

# **CARIBBEAN AML/CTF PRINCIPLES FOR CORRESPONDENT BANKING**

CAIB Member Banks' Declaration of Anti-Money Laundering/Combating of Terrorist  
Financing Principles for Caribbean Banking, with Associated Guidelines

## CARIBBEAN AML/CTF PRINCIPLES

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### 1. PREAMBLE

The Caribbean Association of Indigenous Banks (CAIB) has agreed that these Principles constitute global guidance on the establishment and maintenance of internationally accepted banking standards to prevent money laundering and the financing of terrorism, and the application of these Principles will serve to enhance the integrity of Correspondent Banking relationships. The Caribbean Group of Banks that participate in this Declaration believe that adherence to these Principles will further effective risk management in their institutions and enable correspondent institutions to exercise sound business judgment with respect to accepting correspondent relations with Caribbean banks. Furthermore, adherence to these Principles will support the aim of Caribbean Banks to prevent the use of their institutions for criminal purposes.

### 2. CORRESPONDENT BANKING

Correspondent Banking is the provision of a current or other liability account and related services to another institution used to meet its cash clearing, liquidity management and short-term borrowing or investment needs. Correspondent Banking is essential to the operations of Caribbean Banks. These Principles will govern the banking standards which have been approved by each CAIB member bank's Board of Directors who have formally subscribed to these Principles and caused them and the Associated Guidelines to be employed by the bank's management in order to support the performance of all Correspondent Banking relationships held with their institution.

### 3. RESPONSIBILITY AND OVERSIGHT

The Board of Directors of each participating Caribbean Bank shall define policies and procedures that require specified personnel to be responsible for ensuring compliance with these Principles and its Associated Guidelines on Anti-Money Laundering/Combating of Terrorist Financing (AML/CTF). The policies and procedures shall require (a) a written AML/CTF policy; (b) a designated Compliance Officer; and (c) regular AML/CTF training for all staff. Such policies and procedures shall provide for an independent review by qualified personnel to ensure continued compliance with all regulatory requirements, the institution's policies and procedures and these Principles.

### 4. RISK-BASED DUE DILIGENCE

By this Declaration, CAIB member banks will ensure that they cooperate fully with the risk-based approach and the requirements arising from their Correspondent Banking relationships. Caribbean institutions recognize the

necessity to meet all international banking standards as defined by their Correspondent Banks and understand that under a risk-based review they may be subjected to a higher level of due diligence. These Principles outline the operating environment required to mitigate the type of risk indicators that are of prime concern in a Correspondent Banking relationship. In particular, the Caribbean institution will consider these risk indicators:

– **The Caribbean Banking Jurisdiction** – The jurisdiction is comprised of several Caribbean territories where Caribbean banks are headquartered. In general, the Caribbean region is recognized for its stable and democratic environment. CAIB member banks recognize that each of the territories hosting CAIB member banks must have adequate AML/CTF standards, supported by appropriate legislation and regulatory supervision, which mitigate risk for crime, corruption or terrorist financing. The individual Caribbean jurisdictions must be members of the Caribbean Financial Task Force and deemed cooperative with the Financial Action Task Force (FATF) 40 and Special Recommendations and have embraced robust regulatory environments to ensure they represent lower risks for Correspondent Banking. Host territories must have a legal process in place for the delivery of banking details when so ordered by the local Court of Law after due process. CAIB member banks acknowledge the importance of Caribbean territories obtaining membership in the Egmont Group and providing for the sharing of information between law enforcement authorities.

– **The Member Bank's Ownership and Management Structure** – CAIB member banks will detail the location of owners, their corporate legal form and provide a transparent ownership structure for review by Correspondent Banks. Similarly, the location and experience of management will also be detailed and available for review. Any involvement of a Politically Exposed Person (PEP) in the management or ownership of a Caribbean bank must be readily exposed for review. PEPs are individuals who have or have had positions of public trust such as government officials, senior officials of government corporations, politicians, important political party officials etc. and their families and close associates.

– **The Bank's Business and Customer Base** – The type of business the Caribbean institution engages in, as well as the type of customers and markets the bank serves, may present greater risks to correspondent relations. CAIB member banks will maintain a compliance review process to identify accounts that could have involvement in certain business segments internationally recognised as creating particular vulnerability to money laundering, corruption or terrorist financing and address any identified concerns from credible sources regarding activities or countries being especially susceptible to money laundering.

### 5. DUE DILIGENCE STANDARDS

CAIB member banks will operate in accordance with local and international AML/CTF standards and subject their account holders to appropriate due diligence that will seek to assure that the institution is comfortable conducting business with all its clients and be able to assess each client's risk profile. It is appropriate for a Caribbean institution to consider the fact that a Correspondent Banking relationship will wish to assess that its Caribbean client operates in a regulatory environment that is internationally recognised as adequate in the fight against money laundering. In these instances, an institution may provide its Correspondent Bank with publicly available information obtained either from published laws and regulations governing banking or reliable third parties (regulators, exchanges, etc.) to satisfy their due diligence requirements. In particular, the Caribbean institution will consider the elements set out below, as appropriate.

