

# Technology as an Enabler for Compliance

## Caribbean Islands Insights in the Age of De-Risking / De-Banking!

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Keeping the Industry Proactive, Protected and Profitable

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- ❖ The reason that **American, Canadian and British** banks have been disengaging from Caribbean financial institutions for years is the failure of those banks to institute compliance reforms. With the increased regulatory pressure they face, and the threat of Draconian civil monetary penalties, not to mention the negative effects of published sanctions, onshore banks simply can no longer assume the risks associated with dodgy, non-compliant correspondents.
- ❖ If reform, through effective AML/CFT procedures, using IT solutions, does not occur, expect to see literally all the correspondent relationships with Caribbean banks evaporate, leaving only the foreign banks with branches in the region as full-service financial institutions.

De-Risking = (Increased Cost + Limitation of Business Opportunities + Concentration of Risk + Resurgence of Informality + Thorough AML/CFT program/process)

# Impact of De-Risking across the Caribbean

## Northern Economies:

- ❖ Jamaica MSB (Cambio's) local bank no longer accepts foreign instruments & remittances
- ❖ The Bahamas, the Cayman Islands, and Turks and Caicos Islands have lost their cash intensive businesses (MSB)

## Eastern Economies:

- ❖ Barbados, ECCU & other - Canada (OSFI) is requiring correspondent banks to know their customers' customers.
  - IBC impact to the millions - as correspondent banks have closed entire business lines and terminated or placed onerous restrictions on accounts of former prime rated customers.

## Southern Economies:

- ❖ Guyana and Trinidad and Tobago have also been impacted, with the total value of foreign correspondent transactions falling by some **27%** in Guyana, while in Trinidad several entities have been 'unbanked' like PMC's (Private Member Clubs)
- ❖ Belize – CBR's terminated by USA across 7 Belize banks, leaving customers stranded
- ❖ Western Union – De-Risked – Bahamas & Turks & Caicos
- ❖ Cayman – similar risk-reward evaluation with MVTs – Fidelity Bank – Western Union

# What do the onshore banks fear the most?

## These are the primary issues:

1. Banks in jurisdictions that allow opaque offshore banks and corporations, where Beneficial Ownership cannot be ascertained.
2. Banks in jurisdictions known for weak or ineffective regulatory agencies, and suspected money laundering activities.
3. Banks in countries where deposits from suspicious applicants for **Citizenship by Investment** (CBI/CIP) passports, and diplomatic passports, end up in local banks, without proper vetting of the Source of funds.
4. Banks in jurisdictions where bribes & kickbacks are often accepted by government officials, paid by foreign "investors." These dirty funds find themselves being transferred to North American or the EU, for investment purposes, or into accounts for the officials' "rainy day" funds.
5. Narcotics profits that must be repatriated to its owners in Latin America, or to the Middle East, to provide financial support to designated terrorist organizations.

# Summary of Facts from multiple Data Sources across the Caribbean in support of the issue of De-Risking and the Impact on Correspondent Banking

Summary by each of the **26 Caribbean Countries** across 3 data sources:

- ❖ DNB Corporates and Executives database
- ❖ ICIJ Database (11 million total records)
  - Panama Papers – 5-2016
  - Paradise Papers – 2017-2018
  - Offshore Leaks – 6-2013
  - Bahamas Leaks – 9-2016
- ❖ Dow Jones Watch List



Paradise - Aruba, Cook Islands, Bahamas, Barbados, Malta, Nevis and Samoa (290,000 Connections)  
Bahamas Leaks includes 175,000 Bahamian Companies, Trusts & Foundations

# Details by Country across 3 Data Sources by Country

Country Name	DNB Exec	DNB	ICIJ Domestic	ICIJ Foreign	DJ PEP	DJ SIP	DJ SIE	DJ RCA	SO & AM	
Anguilla		817	0	2,770	114	1	1	96	45	
Antigua and Barbuda		992		0	268	7	2	205	64	
Aruba		14,206	49,048	0	305	12	3	344	21	
Bahamas		6,884	193,720	15,090	559	55	24	1,568	284	
Barbados		3,461	38,460	2,147	585	92	9	632	106	
Belize		3,556	0	0	589	37	16	278	304	
Bermuda		8,426	7,296	1,910	358	65	7	431	441	
British Virgin Islands		35,284	38,868	111,099	137	21	49	206	1072	
Cayman Islands	4,198	18,060	8,029	1,208	261	11	10	378	1175	114 - incorporated in Delaware 3 Way Stats: 74 - People 1,710 Relationships 47 - Companies 2,833 Relationships
Curacao		6,491		0	513	22	10	311	154	Number of unlicensed Gambling Sites
Dominica		531		0	368	18	3	154	56	
Grenada		439		0	318	19	8	179	30	
Guyana		790		0	540	155	2	415	54	
Haiti		2,357		0	1,331	130	9	2,008	14	
Jamaica		4,249		0	1,297	421	23	1,197	120	
Montserrat		88		0	66	0	0	51	15	
Martinique		152,731		0	109	18	0	157	14	*42,000 Active
Saint Lucia		890		0	318	17	7	133	25	
St. Kitts and Nevis		1,311	70,465	88	279	24	*33	140	14	* Includes number of ships
St Maarten		817		0	314	37	10	343	39	
St Martin		1,114		0	62	9	1	69	6	
St. Vincent and the Grenadines		896	0	8	208	16	*75	163	14	* Includes number of Ships
Suriname				0						
Trinidad and Tobago		5,216		0	1556	127	12	692	272	
Turks and Caicos Islands		1,068	22	0	130	8	19	227	7	
U.S. Virgin Islands					197	122	7	492	16	



# Idea of a Caribbean KYC Utility

- ❑ Nordic Banks and Dutch bank KYC/TM Utility initiatives already under way
  - ❑ UE – 28 country revised initiative
  - ❑ USA – New Section 311 organization
  - ❑ Canada – Land Registry, new Community Safety and Correctional Services Agency
  - ❑ Cayman Islands 2023 – Business Ownership registry
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- ❖ **Objective 1** – devise a way to lower the cost of conducting so-called “enhanced due diligence” in respective jurisdictions.
  - ❖ Stock with KYC/KYCC requirement and where changes are continuous.
  - ❖ **Objective 2** – vet out a secure Caribbean KYC Utility concept
    - ❖ Regulatory International and Domestic approval
    - ❖ Agree on 3<sup>rd</sup> party data feeds/sources
    - ❖ Bank membership value
    - ❖ Utility provides a common KYC CRR results in **H M L** risk level and supporting details
    - ❖ Expand into new regulations easily – UBO