

Opening remarks by Mrs. Jeanette R. Semeleer, President of the Centrale Bank van Aruba, in connection with information session on the findings contained in the FATF Mutual Evaluation Report Aruba dated October 16, 2009, as well as the required follow-up.

Good morning ladies and gentlemen,

First of all I would like to welcome you to this important information session with regard to the FATF Mutual Evaluation Report Aruba dated October 16, 2009. We are very pleased to see many stakeholders here, taking crucial business time to attend this gathering.

The main goals of this information session are threefold, and that is to provide you with a broad picture firstly on the findings contained in the Mutual Evaluation Report, secondly on the action plan to address the numerous shortcomings identified in this report, and thirdly on the AML/CFT risk strategy report. The latter topic will be covered by Mrs. Helen Hatton, who is managing director of Sator Regulatory Consulting Limited, based in Jersey.

This bureau is assisting the Aruban authorities in preparing an AML/CFT risk strategy report, and also in developing a detailed follow-up action plan, which is based upon a methodology developed by the World Bank that meets FATF requirements. From CBA's side, Mr. Prakash Mungra, General Manager Supervisory Issues, will give you a general overview of the main findings and conclusions contained in the report, as well as the planned follow-up needed to comply with the execution of the FATF-recommendations.

Without going much into details, and as you probably already know, the outcome of the 2008 evaluation of Aruba's compliance with the 49-FATF recommendations is not favorable at all. Aruba has been found to be non-compliant or partially compliant with 13 of the 16 key and core recommendations. Furthermore, Aruba's AML/CFT framework is qualified in the Mutual Evaluation Report as incomplete, incoherent, and ineffective.

The report identified serious weaknesses in the AML/CFT legislation, compliance with UN resolutions in the area of AML/CFT, company registration, law enforcement, supervision, and international co-operation. Based upon the aforementioned, Aruba will be referred to the International Co-operation Review Group, the so-called ICRG, of the FATF for a prima facie review, possibly already during the upcoming plenary meeting that will take place in mid-February of this year.

In case the Prima Facie review leads to the conclusion that Aruba is taking insufficient steps to address the numerous deficiencies in a short period of time or that it poses a significant risk to the integrity of the global financial system, the ICRG may decide that a comprehensive review must be undertaken. In such case, the imposing of countermeasures by the FATF may become likely. It is also important to note that the G-20 countries have recently called upon the FATF to publish a list of countries that pose a high risk to the integrity of the global financial system.

Reference is made in this regard to the Pittsburg Statement of the leaders of the G-20. Financial transactions with persons or entities in the countries designated as high risk will be hampered as enhanced due diligence must be applied in such case by all financial institutions conducting transactions with these countries. The economic effects of such a blacklisting could be devastating for our island.

I know that many of you have asked the question why did we score so badly as a country. I am not very good in the blame business, unless it serves the purpose that we learn from the mistakes we made in order to move forward in an effective way. What I concluded so far is that there was a general lack of awareness, coordination, prioritization, and ownership. All these weaknesses should be addressed on a very short term.

So, it is clear that swift actions from all of us, particularly the regulatory bodies, public institutions, government authorities, and parliament, are

necessary. In this respect, it is very important that some of the most serious deficiencies in the legislation, including the absence of a separate article in the law to punish terrorist financing and non-compliance with the UN terrorist resolutions 1267 and 1373, are addressed before the upcoming FATF Plenary Meeting.

Other measures that should be taken on very short term are: the prohibition of operating electronic stock exchanges, the phasing out of the AVV, a complete overhaul of the company laws and the very deficient company registration system, an extensive revision of the unusual transaction and identification ordinances, and last but certainly not least the strengthening and broadening of the supervisory laws, regulations, and the AML/CFT oversight. In this regard, I would like to point out that on a very short-term supervision must be extended to investment businesses and insurance brokers.

In view of the massive operation to be undertaken to bring Aruba's AML/CFT framework in line with the FATF 49 recommendations, it is important to establish a high level strategy group at ministerial level. I can report that on this level already a strong commitment has been made. This strategy group should consist furthermore of the executives of the government agencies with a substantial task in AML/CFT, including but not limited to the Prosecuting Office, Customs, MOT, and the CBA. Failure to demonstrate significant progress over a rather short period of time may have serious consequences, as I already mentioned before.

