

GUYANA'S SECOND MONEY LAUNDERING AND TERRORIST FINANCING NATIONAL RISK ASSESSMENT

EXECUTIVE SUMMARY

BACKGROUND and INTRODUCTION

With technical assistance and guidance from the World Bank, Guyana conducted its second ML/TF National Risk Assessment (NRA) during December 2019 and May 2021 for the period 2016-2020. An NRA is important as it helps countries to demonstrate compliance with the Financial Action Task Force (FATF) Recommendation 1, which requires countries to identify, assess and understand their money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks, and apply resources to ensure identified risks are mitigated effectively.

The NRA exercise was conducted by a Working Group of over seventy (70) persons representing over forty (40) public¹ and private sector² agencies in Guyana. The Working Group assessed the following areas:

1. Money Laundering Threat
2. Terrorist Financing Risk
3. National Money Laundering Vulnerability
4. The Banking Sector vulnerability
5. The Securities Sector vulnerability
6. The Insurance Sector vulnerability
7. The Other Financial Institutions³ vulnerability
8. The Designated Non-Financial Business or Profession (DNFBP)⁴ vulnerability
9. Financial Inclusion Products vulnerability
10. Proliferation Financing Risk
11. Money Laundering Risk associated with Illegal Wildlife Trade in Guyana
12. Money Laundering Threat associated with the Oil and Gas Sector

The results of the assessment are an NRA Report which outlines the findings of the working group, and a Risk Based Action Plan which presents the working group's recommendations based on its findings.

¹Public sector agencies: Attorney General's Chambers, Ministry of Finance, Ministry of Home Affairs, Ministry of Natural Resources, Guyana Revenue Authority, Deeds and Commercial Registries, Financial Intelligence Unit, Office of the DPP, Special Organised Crime Unit, CANU, Bank of Guyana, Guyana Securities Council, Guyana Gold Board, Guyana Geology and Mines Commission, Guyana Gaming Authority, Departments of Cooperative and Friendly Societies

²Private sector agencies: Banks, Insurance Companies & Brokers, Money Transfer Agencies, Cambios, Credit Unions, Guyana Association of Securities Companies & Intermediaries Inc., Mobile Money Guyana and Institute of Private Enterprise Development

³ Money Transfer Agencies, Cambios, Pawnbrokers and Hire Purchase companies

⁴ Sectors vulnerability which include: Gold and Diamond Dealers, Attorneys-at-law, Accountants/Auditors, Real Estate Agents/Brokers/Housing Developers, Used Car Dealers/Car Parts Dealers, Betting Shops, Casinos, Lotteries, Notaries Public/Commissioner of Oaths to Affidavits

This document presents a brief summary of the NRA Report and Risk Based Action Plan.

SUMMARY

Guyana became a member of the Caribbean Financial Action Task Force (CFATF) in 2002. The CFATF is an organization of twenty-five (25) states and territories of the Caribbean basin which have agreed to implement common countermeasures against money laundering and terrorism financing. As a member of this organization, Guyana is required to and has been implementing the Financial Action Task Force (FATF) Recommendations, which set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

In keeping with FATF Recommendation 1, the Government of Guyana (GoG) completed its first ML/TF NRA in 2017. The country, having recognized the importance and need for NRAs to be up to date or current, embarked on a second NRA exercise in December 2019. In addition to updating the previous findings, this updated NRA also considers PF risks, ML threats associated with the illegal wildlife trade in Guyana, as well as the ML threats associated with the new and emerging oil and gas sector.

Determination of overall Risks, Threats and Vulnerabilities

The country's national/overall ML Risk was determined based on its overall 'ML Threats'⁵ and overall 'ML Vulnerability'⁶.

The overall ML Threats was determined based on an assessment of cross-border threats; predicate offences that generate proceeds of crime; the total size of the proceeds of crime, and the sectors in which the proceeds of crime are invested and laundered.

