

**BELIZE NATIONAL RISK
ASSESSMENT OF
MONEY LAUNDERING
AND TERRORIST
FINANCING**

December 2019

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DISCLAIMER

National ML/TF Risk Assessment of Belize has been conducted as a self-assessment by Belizean authorities, using the National Money Laundering and Terrorist Financing Risk Assessment Tool that has been developed and provided by the World Bank. The World Bank team's role was limited to making the tool available, providing guidance on technical aspects of its use, and reviewing the results and outcomes of the analyses. The data, statistics, and information entered into the Tool templates were collected and processed exclusively by the Belizean authorities; and all findings, interpretations, and judgments arrived at as a result of the use of the Tool reflect exclusively the work of the Belizean authorities, and do not in any way reflect the views of the World Bank.

ACRONYMS

AG	Attorney General
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
BAB	Bar Association of Belize
BDF	Belize Defence Force
BPD	Belize Police Department
BSAG	Belize Special Assignment Group
BZ	Belize
BZD	Belize Dollar
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFZ	Commercial Free Zone
CITO	Central Information Technology Office
CJ	Chief Justice
CSP	Company Service Provider
CT	Counter Terrorism
CZL	Corozal
DNFBP	Designated Non-Financial Businesses and Professions
DPMS	Dealers in Precious Metals and Precious Stones
EPZ	Export Processing Zone
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
GCB	Gaming Control Board
GLC	General Legal Council
GoB	Government of Belize
IBC	International Business Company
IBCA	International Business Companies Act
IFS	International Financial Services
IFSC	International Financial Services Commission
IFSCA	International Financial Services Commission Act
ILLC	International Limited Liability Company
ILLCA	International Limited Liability Companies Act
iSTR	Internal Suspicious Transaction Report
LEA	Law Enforcement Agency
LGE	Licensed Gaming Establishments
LGP	Licensed Gaming Premises
LLP	Limited Liability Partnership
LPA	Legal Profession Act

MER	Mutual Evaluation Report
MITC	Ministry of Investment Trade and Commerce
ML	Money Laundering
MLT	Money Laundering Threat
ML/TF	Money Laundering and Terrorist Financing
MLTPA	Money Laundering and Terrorism (Prevention) Act
MOU	Memorandum of Understanding
NAMLC	National Anti-Money Laundering Committee
NFZA	National Free Zone Authority
NRA	National Risk Assessment
NSS	National Security Strategy
OFS	Other Financial Services
OIFS	Other International Financial Services
OSIPP	Office of the Supervisor of Insurance and Private Pensions
PCC	Protected Cell Company
PEP	Politically Exposed Person
SIB	Statistical Institute of Belize
SOI	Supervisor of Insurance
STR	Suspicious Transaction Report
TCSP	Trust and Company Service Provider
TF	Terrorist Financing
TSP	Trust Service Provider
UN	United Nations
US	United States
USD	United States Dollar

INTRODUCTION

The Government of Belize (GoB) is wholly committed to promoting peace, stability and sustained improvement in the living levels of all Belizeans, with the recognition that a critical component of the national strategy must be the development of a robust Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) framework, which would serve to pre-empt the destabilizing effects of money laundering and terrorist financing (ML/TF). Best practices and the fulfilment of regional and international obligations all serve to inform this country's tactical and strategic approaches.

In accordance with the Financial Action Task Force (FATF) Methodology, Belize's AML/CFT systems were evaluated by the Caribbean Financial Action Task Force (CFATF) in its third round of assessments in 2010. The findings were published in the Mutual Evaluation Report (MER) of 2011 and were accepted by the Belizean authorities. Measures were implemented to address deficiencies and published in eight subsequent follow-up reports, the last of which was published in May 2015. Belize is expected to undergo a Fourth Round of Mutual Evaluation scheduled for 2023 which includes a new focus: an effectiveness assessment to determine the extent to which the judicial, legal and institutional framework is producing the expected results.

OBJECTIVES

The identification, understanding and assessment of ML/TF risks now form the cornerstone for complying with the requirement to apply a risk-based approach to the allocation of resources and the implementation of measures to prevent or mitigate ML/TF. Accordingly, with the aim of improving its understanding and management of its risks, NAMLC, through the Financial Intelligence Unit (FIU), coordinated the conduct of Belize's first ML/TF National Risk Assessment (NRA), utilizing the World Bank Methodology. The NRA is a comprehensive exercise with its main objective being identifying and understanding the ML/TF risks posed to the country and analyzing the main sources and drivers of those risks. This will assist in the development of effective national risk-based policies and actions, and the allocation of available resources in the most efficient way, to eliminate, control or mitigate the identified risks, thereby providing effective protection for the country's financial system.

The findings of the NRA will assist authorities to:

- identify and understand the main sources, trigger points and methods of money laundering in Belize;
- identify and better understand the threats and vulnerabilities for ML/TF across the various sectors;
- evaluate weaknesses in the institutional systems for dealing with ML/TF;
- develop effective risk-based policies and actions; and
- build public sector capacity to counter threats, reduce vulnerabilities, and determine an efficient allocation of AML/CFT resources based on the level of risks.

METHODOLOGY

The World Bank Group has developed an analytical risk assessment tool to guide countries in conducting their ML/TF risk assessment at the national level. This tool was used by Belize in conducting its ML/TF risk assessment. The tool is centered around seven closely interrelated modules that focus on money laundering risk assessment, one module that focuses on terrorist financing risk assessment and another that focuses on risks associated with financial inclusion products. The latter module was not used during this assessment. At the time of the risk assessment exercise, Belize had not yet developed a financial inclusion strategy, and as a result did not have specific financial inclusion products.

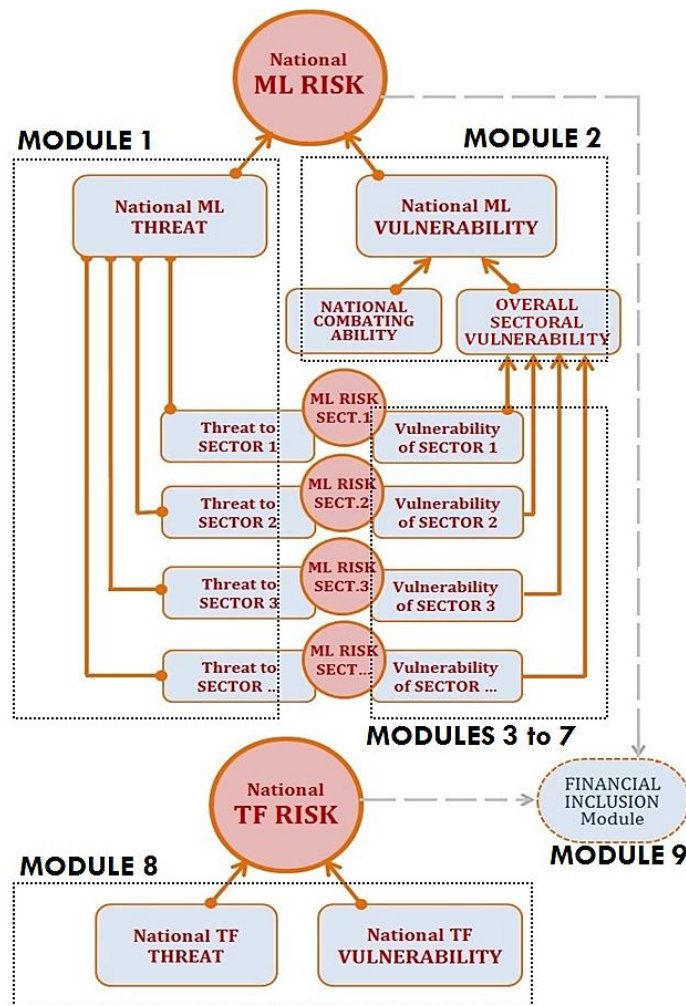


Figure 1: The Structure of the World Bank's Risk Assessment Tool
Source – World Bank

Prior to the official start of the NRA exercise, NAMLC organized a series of events aimed at sensitizing stakeholders, including Cabinet Ministers and their Chief Executive Officers, with the NRA process. The aim of this was to encourage support for the process and to secure the commitment of resources including staff

to undertake the NRA exercise. A total of about 50 persons representing regulatory, supervisory and enforcement agencies and other stakeholders formed working groups which were tasked with completing specific modules to assess ML threats or vulnerabilities. The stakeholder participation in the working groups included:

- Financial Intelligence Unit
- Central Bank of Belize
- International Financial Services Commission
- Office of the Supervisor of Insurance and Private Pensions
- Ministry of Foreign Affairs
- Ministry of Finance
- Income Tax Department
- Ministry of Economic Development, Petroleum, Investment, Trade and Commerce
- Attorney General's Ministry
- Belize Police Department
- Office of the Director of Public Prosecutions
- Statistical Institute of Belize
- Customs and Excise Department
- Immigration and Nationality Department

To assist with the assessment, views and inputs from private sector representatives were gathered through focus group meetings, interviews and questionnaires.

CHALLENGES/LIMITATIONS

Challenges in Gathering Quantitative Data

The major limitation of this exercise was the lack of some key data, which was a challenge across all working groups. Generally, systems which can readily gather data required for the assessment were not in place. Specific data challenges included:

- Cases where statistics requested were not available, or where they were available, they were outdated;
- Cases where the recording of available data had been done manually, making retrieval and processing difficult and time consuming;
- Data not being available due to AML/CFT compliance being relatively new to non-financial entities;
- Data on proceeds generated from some predicate offences not having been captured in any database;
- Data were not being collected on a centralized database which resulted in duplicated requests for data being made across multiple government departments and agencies; and
- Some sectors assessed are unregulated, resulting in no requirement to collect and maintain data.

Another challenge faced by the working groups in completing the exercise involved resource availability. This included lack of dedicated human resources to complete the NRA exercise, as working group members were required to continue to fully perform their regular employment duties which led to them not having sufficient time to focus on NRA responsibilities. The need to meet substantive organizational objectives often conflicted with the need to complete responsibilities for the NRA exercise.

One of the main achievements of the NRA exercise is that it allows for critical introspection at a national level with a view to putting in place measures aimed at addressing deficiencies in an effective organized and holistic manner. It also allows us to be forward thinking, ensuring that the country is progressive in addressing what may be emerging trends and typologies.

EXECUTIVE SUMMARY

INTRODUCTION

This is Belize’s first money laundering and terrorist financing (ML/TF) national risk assessment (NRA). The aim of this process is to identify, understand and assess the ML/TF risks faced by Belize. This NRA is also intended to provide the basis for an Action Plan, which will form the basis for further strengthening the Belizean AML/CFT regime.

The FATF is an inter-governmental body whose objectives are to set global AML/CFT standards and to promote and review the effective implementation of legal, regulatory, and operational AML/CFT measures. The Caribbean Financial Action Task Force (CFATF), which is a FATF Style Regional Body (FSRB), is an organization comprising several states in the Caribbean and Central and South America, which have agreed to implement common counter measures to address ML/TF and the financing of proliferation of weapons of mass destruction. CFATF is an associate member of FATF, and Belize has been a member of CFATF since October 1996.

