

## **NATIONAL MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT ARUBA 2012**

### **Public Version**

*This document is an abridged version of the report “National Money Laundering and Terrorist Financing Risk Analysis Aruba 2012, Advice to the AML/CFT Strategy Group Aruba for a follow-up approach of the identified top 5 risks in the area of the prevention and combating of money laundering and terrorist financing for Aruba”. The AML/CFT Strategy Group Aruba adopted this report on May 30, 2013.*

*The purpose of publishing this abridged version is to inform the parties involved in the subject matter, including the public, about (the results of) the national money laundering and terrorist financing risk assessment (NRA) made.*

*A sound financial sector, a sound investment climate, and a safe Aruba are of paramount importance. Aruba welcomes honest entrepreneurs, investors, and clients. However, Aruba will not take part, actively or passively, in concealing the source of criminal funds or in facilitating cash flows for terrorist purposes.*

*AML/CFT Strategy Group Aruba<sup>1</sup>, August 26, 2013*

---

<sup>1</sup> The AML/CFT Strategy Group Aruba is chaired by the Prime Minister and is also composed of the following members: the Minister of Finance, Communication, Public Utilities and Energy, the Minister of Justice and Education, the Minister of Economic Affairs, Social Affairs and Culture, the Central Bank of Aruba, the Public Prosecutor's Office, the Financial Intelligence Unit, the Security Service, the Police Force Aruba, the Casino Industry Department, the Directorate of Legislation and Legal Affairs, the Tax Department, the Directorate of Economic Affairs, Trade and Industry, the Chamber of Commerce and Industry Aruba, the High Commissioner/Aruba Financial Center, and the Free Zone Aruba N.V.

*“Pick important problems, fix them and tell everybody”<sup>2</sup>*

## 1. Background

The prevention and combating of money laundering and terrorist financing are high on the Aruban agenda. After the publication of the evaluation report of the Financial Action Task Force (FATF)/Caribbean Financial Action Task Force (CFATF) in October 2009 (MER)<sup>3</sup>, Aruba has taken measures to remedy the shortcomings found and to improve its AML/CFT system<sup>4</sup>.

When implementing an adequate AML/CFT system, it is of vital importance to have a clear understanding of the main risks of money laundering and terrorist financing. Bearing this in mind, the Aruban Parliament passed a motion to conduct an NRA during the debate on the State Ordinance on the Prevention and Combating of Money Laundering and Terrorist Financing (AB [Statute Publication Gazette] 2011 No. 28)<sup>5</sup>. The purpose of the NRA is to optimize the Aruban AML/CFT system further.

## 2. Objective

A practical approach for implementing the NRA has been opted for. The objectives of the NRA can be summarized as follows:

- to identify the 5 main risks in the area of the prevention and combating of money laundering and terrorist financing for Aruba; and
- to come up with outline project proposals to mitigate these risks.

*Within this framework, **money laundering** can be summarized as follows:*

*The performance of one or more acts, or to contribute to it/them, aimed at giving an apparent legal source to funds (or other objects) proceeding from a criminal act*

*In general, three stages are distinguished in money laundering: (1) the placement phase; (2) the layering phase, and (3) the integration phase.*

***Terrorist financing** can be summarized as follows:*

*The provision or collection of funds that will be used to commit a terrorist crime or by persons or organizations that commit terrorist crimes.*

*The penal definitions have been inserted in Articles 430b through 430e and Article 140a, respectively, of the Penal Code (AB 1991 No. GT 50).*

<sup>2</sup> Malcolm Sparrow, professor in ‘Practice of Public Management’ at Harvard John F. Kennedy School of Government.

<sup>3</sup> FATF/CFATF Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism Aruba, Kingdom of the Netherlands, October 16, 2009 (<http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Aruba%20full.pdf>).

<sup>4</sup> Anti-Money Laundering/Combating the Financing of Terrorism system.

<sup>5</sup> This state ordinance entered into force on June 1, 2011.