The national/overall ML Vulnerability on the other hand, was determined based on the country's national combating ability and overall sectoral vulnerability.

In terms of Guyana's overall TF Risk, this was determined based on the country's overall 'TF threat'⁷ and 'TF vulnerability'⁸.

⁵ **ML threat** refers to the proceeds of crime in a country. This includes the proceeds generated in the country (internal threat) or those that come from other countries (external threat).

⁶ **ML vulnerability** refers to the weaknesses and gaps in a country's defense against ML and can at a national level or a sectoral level.

⁷ A **TF Threat** is a person or group of people with the potential to cause harm by raising, moving, storing or using funds and other assets (whether from legitimate or illegitimate source) for terrorist purposes.

The NRA concluded the following:

National/Overall ML Risk

The overall money laundering risk in Guyana is **MEDIUM HIGH** due to the country's *Medium High* overall money laundering threat, and *Medium High* national money laundering vulnerability.

Key factors that contributed to the country's medium high ML threat level include the lack of ML convictions, and the high estimated value of proceeds generated from smuggling including gold smuggling (USD \$2.2 B), tax evasion (USD \$10.5 M), drug trafficking (USD \$13.4 M) and fraud (USD \$8.4 M).

The major contributing factors to the country's medium high national ML Vulnerability level, is the weak national ML combating ability. This is due to the poor quality of *Criminal Investigations, Prosecutions, Adjudication, and Asset forfeiture frameworks*, as well as the lack of an *AML Policy and Strategy* and adequate *cross-border controls on cash and similar instruments*.

Overall Sectoral Vulnerability

Based on the assessment of twenty (20) sectors, the **overall** sectoral vulnerability is **Medium High**. One (1) sector 'Dealers in Precious Minerals or Licensed Traders' has a high vulnerability rating, and three (3) sectors 'Credit Unions, Betting Shops and Casinos' have a **low** vulnerability rating. The other sectors were rated medium high to medium low as follows:

Medium High vulnerability

- Attorneys-at-law
- Accountants/ Auditors
- Non-Financial Trust and Company Service Providers
- Real Estate Agents/Brokers/Housing Developers
- Used Car Dealers/Car Parts Dealers
- Dealers in Precious Metals
- Banking and Building Societies
- Money Transfer Agencies,
- Cambios

Medium vulnerability

- Dealers in Precious and Semi-Precious Stones
- Lotteries
- Notary Public/Commissioner of Oaths to Affidavits

Medium Low vulnerability

- Pawnbrokers/Money Lenders
- Cooperatives
- Insurance
- Securities

⁸ **TF vulnerability** – things that can be exploited by the threat or that may support or facilitate its activities.

The National/Overall Terrorism Financing (TF) Risk

The country's TF Risk was rated as *MEDIUM* as its TF Threats, TF vulnerability as well as its terrorism risk were also rated Medium. Factors that contributed to the country's medium high TF risk include, the absence of a national strategic framework for countering TF, minimum cooperation among the key agencies responsible for analyzing, investigating and prosecuting TF and terrorism matters, and the lack of adequately resourced units to combat TF and terrorism.

Proliferation financing (PF) risk

Although the WG did not provide a rating for the PF risk in Guyana, it was determined that much needs to be done at a country level to effectively combat PF. The legal framework in place to counter PF is inadequate and the relevant agencies lack the knowledge and skills to effectively combat PF.

ML Risk associated with Illegal Wildlife Trade in Guyana

The ML risk associated with the illegal wildlife trade in Guyana was assessed as *MEDIUM* due to the ineffective monitoring systems for domestic trading of wildlife, and the lack of knowledge of law enforcement in conducting parallel financial investigations and confiscating assets of criminals involved in illegal wildlife trade.

ML Threat associated with the Oil and Gas sector

The ML threat associated with the oil and gas sector was considered as *MEDIUM* due to ineffective and outdated legislation for the sector; the discretionary powers of the Minister responsible for petroleum, in granting prospecting/production licence; no requirement for disclosure of beneficial owner information when applying for a prospective/production licence; and the limited institutional expertise and experience to regulate, monitor and supervise international oil and gas companies operating in Guyana.

