

The Turks and Caicos Islands

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Turks & Caicos Islands	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Offshore Finance Centre
Medium Risk Areas:	US Dept of State Money Laundering assessment Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: corn, beans, cassava (tapioca), citrus fruits; fish</p> <p>Industries: tourism, offshore financial services</p> <p>Exports - commodities: lobster, dried and fresh conch, conch shells</p> <p>Imports - commodities: food and beverages, tobacco, clothing, manufactures, construction materials</p>	
<p>Investment Restrictions: Information unavailable</p>	

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Section 1 - Background

The islands were part of the UK's Jamaican colony until 1962, when they assumed the status of a separate crown colony upon Jamaica's independence. The governor of The Bahamas oversaw affairs from 1965 to 1973. With Bahamian independence, the islands received a separate governor in 1973. Although independence was agreed upon for 1982, the policy was reversed and the islands remain a British overseas territory.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The Turks and Caicos Islands 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 The Turks and Caicos Islands was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, The Turks and Caicos Islands was deemed Compliant for 6 and Largely Compliant for 10 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2009):

The Turks and Caicos Islands consist of over forty (40) different islands, six (6) inhabited islands and two (2) privately developed islands; Parrot Cay and Pine Cay. The TCI is an overseas territory of the United Kingdom, and is a stable parliamentary democracy. Whilst tourism provides the main revenue, the country is also a major financial services centre, has a fishing industry as well as the world's only conch farm exporting over 1 million conchs a year. The economy of the TCI has maintained high momentum growth following a thrust into international tourism in the early 1980s. The current economic growth is led by developments that are taking place within the tourism, and related construction and real estate sectors.

The institutional framework for AML/CFT in the TCI comprises the Ministry of Finance; the Money Laundering Reporting Authority (MLRA) which comprises the Attorney General, as chairman, the Collector of Customs, the Managing Director of the Financial Services Commission, the Commissioner of Police and the Head of Financial Crimes Unit. The Financial Services Commission (FSC) which was established in 2001 under the Financial Services Commission Ordinance (FSCO) is also an important part of the framework as it comprises the Supervisor of Banks, Investments and Mutual Funds, the Superintendent of Trust & Company Management, the Registrar of Insurance and the Registrar of Cooperatives. The FSC licences and regulates the various financial institutions of the TCI financial sector. The Financial Intelligence Unit (FIU) of The Turks and Caicos Islands is responsible for the receipt, analysis and dissemination of Suspicious Transaction Reports (STRs). Under the Proceeds of Crime Ordinance, the Attorney General is also designated as the Civil Recovery Authority and is the only person who may institute civil recovery proceeding. The Chief Magistrate is the competent authority in relation to mutual legal assistance requests under the Mutual Legal Assistance Ordinance.

The geographic characteristics of The Turks and Caicos Islands have in the past attracted drug traffickers as an inviting route for US-bound cocaine and marijuana, and the Islands remain of interest to drug traffickers. There have however been considerable joint efforts between The Turks and Caicos Islands, The Bahamas and the United States of America which have helped to restrict drug trafficking. In addition to drug trafficking, burglary, theft, wounding and common assault are some of the more prevalent crimes. To date, there has been no evidence of terrorism or the financing of terrorism in the TCI. 5. In the TCI, priority has been placed on the suppression of money laundering and the financing of terrorism through the extension of the powers of the Money Laundering Reporting Authority (MLRA) in the new Proceeds of Crime Ordinance. The Government of the TCI has also placed emphasis on the establishment of the FIU, which has applied for Egmont membership

Key Findings from latest Mutual Evaluation Follow-up Report (2012):

The Turks and Caicos Islands continue to address the outstanding issues; most noticeable was the progress made with regard to the NPO sector, which now has an AML/CFT legislative framework. Implementation of the framework is of course expected. Based on the above review and analysis of the outstanding deficiencies, the Turks and Caicos Islands have fully met the Examiners' recommendations with regard to R. 13 (Core) and R. 21, 31 and SR. VI (Non-Core or Key).

US Department of State Money Laundering assessment (INCSR)

The Turks and Caicos Islands was deemed a 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:

The Turks and Caicos Islands is a British Overseas Territory. The economy depends greatly on tourism and the well-developed financial sector. The Turks and Caicos Islands is vulnerable to money laundering due to its significant offshore financial services sector and deficiencies in its AML/CFT regime. Corruption is a problem, and the country's geographic location makes it a transshipment point for narcotics traffickers. The former Premier of Turks and Caicos and several members of his cabinet are currently on trial for corruption and money laundering. According to press reports, the former Premier and ministers allegedly misappropriated over \$20 million between 2003 and 2009.

According to the Turks and Caicos Financial Services Commission's (TCIFSC) website, there are six licensed banks, four licensed money transmitters, 10 licensed trust companies, six international insurance managers, and 18 domestic insurance companies. As of March 2015, there were 6,217 international insurance companies; and at the end of 2011, 9,871 "exempt companies," or IBCs, were included in the Companies Registry. There are two casinos. Trust

legislation allows for asset protection trusts insulating assets from civil adjudication by foreign governments; therefore, Turks and Caicos Islands remains a tax haven for those seeking to evade domestic tax reporting requirements. The Superintendent of Trustees has investigative powers and has the authority to assist overseas regulators.

The TCIFSC, an independent statutory body, is tasked with supervising the financial services sector, including the offshore sector, and is responsible for the oversight of company formation and registration. The TCIFSC licenses and supervises banks, money transmitters, mutual funds and funds administrators, investment dealers, trust companies, insurance companies and agents, company service providers, international business companies (IBCs), and designated non-financial businesses.

