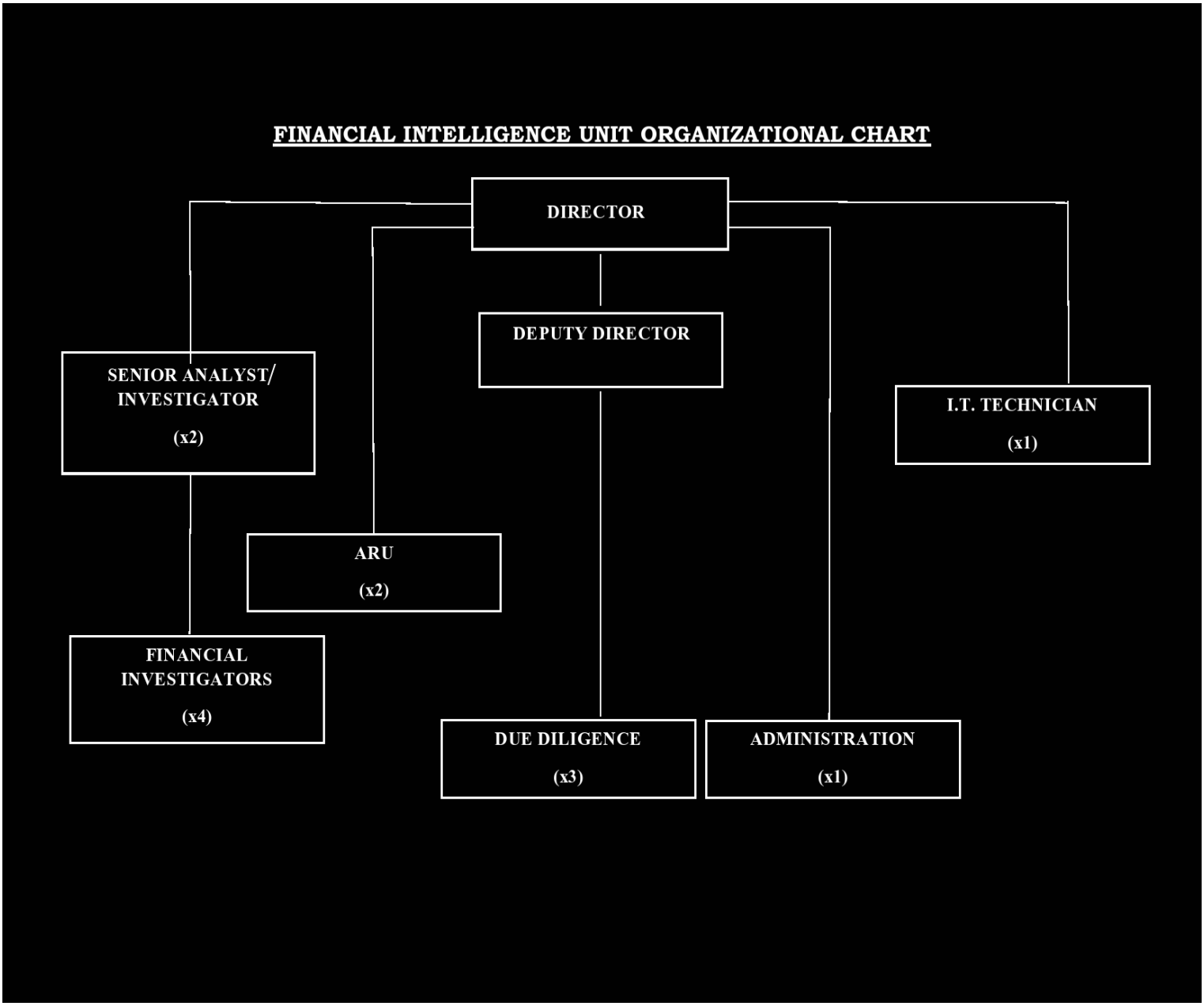
- Responsible for carrying out enhanced background checks

5. **Administrative**

- Responsible for all clerical and secretarial duties at the Unit; and,
- Renders support to the I.T. unit re. electronic filing

6. **Information Technology Unit**

- Responsible for all software, electronic equipment, computers and security systems


FINANCIAL INTELLIGENCE UNIT ORGANIZATIONAL CHART
DIRECTOR
DEPUTY DIRECTOR
SENIOR ANALYST/ INVESTIGATOR
(x2)
I.T. TECHNICIAN
(x1)
ARU
(x2)
FINANCIAL INVESTIGATORS
(x4)
DUE DILIGENCE
(x3)
ADMINISTRATION
(x1)

SECTION 3: OVERVIEW OF THE PROCESSES AND WORK OF THE FIU

1. SUSPICIOUS TRANSACTIONS REPORTS

Section 20 of the AML/CFT Guidelines provides for relevant businesses, as outlined in section 2 of the AML/CFT Regulation, to report SARs. A SAR is a report made by a relevant business about suspicious or potentially suspicious activity as required under the law to counter money laundering, financing of terrorism, proliferation financing and other financial crimes.

It must be noted that all SARs received are handled with the highest level of confidentiality and not divulged or shared with any third party. Upon receipt of a SAR by the FIU the following procedures are in place:

- It is viewed by the Director and channeled to the senior analyst.
- The SAR is recorded in a register and IBase database where a rating of low, medium or high is assigned based on the risk level and a number is given.
- The senior analyst reviews and analyzes the SARs, having regard to all the facts and circumstances.
- Instructions are provided for further analysis and investigation.
- Case assigned to and processed by officers.

