



Importance of Anti- Money Laundering and Terrorist Financing within the Securities Industry

The International Organization of Securities Commissions (IOSCO) states that there is an international consensus that money laundering, which has as a direct relationship to serious crimes, must be treated as a regulatory and enforcement priority. As such, regulators responsible for various sectors of the economy that could be abused by money launderers have examined their sectors of responsibility then developed and implemented appropriate measures to detect and combat money laundering.

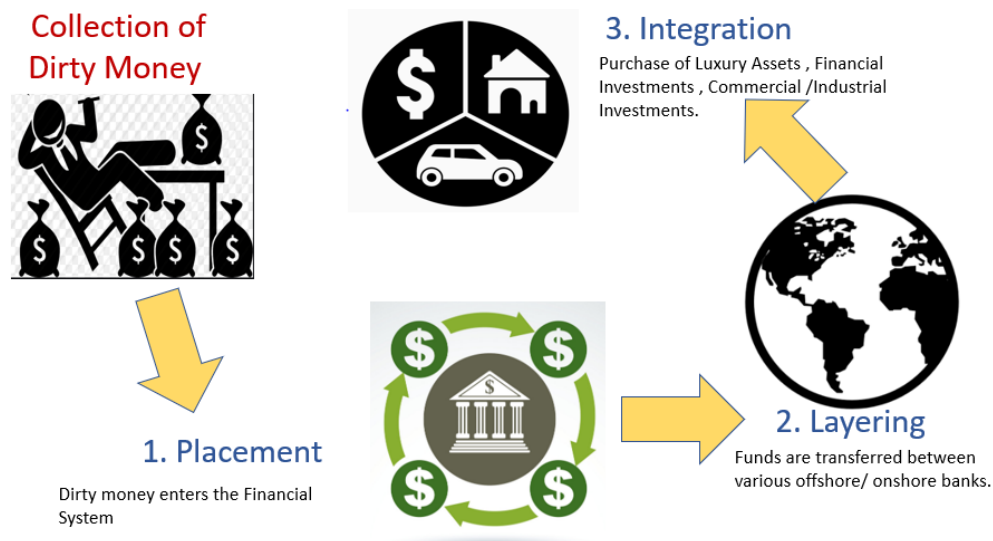
Money Laundering (“ML”)

The Financial Action Task Force (FATF) describes Money Laundering (ML) as the process by which criminal proceeds are disguised from their illegal origin so that the perpetrators may enjoy them without interference from legal authorities. The steps within the ML process are:

1. Placement- this involves the placement of the illegal proceeds into the legitimate financial system, such as banks. In some instances, the funds are deposited in small amounts to avoid triggering AML reporting threshold alerts. The illegal funds are also funnelled through legitimate businesses that deal heavily in cash transactions.
2. Layering- the funds are then concealed by a series of transactions aimed at obscuring their source. Some examples include transferring funds between countries and into offshore bank accounts, investing in real estate and converting cash into financial instruments such as stocks and bonds.
3. Integration- The last stage of the process involves the integration of these funds back into the financial system, where they now appear as the proceeds of legitimate business activities, to the benefit of the criminals who generated them.

Figure 1 below displays the typical stages involved in the ML process.

Figure 1: The Three Stages of Money Laundering



Terrorist and Proliferation Financing

Terrorist Financing (“TF”) is a financial crime whereby funds can be channelled through a legitimate source, such as charitable donations, or through illegal activities, for instance, the drug trade or fraud, to support the agenda of a terrorist organisation. The proceeds are used to fund criminal activities designed to cause harm to individuals, organizations and groups or disruption to public safety.

Proliferation Financing

Proliferation Financing (“PF”), on the other hand, refers to the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.

Some of the enablers that give rise to ML/TF vulnerabilities are:

1. The ability to move funds quickly beyond borders via electronic transfers;
2. The ability to quickly move funds from one security type to another (e.g., from equities to mutual funds to bonds etc.);
3. The use of corporate structures, offshore accounts and trust accounts to obscure beneficial ownership of the securities;
4. The ability to hide ownership through specialized investment instruments (e.g., bearer securities); and
5. Off-market transactions, especially where no price transparency exists.

TTSEC’S Role

In accordance with Section 6 of the Securities Act, Chapter 83:02 of the Laws of the Republic of Trinidad and Tobago (SA 2012), one of the core functions of the Trinidad and Tobago Securities and Exchange Commission (TTSEC) is to ensure compliance with the Proceeds of Crime Act, 2010 (POCA). POCA provides for the consolidation of the confiscation of the proceeds of drug trafficking and other crimes and the criminalising of money laundering. Under

POCA and the Financial Obligations Regulations 2010 (FORs), TTSEC is identified as the Supervisory Authority (SA) for the securities industry. A significant part of TTSEC’s remit focuses on ensuring that Registrants, registered under Section 51(1) of the SA 2012, follow the laws, policies and guidelines that relate to Anti-Money Laundering/Combating the Financing of Terrorism/Combating Proliferation Financing (AML/CFT/PF). The TTSEC is also responsible for determining any vulnerabilities and risks, which may exist within the local securities industry, and taking steps to mitigate the risk of exposure to AML/CFT related financial crimes.

Given the onerous nature of this responsibility, in 2013 the TTSEC convened an internal Anti-Money Laundering and Combating the Financing of Terrorism Working Group (AMLWG), as a means of creating a centralised team of specialists that would lead the TTSEC’s AML/CFT mandate. In November 2018, the AMLWG reviewed and amended the TTSEC’s AML/CFT Guidelines for the Securities Sector to ensure the alignment of the regulation and supervision policies and practices of the TTSEC, with national legislation and international best practices.

AML Bodies

The Financial Action Task Force is the global standard-setting body on AML/CFT compliance. Its membership comprises of the world’s largest national economies. The effectiveness of this organisation in addressing the AML/CFT agenda spawned the creation of several FATF Styled Regional Bodies (“FSRBs”). One such FSRB, is the Caribbean Financial Action Task Force (“CFATF”) of which Trinidad and Tobago is a member. The TTSEC also holds a seat on the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (“NAMLC”), through which the TTSEC contributes to, and participate in, activities geared toward the development and implementation of national policy for the combating of ML and the Financing of Terrorism in Trinidad and Tobago. Combatting Money Laundering, Terrorist Financing and Proliferation Financing is the responsibility of both the Regulator and the Registrant. Registrants must ensure that their AML/CFT policies, procedures and practices are robust to protect against AML/CFT related crimes. In addition, as the Supervisory Authority for the securities sector, the TTSEC will continue to monitor the market to decrease the vulnerabilities and risks which may exist within the local securities industry and take steps to mitigate the potential risks.

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For more information on the securities market and the role and functions of the TTSEC, please visit our corporate website at www.ttsec.org.tt. To become a smart investor, [download our IPA via the Google Play and Apple Stores](#). You can also take the investor education online course on our investor education website, www.InvestUcateTT.com, and test your knowledge in our interactive investing game InvestorQuestTT at www.InvestorQuest-tt.com, and remember, to connect with us via Facebook; Twitter, Instagram, LinkedIn or You Tube.



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