



CENTRAL BANK
of BELIZE



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13 July 2017

The Editor
The Economist
25 St. James Street
London SW1A 1HG
United Kingdom

Dear Sirs,

Re: Articles on financial de-risking

The Central Bank of Belize (Central Bank) and the Financial Intelligence Unit (FIU) write to clarify the misconception that Belize's loss of correspondent banking relationships (CBR) is linked to a laxity in money-laundering controls. In particular, we refer to articles entitled "*Financial derisking Forget whiter than white*" and "*Financial derisking The great unbanking*" as published in The Economist Volume 424 Number 9048 in the July 8th-14th 2017 issue.

Like many other Caribbean and Latin American jurisdictions, Belize has been grappling with the phenomenon known as de-risking. However, the alleged deficiencies in Belize's anti-money laundering/combatting the financing of terrorism (AML/CFT) regime were never cited as a reason for severing ties. Given heightened monitoring costs associated with the new effective requirement to "know your customer's customer" correspondent banks have pointed to profitability margins and their unwillingness to bear the cost of account monitoring, given the limited business returns to be reaped from small jurisdictions like Belize. At the end of 2016, the total assets of our domestic banks and the locally licensed international banks that serve the offshore sector amounted to only US\$1.6 billion and US\$0.5 billion, respectively.

The severing of correspondent banking relationships occurred when Belize had been recognized by the Caribbean Financial Action Task Force (CFATF) as a jurisdiction that had attained a significant level of compliance to AML/CFT standards¹. This was a result of improvement to the country's AML/CFT legal framework addressing deficiencies cited during the CFATF Third Round Mutual Evaluation.

Key legislative amendments that have strengthened the country's AML/CFT regime include:

- Amendments to the Money Laundering and Terrorism (Prevention) Act (2013, 2014, 2016) to strengthen requirements related to customer due diligence, beneficial ownership information for registered companies, fit and proper assessment for changes in management or shareholding of

¹ CFATF Eighth Follow-Up Report: Belize. May 28, 2015

insurance companies and international financial services providers, sharing of information, mutual legal assistance and international cooperation and oversight of Designated Non-Financial Businesses and Professions;

- Passage of the National Payments System Act (2016) and implementation of a national payments system, which incorporates an AML function for identifying and managing AML/CFT risks. This allows for greater transparency in processing domestic funds transfers and strengthens oversight of flows from all sources including remittance service providers;
- Amendments to the Moneylenders Act (2017) transferring oversight responsibilities to the Central Bank as Registrar and AML Supervisory Authority; and
- Amendments to the Financial Intelligence Unit Act (2014) to strengthen operational independence, enhance security of tenure for the FIU Director and minimize opportunity for political interference.

Other initiatives to improve the regulatory environment include:

1. Effecting FATF Recommendation 1 - Undertaking a National Risk Assessment (NRA) to meet Fourth Round Mutual Evaluation requirements to greater understand the money laundering and terrorist financing threats and vulnerabilities and to develop and implement an action plan to strengthen AML/CFT controls. This is led by the National Anti-Money Laundering Committee comprised of competent and supervisory authorities including the FIU, law enforcement, financial sector regulators, prosecution, Customs and Immigration Departments;
2. Full compliance with the US Foreign Account Tax Compliance Act (FATCA) - Belize is fully compliant with FATCA as all banks in Belize have signed individual agreements with the US Internal Revenue Service (IRS) since April 2014 and have been reporting to the IRS since July 2015;
3. Signing on to several anti-corruption conventions. Conventions to which Belize is a party include the United Nations Convention against Corruption, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and the OAS Inter-American Convention;
4. Establishing and implementing oversight by monitoring agencies. The Prevention of Corruption in Public Life Act designates the Integrity Commission as the agency responsible for monitoring, preventing and combating corruption by examining declarations of physical assets and financial positions filed by specified public officers under the Act. The Office of the Ombudsman investigates complaints of official corruption and abuse of power. The Auditor General conducts audit reviews of public sector functions and publishes final audit reports;
5. Strengthening customer due diligence measures. All commercial banks in Belize have signed on to the SWIFT Know Your Customer (KYC) Registry. Access to this tool facilitates an efficient, shared platform for managing and exchanging standardized KYC data;
6. Strengthening internal AML/CFT compliance requirements - the Central Bank of Belize is among the few central banks in the region that have implemented internal AML/CFT compliance programmes to mitigate AML/CFT risks; and

7. Adopting the SWIFT Sanctions Screening solution. The Central Bank of Belize is one of only twenty seven central banks that have embarked on this program to further strengthen its compliance program to combat financial crime.

The above-mentioned legislative and regulatory initiatives clearly demonstrate Belize's commitment to the global fight against money laundering and terrorism financing. Belize will continue its efforts to ensure compliance with FATF Recommendations in preparation for its Fourth Round Mutual Evaluation.

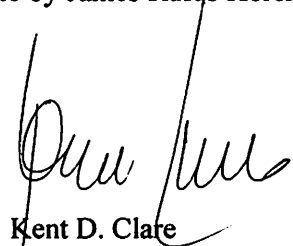
Hopefully, this response prompts the dissemination of accurate information in the future.

It would perhaps be useful, when suggesting Belize has inadequate oversight concerning money laundering, to consider your article on Latvia of July 8, 2017 as well as the article by James Rufus Koren appearing in the Los Angeles Times of Friday 7 July 2017.

Sincerely,



Ambassador A. Joy Grant
Governor



Kent D. Clate
Director