In 2012, the FATF revised the international standards by placing at the core of its forty recommendations a new requirement for each country to identify, assess and understand ML/TF risks peculiar to its jurisdiction. Belize is committed to the implementation of the FATF’s recommendations which have been endorsed by over 200 countries as the international standards for combatting money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction¹.

The requirement to assess risks at country-level and implement risk-based mitigation measures is central to the FATF’s analysis of the effectiveness of each country’s AML/CFT regime, hence the work to undertake the NRA. This effectiveness analysis will be the main focus of the 4th Round Mutual Evaluation that Belize will undergo in 2023 to assess its compliance with the revised FATF Recommendations. This risk-based approach has to be adopted and implemented well before the 4th round of the CFATF mutual evaluations; so that Belize must complete its National Risk Assessment (NRA) in order to fulfill the most fundamental of its obligations under FATF Standards, which is to establish a baseline understanding of the actual risks which the country faces. Work on the NRA commenced in December 2016; in completing the exercise, data for the period 2010 to 2016 were utilized.

It is the intention of NAMLC to produce an updated report, utilizing the latest available data, to effectively reflect the current ML/TF risk level in the country and guide national actions to mitigate the risks.

¹The word “proliferation” when used further in this document refers to the proliferation of weapons of mass destruction.

Key Findings

Money Laundering Risk

Using the World Bank risk assessment tool, the national money laundering risk for Belize is assessed to be **Medium High**. This is a result of national ML threat (module 1) which is assessed to be medium and national ML vulnerability (modules 2 – 7) which is assessed to be medium-high.

The “medium” level assessment for the national ML Threat was arrived at following a review of 25 ML predicate offences to determine the prevalence of the offences in the country, together with the combination of an estimation of the level of funds being generated from those offences and the likely prevalence of ML in the various sectors subject to AML obligations in Belize.

The national ML vulnerability, which is assessed to be “medium-high”, was determined through an assessment of key features of the national and sectoral AML framework.

National ML Threat Analysis

The National ML Threat is assessed to be medium. The list of predicate offences contained in the MLTPA, Chapter 104 of the Laws of Belize, Revised Edition 2011, was used as the basis to determine the list of predicate offences which may present linkages to money laundering. It should be noted that the MLTPA was amended in 2016 to remove the schedule of predicate offences contained therein, thereby treating all serious offences as predicate offences under the MLTPA. Primary data for the national threat assessment were collected from the Police Department, the Magistrates’ and Supreme Courts, the Immigration Department, the Ministry of Human Development, the Department of the Environment, the Customs and Excise Department, the Income Tax Department, and the General Sales Tax Office. The data collected covered the period 2011-2016.

Of the 25 predicate offences assessed, one offence (Illicit Trafficking in Narcotic Drugs and Psychotropic Substances) is assessed as involving High money laundering threat (MLT); a second category of offence (Corruption and Bribery) is assessed as Medium-High MLT; four offences (Theft, Tax Evasion, Fraud, and Forgery) are assessed as Medium MLT; and three offences (Robbery, Smuggling of Goods, and Failure to Declare Currency) are assessed as Medium-Low MLT. These offences are regarded as the main proceeds generating crimes in Belize and are listed in the table below. The remaining 16 offences are assessed as constituting low MLT.

No.	Predicate Offence	Money Laundering Threat Rank	Source
1	Illicit trafficking in narcotic drugs and psychotropic substances	High	Foreign, Home
2	Corruption and Bribery	Medium High	Foreign, Home
3	Theft	Medium	Home
4	Tax evasion	Medium	Foreign, Home
5	Fraud	Medium	Foreign, Home
6	Forgery	Medium	Foreign, Home
7	Robbery	Medium Low	Home
8	Smuggling (Goods)	Medium Low	Foreign, Home
9	Failure to Declare Currency	Medium Low	Foreign, Home

Table 1: Main Offences that Generate Proceeds of Crime in Belize

National Vulnerability to ML

The national ML vulnerability is medium-high. This is influenced by the ML vulnerabilities identified in the sectoral and national AML frameworks. In assessing vulnerabilities in these frameworks, variables which reflect key features of the frameworks were assessed.

The sectoral vulnerability assessment indicates that most of the DNFBP and Other Financial Services sectors have high and medium-high vulnerability to ML.

The following tables present the results of the Money Laundering risk rating of the various sectors,²including the sector vulnerability ratings.

No.	Financial Sector	Threat	Vulnerability	ML Risk Rating
1	Remittance Service Providers	High	High	High
2	International Securities	High	Medium High	High
3	Money Lenders	Medium High	Medium High	Medium High
4	International OFS (A)	Medium-High	Medium High	Medium High
5	Credit Union	Medium	Medium High	Medium High
6	International Banking	Medium High	Medium	Medium High
7	International OFS (B)	Medium High	Medium	Medium High
8	Domestic Banking	Medium	Medium	Medium
9	International Insurance	Low	Medium	Medium Low
10	Domestic Insurance	Low	Medium Low	Medium Low

Table 2: Money Laundering Risk Rating of Financial Sectors

² International OFS (A) includes international asset protection and management, money transmission services and payment processing services. International OFS (B) includes brokerage consultancy or advisory services.

No.	DNFBP	Threat	Vulnerability	ML Risk Rating
1	Real Estate Agents	High	High	High
2	Dealers in Motor Vehicles	High	High	High
3	Businesses Operating in a Free Zone	High	High	High
4	Lawyers/ Notaries	High	Medium High	High
5	Casinos & Licensed Gaming Premises	Medium High	Medium High	Medium High
6	Accountants/ Auditors/ Tax Advisors	Medium High	Medium High	Medium High
7	TCSPs	Medium High	Medium High	Medium High
8	NPOs/ NGOs	Medium Low	Medium High	Medium
9	Dealers in Precious Metals & Stones	Low	Medium	Medium Low

Table 3: Money Laundering Risk Rating of Non-Financial Sectors

Banking Sector ML Vulnerability

The Banking sector is assessed to have a medium vulnerability rating. This sector is the largest sector within Belize's financial sector. Due to its asset size, high cash activity and product vulnerabilities, the banking sector was assessed as having medium vulnerability to money laundering. As a counter measure, the banking sector has made significant efforts in implementing mitigating processes and procedures in accordance with FATF Recommendations, the Basel arrangements, the MLTPA, and AML Guidelines issued by the domestic regulatory authorities. In addition, the Central Bank has ensured that banks are compliant with international standards and legal requirements by constantly monitoring banks through on-site examinations and off-site surveillance.

Securities Sector ML Vulnerability

Belize does not operate a stock exchange and domestic securities activity are not regulated, so that the nature and value of domestic securities activity is unknown. Domestic securities activity that may exist is not supervised for AML/CFT therefore, there was insufficient information to conduct an assessment of this sector. Research and study into domestic securities activity are required to generate the data required for effective risk assessment and supervision.

The international financial services sector (excluding international banking, which is supervised by the Central Bank) is regulated and supervised by the IFSC. Trading in Securities and Trading in Foreign Exchange (FX) outside of Belize, are services licensed in this sector. ML vulnerability assessments were conducted on licensees carrying out these services. ML vulnerability for both types of licensees is assessed to be Medium High. While comprehensive legal frameworks and effective entry controls exist for these sectors, vulnerability gaps exist in STR monitoring and reporting, AML knowledge of staff in these firms, and effectiveness of supervision procedures and practices.

Insurance Sector ML Vulnerability

For the period 2011 to 2016 the domestic insurance sector is assessed as having a medium low vulnerability to ML while the international insurance sector is assessed to have medium vulnerability. There is a noted difference in the type of business conducted by both sectors, the clients serviced, and the products and jurisdiction of operation, all of which together account for the difference in vulnerability rating.

There is a comprehensive legal and regulatory framework which provides laws and regulations regarding AML preventive measures and AML supervision in the insurance sector. There are effective entry controls for the sector, and a sufficient level of trained staff, and other resources which enable proper execution of duties. Vulnerability factors which require strengthening include availability and effectiveness of criminal sanctions, effectiveness of the compliance functions within some of the insurance entities, and STR monitoring and reporting.

Other Financial Institutions ML Vulnerability

The assessment conducted on the other financial services sector rated the sector as having Medium-high ML vulnerabilities as a result of various vulnerabilities faced by the Remittance Service Providers (RSP), credit unions, moneylenders, and money changers that operate in Belize's financial system.

Based on information available to the working group, AML vulnerability of RSPs is assessed to be high due to the volume and velocity of transactions and the need for improved compliance and monitoring systems within entities.

Credit unions are also assessed as having medium-high vulnerability. Their vulnerabilities stem from high volume of transactions; large membership base; proximity to border crossings; and weaknesses in the AML compliance programs of the entities.

Moneylenders are assessed as having medium high ML vulnerability. This sector has comprehensive AML laws and regulations that apply to it, and new-entry controls are high as the sector recently became subject to more focused regulation and oversight. However, AML compliance programs and systems among the entities are at a development stage, and adequate systems are not in place in many entities to identify, monitor or report suspicious activity.

Based on observations, ML vulnerability in the money changers sector is assessed as high. This vulnerability rating may not be accurate as the sector is not regulated, and little information is currently available on the size and nature of their activities. The bulk of operations in the sector appear to consist of currency conversions at border crossings in order to facilitate cross-border transactions. The source of start-up capital of the operations is undetermined; the source of funds for transactions cannot readily be determined; and the operations exist at the borders with adjacent countries alleged to have prevalent gang and narcotics issues. A more in-depth study of this sector is required to determine the nature and extent of its operations, and to determine the most effective approach to AML/CFT supervision.

DNFBPs ML Vulnerability

The ML assessment conducted on the DNFBP sector rated the sector as having high money laundering vulnerability. This is a result of the high vulnerability assessment of the real estate, dealers in motor vehicles, and businesses operating in a free zone sectors, which are also some of the sectors with the highest weights among DNFBPs.

The money laundering vulnerability of the real estate sector is assessed as High. This sector is unregulated and is the fourth largest revenue generator among the DNFBPs. Although there have been no money laundering convictions against real estate agents, there have been fraudulent activities in the real estate industry, some of which involves land transactions by attorneys-at-law and politically exposed persons (PEPs). Prior to 2016, AML supervision of this sector has been limited and extends mostly to registration of the entities with the FIU. Knowledge of AML issues and AML legal obligations for entities in this sector is also limited.

The money laundering vulnerability of the Accountants/Auditors/Tax Advisors sector is assessed as Medium-High. This sector is partially regulated as the Institute of Chartered Accountants of Belize (ICAB) licenses public accountants and auditors. However, there is no regulation of accountants who are not classified as public accountants. The FIU which is the AML supervisor for the sector is unaware of sector compliance levels with AML/CFT Reporting Obligations as there has been limited supervision of the sector. AML/CFT knowledge within this sector also requires improvement.

