



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

**Subject:
Transactions
Involving
St. Vincent &
The Grenadines**

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Banks and other financial institutions operating in the United States are advised to give enhanced scrutiny to all financial transactions originating in or routed to or through St. Vincent and the Grenadines, or involving entities organized or domiciled, or persons maintaining accounts, in St. Vincent and the Grenadines. The need for such enhanced scrutiny is discussed in the remainder of this Advisory.

St. Vincent and the Grenadines, with a population of approximately 109,000, consists of a 40-mile long chain of 34 Caribbean islands and cays, including the main island, St. Vincent, and the Grenadines. St. Vincent and the Grenadines is a member of the Organization of the Eastern Caribbean States (“OECS”), and shares a common currency, the Eastern Caribbean dollar (“EC\$”), and a common central bank, the Eastern Caribbean Central Bank (“ECCB”) with eight other OECS countries.

The ECCB is responsible for the licensing, regulation and oversight of the domestic financial services sector of St. Vincent and the Grenadines. There are currently at least 15 offshore banks and 7,000 International Business Companies licensed by St. Vincent and the Grenadines.

The counter-money laundering regime embodied in the legal, supervisory, and regulatory systems of St. Vincent and the Grenadines suffers from serious systemic problems.

- Licensing and registration requirements for offshore banks and International Business Companies are rudimentary. Private sector representatives are permitted to sit on the board of the Offshore Finance Authority.
- Offshore financial institutions, and onshore non-bank financial institutions operating in St. Vincent and the Grenadines are not required to verify or maintain records regarding the identity of customers.



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- Financial institutions operating in St. Vincent and the Grenadines are not required to report suspicious transactions.
 - International Business Companies are not required to identify their beneficial owners.
 - International Business Companies may issue bearer shares.
 - Regulatory authorities are prohibited from disclosing information relating to beneficial owners and customers of offshore banks and registered International Business Companies to foreign authorities, resulting in limited international exchange of information.

These deficiencies, among others, have caused St. Vincent and the Grenadines to be identified by the Financial Action Task Force on Money Laundering (the "FATF") as non-cooperative "in the fight against money laundering." The FATF, created at the 1989 G-7 Economic Summit, is a 29 member international group that works to combat money laundering.

St. Vincent and the Grenadines has indicated an awareness of the impact of the deficiencies in its counter-money laundering systems noted above. It is currently drafting anti-money laundering legislation that may address at least some of the deficiencies described above, and it is reportedly reviewing the operation of its offshore financial sector. In addition, a law passed in 1999 requires offshore financial institutions to report cash transactions in excess of US \$10,000 to the Offshore Finance Authority. St. Vincent and the Grenadines has also signed a mutual legal assistance treaty with the United States.

Nonetheless, the legal, supervisory, and regulatory systems of St. Vincent and the Grenadines at present create significant opportunities and tools for the laundering and protection of the proceeds of crime and allow criminals who make use of those systems to increase significantly their chances to evade effective investigation or punishment. The structural weaknesses in St. Vincent and the Grenadines' laws increase the possibility that transactions involving banks or other entities and accounts maintained in St. Vincent and the Grenadines will be used for illegal purposes.

Thus, banks and other financial institutions operating in the United States should give enhanced scrutiny to any transaction originating in or routed to or through St. Vincent and the Grenadines, or involving entities organized or domiciled, or persons maintaining accounts, in St. Vincent and

the Grenadines. A financial institution subject to the suspicious transaction reporting rules contained in 31 C.F.R. 103.18 (formerly 31 C.F.R. 103.21) (effective April 1, 1996), and in corresponding rules of the federal financial institution supervisory agencies, 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 transaction reporting rules should consider such a transaction with relation to their reporting obligations under other applicable law.

It should be emphasized that the issuance of this Advisory and the need for enhanced scrutiny does not mean that U.S. financial institutions should curtail legitimate business with St. Vincent and the Grenadines.

To dispel any doubt about application of the “safe harbor” to transactions within the ambit of this Advisory, 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 reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).

United States officials stand ready to provide appropriate technical assistance to St. Vincent and the Grenadines officials as they work to remedy the deficiencies in St. Vincent and the Grenadines’ counter-money laundering systems that are the subject of this Advisory.



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FinCEN Advisory is a product of the Financial Crimes Enforcement Network, U.S. Department of the Treasury, P.O. Box 39, Vienna VA 22183 (703) 905-3773. For more information about FinCEN's programs, visit the FinCEN web site at <http://www.fincen.gov>.

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.