

Montserrat

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Montserrat	
Sanctions:	None
FATF list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Weakness in Government Legislation to combat Money Laundering Offshore Finance Centre
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations
<p>Major Investment Areas:</p> <p>Agriculture - products: cabbages, carrots, cucumbers, tomatoes, onions, peppers; livestock products</p> <p>Industries: tourism, rum, textiles, electronic appliances</p> <p>Exports - commodities: electronic components, plastic bags, apparel; hot peppers, limes, live plants; cattle</p> <p>Imports - commodities: machinery and transportation equipment, foodstuffs, manufactured goods, fuels, lubricants, and related materials</p>	
<p>Investment Restrictions: Information unavailable</p>	

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Section 1 - Background

English and Irish colonists from St. Kitts first settled on Montserrat in 1632; the first African slaves arrived three decades later. The British and French fought for possession of the island for most of the 18th century, but it finally was confirmed as a British possession in 1783. The island's sugar plantation economy was converted to small farm landholdings in the mid 19th century. Much of this island was devastated and two-thirds of the population fled abroad because of the eruption of the Soufriere Hills Volcano that began on 18 July 1995. Montserrat has endured volcanic activity since, with the last eruption occurring in July 2003.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Montserrat is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Montserrat was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Montserrat was deemed Compliant for 3 and Largely Compliant for 25 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 2 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2011):

There are few offences committed in Montserrat that generate substantial profits from crime. The low level of transactions generated in the financial sector suggests that criminal monies are not entering the mainstream economy through the financial institutions. Although there have not been any convictions in Montserrat for money laundering, there were a very small number of convictions for fraud in the years 2006, 2007 and 2008. There were no convictions for fraud in 2009. The level of offences in respect of dangerous drugs peaked to thirty-nine (39) in 2007; however, this number was significantly reduced by more than 50% to seventeen (17) in 2008 and ten (10) in 2009. The majority of convictions for each of the years 2006, 2007, 2008 and 2009 were for minor offences and road accidents. The offences most likely to result in profits from crime, namely drug offences, fraud and serious offences against property represent a very small proportion of the convictions in each year.

The types of financial institutions licensed or registered to carry out business in Montserrat are (i) banks; (ii) international banking and trust companies; (iii) insurance companies; (iv) building societies; (v) credit unions; (vi) mutual fund functionaries (vii) company managers and (viii) money service providers. There are two (2) domestic banks, one of which is an indigenous bank whilst the other is a branch of a Canadian international banking group; seven (7) international banks, four (4) of which are licensed to carry out trust business; seven (7) insurance companies; one (1) building society; one (1) credit union and two (2) money service providers. Several types of legal persons and legal arrangements which can be established or created under Montserrat's laws. All of the financial activities listed in the FATF glossary are covered by the definition of –Service Provider detailed at Schedule 1 of the Anti-Money and Terrorist Financing Regulations, 2010 (AML/TFR).

Montserrat recognises the importance of the global fight against drug trafficking, money laundering and terrorist financing and has committed to playing a responsible role in this global fight by developing and implementing strong and robust AML, and more recently, CFT, strategies and priorities. These strategies have centred on: the maintenance of an effective AML/CFT legal and regulatory framework; requiring Montserrat IBCs, LLCs and LPs, that are typically used for international business, to have a locally licensed company manager as registered agent, or in the case of trusts, a locally licensed trust company, with responsibility for undertaking KYC and monitoring the AML compliance of financial institutions through on-site inspections. Montserrat's institutional framework for AML/CFT is comprised of the Governor, the Financial Services Commission (FSC), the Ministry of Finance, the Reporting Authority (RA), the Financial Crime and Analysis Unit (FCAU), the Royal Montserrat Police Force (RMPF), the Customs and Excise Department, and the Attorney General's Department. In implementing the FATF recommended risk-based approach with respect to financial institutions, a higher level of monitoring of compliance with AML/CFT requirements is concentrated on licensed banks and money remitters. Since the last mutual evaluation, Montserrat has progressed by introducing changes to the laws relating to money laundering. These included amendments to the Proceeds of Crime Act, the Drug Trafficking Offences Act and the Criminal Justice (International Co-operation) Act in 2004. Furthermore, new regulations were introduced to enhance preventative measures to combat money laundering and, in 2010, the revised Code of Practice for Prevention of Money Laundering and the financing of terrorism was published to give guidance to service providers.

US Department of State Money Laundering assessment (INCSR)

Montserrat was deemed a "Monitored" Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Montserrat has one of the smallest financial sectors of the UK's Caribbean Overseas Territories. Less than 5,000 people are resident on the island. Montserrat's operating budget is largely funded by the British government and administered through the Department for International Development. Montserrat has four international banks, two domestic banks, three life insurance companies, and two institutions providing other forms of credit.

There are few offenses committed in Montserrat that generate substantial illicit profits, although there is some marijuana cultivation on the island. The low number of transactions generated in the financial sector suggests that criminal monies are not entering the mainstream economy through financial institutions.