#### – Domicile and Organisation

Provide details on the jurisdiction where the Caribbean bank's ultimate parent is incorporated and/or headquartered and on the particular operating unit wishing to maintain the correspondent relationship, as well as the corporate legal form of the Caribbean bank.

#### – Caribbean Bank Ownership and Executive Management

Provide details on whether the Caribbean bank is publicly held or privately owned; whether if publicly held, its shares are traded on an exchange with an adequately recognised regulatory scheme; and the identity of any significant controlling interests. For all significant controlling interests, detail the owners, and background, including their reputation in the market place, as well as recent material ownership changes (e.g. in the last five years). Similarly, provide a detailed understanding of the experience of each member of the Executive Management in charge of the bank's day to day business as well as recent material changes in the Executive Management structure (e.g. within the last two years). Depending on the circumstances detail the Members of the Board of Directors or Supervisory Board or Executive Committee or its equivalent. Disclose the existence of any PEP in the Executive Management, Board or ownership structure.

#### – Caribbean Bank's Business

Explain the types of financial products and services the Caribbean bank offers to its own clients, and the geographic markets reached.

### – Regulatory Status and History

Provide details on the primary regulatory body responsible for overseeing or supervising the Caribbean bank. . If circumstances warrant, the member bank should communicate any examination concerns to its Correspondent Bank and detail any publicly available materials relevant to whether the institution has been the subject of any criminal or adverse regulatory action in the recent past.

### – No Business Arrangements with Shell Banks

Confirm that the Caribbean bank is not using the institution's products and services to engage in business with Shell Banks. A Shell Bank is a bank that: (i) does not conduct business at a fixed address in a jurisdiction in which the Shell Bank is authorised to engage in banking activities; (ii) does not employ one or more individuals on a full time business at this fixed address; (iii) does not maintain operating records at this address; and (iv) is not subject to inspection by the banking authority that licensed it to conduct banking activities. A bank which meets these requirements but which is also a Regulated Affiliate is not a Shell Bank for the purposes of these Principles. A Regulated Affiliate is a bank which would otherwise be a Shell Bank which is owned, directly or indirectly by a financial institution that is licensed in a jurisdiction that is not a FATF Non-cooperative Jurisdiction and which is subject to supervision by the banking authority of that jurisdiction.

### - Correspondent Bank Visit

Unless other measures suffice, accommodate any request made by a representative of the Correspondent Bank to visit the Bank at its premises prior to or within a reasonable period of time after establishing a Correspondent relationship, so as to, amongst other things, confirm that the Caribbean Bank is not a Shell Bank.

## 6. APPLICATIONS FOR CORRESPONDENT RELATIONSHIPS

CAIB member banks will apply these Principles to their Correspondent Banking relationships. Additionally, as these Principles unify concepts that must be approved by their Board of Directors, each institution will undertake a risk-based review of any downstream correspondent clearing that may apply and ensure that any respondent banks adopt the level of integrity espoused by these Principles.

## 7. UPDATING CLIENT FILES

CAIB member banks' policies and procedures shall require that the institution's account information is reviewed and updated on a periodic basis or when a material change in the risk profile of an account occurs.

### 8. MONITORING AND REPORTING OF SUSPICIOUS ACTIVITIES

The CAIB member banks shall implement bank-wide policies and procedures to detect and investigate unusual or suspicious activity and report as required by applicable law. These will include guidance on what is considered to be unusual or suspicious and give examples thereof. The policies and procedures shall include appropriate monitoring of the transactions related to Correspondent Banking activity.

### 9. INTEGRATION WITH AML/CTF PROGRAMME

These Principles shall form an integral component of the CAIB member banks' wider anti-money laundering and combating of terrorist financing programme. The quality of the Caribbean Bank's AML/CTF and client identification controls, including the monitoring of accounts, must meet internationally recognised standards. These Principles provide Associated AML/CTF Guidelines which each member bank's Board of Directors are required to adopt and ensure its management operates in compliance with the stated Guidelines. The Associated Guidelines are attached hereto and may be updated and amended from time to time by the Board of the CAIB on consultation with the CAIB member banks in order to manage related risks.

### 10. RECOMMENDATION FOR A CARIBBEAN REGISTRY

The CAIB encourages its Caribbean Banks in the development and regulatory endorsement of a Caribbean Registry for hosting its financial institutions. Upon subscribing to these Principles, Caribbean financial institutions would submit information useful to Correspondent banks and international authorities for conducting due diligence as outlined in these Principles, for hosting by the Registry. Caribbean financial institutions would regularly update its registered information in adhering to these Principles.

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