Let me now briefly touch on some issues brought forward in the Mutual Evaluation Report that may be especially of interest to you as financial institutions or non-bank financial institutions or professions.

With regard to the state ordinances on the reporting of unusual transactions and identification requirement, the Mutual Evaluation

Report notes that these ordinances are not sufficiently broad in scope and also contain inconsistencies. They do not encompass all financial service providers and financial activities mentioned in the FATF glossary. Also, they do not cover all the issues contained in the 49 FATF recommendations. For example, the trust company service providers and investment business activities do not fall under the scope of the unusual transaction and identification ordinances. In short, a complete overhaul of both ordinances is required.

The report also found the AML/CFT directives issued by the CBA to be incomplete in comparison to the FATF recommendations. The language used in these directives was found to be too weak, and concluded that they were not mandatory, mostly because one sector indicated to the FATF assessment team that they did not consider CBA's directives as mandatory. In short, these directives have to be strengthened considerably and executed in such a way in order to be able to qualify them, in FATF terminology, as "other enforceable means".

In effectively enforcing these directives, the FATF recommends early remedial actions by the CBA in case of non-compliance, while the amount of the monetary penalties should be increased substantially. The maximum penalties contained in the different AML/CFT laws are much too low in comparison to FATF requirements. In case of persistent non-compliance, the license issued must be revoked.

Also, the FATF review of the on-site examinations conducted at the institutions supervised by the CBA concluded that the systems, policies and procedures in place at the aforementioned institutions should be improved substantially. At nearly all financial institutions, the compliance department is not adequately staffed, while the analysis on transactions and clients is not up to par, both in terms of quantity and quality.

Swift improvement in this area is necessary. To this end, we will act more vigorously than before in case of non-compliance with the issued

AML/CFT directives. In this regard, we are currently drafting a policy concerning the imposition of administrative sanctions. All relevant institutions will receive a copy of this policy next month.

With respect to the institutional set-up of the AML/CFT oversight, the report notes that the current division of tasks between the CBA and MOT is inefficient and ineffective. The FATF, therefore, recommends transferring the complete AML/CFT oversight to the CBA insofar concerning institutions supervised by the CBA. In the current set-up, the CBA oversees compliance with the sectoral AML/CFT directives issued by it, while the MOT has the responsibility to oversee compliance with the State Ordinance on the obligation to report unusual transactions.

With regard to the Identification Ordinance the CBA and MOT have a shared oversight responsibility. In the meantime, both institutions decided to execute the FATF recommendation concerned, thus

transferring the complete task of AML/CFT oversight to the CBA insofar it concerns the institutions supervised by this institution. A legislative change is also necessary to accomplish this transfer of task.

Last but certainly not least, I would like to mention FATF's conclusion on the lack of awareness and training in the AML/CFT area. Some sectors showed a great shortage of awareness of the obligations that rest upon them. To address this problem, the FATF report notes that intensive reach out and training programs must be established by the CBA and MOT in the area of AML/CFT.

This information session is part of CBA's aim to contribute in enhancing awareness with regard to the importance of effectively combatting money laundering and terrorist financing. I can also inform you that the CBA, together with the recently incorporated Financial Training Institute Aruba, will take a leading role in providing AML/CFT training. Participation in these training will also be made mandatory.

To conclude, substantial work needs to be done in the area of AML/CFT, both at public and private sector level. All parties involved must take their responsibilities very seriously. We, as the central bank and regulator of the financial sector, are ready to take up the many challenges ahead.

An integrity unit within our Supervision Department has already been established, which will be responsible for compliance with the FATF AML and CFT recommendations. We are now hiring additional qualified staff to take on new assigned tasks and to strengthen our oversight in the area of AML/CFT. I trust that from your side you will do the same.

I can imagine that these necessary actions seem like a huge liability to all of us, but once we are fully compliant as a country and that combatting money laundering and terrorist financing is a way of life, I am convinced that the benefits will surely exceed the costs.

I thank you for your attention.