The money laundering vulnerability of the dealers in motor vehicle sector is assessed as High. This sector is unregulated and is the third largest revenue generator among DNFBPs. The FIU which is the AML supervisor for the sector is unaware of sector compliance levels with AML/CFT Reporting Obligations as there has been limited supervision of and AML outreach to the sector. There is also Lack of AML/CFT knowledge and knowledge of AML/CFT obligations within the sector.

The money laundering vulnerability of the Gaming Sector is assessed as High. Although this sector is regulated and there has been some level of AML Supervision of the sector, inherent vulnerabilities of the sector is high due to the high level of cash activity, client base profile, and size and volume of the activities of the sector. This sector is also the second largest revenue generator among DNFBPs.

The money laundering vulnerability of the Legal sector is assessed as Medium High. The sector is governed by the Legal Profession Act and regulation of the sector is bifurcated between the Supreme Court and the General Legal Council (GLC). The integrity of persons in the profession is rated as high and AML knowledge in this sector is higher than the average for the DNFBP sector. AML supervision of this sector is very low and STR activity monitoring and reporting by the sector is low.

The money laundering vulnerability of Dealers in Precious Metals and Precious Stones sector is assessed as Medium. Although this sector is unregulated, its size is estimated to be small and overall inherent vulnerability rating of the sector is medium.

The money laundering vulnerability of Businesses Operating in a Free Zone Area is assessed as Medium High. Although this sector is one of the few among DNFBDs which are regulated, it is the largest in terms of revenue generated and has a high inherent vulnerability rating due to factors such as its high-risk client base profile, cross-border activity, and high level of cash activity. STR monitoring and reporting and enforcement of administrative and criminal sanctions in this sector is also low.

Terrorist Financing Risk

The terrorist financing (TF) risk for Belize is assessed to be **Medium Low**. In assessing the level of TF risk an assessment was conducted of the national TF vulnerabilities and threats.

Based on the various measures undertaken at the national level to strengthen and improve capacity to detect and respond to terrorist acts; detect, investigate, and prosecute various forms of terrorist financing; and considering the fact that these measures have not been adequately tested; the Terrorist Financing vulnerability for Belize has been assessed as being **Medium Low**.

During the period under review there were no intelligence reports to suggest domestic terrorist organizations were operating within Belize and targeting Belize or foreign jurisdictions. There were also no intelligence reports to suggest regional or global terrorist organizations or individuals were targeting Belize for acts of terrorism, terrorist financing, terrorist recruiting or terrorism training. While there were three terrorist financing investigations during the period under review, there were no prosecutions or convictions. Based on the absence of evidence of terrorism activity or intelligence to support TF related activity in Belize, the TF threat is assessed to be **LOW**.

SECTION 1 – ML Risk

1.1. Overall Assessment of ML Risk

Overall ML Threat for the country is assessed as Medium while overall national ML vulnerability is assessed as Medium-High. The money laundering risk level for the country is then determined by mapping the ML Threat rating and ML vulnerability rating on a risk map as per below. Using this method in accordance with the World Bank’s NRA methodology, the ML risk level for the country is determined to be Medium-High.

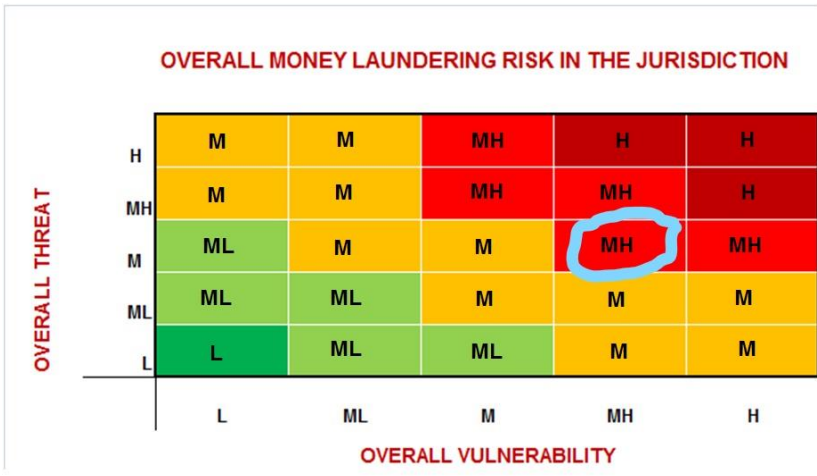


Figure 2: Country Money Laundering Risk Level

The findings and details that underlie the assessment and rating of National ML Threat and National ML Vulnerability are outlined in subsequent sub-chapters of this report.

1.2. National ML Threat Assessment

The national ML threat is assessed to be **Medium**.

Data for the period 2011 to 2015 was collected and reviewed to assist in determining the threat assessment rating. The predicate offences assessed to determine ML threat along with their rating (High, Medium High, Medium, Medium Low, and Low) and likely source/origin source is shown in the Table below.

No.	Predicate Offence	Money Laundering Threat Rank	Source
1	Illicit trafficking in narcotic drugs and psychotropic substances	High	Foreign, Home
2	Corruption and Bribery	Medium High	Foreign, Home
3	Theft	Medium	Home
4	Tax evasion	Medium	Foreign, Home
5	Fraud	Medium	Foreign, Home
6	Forgery	Medium	Foreign, Home
7	Robbery	Medium Low	Home
8	Smuggling (goods)	Medium Low	Foreign, Home
9	Failure to Declare Currency	Medium Low	Foreign, Home
10	Environmental crime	Low	Foreign, Home
11	Counterfeit and piracy of products	Low	Foreign, Home
12	Human Trafficking	Low	Foreign, Home
13	Participation in an organized criminal gang	Low	Home
14	Extortion	Low	Home
15	Migrant smuggling	Low	Foreign, Home
16	Terrorism including terrorism financing	Low	Foreign, Home
17	Illicit Trafficking in Firearms	Low	Foreign, Home
18	Handling of stolen goods	Low	Home
19	Insider trading	Low	Foreign, Home
20	False accounting	Low	Foreign, Home
21	Counterfeit currency	Low	Home
22	Kidnapping, restraint and hostage taking	Low	Home
23	Murder, grievous bodily injury	Low	Home
24	Piracy	Low	Foreign, Home
25	Blackmail	Low	Home

Table 4: List of Predicate Offences Assessed

In the context of persistent and structural challenges with the availability of data including reliable data on investigations conducted, it was agreed that the cases reported to law enforcement would serve as the basis for analysis of predicate offences in this module as this was the area where the greatest amount of data could be collected even though some challenges still existed. Of the cases reported to law enforcement agencies, not all progressed to an investigation.

(I) Illicit Trafficking in Narcotic Drugs and Psychotropic Substances

This ML threat was assessed to be high. Trafficking in illegal drugs in Belize appears to fall into two main categories, one involving cannabis, the other mainly involving cocaine and psychotropic substances, including substances that are narcotic precursors, but trading in which may not be illegal.

Activities involving cannabis include domestic production, distribution, and domestic use of the drug, as well as some importation of cannabis supplies, reportedly from Mexico and Guatemala. While there are reports of cannabis forming part of the ingredients in home-produced cakes and pastries, the product is primarily smoked, overwhelmingly, but not exclusively, by persons in lower-income brackets. The monetary value of the domestic trade is thought to be low, and, particularly given the social characteristics of the identified participants, is not considered to present a substantial money laundering threat. There has been little indication of cross border trading in cannabis, apart from occasional reported intercepts of relatively small quantities from Mexico, with this suggesting the possibility of small volumes entering the country from Guatemala as well.

Activities involving cocaine appear to have different characteristics. Belize is not a producer of the drug, and does not appear to be a significant consumer, partly because of cost, although there has been evidence of domestic use both of cocaine and of the cheaper crack-cocaine version. Rather, given its location, the country has been serving a transit function, with the drug being brought into the country both via seaborne drop-off in the waters around the numerous cayes and mangrove shoals (with uncollected briquettes washing ashore and contributing to beach-scouring “playero” operators), and in unauthorised aircraft landings on improvised airstrips in different parts of the country (with some aircraft being emptied and subsequently destroyed, or abandoned in operating condition). The volume and value of cocaine shipments through Belize are unknown, but are assumed to be considerable, based both on the estimated value of occasional intercepted shipments, abandoned aircraft, and on ongoing reports of unauthorised low-flying aircraft in Belize’s airspace. No information is available on how the drugs leave the country.

There has been only a small number of suspicious transaction reports from reporting entities that would indicate financial activity outside of established profiles on the part of individuals or other entities that might be related to drug trafficking, suggesting minimal use of the country’s financial system by cocaine traffickers and their local support arrangements.

Belize’s vulnerability to drug transshipments reflects a number of factors, including its physical location between the main drug-producing areas in South America and the major points of demand in North America; its low population density and relatively flat topography that facilitate the rapid preparation of airstrips and unauthorised aircraft and people movements; porous land and sea borders with Mexico and Guatemala; a long Caribbean seacoast with waters, popular for sailing, protected by the largest barrier reef in the Americas; and low average incomes and considerable poverty which both restrict the availability of resources for drug trafficking interdiction and other anti-crime activities, and make income-generating illegal activity attractive to parts of the population.

Data on total drug seizures for the entire review period was unavailable; however, data on 11 large drug seizures involving cocaine, marijuana, heroin, methamphetamine and other substances were available. This showed that the total value of these seizures which occurred during a four-year span was approximately

US\$39 million. This along with other qualitative data described above accounts for this ML threat to be classified as High.

Recent Developments:

Legislation decriminalised possession of marijuana of 10 grammes or less on November 2, 2017, and within this limit use of the drug within domestic premises is not prosecuted; no provision has, however, been made to permit the production or sale of the drug. Criminal prosecution of cannabis possession outside of the 10 gramme limit, with quantities in excess of 60 grammes constituting possession for sale, is active, with prosecutions and convictions for drug trafficking (leading to substantial fines or imprisonment) occurring every month.

Initial arrests involving two unauthorised aircraft landing incidents, and one involving detention of a motor vehicle transporting a substantial quantity of cocaine has not so far led to successful prosecutions; members of the Police Department were associated with all three events. An anti-drug operation by the Police in September 2019 resulted in the seizure of some 1,300 kg of cocaine, two motor vehicles and a twin-engine aircraft, and the arrest of six individuals, all non-nationals of Belize.

(II) Bribery and Corruption

This ML Threat was assessed to be medium-high. While there have been no effective prosecutions in this area, anecdotal indications are that there are substantial issues involving approvals, permits, rents, procurement, and valuations across the public sector. Ownership and transfer issues involving land, verification of ownership, uncertainty regarding allocations of Government-owned land, and the processes and procedures involved in these transactions have been ongoing subjects for public comment in the local media. More broadly, a number of issues involving suggestions of unethical behavior have led to changes in Ministerial portfolios and Ministers resigning from the Cabinet or being removed/fired from the Cabinet by the Prime Minister during the period under review. The issues have not been limited to elected officials nor to the current administration. There have been allegations of discriminatory action on the part of public officers not based on objective criteria, and of reductions in tax assessments, apparently only on the basis of requests for more favorable treatment, in property and business tax assessments in some municipalities; and there have been reports of problems in obtaining permits and approvals because of difficulty in locating particular staff members, difficulties that disappear when suitable arrangements are made. There have been continuing allegation of improper and discriminatory conduct in other tax-collecting and spending agencies in the public sector, including in the awarding of works contracts and contracts for the supply of goods and services.