2. TRAINING AND DEVELOPMENT

Staff development

	Place of Training	Description of Courses	Organizer	Number of Participants from Unit
1.	Grenada	Civil Recovery	International Narcotics and Law (INL)	1 person
2.	El Salvador	Inter- Agency Cooperation in Financial Investigation	International Law Enforcement Agency (ILEA)	1 person
3.	Grenada	Trade based Money Laundering	United Nations Office on Drugs and Crime Regional Office for Central America and the Caribbean in Panama (UNODC ROPAN).	5 persons
4		AML/CFT Risk based Approach Capacity Building Program and Introduction to Sup Tech Solutions for AML/CFT Supervi-sion.	World Bank	1 Person

5	Grenada	Beneficial Ownership Transparency of Legal Persons	FATF Webinar	All officers
6	Grenada	Intelligence Awareness for Law Enforcement Officers	Trinidad and Tobago Police Training Academy	All officers
7	Grenada	Developing an Investigative Mind-Set	Trinidad and Tobago Police Training Academy	All officers
8	Grenada	Terrorism and Terrorist Financing	Regional Security Service	2 officers
9	Grenada	Addressing Deficiencies in AML/ CFT regulatory and legislation framework	ECCB PriceWaterhouse Coopers (PwC) SRL	All officers
10	Grenada	Information Sharing between FIUs/LEAs/Supervisory Agencies	FATF Webinar	All officers

11	Grenada	Asset Recovery	ARIN CARIB (Dept. against Transnational organized Crime/RSS	All officers
12	Grenada	Bitcoin and Crypto-Currency	World Bank	2 officers
13	Grenada	Dark Web	The World Bank's Financial Stability and Integrity Unit	All officers
14	Grenada	Biometrics Fingerprints Awareness	Trinidad and Tobago Police Training Academy	All officers

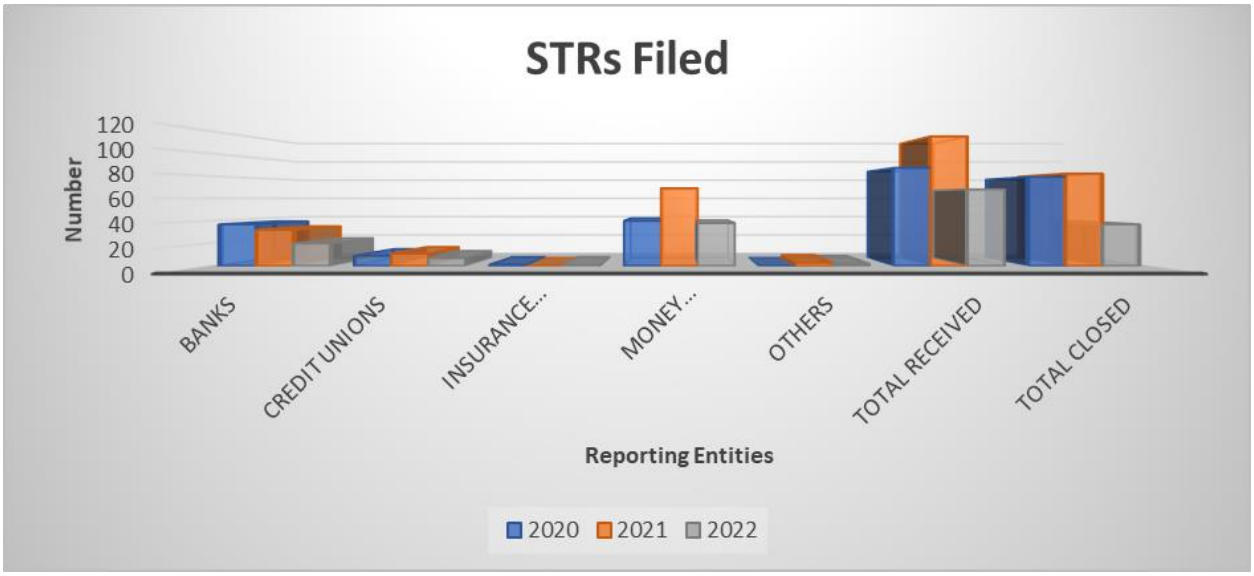
SECTION 4: STATISTICAL DATA

Illustration A:

Suspicious Transactions Reports/Suspicious Activity Reports (STR/SARs)

The following tabulated information and graphical data illustrate the receipt of STRs by the Financial Intelligence Unit for the period 2022. These figures are also presented to give comparative analysis to those received in the two years prior thereto.

Number of STRs filed by Reporting Entities			
Reporting Entities	**2020**	**2021**	**2022**
Banks	37	32	20
Credit Unions	9	11	7
Insurance Companies	1	0	1
Money Remitters	40	69	38
Others	0	3	2
Total Received	**87**	**115**	**68**
Total Closed	**79**	**82**	**37**



Bar Chart showing Suspicious Activity Reports (SARs) received and closed by the FIU for 2022 as compared with 2020 and 2021

Illustration B

The following tabulated information and graphical data illustrate Local Request Received by the FIU from LEAs and the general public for the period of 2022. These figures are also presented to give comparative analysis to those received in the two years prior thereto.

