

National Risk Assessment of St. Kitts and Nevis 2021 Status Report

In 2012, the Financial Action Task Force (FATF) updated the forty (40) Recommendations to combat Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF). These recommendations are the international standards on combatting ML, TF and PF. **Recommendation 1** requires countries to identify, assess and understand the ML, TF and PF risks for the country and should take action, including designating an authority or mechanism to coordinate actions to assess risks and apply resources aimed at ensuring that the risks are mitigated effectively. St. Kitts and Nevis undertook the National Risk Assessment (NRA) as a vital step to more strategically identify and address its risks.

Overview of the 2019 National Risk Assessment (NRA)

The NRA, which officially began in January 2018 was organized and led by the St. Kitts and Nevis Authorities and involved the collective participation of key private and public sector stakeholders. This assessment helped to ensure that resources are coordinated to assess the risks identified and that appropriate mechanisms are implemented to prevent and mitigate risks associated with money laundering and the financing of terrorism and proliferation.

An NRA Coordinator was appointed as the project leader to ensure that the NRA was effectively coordinated, implemented and completed within the targeted timeframe. Additionally, at least two (2) representatives from each AML/CFT authority formed the NRA Working Group. The NRA Working Group was then divided into six (6) teams and each was tasked with handling a separate module of the NRA Tool which focused on National Threats and Vulnerabilities, in addition to the vulnerabilities in each financial services sector. The NRA took into consideration the following factors relative to each Sector:

- ◆ Size of each Sector with respect to its contribution to Gross Domestic Product (GDP);
- ◆ Size of the respective entities;
- ◆ Types of Products and Services offered;
- ◆ Systems of Internal Controls and compliance;
- ◆ AML/CFT Legislation of St. Kitts and Nevis; and
- ◆ The AML/CFT Regime of St. Kitts and Nevis

The 2019 NRA Report focused on identifying the inherent threats and vulnerabilities affecting the Federation. The data in the Report generally covered the five year period 2014-2018. At the end of the process, the NRA Working Group identified six (6) areas where increased resources are required on a National Level for combatting money laundering and the financing of terrorism.

1. Increased Human Resource Capacity;
2. Introduction of Independent Information Sources and Databases;
3. Legislative Review and Amendments;
4. Increased Training for Law Enforcement, Compliance Personnel and Regulators;
5. Improved Data Collection and Retention; and
6. Increased Collaboration among Prudential Regulators, AML/CFT/CPF Relevant Authorities and Entities.

Progress Made

Following the completion of the 2019 NRA, the development of a National Action Plan (NAP) allowed for a more strategic approach to address the deficiencies highlighted in the Report. The most notable accomplishments thus far include the following:



- * The National Anti-Money Laundering Committee (NAMLC) Act, No. 2 of 2020 was passed to establish a Committee comprising various agencies critical to the fight against money laundering and the financing of terrorism and proliferation.
- * A Legislative Commission (from the NAMLC) was established to review several pieces of legislation which resulted in the following:
 1. The drafting of Regulations for DNEFBPs;
 2. Amendments to the AML/CFT Regulations, Proceeds of Crime Act and Non-Government Organizations (NGOs) Act;
 3. Passing and Enactment of the Virtual Asset Act, Gaming (Control) Act, Anti-Proliferation (Financing of Weapons of Mass Destruction) Act and Anti-Proliferation Financing Regulations.
- * Agencies such as the White Collar Crime Unit and the Financial Intelligence Unit (FIU) benefited from increased staffing as well as specialized forensic accounting services to assist in their investigations.
- * There were nine (9) money laundering charges during the period 2016-2020. This underscores the level of work done in respect of investigative training and human resource augmentation.
- * The establishment of Memoranda of Understanding (MOUs) between relevant AML/CFT/CPF Authorities and Prudential Regulators have formalized the existing information sharing and collaboration mechanisms.
- * The Inland Revenue Department (IRD) was designated as the Competent Authority for Tax Crimes. Targeted training has been provided to the IRD to improve upon its existing compliance function.
- * A number of agencies including the Police, the FIU and IRD have significantly upgraded their record keeping and data collection mechanisms which has improved the accuracy and ease of information sharing.
- * A risk assessment for the NGO Sector was completed in 2020 which was intended to provide a greater understanding of risks to the Sector.