Money laundering issues arising from bribery and corruption would be reflected in the financial system and other asset holdings of the individuals involved, not necessarily restricted to the Belize jurisdiction; the pattern of concealment of funds that are proceeds of bribery and corruption has usually involved the use of institutions in third countries.

(III) Theft

This ML Threat was assessed to be medium. For the reporting period, there were over 5,000 reported cases of theft making this one of the most pervasive offences in the country. A threshold of US equivalent \$10,000 was used to rationalize the volume of cases which generated significant proceeds. This resulted in 136 cases being detected. Total value of property stolen in these cases amounted to approximately US\$3.5 million. The majority of these cases involved theft of motor vehicles and marine vessels along with engines. The outcome of many of these cases remains pending. A fraction of these stolen vehicles, owing to the late model and type of vehicle, are presumed to be the work of a network of organized criminal groups between Guatemala and Belize. The foreign requests for information made to the FIU on this offence was 15.

(IV) Tax Evasion

This ML Threat was assessed to be medium. There are laws which govern the collection of taxes/revenue from each governmental revenue collection department in Belize. Belize has a territorial system of taxation for income tax. On the domestic front there are several structural weaknesses with the Income and Business Tax legislation which are only now being addressed in 2019 and which are anticipated to curb the prevalence of tax evasion within the economy.

One of the fundamental weaknesses with the Business and Income Tax legislation is the absence of supplementary regulations that are essential to providing the necessary mechanisms to support the provisions in the principal Act. This, along with a softer policy approach that was adopted at the time of implementation of the Act to make it politically saleable, contributes to an environment conducive to tax evasion. For example, businesses were not required to file income statements which form the support for representations made in a Return. In short, the Income Tax Department stopped getting financial statements on a regular basis. This lack of information significantly affected the Department's ability to perform viability tests to determine alignment of income filings with content in financial statements. Tax authorities believe that without easy access to this accounting information by tax auditors, significant tax evasion occurs.

These weaknesses were complicated by uncertainty over tax-filing obligations: Section 109(1) of the Income and Business Tax Act requires businesspersons and entities to file tax returns, failing which Section 109(2) prescribes the penalties for non-compliance. While it was obligatory for all to file tax returns, there was some confusion over the preceding Section 108, which states "There shall be exempt from tax – (a) receipts from trade, business, profession or vocation of less than \$75,000.00 per annum" which was interpreted by some persons to mean that if a business failed to reach that threshold, they were exempted from the tax, and so were logically exempt from filing as well. However, this Section of the law, while it sought to provide thresholds to certain income receipts, was never meant to void a businessperson's responsibility to supply a tax return. This challenge was further exacerbated when other persons took advantage of this lack of clarity and stopped filing altogether. The presence of these weaknesses within the law have led tax authorities to estimate a significant level of tax evasion at the domestic level although efforts are now underway to develop supplementary regulations. Unfortunately, while tax evasion is recognized as an acute

challenge in loss of revenue to the Government, there is no official data on the extent of tax evasion. This was reflected in discussion with officials from GST, Income and Business Tax, and the Customs and Excise Department. The General Sales Tax Department compliance measures in 2017 detected 216 cases of non-reporting and nonpayment of taxes of approximately BZD\$6,663,834.80 (an average of 18 cases monthly averaging BZD \$30,851 per case). It should be noted that these figures mask the true scale of the challenge with tax evasion.

Foreign Requests for Information sent to the FIU related to tax evasion showed a total of 23 requests over the period 2011-2016, with the number of requests from the USA topping the list. This offence ranks in the top five most cited offence in foreign requests for information. Belize signed on to the Convention on Mutual Administrative Assistance in Tax Matters on 29 May 2013. The Financial Secretary in the Ministry of Finance is the competent authority for the mutual exchange of tax information with convention members. In addition, Belize signed on to 20 bilateral tax information exchange agreements. As of July 2017, 68 Exchange of Information on Request (EOIR) and six (6) Regulator to Regulator requests had been received.

(V) Fraud

This ML Threat was assessed as medium. The Criminal Code Chapter 101 of the Laws of Belize recognizes the offence of fraud. The MLTPA amendment of 2013 saw the addition of fraud as a predicate offence in its Second Schedule of Serious Offences. During the period under review, data provided by the Police Department showed four cases of fraud being detected, with one involving proceeds of over US\$10,000. Although fraud registered only four cases over the period under review, it is an offence that has a strong component of "foreign threat" in comparison to the home jurisdiction. Requests for information received by the FIU for the period 2011-2015 showed fraud to be the most important area of interest, with a total of 198 requests, while forgery had three over the five-year period. The largest number of fraud-related requests came from Russia, with 53, with the USA generating 38, followed by the UK with 7.

(VI) Forgery

This ML Threat was assessed as medium. The number of domestic offences investigated relating to forgery during the period reviewed is 40 with the majority related to illegal land transactions and four (4) related to credit card fraud. Two of these cases detected involved proceeds in excess of US\$10,000 and totaled some US\$536,000. The Annual Report of the Office of the Ombudsman included forgery in relation to land transactions among the complaints received from the public.

Both fraud and forgery were repeatedly mentioned in the Senate Inquiry on the Auditor General's Special Report as being offences which facilitated the provision of falsified documents leading to the issuance of Belizean passports, residency, and visas to persons who were otherwise not eligible. Unfortunately, there was incomplete information on the quantum involved in the cases of fraud and forgery which made it difficult to assess the level of threat arising from these offences, and the final assessment was based largely on public perception and media reports.

(VII) Robbery

This ML Treat is rated as medium-low. There was a total of 2,056 reported cases of robbery reported with the vast majority of robberies being simple/low level robberies, although during this period, there were robberies of business establishments which yielded significant cash. A threshold of US \$10,000 was established to allow filtering of the data, which resulted in thirty of these cases being detected. These 30 cases involved property valued at approximately US \$862,337. This total was regarded as significant, and as presenting an ML threat.

(VIII) Smuggling and Contraband

This ML Threat was assessed as medium-low. Belize is a small country of 8,867 square miles with contiguous border with Guatemala to the West and South, and with Mexico to the North. Smuggling is prevalent and difficult to control because of the limited resources to prevent and detect smuggling at the porous borders. Smuggling of goods into Belizean territory appears to be more common along the border communities. The media constantly feature reports of smuggling of goods ranging from livestock, vegetables, out of season fisheries, alcoholic beverages, cigarettes and other high duty items.

Smuggling is covered under Section 112(1) (a-g) of the Customs Regulation Act, Cap 49 of the Laws of Belize, RE 2011 and provides for offences relating to the illegal importation, removal, transportation of restricted, prohibited, and uncustomed goods.

For the period under review the available data provided was from 2013-2015 in which there were 106 offences involving some BZD\$335,000. Officials from the Customs Department believe that these numbers are not reflective of the true scale of smuggling that occurs in Belize. Among the challenges noted in relation to this offence are the entrenched culture of smuggling in some parts of the country, the lack of financial and human resources for sustained patrols along the contiguous border shared with the relatively large economies of Guatemala and Mexico, and political interference in some of the larger smuggling busts. It was also noted that goods such as motor vehicles, believed to be payments from drug transactions, are also being smuggled into Belize.

Based on reports of smuggling by the Belize Customs Department and the media, it is evident that this offence is quite widespread and involves both many small operators of Belizean origin, and a few larger ones who deal with high end goods such as alcoholic beverages. Both nationals and foreigners are thought to be engaged in smuggling.

(IX) Failure to Declare

This ML Threat was assessed to be Medium Low. Failure to Declare Funds of BZD\$ 20,000 and over, when entering or exiting Belize, is a predicate offence under the Customs Regulations (Amendment) Act No. 6 of 2016. The responsibility for enforcement of this regulation was removed from the FIU and transferred to the Customs and Excise Department in 2016.

This offence does not constitute a direct ML threat but is construed as facilitating ML as the funds may reflect the commission of other offences, and large funds movements to and from Belize could very well involve ML. So, for example a person failing to declare large sums of money may trigger a ML investigation when a “source of funds” inquiry is initiated. Cross-border transport of large sums of cash is often used as a ML alert as it raises the obvious and pertinent question of why other less riskier means of funds transfers were not used. The source of funds inquiry triggered by failure to declare funds helps to shed light on whether funds were legitimately acquired. During the period under review 18 cases of “failure to declare” were detected by the FIU and these involved proceeds of approximately US\$546,702.

The other 16 predicate offences assessed by the working group were determined to have a low ML Threat.

After review of the ML threat presented by the 25 predicate offences assessed, and the threat in the various sectors assessed, the National Money Laundering Threat is assessed to be **Medium**.

1.3. National Vulnerability to ML

The national ML vulnerability is assessed to be medium-high. This is influenced by the ML vulnerability of the sectoral and national AML framework. In assessing vulnerability of these frameworks, variables which reflect key features of the frameworks were assessed. The overall national ML vulnerability is assessed to be **medium-high**. Sectors assessed to have a high level of ML vulnerability included Remittance Service Providers, Real Estate Agents, Dealers in Motor Vehicles, and Businesses operating in a Free Zone. For details on the vulnerability assessment of these and all other relevant sectors please refer to the sub-chapters later in this report.

FINANCIAL SECTORS

1.4. Banking Sector Vulnerability

The banking sector in Belize is assessed to have a **medium** level of ML vulnerability.

Belize’s economy is characteristically small and highly open, driven by exports of a narrow range of agricultural commodities and tourism. The country’s main trading partners are in North America and Europe. Belize’s banking system, with its links through correspondent institutions in trading partner countries, plays a pivotal role in providing intermediary services to the export and import sectors and facilitating international fund transfers and transaction settlements with the rest of the world.

During the review period 2012 to 2016, the banking sector in Belize comprised of up to six domestic banks licensed under the Domestic Banks and Financial Institutions Act (DBFIA) to carry on business with residents of Belize, and non-residents subject to the Exchange Control Act; and five international banks licensed under the International Banking Act (IBA) to carry on banking business exclusively with non-residents.

In 2015, de-risking negatively impacted the banking system and disrupted the cross-border flow of funds causing the number of customers of the international banks to decline by 63.43% or from 9,024 to 5,724 between 2014 and 2016. This also resulted in a reduction in the international banks’ liquidity position and total assets.