Table showing local request received for 2022 as compared with 2020 and 2021

Local Requests Received			
Entity	**2020**	**2021**	**2022**
RGPF	6	2	13
Customs	4	1	7
Others	25	49	70
Total Received	**35**	**52**	**90**
Total Closed	**38**	**27**	**53**

Bar Chart showing local requests received and closed by the FIU for 2022 as compared with 2020 and 2021

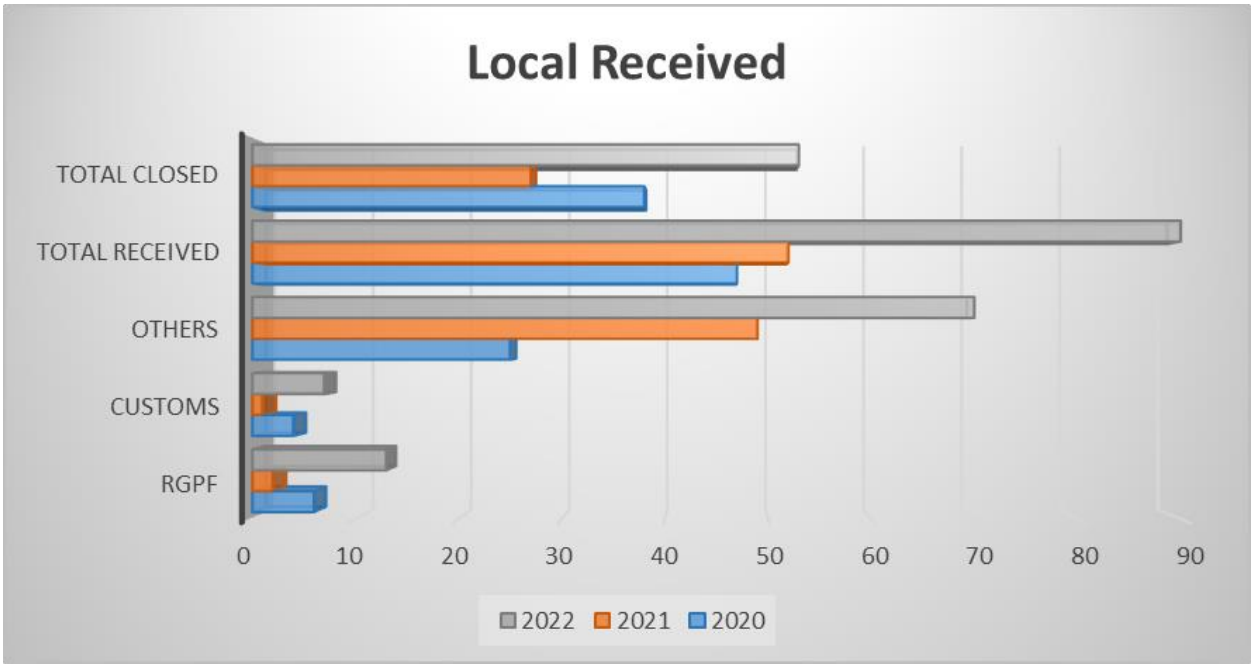


Illustration C

During the year 2022 the FIU conducted investigations into the below category of offenses resulting in the arrest of eleven (11) persons and forty-five (45) charges preferred.

Arrest by Category	**Number of Charges**
Money Laundering	19
Fraudulent Breach of Trust	3
Stealing	19
Stealing By Reason of Employment	3
Trafficking In Controlled Drug	1
Total No. of Charges Preferred	**45**

CIVIL CASH SEIZURE, DETENTION AND FORFEITURE

Table showing Civil Cash Seizure, Detention and Forfeiture for 2022 as compared with 2020 and 2021.

Year	Cash Detentions	Cash Forfeitures
2022	XCD$8,215.00 and USD$4,500.00	XCD$15,928.00
2021	XCD$17,482.25	XCD$54,478.67 and USD$112.00
2020	XCD$296,216.38 and USD$10.00	XCD$2,800.00

SANITIZED CASES

Case 1: Drug Trafficking and Money Laundering

In February 2022, as a result of continuous surveillance and monitoring regarding numerous transactions sent by Subject A to various receivers in a neighboring island via money remitters, a production order was obtained and served on various Financial Institutions, money remitters and National Insurance Scheme. In total, the amount of money transferred to the various recipients well exceeded the sum of One Hundred Thousand Dollars (XCD100,000.00) Eastern Caribbean Currency. In order to remain undetected, the sums of monies remitted never exceeded the sum of two thousand Eastern Caribbean Currency.

As a result of this financial intelligence, a search warrant application was made to the court and was granted. A party of officers from Drug Squad, Rapid Response Unit and FIU conducted a search at Subject A's residence at the south of the island.

During the search a quantity of dry plant material resembling cannabis along with an apparatus was found. Subject A was detained and interviewed in connection with Money Laundering and possession of a controlled drug and subsequently charged with two counts of Money Laundering and possession of a controlled drug.

This case brings to the fore the cross border movement of cash through payment systems in small quantities for the purchase of controlled drugs.

Case 2: Drug Trafficking and Money Laundering

In this case, Subject A, through an intricate network of small outward-bound transactions, transferred a total of One Hundred and Thirty-One Thousand Nine Hundred and Sixty Two (XCD$131,962.00) Eastern Caribbean Dollars to one neighboring island using local money remitting agencies. These transactions were conducted over a period of eleven (11) months.

Further to the information derived from continuous surveillance and monitoring upon Subject A, a production order was obtained and served on various Financial Institutions, money remitters and the National Insurance Scheme for the purpose of gathering grounding evidence to admit into court proceedings. By equal efforts, a search warrant application was made to the Honourable Court and was granted, thereby allowing a joint task-force of officers from law-enforcement agencies

(Drug Squad, Rapid Response Unit and FIU) to conduct a search at Subject A's residence.

