

EXECUTIVE SUMMARY

Gibraltar has a well-regulated financial sector. The Gibraltar authorities are concerned with protecting the reputation and integrity of Gibraltar as a financial center, and are cognizant of the importance of adopting and applying international regulatory standards and best supervisory practices. Gibraltar has a good reputation internationally for cooperation and information sharing.

The authorities have taken a number of steps to implement the recommendations of the last IMF assessment in 2001. In particular, the Financial Services Commission (FSC) has been assigned significant additional resources and has developed a well structured approach to the management of its resources that includes a risk-based approach to supervision.

The reputation of Gibraltar as a financial center will depend on maintaining the independence of the FSC. Steps taken to implement a governance structure of the FSC that would bring it into line with best international practice should be helpful in this regard.

The assessment found a high standard of compliance with the Basel Core Principles for banking supervision. Prudential requirements are based on EU requirements and U.K. prudential rules and practices as required by the Banking Ordinance. The risk-based supervision system introduced in 2001, and recently enhanced, is well-designed.

The assessment found that the insurance supervision was compliant with the majority of the Insurance Core Principles. On site inspections are being undertaken on a risk-based approach. The FSC has confirmed that attention is being given to increasing the number of supervisors to achieve a higher rate of on-site inspections in a growing sector.

The Gibraltar authorities have done a good job of improving their AML/CFT regime to keep abreast of evolving standards. Gibraltar authorities take a practical approach to implementing AML/CFT controls, and they have focused much of their resources and attention on providing effective international cooperation. Nevertheless, Gibraltar needs to take a number of steps to move its legal and regulatory regime forward to reflect the revised FATF 40 + 9 Recommendations:

- The criminal laws on money laundering should be consolidated, and proposed legislation on mutual legal assistance should be enacted.
- The FSC's Anti-Money Laundering Guidance Notes need to be updated to cover terrorist financing, and some of the key provisions currently in the guidance notes need to be reflected in law or regulation.
- Bureaux de change and money transmitters should be supervised for AML/CFT compliance, and the Government needs to conduct risk assessments of a number of designated non-financial businesses and professions and, as appropriate, extend AML/CFT supervision to them, as well.

Box 1 provides the priority recommendations.

Box 1. Priority Recommendations

Governance of the FSC

- The FSC should adopt a governance structure in line with best international practice. This would help it to continue to maintain its independence.
- The FSC should be granted the authority to set its own fees.

Banking

- Legislation should be amended to require the FSC to indemnify staff for costs that arise in defending themselves against legal action.

Insurance

- Legislation relating to the “Approved Persons Regime” should be introduced without delay.
- Attention should continue to be given to increasing the number of supervisors and to training of supervisors to achieve a higher rate of on-site inspections in a growing sector.

AML/CFT

- Criminal laws should be consolidated, and powers presently available only in drug-related money-laundering cases should be extended to money laundering cases involving the proceeds of other crimes.
- Proposed legislation on mutual legal assistance should be enacted.
- Prosecutors and police should pursue cases as they arise to create a deterrent against misfeasance by professional service providers.
- The FSC should update its AML Guidance Notes to reflect risks associated with terrorist financing.
- Bureaux de change and money transmitters should be supervised for compliance.
- The government should conduct risk assessments of designated non-financial businesses and professions not presently supervised and, as appropriate, extend authority for monitoring for compliance with AML/CFT requirements to them, as well.

I. INTRODUCTION

1. **This report provides an assessment of Gibraltar’s compliance with respect to international standards in banking, insurance, and anti-money laundering and combating the financing of terrorism (AML/CFT), respectively:**

- The Basel Core Principles for Effective Banking Supervision (BCP);
- The International Association of Insurance Supervisors (IAIS), insurance core principles (ICP) and;
- The Financial Action Task Force (FATF) 40+9 Recommendations on AML/CFT.

2. **This assessment is a follow-up to the one undertaken in 2001 in the first phase of the offshore financial center (OFC) program¹ and has provided an opportunity to take into account the revision in standards.²** The assessment of the AML/CFT regime is based on the revised 2003 FATF 40+9 Recommendations and covers trust and company service providers and other designated nonfinancial business and professions. The ICP were also revised in 2003, and the insurance sector has been assessed using the updated standard and methodology.

3. **Though relatively small in absolute terms, Gibraltar’s financial center is important to its economy, and Gibraltarians universally place a high priority on maintaining Gibraltar’s reputation as a well regulated center.** Gibraltar has welcomed multiple external reviews of its system by the Offshore Group of Banking Supervisors (OGBS), the IMF, and the United Kingdom (U.K.).