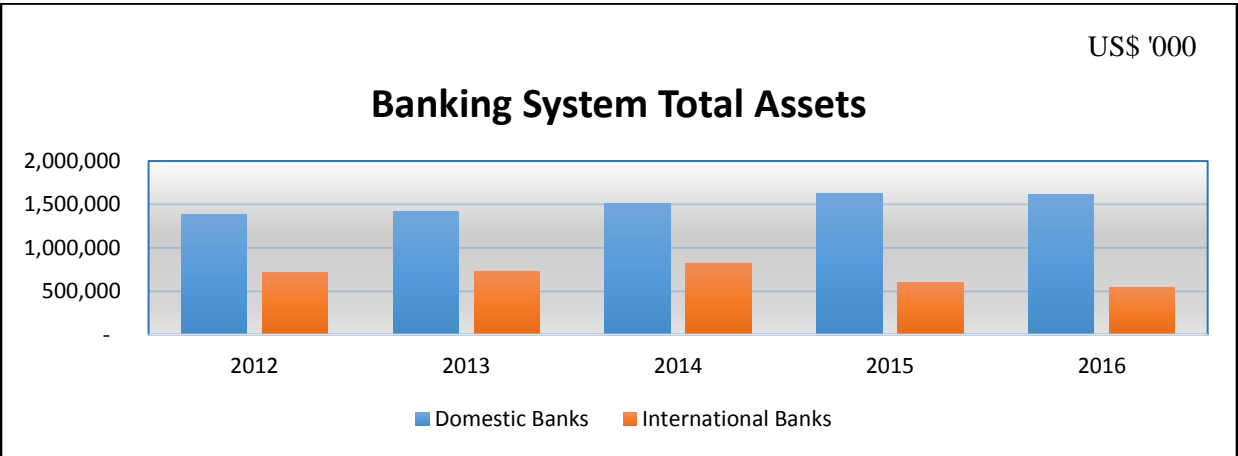


Figure 6: Banking System Total Assets

In assessing the level of ML vulnerability in the Banking Sector, 13 variables or factors were reviewed to determine problems, deficiencies or gaps in general AML controls. The table below reflects the variables which were reviewed and assessed, along with the ratings assigned.

BANKING SECTOR	ASSESSMENT RATING	
A. GENERAL INPUT VARIABLES		
Comprehensiveness of AML Legal Framework	(0.7) High	0.7
Availability and Enforcement of Criminal Sanctions	(0.6) Medium High	0.6
Level of Market Pressure to Meet AML Standards	(0.7) High	0.7
Availability and Effectiveness of Entry Controls	(0.8) Very High	0.8
Effectiveness of Supervision Procedures and Practices	(0.8) Very High	0.8
Availability and Enforcement of Administrative Sanctions	(0.7) High	0.7
Integrity of Banks' Staff	(0.7) High	0.7
AML Knowledge of Banks' Staff	(0.7) High	0.7
Effectiveness of Compliance Systems	(0.8) Very High	0.8
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.7) High	0.7
Availability and Access to Beneficial Ownership Information	(0.6) Medium High	0.6
Availability of Reliable Identification Infrastructure	(0.5) Medium	0.5
Availability of Independent Information Sources	(0.4) Medium Low	0.4

Figure 7: General Input Variables and Assessment Ratings

As seen in the table above, the greatest gaps and deficiencies in AML controls are found in the variables which are rated lowest. These include the availability of independent information sources, availability of reliable identification infrastructure, availability and access to beneficial ownership information (all three of which were assessed on a national level and ratings used across the various sectors), and availability and enforcement of criminal sanctions.

Three variables being “availability and access to beneficial ownership information”, “availability of reliable identification infrastructure” and “availability of independent information sources” were assessed at a country level, and the ratings assigned were used in the National Vulnerability module and all modules which assessed vulnerability of the domestic sectors.

The medium low rating assessed for the availability of independent Information sources is driven by the fact that the availability of independent sources of information which can enhance financial transparency when CDD is being conducted by reporting entities is limited. Belize does not have a national credit bureau, with the nearest to such a system being a private initiative which collects information on bad credit from some credit institutions and shares the information for a fee. Other sources of information on client transactional patterns such as bank references and utility bills are available but require permission of the clients to access.

The medium rating of availability of reliable identification infrastructure is driven by the absence of a national identification system in Belize. Although the reported level of use of fraudulent ID is low and the Social Security Card is a fairly secure form of identification due to the checks and balances and security arrangements in place for its issuing, it relies on the use of a birth certificate which is issued by the Vital Statistics Unit (VSU). There have been allegations that the integrity of persons employed in the VSU and persons confirming births has been compromised.

The medium-high rating of the availability and access to beneficial owner information is driven by the fact that information relating to domestically incorporated companies is available publicly through the Belize Companies and Corporate Affairs Registry. However, files and records at the Registry are kept manually and are therefore not always easily accessible. Companies are also required by law to do an annual filing of directors, shareholders and share capital with the Registry; however, there is no system in place to monitor compliance with this.

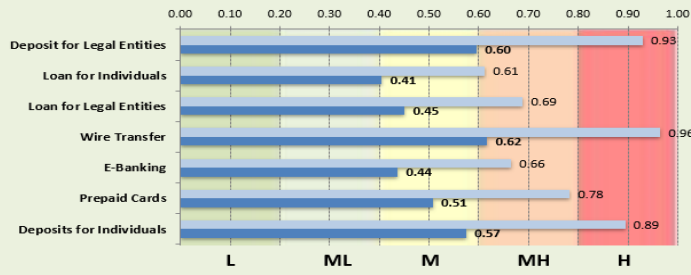
Availability and enforcement of criminal sanctions is also rated as medium-high. This is driven by the absence of successful prosecution of persons for offences related to AML obligations, even though criminal sanctions are available. Due to the absence of criminal sanctions being applied, the dissuasiveness of the sanctions available have not been tested.

Vulnerability of Banking Products

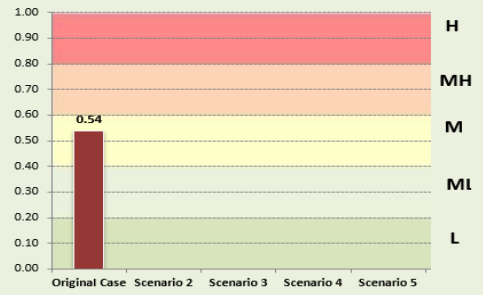
Banking products with the highest level of vulnerability include wire transfers with medium-high vulnerability, and deposits for individuals and deposits for legal entities with medium vulnerability. The level of vulnerability for wire transfers is driven by the volume and size of these transactions along with the high level of cross border movements of funds involved in these transactions. The level of vulnerability of deposits for individuals is driven by the cash intensiveness of these transactions and the fact that deposits are a primary point for illicit funds to enter the banking system. Vulnerability of deposits for legal entities is driven by it being very cash intensive and available to a range of customers.

The Banking Sector vulnerability module produces output charts which reflect the level of the banking sector's ML vulnerability, the vulnerability of all products assessed, and the assessment results for intermediate variables such as Quality of General AML Controls, in a visual format. Copies of these charts which were generated for the sector are shown below.

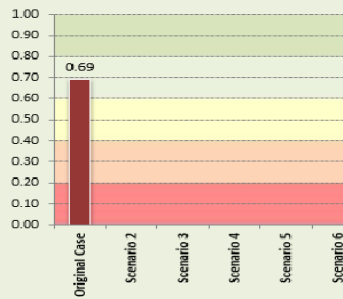
PRODUCT/SERVICE VULNERABILITY (LAST CASE)



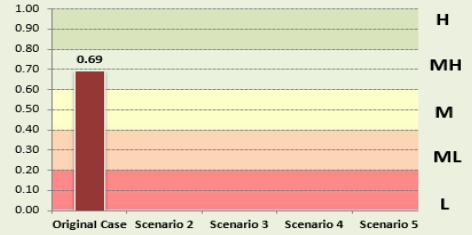
BANKING SECTOR VULNERABILITY



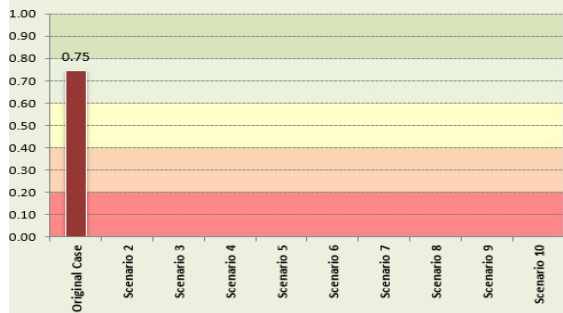
QUALITY OF BANKS' OPERATIONS



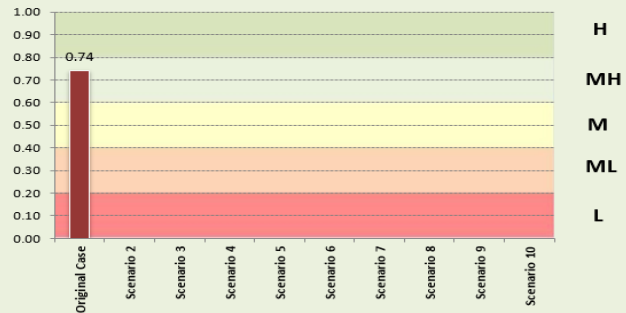
QUALITY OF GENERAL AML CONTROLS



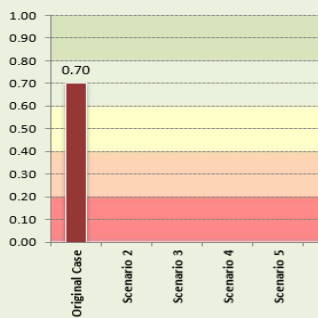
QUALITY OF INTERNAL AML POLICIES AND PROCEDURES



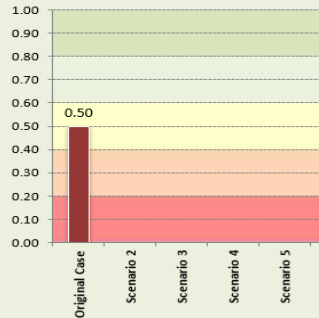
COMMITMENT AND LEADERSHIP OF BANKS' MANagements



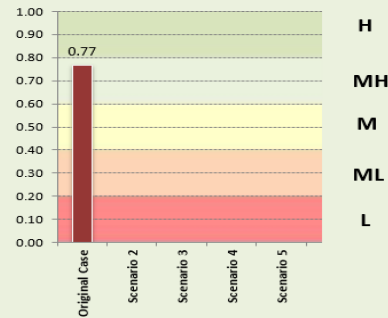
COMPLIANCE OF BANKS' STAFF



QUALITY OF CDD FRAMEWORK



QUALITY OF AML SUPERVISION



LEGEND
■ Final Product/Service Vulnerability
■ Inherent Product/Service Vulnerability

LEGEND
■ Vulnerability/Controls (Original Case)
■ Vulnerability/Controls (Scenario Analysis)

Figure 8: Banking Sector Output charts

1.5. International Securities Sector ML Vulnerability

The International Securities Sector in Belize is assessed to have a **medium-high** level of ML vulnerability.

Belize, through the International Financial Services Commission (IFSC), licenses a full menu of international financial services (IFS) some of which includes investment vehicles designed to meet the needs of sophisticated investors around the world. As the range of services has widened, Belize has become a more convenient place to do business. The IFSC licenses, regulates and supervises these IFS institutions. Its full mandate includes:

1. Promoting and developing Belize as a center for international financial services;
2. Protecting and enhancing the reputation of Belize as an offshore financial center;
3. Providing appropriate supervision and regulation of international financial services;
4. Formulating policies and providing advice and assistance to the government on the regulation of such services;
5. Collecting, storing and disseminating reliable and timely information to interested parties on changes and new trends in these services.

