



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

Subject:
**Enhanced
Scrutiny for
Transactions
Involving
Antigua and
Barbuda**

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Banks and other financial institutions are advised to give enhanced scrutiny to all financial transactions routed into or out of Antigua and Barbuda, or involving entities organized or domiciled, or non-resident persons maintaining accounts, in Antigua and Barbuda. The need for such enhanced scrutiny is discussed in the remainder of this Advisory.

Antigua and Barbuda is a small island nation in the Caribbean Sea, east-southeast of Puerto Rico. The population of Antigua and Barbuda is approximately 64,000. That population is served by nine commercial banks licensed by the government of Antigua and Barbuda, and those banks are supervised by the Eastern Caribbean Central Bank.

Antigua and Barbuda also licenses banks — which its government terms offshore banks — to do business with customers other than inhabitants of that nation. There are currently approximately 50 such offshore banks.

The operation of Antigua and Barbuda's offshore financial sector has been a concern of regulators and enforcement officials in the United States, the United Kingdom, and other nations for some time. That concern was heightened by the collapse on August 1, 1997, of the Antigua and Barbuda-based European Union Bank, an institution whose website had emphasized the strength of the nation's bank secrecy laws as an incentive for depositors.

In November 1998, the government of Antigua and Barbuda amended its Money Laundering (Prevention) Act in a manner that significantly weakened that Act; the statute had been enacted in December 1996 but had not been fully implemented. In November 1998, the Antiguan and Barbudan government also changed the supervision of its offshore financial services sector, by vesting authority over that sector in a new International Financial Sector Authority. The Authority's board of directors includes representatives of the very institutions the Authority is supposed to regulate, thus raising serious concerns that those representatives are in fact in control of the Authority, so that the Authority is neither independent nor otherwise able to conduct an effective regulatory program in accordance with international standards.

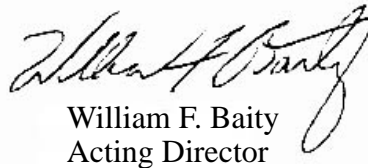
The amendment of the Money Laundering (Prevention) Act, combined with changes in Antigua and Barbuda's treatment of its offshore financial services sector, are likely to erode supervision, stiffen bank secrecy, and decrease the possibility for effective international law enforcement and judicial cooperation



regarding assets secreted in Antigua and Barbuda. These changes threaten to create a “haven” whose existence will undermine international efforts of the United States and other nations to counter money laundering and other criminal activity, a concern of which the United States has repeatedly made the government of Antigua and Barbuda aware.

The actions taken by the government of Antigua and Barbuda that weaken that nation’s anti-money laundering laws and oversight of its financial institutions necessarily raise questions about the purposes of transactions routed into or out of Antigua and Barbuda or involving entities organized or domiciled, or non-resident persons maintaining accounts, in Antigua and Barbuda. Institutions subject to the suspicious activity reporting rules contained in 31 CFR 103.21 (effective April 1, 1996) should carefully examine the available facts relating to any such transaction, to determine if such transaction (of \$5,000 or more, U.S. dollar equivalent) requires reporting in accordance with those rules. (Institutions subject to the Bank Secrecy Act but not yet subject to specific suspicious activity reporting rules should consider such a transaction with relation to their reporting obligations under other applicable law.) Enhanced scrutiny is especially important for transactions involving Antigua and Barbuda offshore banks, transactions involving both Antigua and Barbuda offshore banks and the nine commercial banks licensed to do business in Antigua and Barbuda, and transactions in which one or more of such nine commercial banks act for one or more Antigua and Barbuda offshore institutions.

The Treasury Department will consider any report relating to a transaction described in this Advisory to constitute a report of a suspicious transaction relevant to a possible violation of law or regulation, for purposes of the prohibitions against disclosure and the protection from liability for the reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).



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Questions or comments regarding the contents of the FinCEN Advisory should be addressed to the Office of Communications, FinCEN.

Information may also be faxed to (703) 905-3885.