2021 NRA Follow Up Report

The NRA Working Group commenced the Follow-Up NRA Exercise in October 2020. The data collection of the follow up process began in November 2020 and involved the participation of public sector agencies and private regulated entities. Each team was responsible for collating and compiling information to demonstrate the progress made in addressing deficiencies identified in the 2019 NRA Report. Teams were also responsible for highlighting any new threats and vulnerabilities to be included. The re-rating of Sectors were based on the level and significance of progress made in addressing the deficiencies from the 2019 NRA Report. The Follow - Up Report was submitted to the NAMLC for review and approval and was subsequently disseminated to the relevant government agencies and private sector entities. In addition to the 2019 NRA Data (2014-2018), the Follow-Up Report includes data and information for the period 2019-2020.

High	Medium High	Medium	Medium Low	Low
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The Table below shows a comparison between the 2019 and 2021 NRA Reports

Particulars	2019	2021
National Threat Assessment		
National Terrorist Financing Threat		
National Vulnerability		
Proliferation Financing	Not Assessed	
Virtual Asset Service Providers	Not Assessed	
Commercial Banking		
International Banking		
The Development Bank		
Domestic Insurance		
International Insurance		
Securities		
Money Services Businesses (MSBs)		
Credit Unions		
Trust and Corporate Service Providers (TCSPs)		
Gaming Sector		
Real Estate Sector		
Dealers in Precious Metals and Stones		

Improved Ratings have been observed in the Banking Sector, Trust and Corporate Service Providers (TCSPs) and Money Services Businesses (MSBs) taking into consideration the strong supervisory and monitoring mechanisms that have been employed by the FSRC—St. Kitts and Nevis Branches.

Two (2) additional vulnerabilities (COVID-19 and Virtual Assets) were identified and assessed which speak to the Federation's commitment to ensure that new and emerging trends and threats are evaluated.

Three sectors; Gaming, Real Estate and Dealers in Precious Metals and Stones remain at HIGH. The Authorities have committed to enhancing the legislative and supervisory framework and mechanisms for the Sectors which would result in more favourable ratings in future risk assessments.

Please see the links below to access the 2019 and 2021 NRA Reports.

[National Risk Assessment for St. Kitts and Nevis \(fsrc.kn\)](#)

[National Risk Assessment for St. Kitts and Nevis \(fsrc.kn\)](#)

Featured Highlights in this Newsletter:

- ⇒ Overview of 2019 National Risk Assessment
- ⇒ Progress Made
- ⇒ 2021 Follow Up Report
- ⇒ Our National Strategy

Our National Strategy

The key outcomes of the NRA process have formed the basis for the articulation of the way forward for the AML/CFT/CPF Authorities. A National Strategy was developed with objectives and a host of key actions that emphasizes the Federation's commitment to domestic coordination and cooperation to further enhance the AML/CFT/CPF Regime going forward. Some of the objectives include:

1. Reviewing and amending various AML/CFT/CPF Laws and Regulations;
2. Building Human Resource Capacity;
3. Enhancing National Cooperation and Coordination;
4. Enhancing Training and Outreach Programs for Public and Private Sectors; and
5. Strengthening the Regulatory and Supervisory Framework for Regulated Entities.



REFERENCES

National Risk Assessment for Anti-Money Laundering, Countering the Financing of Terrorism and Countering the Proliferation of Weapons of Mass Destruction—St. Kitts and Nevis 2021

Financial Action Task Force Recommendations

For More Newsletters

[Financial Services Regulatory Commission - Newsletters \(fsrc.kn\)](#)