The international securities sector enables non-resident individuals and entities to access the Belize financial system. This sector comprises two activities licensed and supervised by the IFSC: trading in financial and commodity-based derivatives and other securities (TS) as well as trading in foreign exchange (FX). The number of TS trades during 2016 totaled 265,851,944 with a value of US\$425.5 billion, while the number of FX trades was 2,966 with a total value of US\$278.4 million³. TS firms offer various types of derivative instruments and securities including futures, options, interest rates, foreign exchange instruments, shares, stock, contract for differences, etc. Approximately 50% of TS Licensees also offer FX instruments. TS/FX licensees licensed by the IFSC were at the time of the assessment prohibited from conducting business with residents of Belize; therefore 100% of their clients are non-residents.

In assessing the level of ML vulnerability in the securities sector, 13 variables or factors were reviewed to determine deficiencies or gaps in general AML controls. The below table reflects the variables which were reviewed and assessed, along with the ratings assigned.

³ IFSC statistics

	ASSESSMENT RATING	
A. GENERAL INPUT VARIABLES/AML CONTROLS (FOR SECURITIES INSTITUTION TYPE)		
Comprehensiveness of AML Legal Framework	(0.7) High	0.7
Effectiveness of Supervision Procedures and Practices	(0.5) Medium	0.5
Availability and Enforcement of Administrative Sanctions	(0.6) Medium High	0.6
Availability and Enforcement of Criminal Sanctions	(0.5) Medium	0.5
Availability and Effectiveness of Entry Controls	(0.6) Medium High	0.6
Integrity of Staff in Securities Firms	(0.4) Medium Low	0.4
AML Knowledge of Staff in Securities Firms	(0.4) Medium Low	0.4
Effectiveness of Compliance Function (Organization)	(0.5) Medium	0.5
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.3) Low	0.3
Level of Market Pressure to Meet AML Standards	(0.6) Medium High	0.6
Availability and Access to Beneficial Ownership Information	(0.5) Medium	0.5
Availability of Reliable Identification Infrastructure	(0.0) Does Not Exist	0
Availability of Independent Information Sources	(0.0) Does Not Exist	0

Figure 9: General Input Variables and Assessment Ratings Securities Sector

The greatest gaps and deficiencies in this sector are in respect of the availability of reliable identification infrastructure and availability of independent information sources. These two variables along with the availability and access to beneficial ownership information were assessed at a national level for most other working groups. However, this sector was assessed separately in relation to the IFSC as it has a strictly non-national customer base which means that domestic independent information sources are not available, nor are identification infrastructure, as well as in some instances access to beneficial ownership information to verify customer identity and transaction patterns. Significant gaps and deficiencies were also identified in other AML control variables as outlined below.

The major deficiency in effectiveness of supervision procedures and practices stems from the limited number of onsite inspections conducted in this sector. Onsite inspections in this sector only began in 2014 and for the period reviewed, only 4 onsite inspections have been conducted. The limited number of onsite inspections is due to insufficient number of on-site inspectors as well as only few companies having physical presence in Belize. The IFSC has not employed resources to conduct onsite inspections on TS/FX licensees who are not physically present in Belize. The risk-based supervisory approach is employed to a limited extent in relation to other offshore services, but not holistically as proposed by the FATF. Offsite surveillance of the licensees is also conducted; however, this is done more from a prudential perspective than an AML one. While written guidelines exist for conducting reviews of the licensees, no formal policy or procedures manual for the process has been implemented.

Availability and enforcement of criminal sanctions is rated as medium. The major deficiency in this AML control is due to the fact that there are no statistics or records of AML-related criminal sanctions pertaining

to TS/FX licensees, although the MLTPA provides for a range of administrative and criminal sanctions which over 90% of licensees acknowledged being aware of.

The integrity of staff in securities firms is also rated as medium. From the perspective of the IFSC, there are some complaints against TS licensees and their staff although the specific reasons and actual numbers were collected but not recorded in a database for ease of reference. The low number of onsite inspections conducted also makes it difficult to determine whether the staff vetting programmes are effective; or detect incidence of disciplinary action for breaches of integrity-related rules, and to what extent under-reporting may be occurring.

AML knowledge of staff is rated as medium-low. Due to the lack of AML inspections in this sector, AML knowledge of the staff could not be tested or verified. Licensees were surveyed and they confirmed having appropriate AML/CFT training programs in place to ensure AML/CFT obligations and contents are covered.

Effectiveness of AML monitoring and reporting is rated as low. The STR system appears to be unacceptable. Prior to 2016 no STR was filed by this sector. In 2016, only two licensees were reported to have filed STRs.

Availability and access to beneficial ownership (BO) information was rated as medium. BO information is only readily available for IBCs or ILLCs registered in or administered in Belize. For the general IBCs and ILLCs, the beneficial ownership information must be kept by the registered agent and produced to a competent authority upon request within twenty-four hours. However, this is not applicable to clients of IFS providers if the clients are not an IBC or ILLC registered or administered in Belize.

Availability of reliable identification infrastructure is rated as "does not exist". This is a result of the clients of these licensees being non-nationals or non-residents of Belize. The Belize national identification infrastructure is therefore inapplicable to clients in this sector. It is not possible to assess identification infrastructure for all jurisdiction from where clients of this sector come.

Availability of independent information sources is also rated as does not exist for this sector. Sources that do exist in Belize would not be applicable to this sector as the clients are non-Belizeans who are also non-residents. Whether independent information is available depends on the jurisdiction of a client and numerous jurisdictions' information sources may need to be assessed for independence and reliability.

The level of the International Securities' ML vulnerability and the assessment results for intermediate variables, in a visual format as generated based on the information inputted in the Excel tool, is shown in the tables below.

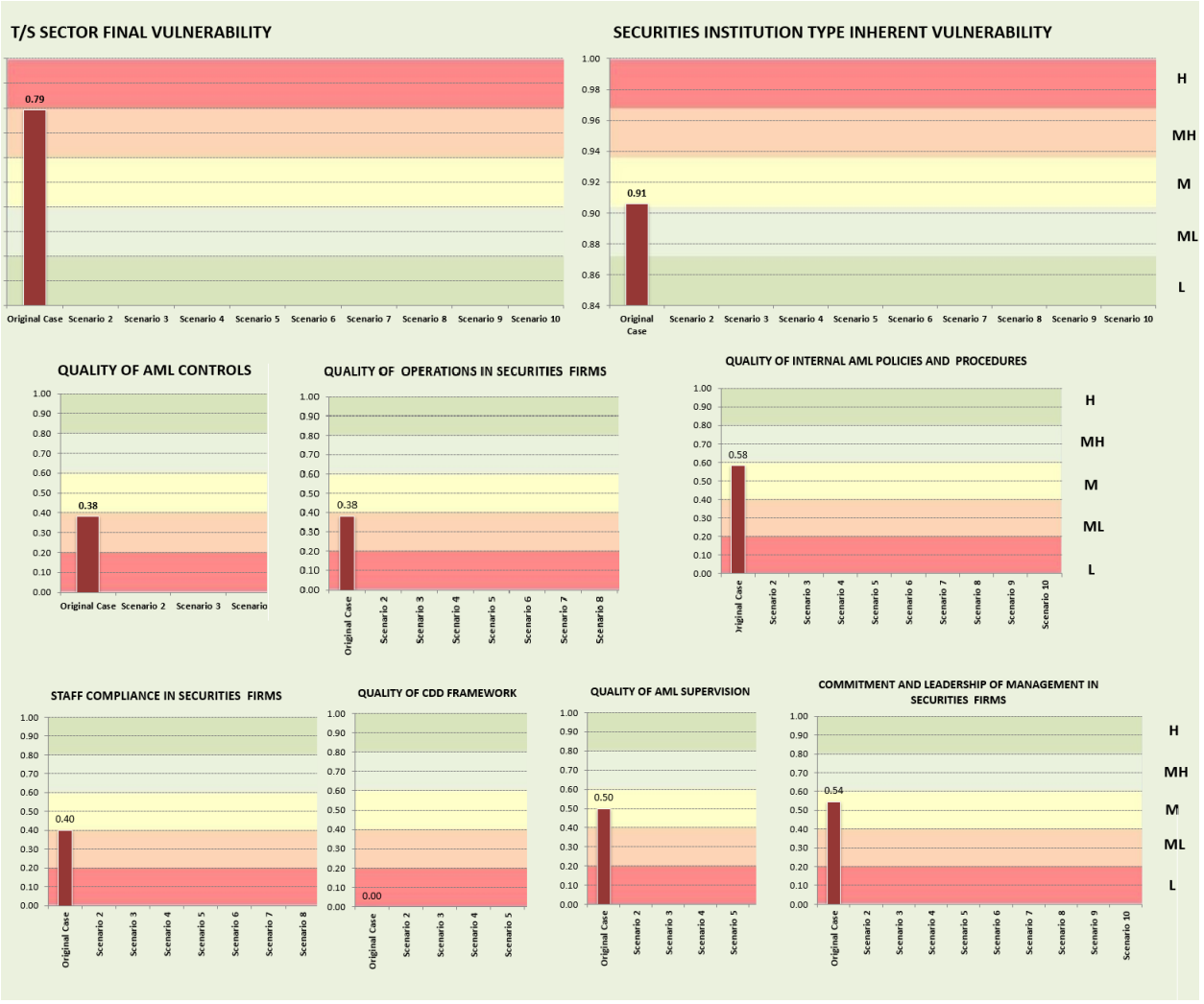


Figure 9: Securities Sector Output Charts

1.6. Insurance Sector ML Vulnerability

The domestic insurance sector in Belize is assessed to have a **medium-low** level of ML vulnerability while the international insurance sector is assessed to have a **medium** level of ML vulnerability.

Belize has both a domestic and an international insurance sector which prior to August 2015 were supervised separately, with two distinct Supervisors. Both sectors are now jointly supervised by the Office of the Supervisor of Insurance and Private Pensions (OSIPP).

In the domestic sector, the life insurance products remain traditional. Property insurance policies are standard but provide comprehensive coverage. Third party motor vehicle insurance is compulsory in Belize. Traditional whole life insurance and endowment policies dominate the life insurance sector. The international insurance sector is relatively small and dominated by mainly captives and reinsurers. Life insurance in the international sector is only conducted on a limited basis.

The FATF recommendations stipulate that the requirement to implement effective AML/CFT measures should apply to natural or legal persons who underwrite or place life insurance and other investment related insurance on behalf of a customer. The MLTPA stipulates that insurance business defined as “the assumption of the obligations of an insurer in **any** class of insurance business and includes reinsurance business” is subject to the Act. This means that providers of insurance other than underwriting and placement of life insurance and other investment related insurance are also subject to obligations for ML/TF preventative measures.