A. Political and Economic Background

4. **Gibraltar is an overseas territory of the United Kingdom.** Gibraltar and the U.K. Government recently agreed to a new Gibraltar Constitution that provides for a modern relationship between Gibraltar and the United Kingdom. Gibraltar has been a constituent of the European Union (EU) since 1973 under the U.K. Treaty of Accession. However, it is excluded from the common external tariff, the common agricultural policy, and the requirement to levy value-added tax (VAT).

¹ In 2003 the IMF Executive Board agreed that the IMF should conduct periodic assessments (every 4–5 years) to monitor progress as well as ensure that good supervisory practice has been maintained. See PIN No. 03/138 at <http://www.imf.org> for a summary of the Executive Board discussion.

² The last IMF assessment addressed AML issues mainly via the BCP and ICP assessments. A mutual evaluation of the AML regime, based on the then-current FATF Recommendations, was conducted by the Offshore Group of Banking Supervisors (OGBS) in 2001, prior to the development of an agreed methodology.

5. **Gibraltar’s economy is dominated by three sectors—tourism, ports and shipping, and financial services.** Over the past two decades the economy has transformed significantly from one based on the provision of services to the Ministry of Defense to one increasingly reliant on the provision of financial services. Recently, internet gambling firms have established operations in Gibraltar providing further employment opportunities. Gibraltar has a population of about 30,000 with per capita GDP of some £18,000 in 2002/03.

6. **Fiscal policy, and in particular tax policy, has helped to diversify the economy.** Since 1967 an exempt company regime has applied to corporate taxation. Exempt companies are those that are not owned by Gibraltarians and do not do business domestically, and are thus exempt from paying corporate taxes. Otherwise effective corporate tax rates range from 20 to 35 percent. There are no capital gains tax, wealth tax, inheritance tax, estate duty, VAT, or sales tax. Personal income tax contributes the bulk of fiscal revenue. The government plans to reform the tax regime to comply with the European Union’s state aid rules.³ A new tax regime is expected to be in place by July 2007.⁴ The exempt tax regime is to be phased out by 2010 and starting July 2006 no new entities will be given an exempt status.

7. **Gibraltar’s financial service sector has benefited from access to the EU market, through “passporting.”**⁵ The number of entities seeking to passport out of Gibraltar has been increasing in recent years, particularly in the insurance sector. Gibraltar has also developed a skilled pool of labor and expertise in the financial services sector.

II. FINANCIAL SYSTEM OVERVIEW

A. Overview of the Legal and Institutional Framework

8. **The FSC is the unified regulatory and supervisory authority for financial services.** The FSC is responsible for supervision of banks and building societies, investment businesses, insurance companies, investment services, company management, professional trusteeship, insurance management, and insurance mediation. The FSC was established under the FSC Ordinance (FSCO) 1989.

³ Broadly, state aid rules aim to ensure that that government interventions do not distort competition and do not provide unfair advantage to select enterprises over their competitors (see http://ec.europa.eu/comm/competition/state_aid/overview/). In the case of Gibraltar the exempt company regime could be inconsistent with EU state aid rules.

⁴ In this context a package of reforms has been submitted to the EU for approval, and the EU’s response is expected by end-2006. The main features of this tax package include: abolition of the current corporate tax regime and replacing it with: a profit tax on financial service providers; a payroll tax; a business property occupation tax; annual company registration fee; and profit tax on utility companies.

⁵ Under the EU’s “passporting” provision, institutions (banks, insurance companies, and investment firms) incorporated in Gibraltar can provide cross-border financial services to clients in European Economic Area (EEA) states and vice-versa. Separate agreements on passporting banking, insurance, and investment services to the United Kingdom have been reached.

9. **The governance structure of the FSC is somewhat unique.** The Governor of Gibraltar with the approval of the U.K. Foreign and Commonwealth Secretary appoints an eight member Commission with the Commissioner as Chairman. While the Commission has broad supervisory and regulatory responsibilities, the key implementation authorities are vested in the Commissioner through separate legislation such as the Banking Ordinance (1992) and the Insurance Companies Ordinance (1987). The main statutory accountability of the FSC is an obligation to undergo periodic reviews, commissioned by the Governor of Gibraltar. In those areas to which EU law applies, these reviews monitor the extent to which Gibraltar legislation and supervision of licensed institutions: (i) comply with EU obligations; and (ii) establish and implement standards which match those required by legislation and supervisory practice governing the provision of financial services within the United Kingdom. The latest such statutory review was undertaken during 2004, and the report was published in 2005.⁶