During this search, a quantity of dry, plant material resembling cannabis along with an apparatus, was found. Subject A was detained in connection with Money Laundering and possession of a controlled drug. Subject A was interviewed and subsequently charged with two counts of Money Laundering and possession of a controlled drug.

This case brings to the fore (1) the cross-border movement of cash through payment systems in small quantities for the purchase of drugs (2) the effectiveness in confiscation where there is the formation of the multi-disciplinary work teams across agencies and (3) the utility in information exchange.

Case 3: Money Laundering and Cash Forfeiture

Based on operation conducted by the Rapid Response Unit in the parish of Saint George, a large quantity of cash was recovered. The sum was composed of denominations of United States Dollars and Eastern Caribbean Dollars. Subject B- along with other persons seen at the scene, fled upon arrival of the police.

The cash was seized by the Financial Intelligence Unit from the Rapid Response Unit officer under the authority of section 59 of the Proceeds of Crime (Amendment) No. 2 Act 35 of 2014.

Subsequently, subject B was detained at his home and interviewed under caution. Subject B made numerous averments in an effort to explain the reason for being in possession of the large sum of cash. The Unit sought to verify these advances made by Subject B through further investigations- conducted both locally and regionally. In respect of our regional colleagues, an MLAT was sought. As a result of the intelligence and evidence gathered, the statements made by Subject B were proven void of truthfulness and contradictory.

As such, the subject was charged for Money Laundering contrary to sections 35(1)(a) and 35(10)(a) of the Proceeds of Crime Act 6 of 2012 and a Forfeiture Order was also made under section 60 of the Proceeds of Crime (Amendment) No. 2 Act 35 of 2014.

The Honourable Court determined that there were reasonable grounds to show Subject B was involved in Money Laundering contrary to section 35(1)(a) and 35(10)(a) of the Proceeds of Crime Act 6 of 2012. Consequently, therefore the cash forfeited to the state.

This case highlights parallel investigation and the efforts of regional and local co-operation among law enforcement agencies.

The National Center for States Courts – Financial Crimes Team sponsored by the U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, conducted a Regional Civil Recovery Live Exercise training between the period November 2021 and June 2022.
The live exercise consisted of four modules including aspects of Civil Asset Recovery, practical exercise, property freezing order and mock trial for the hearing of Recovery Claim.
Countries which participated in the exercise were Barbados, the Commonwealth of Dominica, the Republic of Trinidad and Tobago, St. Vincent and the Grenadines, Jamaica and Grenada.
The Grenada contingent (consisting of a representative of the Grenada FIU) presented an application for a property freezing order and engaged in a mock trial seeking a Civil Recovery Order. Grenada enjoyed success in respect of both applications and was the recipient of the award of the best-performing team throughout the entire exercise, amongst its regional counterparts. Our representative Detective was awarded and commended for his stewardship and commitment throughout the process.

SECTION 5: Partnerships

Over the years, Memoranda of Understanding have been signed with several of our local, regional, and international counterparts and stakeholders.

Local Stakeholders include:

- Grenada Customs and Excise Division
- Royal Grenada Police Force (RGPF)
- Inland Revenue Department
- Grenada Airport Authority
- Grenada Port Authority
- Grenada Authority for the Regulation of Financial Institutions (GARFIN)
- Grenada Integrity Commission
- Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT)

Regional Stakeholders include:

- Eastern Caribbean Central Bank (ECCB)
- International Narcotics and Law Enforcement Affairs (INL)
- Regional Security Systems (RSS - ARU)

International and Country Stakeholders include:

- Antigua and Barbuda
- Guyana
- Jamaica
- Netherlands
- St. Vincent and the Grenadines
- Saudia Arabia
- The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)
- US Department of Treasury – Office of Technical Assistance (OTA)

Examinations

During the year, an Anti-Money Laundering and Combating of Terrorism Financing (AML/CTF) full-scope examination was conducted on one of Grenada's Credit Unions. The assessed areas included governance, member due-diligence, record keeping and retention, suspicious activity reporting, and ongoing monitoring. Although the AML/CTF spearheaded the examination, the FIU led in assessing the Suspicious Activity Reporting of the entity. A number of deficiencies were brought to the attention of the entity and recommendations provided to treat with same. The entity is expected to take action to remedy the identified deficiencies as it relates to AML/CTF threats.

