

# Fear of FATF Blacklist Prods Aruba to Eye Adoption of Stricter AML/CFT Laws

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By Colby Adams



The Caribbean nation of Aruba is set to impose a raft of new anti-money laundering rules in an attempt to stave off the island's inclusion on an international blacklist that could be released next month.

The effort would mean new legislation outlawing terrorist financing and bolstering the country's know-your-customer requirements, according to a government tax advisor who asked not to be named. The Central Bank of Aruba will meet Monday to tweak the proposals before the legislation's likely adoption by the Aruban Parliament later this month, said the advisor.

The proposals are a direct response to an October announcement by the Paris-based Financial Action Task Force (FATF) that the organization would publish a list of countries with poor anti-money laundering (AML) and terrorist financing controls. The intergovernmental group said it would "take action" on the list, requested by the Group of 20 in September 2009, by February.

Under one proposal, Aruba's financial intelligence unit's responsibilities would be transferred from the Meldpunt Ogebruikelijke Transacties to the Central Bank after FATF criticized the MOT's lack of funding and training.

FATF dinged the jurisdiction in a July 2009 mutual evaluation report for its financial intelligence unit's failure to conduct "any analysis on terrorist financing" and its "low level of effectiveness in investigating money laundering." Overall, the intergovernmental group found Aruba noncompliant with 25 of its recommendations, and compliant with only two of the recommendations.

The potential new regulations may be enacted too late to prevent Aruba's inclusion on FATF's list of noncompliant nations, according to Kenneth Bryant, managing director of Bryant & Associates, LLC, an anti-money laundering consultancy based in Hayesville, NC.

"The promulgation and enactment of regulations after the legislation is passed will take much longer than what little time they have left," said Bryant.

Aruba's poor showing in the FATF evaluation likely means the country will be included on a new blacklist, said Aaron Kahler, founder of Kahler Forensic Solutions, a New York City-based AML consultancy.

And just like the real estate mantra that "location is everything," geography may also have played a role in Aruba's scramble towards compliance, said Kahler. "Aruba's only 200 miles off the coast of Venezuela, making potential ties to Chavez and even Iran an issue," he said.

Aruba has traveled this road before, appearing in April 2009 on a list by the Organisation of Economic Cooperation and Development of 38 tax havens. The country was later deemed compliant by the OECD after it signed tax data sharing agreements with 12 other jurisdictions.

The island nation, however, never made it onto FATF's Non Cooperative Countries and Territories (NCCT) list, published between June 2000 and October 2006. Of the initial 15 jurisdictions named on the NCCT list, six were Caribbean nations, although Aruba was never included, possibly because "there was never an evaluation conducted upon which to base its inclusion," said Bryant.

Money laundering in Aruba is primarily related to drug proceeds because it is located on one of the major narcotics smuggling routes from South America to Europe and the United States, according to an October 2007 report from the Aruban public prosecutor's office.

Criminals move dirty money through the country's banks, real estate sector, casino industry and jewelry businesses, according to the report, which points out that while jewelry dealers maintain a large presence in Aruba, they aren't covered by AML and counterterrorism financing rules.

The U.S. State Department's International Narcotics Control Strategy Report independently noted the problems. "Due to its geographic location, casinos, and free trade zones, Aruba is both attractive and vulnerable to narcotics trafficking and money laundering," the department said in a February 2009 report.

Inquiries to FATF and the Caribbean Financial Action Task Force, the FATF-styled regional body that supervises Aruba, weren't returned by press time.

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