10. **The main legal instruments governing the regulation and supervision of the financial system, in addition to the FSCO (1989), are:**

- The Banking Ordinance (1992) (and subsequent amendments) provides the Commissioner power to license and supervise banking and other categories of deposit-taking business in Gibraltar.
- The Insurance Companies Ordinance (1987) provides the powers to regulate and restrict the conduct of the business of insurance; for the licensing of insurers, the winding up of insurance companies and other related matters. Insurance intermediaries are licensed through the Financial Services Ordinance (1989). A Protected Cell Companies Ordinance was enacted in 2001 to provide for the incorporation and supervision of protected cell companies.
- The Financial Services Ordinance (1989 and 1998) and the Financial Services (Collective Investment Schemes) Ordinance 2005 provide for the licensing and supervision of investment business including the promotion, establishment and operation of collective investment schemes and the establishment and operation of investment exchanges and clearing houses. These Ordinances also provide for the licensing and supervision of company and trust service providers.

11. **The Gibraltar legal framework for money laundering is well developed.** It is divided into two fundamental statutes—the Drug Trafficking Offences Ordinance (1995) (DTOO) and the Criminal Justice Ordinance (1995) (CJO). Terrorism financing is addressed by the Terrorism Ordinance (2005) and the Terrorist Order issued by the United Kingdom in 2001 and 2002. Gibraltar has a police-style financial intelligence unit (FIU) embedded in its joint police/customs, the Gibraltar Criminal Intelligence Division (GCID), that is a member

⁶ Review of the Supervisory Activities of the Gibraltar Financial Services Commission and the Financial Services Commissioner, January 2005 (see <http://www.fsc.gi/review/downloads.htm>).

of the Egmont Group. The FSC is responsible for AML/CFT supervision of the entities it supervises and in this context it has issued Anti-Money Laundering Guidance Notes (AMLGNs).

B. Financial Institutions and Market

12. **Gibraltar's financial sector consists primarily of branches or subsidiaries of international firms** (see Table 1 for an overview of the financial system). Given the limited size of the domestic market, most of the firms have established themselves in Gibraltar to provide services to nonresidents. While there is competition among these firms for nonresident clients most have identified a niche market or product (see below).

13. **All except one of the 18 banks are branches or subsidiaries of international banks.** Seven banks provide retail services to the very small domestic market, and for only two of these does this constitute a significant part of their business. The remainder focus almost exclusively on nonresident clients.

14. **The provision of investment services to nonresident clients is the most important function (in terms of value added) conducted by the banks in Gibraltar.** The banks provide various related services for wealth/asset management. The business may be directed to the banks through independent asset managers either located in Gibraltar or overseas, or through the parent offices, or acquired through Gibraltar based marketing efforts. Fiduciary deposits from parent banks are also a common feature of the banking industry in Gibraltar. The client base is made up mostly of European nationals who reside in this region for part of the year, and are interested in owning property in the region. Another important nonresident service provided by some of the banks, in addition to asset management functions, is mortgage lending for properties located in southern Spain and Portugal. For various tax reasons some banks book such activity out of their parent offices (e.g., in the United Kingdom). Nevertheless, the banks in Gibraltar provide all the administration services associated with such lending activity and it remains an important source of revenue for the Gibraltar banks.

15. **The insurance sector has been growing in recent years** (Table 1). A key reason for this is the ability of firms licensed in Gibraltar to passport their services to EU member states. As of March 2006, there were 50 insurance companies licensed in Gibraltar. Of these, seven had notified that they would be passporting their services by establishing a branch in other EEA states. Forty-two of the Gibraltar companies had notified that they would provide services to other EEA states and nine companies licensed in other EU states provide services in Gibraltar. Insurance managers who manage many of the companies licensed in Gibraltar also provide some brokering and accounting services. There are two locally incorporated firms that provide insurance services to Gibraltar residents. Gibraltar residents can however purchase insurance through branches or agencies of EEA companies.

16. **While most of the investment services are provided by banks there are a number of non-bank investment firms that also provide similar services** (Table 1). A majority of these provide portfolio management services either on a discretionary or non discretionary

basis, a few serve as securities brokers (investment dealers), and at least one provides spread betting services.⁷ There are also 48 collective investment schemes (CIS) registered of which only five are domiciled in Gibraltar and supervised directly by the FSC. Forty-three are recognized as UCITS or U.K. registered funds. Under the recent Financial Services (Experienced Investor Funds) Regulations (2005) six experienced investor funds have been established.⁸

17. **The number of company and trust service providers has been fairly stable in recent years** (Table 1). The sector is made up of large international firms and domestic firms with a mix of professional accountancy firms, legal firms, and pure company management firms. There are 14 bureaux de change and one money transmission agent outside the banking system.