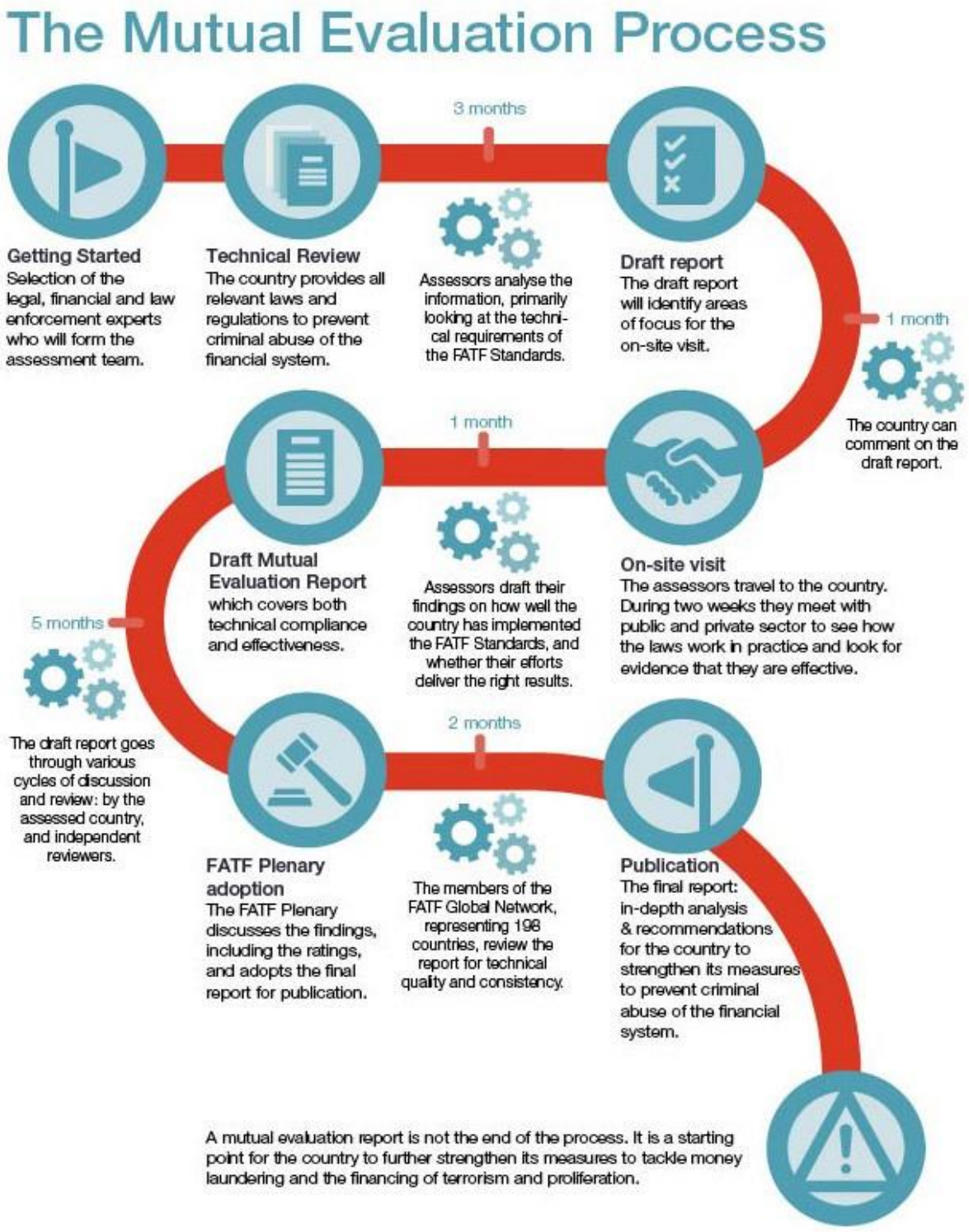
SECTION 6: THE MUTUAL EVALUATION AND MUTUAL EVALUATION REPORT (MER)

The Caribbean Financial Action Task Force's (CFATF) mutual evaluation is a rigorous country report examining the performance and effectiveness of measures employed by countries to combat money laundering, terrorist financing and proliferation financing.

As a Caribbean country, Grenada reports to the FATF *through* the FATF's Caribbean-dedicated body called the Caribbean Financial Task Force (CFTAF). It is this latter-named body which conducts examinations in the Caribbean on behalf of the FATF, according to and in keeping with FATF Standards. At the end of the examination, the CFATF produces a Mutual Evaluation Report. This report provides a comprehensive description and analysis of a country's anti-money laundering and counter-terrorist financing system including focused recommendations to further strengthen its system. During any mutual evaluation, the assessed country ought to demonstrate it has an effective framework to protect the financial system from abuse.

The Mutual Evaluation Process

The following image demonstrates the mutual evaluation process:



Following the publication of the Grenada 4th Round Mutual Evaluation Report in July 2022, the country established a working group to develop a strategic action to implement recommendations to strengthen our Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime.

FIU Grenada is pleased to have received a rating of "largely Compliant" with Recommendation 29 given by CFATF and supported by the FATF. This rating is indeed indicative of the efforts of the FIU to produce quality financial intelligence for investigation that leads to arrest and indictment. The 4th MER further highlighted the role of the FIU in contributing both domestically and internationally in AML/CFT measures whether through Egmont, MLAT or other channels.

Nevertheless, the 4th MER identified constraints which Grenada is in the process of addressing. Some of these constraints include:

- Providing guidance and sector specific training to FIs and DNFBPs in particular in relation to the detection of Suspicious Activity and the filing of high-quality STRs.

- FIU lacks a secure electronic system for the receipt of STRs from FIs and DNFBPs.

- Lack of proper internal procedures to prioritize STRs based on higher-risk predicate offences or potential investigations.

- Formalize feedback procedures with LEAs in respect of the intelligence reports disseminated to LEAs with a view to ensuring that the intelligence reports align with the LEAs operation needs.

- Must strengthen and make greater use of strategic analysis ensuring that such analysis is sufficient to identify patterns and methods and address the main ML/TF risks.

SECTION 7 : REGIONAL AND INTERNATIONAL COOPERATION

Egmont Request

Since the year 2003, the FIU Grenada has been a member of the Egmont Group of Financial Intelligence Units ("the Egmont Group") which comprises of 166 FIUs regionally and internationally. Through this membership, the FIU Grenada is uniquely positioned to support national and international efforts in the fight against Money Laundering, Terrorist Financing, Proliferation Financing and other serious crimes.