Financial Inclusion products vulnerability

Most of the financial inclusion services/products available in Guyana are offered by reporting entities which are regulated for AML/CFT compliance. However, some entities do not have clear transaction limits which could render them vulnerable for ML. There is no definition for financial inclusion in local legislation. There is no regulation with clear guidelines for the application of simplified CDD for financial inclusion products/services and there is limited public awareness related to financial inclusion products and services.

Emerging Threats

As the world shifts towards measures of financial inclusion, new and emerging technologies have played a distinct role in the financial services industry. As a result, some companies have started to shift the focus away from traditional fiat to virtual assets, which in some cases are backed by complex algorithms to provide their value.

The virtual assets sector remains unregulated in Guyana, and given the increased attention the country will gain from investors all over the world, it is likely that the use of virtual assets for payments of goods and services will emerge in Guyana, if it has not already.

This may unfortunately provide further avenues for unsuspecting persons to invest in Ponzi schemes relating to such assets, as well as being used by Romance schemes and Forex investments schemes as part of scams to relieve persons of the traditional fiat.

Guyana therefore must be vigilant and guard against the misuse or abuse of its financial services.

KEY RECOMMENDATIONS

Whilst the Working Group made over one hundred (100) recommendations which are contained in a Risk Based Action Plan, the ten (10) most significant recommendations are listed in this summary as follows:

1. Establish a national strategy for combatting ML/TF informed by the risks identified in NRA. – *National Vulnerability*
2. Increase the human resource capacity of FIU/SOCU/DPP. This should result in money laundering convictions. – *Money Laundering Threats and National Vulnerability*
3. Ensure regulation and supervision of DNFBPs including Attorneys and Accountants/Auditors in keeping with FATF R. 28 - Either appoint supervisory authorities or have the sectors self-regulate – monitor compliance with AML/CFT obligations. – *DNFBPs Vulnerability*
4. Intensify efforts to detect businesses such as Cambios, Real Estate Agents, Used Car Dealers, and Pawnbrokers operating without license and take appropriate action. Appropriate action should include prosecution or where applicable, administrative sanctions by relevant supervisory authority – *Other FIs and DNFBPs Vulnerability*
5. Establish a Counter Terrorism department with explicit counter terrorism portfolio, adequate human, financial and other resources and ongoing specialized training. This will ensure that Guyana is equipped to effectively counter terrorism. – *TF Risk*
6. Establish relevant regulations for GRA Customs and the GDF, to regulate or prohibit the movement of items that could contribute to WMD proliferation. This should result in effective national counter proliferation controls. – *PF Risk*

7. Establish a multi-agency coordination team including Wildlife Commission, SOCU, Police, FIU, DPP, GRA and other agencies for the suppression of IWT and successful investigations and prosecutions. – *ML Threats associated with illegal wildlife trade*
8. Digitize beneficial ownership and control of companies and other legal persons information at the Commercial Registry and make publicly available. This will enable competent authorities, and reporting entities to have access to adequate, accurate and current BO information, and control of companies and other legal persons in a timely fashion. - *National Vulnerability and ML Threats related to the oil and gas sector*
9. Pass the Petroleum Commissions Bill in Parliament. This will among other things, enable a Commission rather than the GGMC to serve as the regulatory agency of the oil and gas industry and related matters. – *ML Threats associated with the oil and gas sector*
10. Review and update existing laws/regulations relating to petroleum sector. This will allow for a favorable legal environment for investment and boost the confidence of private operators. – *ML threats associated with the oil and gas sector*

Please refer to annex for an overview of the results of the NRA exercise. The full Report and Action Plan can be made available upon request from the Hon. Attorney General & Minister of Legal Affairs and Chairman, of the AML/CFT/PF National Coordination Committee.

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OVERVIEW

NRA FINDINGS