### **3. Approach**

During the meeting of the AML/CFT Strategy Group Aruba on April 17, 2012, the NRA action plan drawn up by the Central Bank of Aruba was adopted. Subsequently, a project team took on the implementation of the NRA.

The project team consisted of representatives of the following agencies:

- Central Bank of Aruba (project leader);
- Directorate of Legislation and Legal Affairs/Secretariat AML/CFT Strategy Group Aruba;
- Public Prosecutor's Office;
- Financial Intelligence Unit.

In addition, the following agencies participated in the NRA:

- Criminal Investigation Cooperation Team;
- Police Force Aruba/Financial Research Office;
- Tax and Customs Department;
- Chamber of Commerce and Industry Aruba;
- Casino Industry Department;
- Security Service Aruba;
- High Commissioner/Aruba Financial Center;
- Free Zone Aruba N.V.

### **4. Implementation**

The process to arrive at the NRA consisted of three phases, namely: the preparation phase, the implementation phase, and the reporting phase.

The preparation phase mainly consisted of the identification and analysis of potential risks of money laundering and terrorist financing for Aruba.

In this phase all participants in the NRA provided the project team with their input, based on an internal risk inventory. Organizations representing banks, insurance companies, and casinos also provided input. In addition, the project team consulted existing sources of information<sup>6</sup> with a view to identifying potential risks of money laundering and terrorist financing for Aruba. The project team combined the information available and categorized it in a long list of (potential) risks.

The implementation phase consisted of two plenary sessions with participating agencies. In these sessions, concrete risks were identified by means of the long list drawn up by the project team, based on the input of the participants. From the long list, five major risks and/or projects were selected for further elaboration.

After the plenary sessions, the reporting phase commenced, resulting in the NRA report.

De Dutch Central Bank provided technical support during the implementation of the NRA.

---

<sup>6</sup> Mainly FATF Typology Reports and FATF Risk Based Supervision Guidance documents.

## 5. Results

### 5.1 General risk analysis

The NRA report contains a general analysis of the inherent money laundering and terrorist financing risks for Aruba. Mainly money laundering risks emerged during the NRA.

The risks are related to *inter alia*:

- the geographical location;
- the professional (financial) infrastructure;
- the open economy and investment climate;
- the relatively stable political and financial situation;
- the cash-based economy;
- the simultaneous circulation of U.S. dollars.

Aforementioned circumstances make Aruba attractive to investors, among others. The downside is that they can also make Aruba attractive to those having bad intentions.

### 5.2 Underlying offenses of money laundering

The criminal source of the funds can be diverse. The following predicate offenses are often mentioned: international drug trafficking, local drug sales, fraud (including tax fraud), corruption, property offenses (such as theft).

### 5.3 Five key risks

The NRA report also contains an initial analysis of the following five identified key money laundering and terrorist financing risks:

1. Introduction of illegal assets in companies.
2. Misuse of legal entities.
3. Illegal cross-border money transfers and transports.
4. Real estate transactions.
5. The lack of a future-oriented integral AML/CFT strategy.

Furthermore, the report contains an advice for a follow-up approach. Four operational projects will be initiated, aimed at addressing risks 1 through 4 mentioned above, as well as a strategic project (under 5). As regards this last project, it can be noted that it was concluded that the AML/CFT strategy needs to be revised. So far, the main focus of the strategy has been the remedy of the shortcomings identified in the MER, as is logical. The time is ripe for adopting a comprehensive AML/CFT strategy in order to streamline the responsibilities and actions of the different stakeholders and to promote an efficient and effective approach, also in the long(er) term.

## **6. Follow-up course**

### *6.1 Implementation of projects*

The projects referred to in paragraph 5.3 will be implemented by five separate project groups. Furthermore, a consultative group composed of representatives of agencies that are less directly involved in the subject matter in question has been established for each project. Each project group will draw up a concrete action plan with clear and feasible results that address the core of the “problem”.

### *6.2 Periodic repetition NRA*

It is intended to conduct an NRA every five years, followed by - if necessary - an adjustment of the AML/CFT strategy, seeing that risks are not static, and risk assessment is an ongoing process.