The Egmont Group provides a platform to securely exchange expertise and financial intelligence to combat Money Laundering, Terrorist Financing, Proliferation Financing and other serious crimes. As such, FIU Grenada uses this platform to communicate with regional and international counterparts in receiving requests for information, requesting assistance and other pertinent information on matters emanating from the unit.

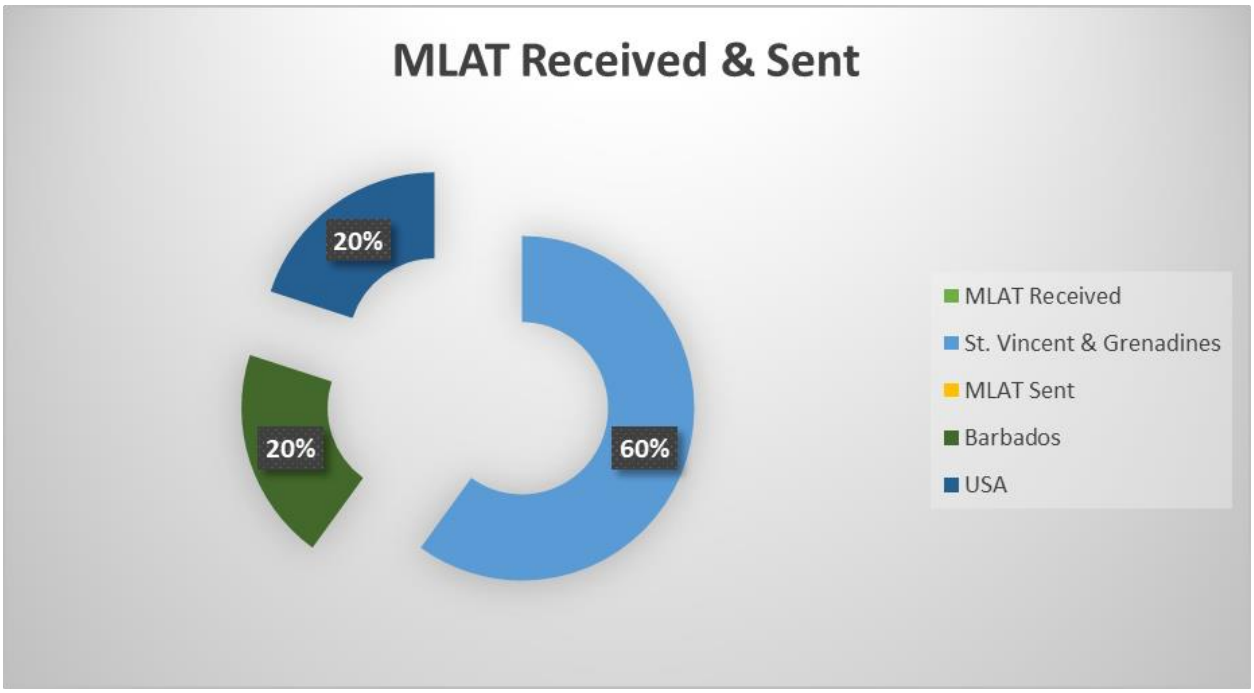
The Egmont Group was established in 1995 as a Financial Disclosure Unit with a focus to establish ways to cooperate among members. To meet the requirements of Egmont Group membership, an FIU must be a centralized unit within a nation or jurisdiction to detect suspected criminal financial activity and share financial intelligence and information with national and foreign government entities to ensure adherence to laws against Money Laundering, Terrorist Financing, Proliferation Financing and other serious crimes.

For the period under review, the unit had ten (10) outgoing and one (1) incoming Egmont request.

Mutual Legal Assistance in Criminal Matters

During the reporting period, FIU received three (3) MLATS request for assistance and had two (2) outgoing MLATS request for assistance. All five (5) requests were fulfilled.

FIU utilizes the Mutual Legal Assistance in Criminal Matters and the bilateral agreements for Mutual Legal Assistance in Criminal Matters with Commonwealth and Non-Commonwealth countries. These requests are received and made through our Central Authority at the Attorney General's Office.



Pie Chart showing MLAT Received and Sent for the period 2022

Overview of the Asset Recovery Unit

All criminal organizations, regardless of their sizes, are geared at maximizing profit from their illegal activities. Likewise, they also require financial resources to continue funding their enterprise. Naturally then, the greater the profit or their capital need, the greater is the effort to clandestinely move money away from the attention of and confiscation by law enforcement. Thus, more often than otherwise, if these organizations do not keep the fiat cash, they invest the illicit gains into different types of assets to remain undetected by law enforcement or, as their attempt to veil the proceeds of their criminal conduct.

The Asset Recovery Unit of our Financial Intelligence Unit is that division which treats with the tracing and recovery of, and treatment with the proceeds of crime of these organizations, in accordance with national law. In that vein it can be characterized as a litigation arm of the FIU with the mission of enforcement of the laws relevant to such matters as forfeiture, confiscation and civil recovery against ill-got proceeds of criminal conduct, to meet the FIU's overarching aim of depriving criminals of the proceeds of their crime. The scope of these proceeds is broad- from fiat cash to vehicles and even real property. Often, as a precursor to these actions, the ARU would also lodge into Court property freezing order applications, etc. With the advent of digital currency and the explosion of bitcoin, the ARU is also responsible for recovery in relation to this typology.