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: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 40 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

The Turks and Caicos Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, 53 percent of the filed suspicious transaction reports (STRs) were submitted by money service businesses (MSBs), an increase of 425 percent over 2014. The increase is believed to correlate to an increase in onsite examinations by the TCIFSC and greater vigilance by the MSBs.

A British Overseas Territory, the government of the Turks and Caicos Islands cannot sign or ratify international conventions in its own right; the UK is responsible for international affairs and must arrange for the ratification of any convention to be extended to the Turks and Caicos Islands. The 1988 Drug Convention was extended to the Turks and Caicos Islands in 1995. On July 31, 2015, the UK extended the UN Convention against Transnational Organized Crime to the Turks and Caicos Islands. The UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism have not been extended to the Turks and Caicos Islands.

The Turks and Caicos Islands should strengthen cross-border currency controls and disseminate information on designated terrorists more effectively. The government should consider implementing domestic provisions to allow for the enforcement of foreign restraining and confiscation orders and the sharing of confiscated assets.

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

According to the US State Department, The Turks and Caicos Islands does not conform with regard to the following government legislation: -

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

The Turks and Caicos Islands 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

The Turks and Caicos Islands is not considered to be an Offshore Financial Centre

US State Dept Trafficking in Persons Report 2012 (introduction):

Turks and Caicos Islands (TCI) reportedly was a destination country for sex trafficking and forced labor. The large population of migrants from Haiti, the Dominican Republic and Jamaica are the most vulnerable to sex trafficking and forced labor, and the estimated 2,000 stateless children and adolescents in TCI are especially at risk, according to local experts. Local stakeholders, including law enforcement officials, reported specific knowledge of sex trafficking occurring in bars and brothels during the reporting period and noted that trafficking-related complicity by some local government officials was a problem. During the previous reporting period, the TCI government initiated anti-trafficking legislation that included measures to improve identification of and assistance for trafficking victims. The absence of specific legislation prohibiting trafficking as defined by the 2000 UN TIP Protocol, the absence of trafficking victim protection procedures and policies, and little public awareness about human trafficking were obstacles to progress during the reporting period, according to local stakeholders and experts.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	59

In August 2009, the UK imposed direct rule on the Turks and Caicos Islands after an inquiry found evidence of government corruption and incompetence.

Section 3 - Economy

The Turks and Caicos economy is based on tourism, offshore financial services, and fishing. Most capital goods and food for domestic consumption are imported. The US is the leading source of tourists, accounting for more than three-quarters of the more than 1 million visitors that arrived in 2013. Three-quarters of the visitors came by ship. Major sources of government revenue also include fees from offshore financial activities and customs receipts.

Agriculture - products:

corn, beans, cassava (manioc, tapioca), citrus fruits; fish

Industries:

tourism, offshore financial services

Exports - commodities:

lobster, dried and fresh conch, conch shells

Imports - commodities:

food and beverages, tobacco, clothing, manufactures, construction materials

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Imports - commodities:

food and beverages, tobacco, clothing, manufactures, construction materials

Banking

The Financial Services Commission (FSC) is responsible for the regulation and supervision of the financial services sector in the Turks and Caicos Islands. The FSC was established under the Financial Services Commission Ordinance 2001 and was continued and preserved under the Financial Services Commission Ordinance 2007 (FSCO). The FSC has regulatory oversight for Banking (Domestic and Offshore), Insurance, Mutual Funds, Investment Dealers & Advisors, Trusts, and Company Management services. Each sector is governed by its own legislation, but the AML/CFT legislation enacted in the TCI is applicable to all regulated financial sectors.

Section 4 - Government

Executive Branch

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

note: the UK foreign minister has determined that sufficient progress has been made to reinstate local government under a new constitution that came into effect in October 2012

Legal system:

mixed legal system of English common law and civil law

International organization participation:

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






Section 5 - Tax

Exchange control

The Turks and Caicos does not impose exchange controls on the movement of funds into or out of the jurisdiction.

Treaty and non-treaty withholding tax rates

Turks and Caicos Islands has signed **16 agreements** (0 DTC and **16 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	30 Mar 2010	1 Jul 2010	Yes	Yes	
Canada	TIEA	22 Jun 2010	1 Dec 2011	Yes	Yes	
Denmark	TIEA	7 Sep 2009	25 Jan 2011	Yes	Yes	
Faroe Islands	TIEA	16 Dec 2009	13 Dec 2011	Unreviewed	Yes	
Finland	TIEA	16 Dec 2009	2 Apr 2011	Yes	Yes	
France	TIEA	24 Sep 2009	15 Jul 2011	Yes	Yes	
Germany	TIEA	4 Jun 2010	25 Nov 2011	Yes	Yes	
Greenland	TIEA	16 Dec 2009	28 Feb 2013	Unreviewed	Yes	
Iceland	TIEA	16 Dec 2009	22 Apr 2012	Yes	Yes	
Ireland	TIEA	22 Jul 2009	not yet in force	Yes	Yes	
Netherlands	TIEA	22 Jul 2009	1 May 2011	Yes	Yes	
New Zealand	TIEA	11 Dec 2009	not yet in force	Yes	Yes	
Norway	TIEA	16 Dec 2009	9 Apr 2011	Yes	Yes	
Portugal	TIEA	20 Dec 2010	25 Jul 2011	Yes	Yes	
Sweden	TIEA	16 Dec 2009	2 Apr 2011	Yes	Yes	
United Kingdom	TIEA	22 Jul 2009	25 Jan 2011	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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