18. **There has been significant growth in the online gaming industry in Gibraltar.** Fifteen licenses have been issued and employment in this sector has increased from 550 to about 1,350 people. These firms provide online gambling and sports betting services. Several of the firms are listed on the London Stock Exchange and two firms are very large global players. There is also one land-based casino located in Gibraltar. It has an annual turnover of about £ 6 million per year.

C. Findings from Earlier Assessments and Authorities Response

19. **The 2001 assessment covered the banking, insurance, and securities sectors, and trust and company service providers and found that supervision was generally effective.**⁹ The assessment of the AML regime was limited to related principles under the BCP and ICP standards. The report noted that Gibraltar meets most of the international standards and is making good progress with respect to those principles with which it is not yet fully compliant or observant. The banking assessment found that Gibraltar was compliant or largely compliant with all the principles of the standard. The insurance assessment found that Gibraltar was materially nonobservant with only one principle and was either observant or largely observant with the rest. Areas identified for improvement included supervisory resources, on-site inspections, legislative protection of FSC staff, monitoring banks' country risk, licensing procedures, and oversight of compliance with AML procedures.

⁷ Spread betting is more akin to gambling than investing. It allows the investor to speculate, for example, on the movement of stock price index. For instance a firm may quote a high and low position (spread) of the stock market index and the investor can bet if the index will end higher or lower.

⁸ Investment in such funds are limited to high net worth individuals or bodies (such as corporate, trustee of a trust, etc.) with a minimum net worth/assets of Euro 1 million or a participant who invests a minimum of Euro 100,000.

⁹ See "Gibraltar: Assessment of the Regulation and Supervision of Financial Services, October 2001" at <http://www.imf.org/External/NP/ofca/2001/eng/gbr/103101.pdf>.

20. **The mission found that the authorities have implemented most of the recommendations of the 2001 assessment.** The FSC has significantly increased the number of supervisory staff since 2001. On-site supervision has been addressed with the adoption of a risk-based supervisory approach. Implementation of some of the recommendations await the enactment of legislation. The revised FSC Ordinance would introduce protection of FSC staff from the cost of civil law suits and the draft Approved Persons Regime (APR) provides the power in certain instances to prevent select personnel from working in a licensed institution. With regard to imposing civil monetary penalties, the FSC is of the opinion that there are other measures that it can take which are equally or more effective, and the updated BCP assessment concurs with the authorities' views. In insurance, a review of corporate governance is ongoing. In securities, the FSC does not consider the industry large enough to justify introduction of self-regulatory organizations to augment its own efforts in regulating the securities industry.

21. **A 2005 Statutory Review of the FSC's obligations to match the supervisory standards of the United Kingdom in areas covered by the EU Directives was complementary of Gibraltar's supervisory standards.** The Review recommended changes in the organization and governance structure of the FSC, and noted the need to increase staff at the FSC, and to raise awareness and provide training to FSC staff on AML/CFT issues focusing on specific vulnerabilities related to services offered in Gibraltar. In the areas of governance the Review recommended the setting up of a traditional governance structure for the Commission: assignment of the regulatory powers and responsibilities to the Commission rather than the Commissioner; and appointment of a Chairman of the Commission separate from the Chief Executive who would be accountable to the Commission for its day-to-day operations.

III. MAIN FINDINGS AND RECOMMENDATIONS

A. Cross-Sector Issues

Legislative initiatives

22. **A number of legislative initiatives on the financial sector are at various stages of preparation**—a modernization of the FSCO, a draft money services business ordinance, an ordinance on an approved persons regime, and a bill to strengthen powers to obtain and exchange information. The authorities indicated that legislative reforms needed to safeguard the safety and soundness of the financial sector would be implemented promptly.