Currently, the ARU operates with an attorney-at-law and a law enforcement officer. Given the nature and breadth of its processes, the ARU works intimately with regional and international partners whose resources and information-exchange bolster the capacity of our ARU in recovering the assets from criminals and criminal groups. Such partners include the Bureau of International Narcotics and Law Enforcement Affairs, the Regional Security System, etc. It must also be noted that the work of the ARU is significantly assisted by Mutual Legal Assistance Treaties, the EGMONT Group and Memoranda of Understanding- through these mechanisms, the ARU gains useful information from Financial Intelligence Units of other countries both regionally and internationally which lend usefully to the conclusion of cases. Equally important, these partnerships have resulted in the provision to Grenada of guides and literature in relation to confiscation (a Confiscation Handbook) and cash seizure (Cash Seizure Policy), which are critical tools in the recovery process.

Virtual Asset Legislation

On 21st July 2021, Parliament passed the Virtual Asset Business Act ("VABA") No.7 of 2021.

The preamble to the Act suggests that it was created to provide for a regulatory regime to govern the 'registration and supervision of virtual asset business from Grenada and with persons in Grenada and from related matters'.

In order to understand the rationale behind the Government's decision to pass such a legislation at this time, it is first necessary to look at Virtual Assets and Virtual Assets Service Providers within the FATF's regulatory framework.

Virtual Assets

"Virtual assets" (otherwise termed "crypto assets") refers to any digital representation of value that can be digitally traded, transferred or used for payment. It does not include digital representation of fiat currencies.

Virtual assets have many potential benefits and dangers. They have the scope to make payments easier, faster and cheaper, and provide alternative methods for those without access to regular financial products. However, they are largely unregulated, and also have the potential to become worthless and are vulnerable to cyberattacks and scams.
Without proper regulation, virtual assets also risk becoming a safe haven for the financial transactions of criminals and terrorists.

The FATF has been closely monitoring developments in the crypto sphere and has issued global, binding standards to prevent the misuse of virtual assets for money laundering and terrorist financing. In recent years, some countries have started to regulate the sector, while others have prohibited virtual assets altogether. However, the majority of countries are yet to implement effective regulations. These gaps in the global regulatory system have created significant loopholes that can be exploited by criminals, terrorists and rogue regimes.

FIU Grenada has been vigorously monitoring this developing trend, having recorded its first known/reported case in the year 2022. The emergence of this case undoubtedly demonstrates that Grenada is not removed from the growing trends which are already pervading larger territories, especially considering the ease of doing business in the virtual sphere and the lure of the return on investment into virtual assets. Equally too, FIU Grenada also reports the use of virtual assets as the medium through which stolen monies are moved in the attempt to be lost or untraced. It is for these reasons that FIU Grenada takes this opportunity to remind the readership of the duty individuals owe to themselves to be diligent and circumspect **before** making any investment of these kinds.

Taking effective action

Countries need to fully and effectively implement the FATF's Standards for virtual assets as a priority. At the same time, virtual asset providers need to carry out the same preventive measures as financial institutions, such as customer due diligence (CDD), record keeping and suspicious transaction reporting (STR). This will ensure transparency of virtual asset transactions and keep funds with links to crime and terrorism out of the crypto sphere.

Today, many virtual asset service providers are perceived as 'risky business' and denied access to bank accounts and other regular financial services. While there have been technical challenges to implementing the FATF's requirements in the sector, they will ultimately increase trust in block chain technology

The effective global implementation of these standards by all countries will ensure virtual asset technologies and businesses can continue to grow and innovate in a responsible way, and it will create a level playing field. It will prevent criminals or terrorists seeking out and exploiting jurisdictions with weak or no supervision.

How do the FATF Standards apply to virtual assets?

Countries

Need to:

- Understand the money laundering and terrorist financing risks the sector faces
- License or register virtual asset service providers
- Supervise the sector, in the same way it supervises other financial institutions

Virtual Assets service providers

Need to:

- Implement the same preventive measures as financial institutions, including customer due diligence, record keeping and reporting of suspicious transactions
    - Obtain, hold and security transmit originator and beneficiary information when making transfers

Building partnerships

Regulating virtual assets service providers is challenging for all. National authorities need to develop skills to understand the technology involved, while service providers have to understand and apply financial rules that apply to the sector.

It is up to the sector to develop the technology to meet the FATF's requirements, particularly when it comes to the so-called 'travel rule', which requires securely collecting and transmitting originator and beneficiary information.

To help governments and the industry, the FATF has developed guidance on how to take a risk-based approach in this area. The guidance, which had significant input from the sector itself, explains how to understand the risks, how to license and register the sector, and how to know who their customers are, store this information securely and detect and report suspicious transactions.

The FATF has engaged intensively with the virtual asset service provider sector to build a partnership between them and governments, to better understand the issues and risks involved, including by hosting annual fintech/regtech forums since 2017. Through its Contact Group, the FATF continues to engage with the industry to further explain the FATF's requirements and to monitor developments to ensure the industry is meeting the various challenges.