Money Laundering vulnerabilities for both the domestic and international insurance sectors were reviewed for the period 2011 – 2016.

Domestic Insurance Sector

The domestic insurance sector, when compared by asset size to the total financial sector, is small with asset size of BZD\$272 million as at December 2016. This represents 4.9% of the financial sector or 7.7% of GDP.

	No of Institutions				Asset Size (BZ\$ million)				% of Total				% of GDP			
	Dec-13	Dec-14	Dec-15	Dec-16	Dec-13	Dec-14	Dec-15	Dec-16	Dec-13	Dec-14	Dec-15	Dec-16	Dec-13	Dec-14	Dec-15	Dec-16
Depository Institutions																
Domestic Banks	6	6	6	5	2,830	2,967	3,249	3,228	53.7	52.5	57.6	58.0	87.7	86.9	93.2	92.5
International Banks	5	5	5	5	1,398	1,573	1,204	1,061	26.5	27.9	21.4	19.1	43.3	46.1	34.6	30.4
Credit Unions	12	12	12	12	717	768	831	903	13.6	13.6	14.7	16.2	22.2	22.5	23.9	25.9
Non-depository FIs 1/																
Development Financing	1	1	1	1	90	90	104	105	1.7	1.6	1.8	1.9	2.8	2.7	3.0	3.0
Insurance Companies 1/																
Life (Long Term)	6	6	4	3	149	162	164	176	2.8	2.9	2.9	3.2	4.6	4.8	4.7	5.0
Nonlife (General)	6	4	4	4	58	60	62	67	1.1	1.1	1.1	1.2	1.8	1.7	1.8	1.9
Composite	2	2	2	2	26	26	27	29	0.5	0.5	0.5	0.5	0.8	0.8	0.8	0.8

Source: Central Bank of Belize & Supervisor of Insurance

Table 5: Belize Financial System^{4 5}

Insurance business is classified into two categories – general insurance (non-life) and life insurance. Most general insurance companies have branches in the districts and as such distribution through agents is limited. Life insurance companies use agents for the distribution and servicing of insurance products. In aggregate, 62% of the life insurance business is booked by the head office, including the branch offices, while 33% is acquired through agents, and the remainder from brokers.

In assessing the level of ML vulnerability in the domestic insurance sector, 12 AML control variables were assessed to determine deficiencies or gaps in general AML controls. The controls that are most deficient and contribute to increase ML vulnerability include availability and enforcement of criminal sanctions, effectiveness of compliance function, effectiveness of suspicious activity monitoring and reporting, availability of reliable identification infrastructure, and availability of independent information sources.

The medium rating assessed for availability and effectiveness of criminal sanctions is driven by the absence of cases of criminal prosecution and conviction of persons for ML or breaches of ML obligations in the sector, even though the MLTPA provides for criminal sanctions.

The medium rating for effectiveness of the compliance function in the sector is based mainly on the findings of on-site inspections conducted in 2014 and 2016. During the 2014 examinations AML manuals were found to be outdated with two entities having only basic guidelines on AML and STR reporting. During the 2016 inspections updated AML manuals were noted, and while there had been improvements in the conduct of CDD for customers of the sector, some CDD information was still not being held by the insurance entities.

⁴ CBB provided the consolidated data.

⁵ The data presented on the “Belize Financial System” does not take into consideration the association of underwriters.

On-site Inspections Conducted in the Insurance Sector		
Year	Insurance Companies	Insurance Brokers
2011	2 Full	0
2012	0	0
2013	0	0
2014	11 AML	1 AML
2015	0	0
2016	2 Full	0

Table 6: On-site Inspections Conducted in the Insurance Sector

Effectiveness of suspicious activity monitoring and reporting was also rated as medium. This is due to the low level of STRs filed by the sector during the period under review. Only three STRs have been filed by the sector for the period under review despite the entities having the structures in place to identify and report suspicious transactions.

The three variables, availability and access to BO information, availability of reliable identification infrastructure, and availability of independent information sources were assessed at the national level, and the same ratings that were applied to the assessment in the national vulnerability module were applied to this sector. Details of these assessments can be found in section 1.3 of this report.

The table below also reflects the level of ML vulnerability for the various domestic insurance products. It should be noted that the product with the highest level of vulnerability is universal life insurance, with a vulnerability rating of medium. This product is known to have high values, to include availability of investment type policies, to have limited existence of typologies on the abuse of the product, and no product specific AML controls. These factors have led to the medium vulnerability rating of the product. All other seventeen products assessed were determined to have medium low or low ML vulnerability ratings.

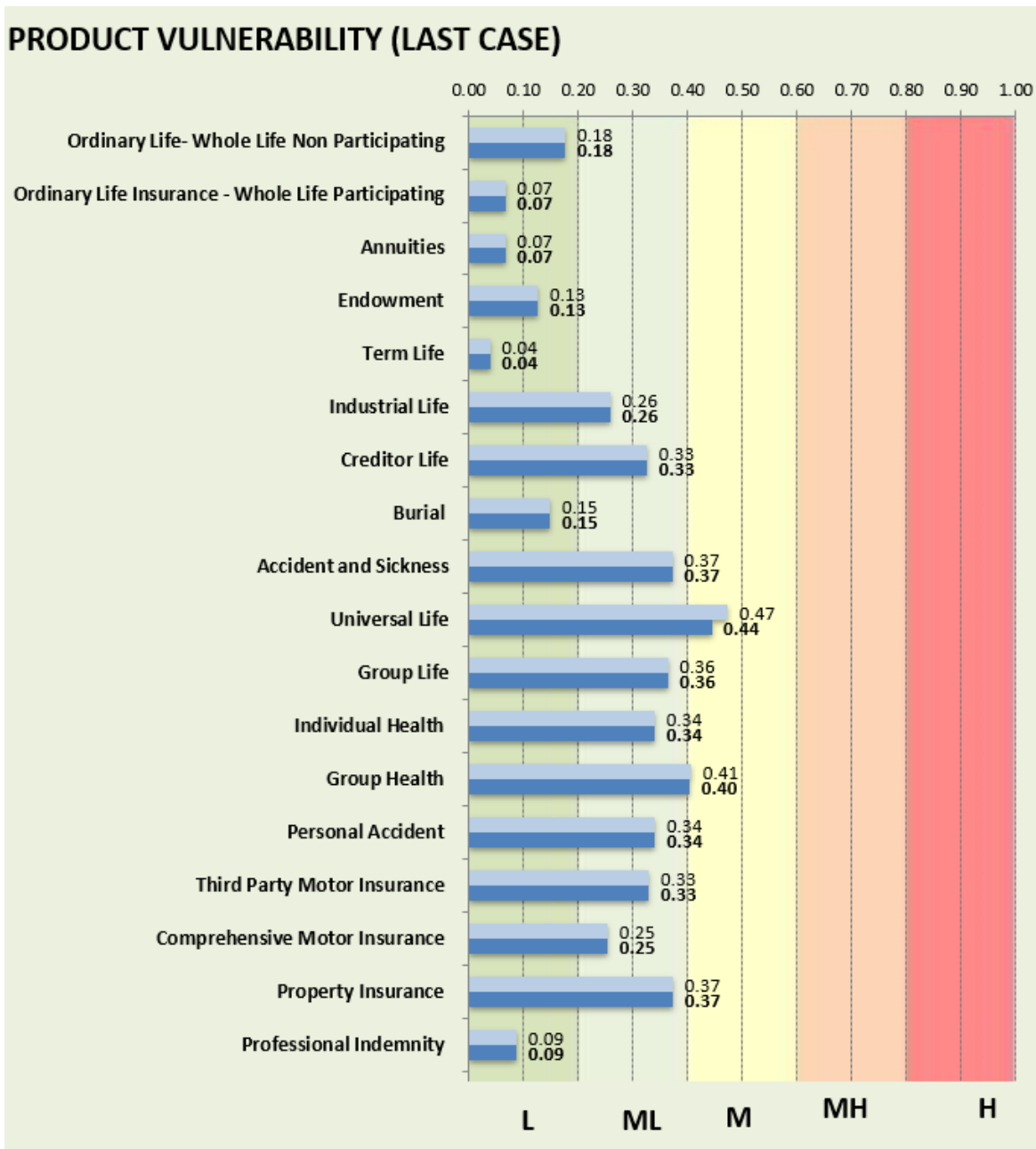


Figure 10: Product Vulnerability Rating Domestic Insurance

International Insurance Sector

The total asset size of the international insurance sector for the period reviewed was relatively small; however, not all licensees submitted audited financials, and those that did demonstrated very little activity. The total asset size for the sector as at 2016 was estimated to be US\$515.4 million. Life insurance companies licensed under the International Insurance Act (IIA) do not use agents to conduct business as they do business online. The captives provide insurance to their affiliated companies, so they do not require the use of agents to conduct business.

International Insurance Total Assets US\$			
Year	Life Insurance	Re-Insurance	Captives
2011	N/A	\$10,935,222	N/A
2012	N/A	\$36,259,015	N/A
2013	\$223,427	\$31,957,486	N/A
2014	\$236,760	\$444,804,274	\$5,484,663
2015	\$1,060,847	\$464,776,151	\$10,401,247
2016	\$826,076	\$514,554,924	N/A

Table 7: Asset Size – International Insurance

The same 12 variables that were used to assess the general AML controls in the domestic insurance sector were used to assess the international sector.

The medium vulnerability rating of this sector indicates that it is more vulnerable than the domestic sector and is due to the deficiencies identified in the variables integrity of staff in insurance companies, effectiveness of the compliance function, and effectiveness of suspicious activity monitoring and reporting.

The medium low rating for integrity of staff in insurance companies is driven by the fact that Insurance Managers (IM) and Principal Insurance Representatives (PIR) of the international insurance companies do not undergo an effective fit and proper test. As these entities are only providing minimal administrative services, the staff is limited to 1-2 persons. Other than the assessment of the biographical affidavits, there has been no other assessment of the integrity of the IM and PIR staff.

The very low rating of effectiveness of compliance function is due to the non-existence of AML/CFT inspections being conducted on the international insurance sector during the period reviewed; however, all licensees in the sector were required to update their licensing information including the filing of new biographical affidavits. This variable can only be properly assessed using examinations results, and this has been lacking in the sector.

The effectiveness of suspicious transactions reporting was also rated as very low for this sector. Since international insurers do not conduct business within Belize, they would not normally file an STR on clients. In the international insurance sector; on the other hand, it would be expected that the IM or PIR would file STR or SAR on the insurance companies they represent. No STRs have been filed by the international insurance sector. Further review of this sector is required to determine whether the monitoring and reporting systems in place are appropriate.

Vulnerability assessment of the International Insurance products was also conducted, and reinsurance was found to be the most vulnerable product with a vulnerability rating of medium high and a score 0.72. This was followed by international life insurance which also had a vulnerability rating of medium high. Captives was considered the least vulnerable with a rating of medium and a vulnerability score of 0.48. Please see table below with vulnerability ratings for all products.