Governance of the FSC

23. **The current assignment of powers and responsibilities to the Commissioner and the FSC is rather unique and should be brought into line with international best practices.** The current arrangements in the FSC appear to have been implemented effectively

with a number of checks and balances.¹⁰ Nevertheless, it may be timely, concurrent with revisions to the constitution, to reform the FSC's governance structure to bring it into line with best international practice.¹¹

24. **The reputation of Gibraltar as a well regulated financial center will depend critically on maintaining the independence of the FSC in the exercise of its regulatory and supervisory functions.** Ensuring the independence of the regulator is a challenge, and can raise specific issues in small jurisdictions. Vesting the regulatory and supervisory powers in an independent and well constituted FSC Board rather than the Commissioner may be helpful in this regard. The Board members would need to be appointed in a transparent manner and, in view of Gibraltar's role as an international financial center, be made up of experienced representatives of high standing both from within Gibraltar and internationally. The FSC's accountability should also be clearly defined.

25. **The independence of the FSC would be further bolstered by providing it with the authority to set its own fees.** As concerns its budget, the FSC is partly dependent on Government subventions, and cannot fix fees payable to it which are the FSC's main source of income. Protection of the supervisory staff should be further strengthened by formalizing indemnification of any costs involved in staff defending litigation.

Cross-border Cooperation and Information Exchange

26. **Gibraltar authorities are to be commended for the resources they have devoted to international cooperation.** Information is shared through both formal and informal channels with foreign financial sector supervisors. Being a constituent of the EU facilitates cooperation and information sharing with EU member states. Gibraltar is also taking steps to further improve the mechanism for cooperation and information exchange (see below). The mission was also advised by several foreign supervisors that the FSC has cooperated and shared information in the past. In 2005, Gibraltar became a member of IOSCO and intends to sign IOSCO's Multilateral Memorandum of Understanding (MMOU) in 2007.

27. **As a constituent of the EU, Gibraltar is able to provide full cooperation at early stages of criminal investigations to EU member states.** Gibraltar has recently enacted legislation that extends the same privileges to non-EU member states, provided such states

¹⁰ The FSC has voluntarily published self-assessments against the IMF Code of Good Practices on Transparency in Monetary and Financial Policies (see <http://www.fsc.gi/imf/imftransparency.htm>) and Combined Code of Corporate Governance (see <http://www.fsc.gi/fsc/combinedcode.htm>).

¹¹ Since the assessment new legislation has been submitted to Parliament that will transfer the responsibility of appointing the Commissioner to the Gibraltar Government and make the Commission responsible for the powers currently vested in the Commissioner. In addition the new Act will also provide for the separation of the role of Chairman and Commissioner (who will become the Chief Executive Officer). The statutory reviews will continue under the new Act (but under the direction of the Gibraltar Government) which will require that they occur at least every four years. The Commission will also have direct fee raising and rule making powers (subject to ministerial consent).

agree to reciprocity. Further, recently published draft legislation would extend such privileges automatically to all states that have ratified the UN Transnational Organized Crime Convention. The draft legislation would also solve another limitation in Gibraltar's current law, namely that in non-drug related money laundering cases foreign states are not permitted to obtain restraint orders or register and enforce their confiscation orders in Gibraltar.

28. **Since being admitted to the Egmont Group in 2004, the Gibraltar FIU (GFIU) regularly shares information with other FIUs through the Egmont secure web system.** It has responded to all 40 requests it has received, and initiated ten requests. In several cases, the GFIU has been able to contribute to overseas investigations by taking the initiative to cooperate closely with other Egmont Group members.

29. **The FSC shares information with other pertinent international authorities subject to the relevant financial sector ordinances.** The Commissioner may share information with foreign supervisors when he/she is satisfied that the information will continue to be subject to confidentiality requirements. The FSC has concluded memoranda of understanding (MOUs) with several foreign supervisory authorities, and has also shared information with other authorities with which it has no formal agreements (in particular with those authorities that have supervisory responsibilities over banks or parents or affiliates of banks authorized in Gibraltar). The FSC has also put in place an internal process to ensure that information exchange takes place in a manner consistent with the laws. The FSC has also proposed a new Financial Services (Information and Cooperation: Powers and Confidentiality) Ordinance that would (i) consolidate all the powers related to cooperation and information exchange in the various ordinances; (ii) permit information exchange with other domestic agencies; and (iii) satisfy requirements to sign the IOSCO's MMOU.

B. Sectoral Assessments

30. **This section summarizes the findings in the assessments of standards and codes for banking, insurance and AML/CFT.** The Report on Observance of Standard and Codes (ROSCs) attached and detailed assessments provide more detailed information.

Banking

31. **The assessment found a high standard of compliance with the Basel Core Principles for bank supervision.** Prudential requirements are based on EU minimum requirements implemented via the Banking Ordinance 1992 and U.K. prudential rules as required by the FSC Ordinance. The effectiveness of the system for approving directors, managers, and key staff would be enhanced by the adoption of the proposed Approved Persons Regime.