Targeted Update on Implementation of FATF's Standards on VAs and VASPs

Paris, 30 June 2022 – FATF has produced a targeted update on implementation of its Standards on virtual assets (VAs) and virtual asset service providers (VASPs), with a focus on FATF's Travel Rule. This report comes three years after FATF extended its anti-money laundering and counter-terrorist financing (AML/CFT) measures to VAs and VASPs to prevent criminal and terrorist misuse of the sector. The report builds on the FATF's previous two reviews on implementation by providing a short update on the latest country compliance with FATF's Recommendation 15 and its Interpretative Note (R.15/INR.15). The report places a specific focus on FATF's Travel Rule to respond to FATF's June 2021 findings that countries and private sector face particular challenges in this area. Further, the report includes relevant emerging risks and market developments, including on Decentralized Finance (DeFi), Non Fungible Tokens (NFTs) and unhosted wallets. The report finds a continued need for many countries to strengthen understanding of ML/TF risks of the VA and VASP sector, and to rapidly implement FATF's R.15/INR.15 to mitigate such risks. In particular, FATF's Travel Rule requires VASPs and other financial institutions to share relevant originator and beneficiary information alongside virtual asset transactions, therefore helping to prevent criminal and terrorist misuse. The report finds that jurisdictions have made only limited progress over the last year in implementing this requirement. Of the 98 jurisdictions that responded to FATF's March 2022 survey, only 29 jurisdictions have passed relevant Travel Rule laws, and a small subset of these jurisdictions have started enforcement. This demonstrates an urgent need for jurisdictions to accelerate implementation and enforcement to mitigate criminal and terrorist misuse of virtual assets.

FATF's report highlights that there are now technological solutions available to facilitate Travel Rule compliance in practice, but private sector need to continue to increase interoperability between solutions and across jurisdictions, and to work towards full compliance.
On market developments and emerging ML/TF threats, the report highlights the continued need for the FATF to monitor the growth of, and illicit financing risks associated with, DeFi and NFTs markets and unhosted wallets.
To address the findings of the report, the FATF calls on all countries to rapidly implement the FATF's Standards on VAs and VASPs, including the FATF's Travel Rule. To assist, the FATF will:

- Continue to promote implementation of FATF's R.15/INR.15, including the Travel Rule, by facilitating discussions with member countries on common implementation issues and challenges, and by raising awareness through G7/G20 and other high-level policy bodies
- Continue to monitor market trends for material changes or developments that necessitate further work, including how the Standards apply to DeFi and NFTs, and to engage with member countries and the private sector on country approaches
- Conduct a further review on progress and remaining challenges for implementation by June 2023

SECTION 8: The Way Forward

The FIU will continue to give credence to one of its primary mandates, that is, to continue to promote Grenada as a safe destination and an attractive investment location through the establishment and development of strategic, beneficial trade relationships.

Realizing this vision requires a two (2) pronged policy implementation approach which involves:

1. Strengthening the FIU institutional framework to improve internal mechanisms to facilitate alignment to legislations and enhance analysis, investigations and prosecutions mechanisms. To achieve this focus will be placed on the following:

    - Redefining the organizational structure to create alignment to the legislative framework.
    - Reviewing legislation to identify gaps and amend accordingly.
    - Improving Criminal and civil asset recovery mechanisms to facilitate the effective management and disposal of seized assets.
    - Improving analysis and monitoring systems
    - Conducting comprehensive assessment of human resource to identify training needs and develop plan to address same.
    - Developing Unit and individual training plan to address staff deficiencies and improve other areas.
    - Conducting training sessions in areas to address emerging trends within the financial sector

2. Streamline best practices and implement tools to enhance monitoring, prevention and detection structures to ensure a secure financial sector. To achieve this focus will be placed on:

    - Developing policy initiatives to facilitate effective coordination with the RGPF and Customs Authority.
    - Conduct comprehensive assessment of regulated entities.

- Implement capacity building training for regulated entities on AML/CTF, SAR matters and other areas that are relevant to the financial Sector.
- Implement Public Awareness Programme.
- Implement structures to properly conduct examinations of DNFBPs

Focus 2023 and Beyond

1. The FIU will be engaging further with regulatory bodies and their licensees to improve Anti-Money Laundering (AML) standards across industries and to improve the quality of reporting by institutions obliged to make these reports

2. The Unit will also seek to negotiate and execute a number of intelligence sharing MOUs with both domestic and overseas law enforcement agencies.

3. The FIU will continue the implementation of strategic and innovative measures that would nurture a professional, supportive working environment to enhance staff morale and ensure the achievement of the FIU's mandate. These include:

- Aggressively pursuing the procurement of additional accommodation to facilitate the recruitment of new staff;
- Strengthening the human resource capacity of the FIU in light of its expansive responsibilities;
- Providing the FIU staff with training and development opportunities in AML/CFT/CPF and other relevant areas so as to develop their expertise;
- Conducting activities (i.e. staff retreats) to nurture a co-operative and collaborative FIU team

4. Development of a modern systematic approach for intelligence led analysis and investigations:
   - Furthering the Unit's digital transformation agenda to facilitate a more enhanced and seamless communication link with mainstream stakeholder's i.e. financial institutions, Customs, RGPF, GPA etc.
   - Re-establishment of the Technical Working Group on AML/CFT/CPF
   - Website development
   - Utilizing cyber security expertise to further technical capacity within the Unit

5. Some other notable focus areas for the Unit in 2023 will include:
    - Cash seizure policy document – i.e. To be used as a procedural guide to police officers on what to do when they encounter cash during operations and when conducting investigations;
    - Confiscation handbook
    - Parallel Investigations document – This will provide a framework for conducting investigations which involve the FIU and other agencies.

ACKNOWLEDGEMENT

The Financial Intelligence Unit wishes to extend sincere appreciation to the Government of Grenada for its continued support to the Unit.

It is also imperative that we highlight and extend our gratitude for the tremendous and unwavering technical and financial support that our local, regional and international partners have rendered to the Unit during the period under review. We acknowledge that without the support of all these benefactors, the successes of 2022 would not have been realized.

We look forward to a continued harmonious relationship with all our stakeholders and enforcement agencies.