Montserrat's international business companies (IBCs) are required to have a locally licensed company manager as registered agent, or in the case of trusts, a locally licensed trust company with responsibility for undertaking customer due diligence procedures and monitoring AML compliance.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, securities dealers, money transmission services, company management services, financial leasing companies, dealers in precious metals and stones, lawyers, auditors, accountants, notaries, tax advisors and insolvency practitioners, real estate agents, and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 23 in 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, securities and financial instrument traders and dealers, money brokers, and money transmission services; financial leasing companies; company agents and management services, any partner of a partnership, and company secretaries; entities providing a business, accommodation, correspondence, or administrative address for a legal person or company; nominee shareholders; persons providing consumer credit, mortgage credit, factoring, and commercial financing, including forfeiting; issuers and managers of means of payment, including credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; participants in securities issues and the provision of financial services related to such issues; financial, merger, and industrial strategy advisors and funds managers; providers of guarantees, commitments, and safekeeping; accountants, auditors, real estate agents, and independent legal professionals; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Montserrat is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Montserrat made improvements to its AML/CFT regime, including by providing additional resources to the Financial Services Commission (FSC). The FSC is still not adequately structured and staffed to effectively carry out its functions. There are insufficient human resources, and the staff for money laundering investigations also performs other

policing functions. The lack of resources and personnel may reduce the effectiveness of the implementation of current regulations.

Montserrat adopted the Revised AML/CFT Code of 2015. Provisions include a requirement for service providers to verify the identity of beneficial owners and to carry out enhanced due diligence of private banking entities, legal persons or arrangements (including trusts) that are personal asset-holding vehicles, and companies that have nominee shareholders or bearer shares.

Financial institutions, including money transmitters, operating in Montserrat are required to submit quarterly Large Transactions Reports to the Financial Crime and Analysis Unit, the operating arm of the Reporting Authority, the jurisdiction's financial intelligence unit (FIU). Persons entering the territory are required to declare if they are bringing into the country EC\$27,000 (approximately \$10,000), or above, in cash, or the equivalent in any other currency. If a passenger does not file a customs declaration and is found in possession of cash or negotiable instruments in the amounts stated above, the cash or financial instruments will be seized and the case will be turned over to the FIU. Cash imported into the country as cargo without the necessary paperwork, or cash that is concealed in cargo, is also subject to seizure.

Montserrat is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Montserrat's international affairs and may arrange for the ratification of any convention to be extended to Montserrat. The 1988 UN Drug Convention was extended to Montserrat in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime have not yet been extended to Montserrat.

The government should provide additional AML/CFT training for customs officials and should ensure the FIU has the appropriate staff and resources to operate effectively.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Montserrat does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

International Terrorism Financing Convention - States parties to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

States Party to United Nations Transnational Organised Crime Convention - States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

States Party to United Nations Convention Against Corruption - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Montserrat is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Montserrat is considered to be an Offshore Financial Centre

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	N/A

Section 3 - Economy

Severe volcanic activity, which began in July 1995, has put a damper on this small, open economy. A catastrophic eruption in June 1997 closed the airport and seaports, causing further economic and social dislocation. Two-thirds of the 12,000 inhabitants fled the island. Some began to return in 1998 but lack of housing limited the number. The agriculture sector continued to be affected by the lack of suitable land for farming and the destruction of crops. Prospects for the economy depend largely on developments in relation to the volcanic activity and on public sector construction activity. Half of the island remains uninhabitable. In January 2013, the EU announced the disbursement of a \$55.2 million aid package to Montserrat in order to boost the country's economic recovery, with a specific focus on public finance management, public sector reform, and prudent economic management.

Agriculture - products:

cabbages, carrots, cucumbers, tomatoes, onions, peppers; livestock products

Industries:

tourism, rum, textiles, electronic appliances

Exports - commodities:

electronic components, plastic bags, apparel; hot peppers, limes, live plants; cattle

Imports - commodities:

machinery and transportation equipment, foodstuffs, manufactured goods, fuels, lubricants, and related materials

Stock Exchange

The Eastern Caribbean Securities Exchange (ECSE) is the first regional securities market in the Western Hemisphere, established by the Eastern Caribbean Central Bank to serve the eight (8) member states of Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat; St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines. It is headquartered on the island of St. Kitts. It has been in operation since 1971, and the ECSE currently lists securities for about 14 companies.

Section 4 - Government

Executive Branch

Chief of state: Queen ELIZABETH II (since 6 February 1952);

elections: the monarchy is hereditary; governor appointed by the monarch; following legislative elections, the leader of the majority party usually becomes premier

Legal system:

English common law

International organization participation:

Caricom, CDB, Interpol (subbureau), OECS, UPU

Section 5 - Tax

Exchange control

For further information - <http://agc.gov.ms/wp-content/uploads/2011/10/Exchange-Control-Act.pdf>

Treaty and non-treaty withholding tax rates

Montserrat has signed **14 agreements** (2 DTC and 12 TIEA agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Australia	TIEA	22 Nov 2010	25 Nov 2011	Yes	Yes	
Belgium	TIEA	16 Feb 2010	not yet in force	Yes	Yes	
Denmark	TIEA	22 Nov 2010	21 Oct 2011	Yes	Yes	
Faroe Islands	TIEA	22 Nov 2010	not yet in force	Unreviewed	Yes	
Finland	TIEA	22 Nov 2010	31 Dec 2011	Yes	Yes	
Germany	TIEA	28 Oct 2011	not yet in force	Yes	Yes	
Greenland	TIEA	22 Nov 2010	not yet in force	Unreviewed	Yes	
Iceland	TIEA	22 Nov 2010	26 Nov 2012	Yes	Yes	
Ireland	TIEA	14 Dec 2012	not yet in force	Yes	Yes	
Netherlands	TIEA	10 Dec 2009	1 Dec 2011	Yes	Yes	
Norway	TIEA	22 Nov 2010	19 Dec 2011	Yes	Yes	
Sweden	TIEA	22 Nov 2010	not yet in force	Yes	Yes	
Switzerland	DTC	30 Sep 1954	23 Feb 1955	No	No	
United Kingdom	DTC	19 Dec 1947	19 Dec 1947	Yes	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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