32. **The risk-based supervision system introduced in 2001, and recently enhanced, is well-designed.** Risk is categorized and analyzed as per the following six groups: financial soundness and capital; environment; business plan; controls; organization; and management. A risk profile is obtained by calculating an impact score based on weighted risks for each of the above risk groups. The intensity of the supervisory program depends on the final risk

profile. The risk-based supervision recognizes the particular attributes of banking business in Gibraltar and the risks involved. Credit risk is low and usually well secured and there is little market and liquidity risk as these are managed by head offices. Credit concentrations are also low.

Insurance

33. **The assessment found that the insurance supervision was compliant with the majority of the Insurance Core Principles.** The insurance supervisory authority has established policy and objectives which are effectively considered in all aspects of supervision. The legislation clearly defining insurance regulation and supervision is in place and detailed guidance notes have been prepared to assist with practical application. The senior members of the insurance supervisory authority are experienced supervisors and have specific skills in insurance and financial reporting. The supervisors have adequate powers of intervention and enforcement which have been used when required. EU Directives are continually introduced and legislation is continually updated.

34. **The supervisory process for monitoring financial and other statutory reporting is of a high standard, and the authorities have been implementing on-site inspection of insurance companies and insurance managers following a risk based approach.** The FSC has confirmed that attention is being given to increasing the number of supervisors as well as to training of supervisors to achieve a higher rate of on-site inspections in a growing sector. While consumer protection is available to those policy holders in Gibraltar who are insured with U.K. companies and for U.K. policy holders insured with Gibraltar insurers, it is recommended that consideration be given to the introduction of legislation to provide protection to domestic insurance policy holders insured with Gibraltar insurers.

AML/CFT

35. **The Gibraltar authorities have done a good job of implementing improvements to Gibraltar's AML/CFT regime in banking (their largest sector) to keep in line with evolving standards in AML/CFT.** In other sectors of financial intermediation, the FSC is making considerable progress in enhancing the effectiveness of existing preventative measures. This is in common with many other jurisdictions where the regulation and supervision of the banking sector has been in existence for a longer period of time and where the focus of AML/CFT measures has been concentrated. Authorities take a practical approach to implementing AML/CFT controls, and they have focused much of their resources and attention on providing effective international cooperation.

36. **The principal AML risk to Gibraltar is lodged in its professional sector, which is exposed to the risk of being involved in the layering and integration of proceeds of crime.**¹² There is also some risk to Gibraltar at the placement stage, in connection with drug

¹² Money laundering is generally regarded as a dynamic, three-stage process involving "placement," "layering," and "integration." Placement refers to the introduction of illegal proceeds into the financial system (e.g., through
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trafficking, migrant smuggling, and organized crime in southern Spain. Most money laundering cases involving Gibraltar arise out of investigations into international fraud schemes. Traditional organized crime and drug related cases, though important, comprise a minority of criminal investigations that touch Gibraltar's financial center. The professional sector of lawyers and accountants often introduces their clients to the financial sector institutions in Gibraltar.

37. Gibraltar needs to take a number of steps to move its legal and regulatory regime forward to reflect the revised FATF 40 plus 9 Recommendations. The criminal laws on money laundering should be consolidated, and powers presently available only in drug-related money laundering cases should be extended to money laundering cases involving the proceeds of other crimes. Prosecutors and police should pursue cases as they arise to create a deterrent against misfeasance by professional service providers. Proposed legislation on mutual legal assistance should be enacted. The Financial Service Commission's Anti-Money Laundering Guidance Notes need to be updated, inter alia, to reflect risks associated with terrorist financing, and some of the key provisions currently in the Guidance Notes need to be reflected in law or regulation. bureaux de change and money transmitters (non-bank) need to be supervised for AML/CFT compliance.¹³ Finally, the Government needs to conduct risk assessments of those designated non-financial businesses and professions that are not supervised by the FSC or GRA and, as appropriate, extend authority for monitoring for compliance with AML/CFT requirements to them, as well.

a bank deposit); layering refers to the process of separating the criminal proceeds from their source through layers of transactions designed to disguise the audit trail and to foil potential pursuit by law enforcement agencies; integration refers to the process of making the funds available for use in legitimate commerce or investment.

¹³ Since the assessment legislation to amend the Financial Services (Investment and Fiduciary Services) Act 1989 has been drafted that would make the FSC responsible for the licensing and supervision of bureaux de change and money transmission services.