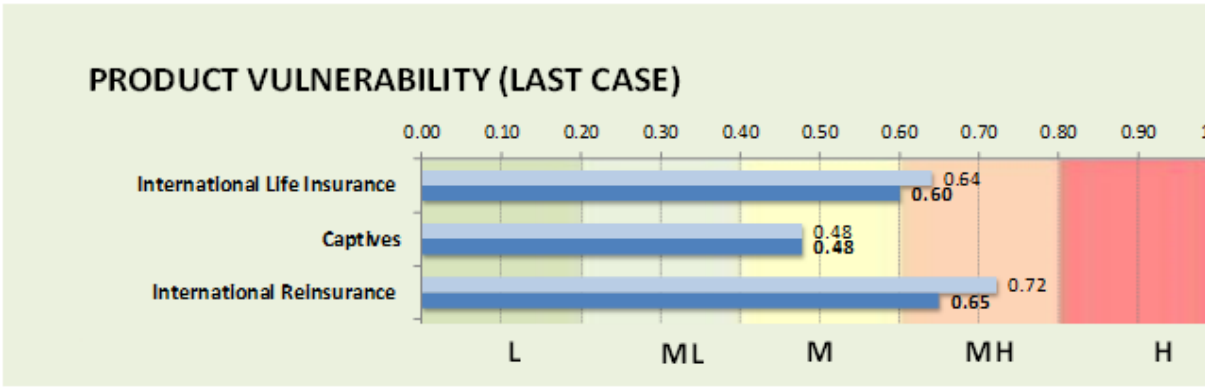


Figure 11: Product Vulnerability for International Insurance

1.7. Other Financial Services (Domestic)

Other financial services (OFS) refer to sectors that provide financial services but are not operating as a commercial bank. For the purpose of this report, these sectors include the regulated operations of credit unions, remittance service providers (RSP), and moneylenders (including those moneylenders that operate as pawnbrokers), as well as the unregulated activities of money changers. In assessing the level of ML vulnerability in these sectors, the period 2012 to 2016 was reviewed and 12 ML control variables were considered. The table below indicates the ML vulnerability ratings for the other financial services sectors.

Other Financial Services Sector	ML Vulnerability Rating
Credit Union	Medium-High
Remittance Service Providers	High
Money Lenders	Medium-High
Money Changers	High

Table 8: ML Vulnerability Rating of the OFS Sectors

The Table below indicates the 12 ML variables that were assessed along with their assessed rating by sector.

AML CONTROL VARIABLES	SECTORS			
	RSP	CREDIT UNIONS	MONEY LENDERS	MONEY CHANGERS
Comprehensive Legal Framework	0.7	0.7	0.7	0.7
Effectiveness of Supervision/Oversight Activities	0.4	0.4	0.2	0.1
Availability and Enforcement of Administrative Sanctions	0.5	0.5	0.4	0.4
Availability and Enforcement of Criminal Sanctions	0.4	0.4	0.4	0.3
Availability and Effectiveness of Entry Controls	0.7	0.7	0.5	0.2
Integrity of Business/Institution Staff	0.3	0.5	0.2	0
AML Knowledge of Business/Institution Staff	0.4	0.4	0.1	0
Effectiveness of Compliance Functions (Organization)	0.3	0.4	0.1	0
Effectiveness of Suspicious Activity Monitoring and Reporting	0.2	0.4	0	0
Availability and Access to Beneficial Ownership Information	0.6	0.6	0.6	0.6
Availability of a Reliable Identification Infrastructure	0.5	0.5	0.5	0.5
Availability of Independent Information Sources	0.4	0.4	0.4	0.4

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0

Legend :

Table 9: AML Control Variables and Ratings OFS Sector (Domestic)

1.7.1. Credit Unions

The credit union sector is assessed to have a medium-high level of ML Vulnerability.

Credit unions are member-owned financial institutions that provide savings, loans and other financial services to their members. As at 31 December 2016 there were 8 credit unions registered by the Central Bank. The chart below shows that credit unions had over 160,000 members during 2012-2016. Credit unions are the next most utilized type of financial institution in Belize, after commercial banks.

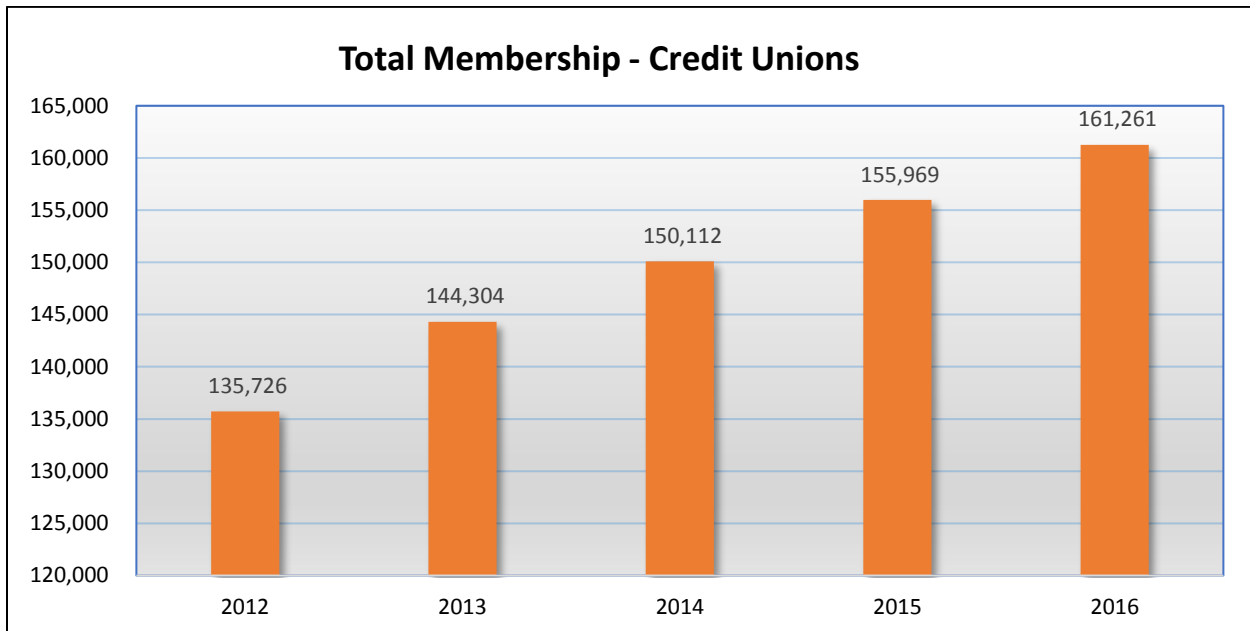


Figure 12: Total Membership of Credit Unions

There are credit union operations in all six districts of the country. At the end of 2016, outstanding loans totaled BZD\$622 million, with combined members' savings of over BZD \$700 million and assets of over BZD \$900 million. The chart below provides an indication of the relative asset size of institutions at end-2016, with one institution accounting for more than one-half of total credit union assets.

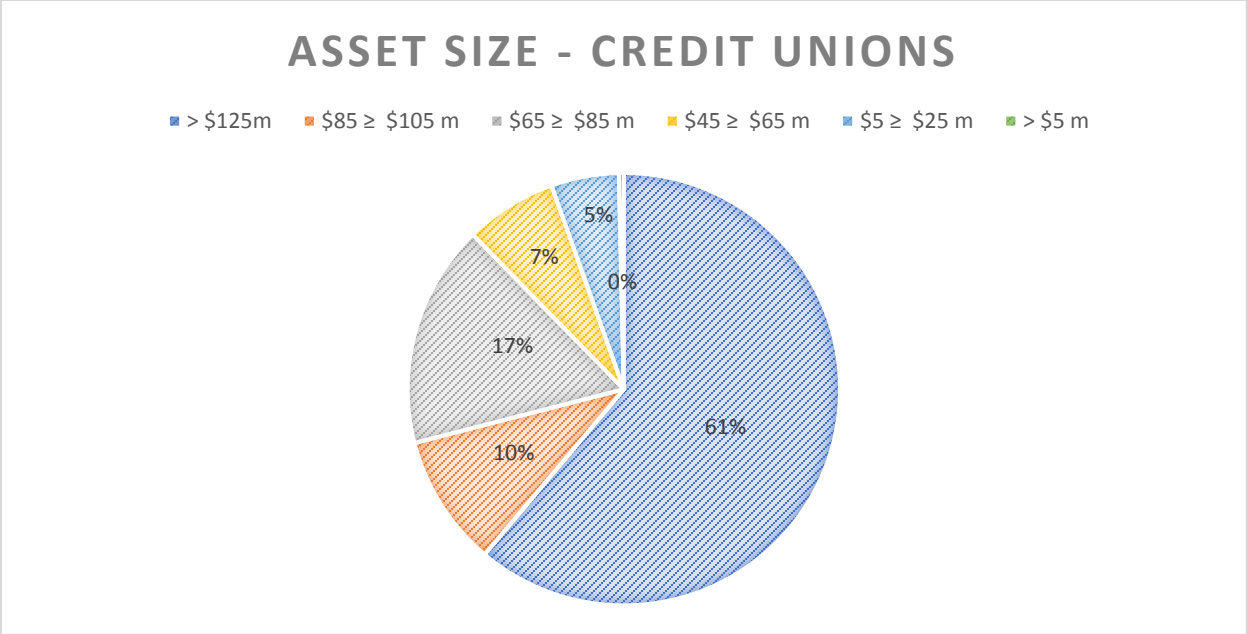


Figure 13: Asset Size of Credit Unions 2016

The ML vulnerability of the credit unions sector is assessed as medium-high.

As indicated in the Table 9, vulnerability in this sector is increased by variables such as effectiveness of supervision/oversight activities, availability and enforcement of administrative and criminal sanctions, integrity of business/institution staff, AML knowledge of business/institution staff, effectiveness of the compliance function, and effectiveness of suspicious activity monitoring and reporting. Lower than desired levels of availability of reliable identification infrastructure and of independent sources of information would also increase vulnerability in this sector. These two variables were assessed at the national level and information on their assessment can be found in section 1.4. of this report.

The Central Bank as the AML/CFT supervisor of this sector has the necessary legal powers to conduct effective supervision of the sector, and its available supervision staff are highly trained. During the period 2012 to 2016 seventeen AML examinations were conducted in the sector. Although examinations are being conducted, there is an issue with the number of staff members available for supervision work, so that on-site examinations are not conducted in a timely manner and the risk-based approach has not been fully implemented.

A wide range of administrative sanctions is available to the Central Bank (as AML/CFT supervisor) to deal with natural/legal persons in cases of noncompliance with AML laws and regulations. Enforcement of these sanctions, however, is not robust. During the five-year period reviewed, an average of 38 directives per examination were issued to comply with specific instructions and to submit regular reports; however, monetary fines were not imposed for noncompliance with requirements.

There is a range of criminal sanctions available to deal with natural/legal persons in cases of non-compliance with AML laws and regulations. However, there are no evidence or statistics available to indicate that criminal sanctions have been taken against persons in the sector.

Integrity of business staff in the Credit Union sector is rated as medium. During the period reviewed, five instances of fraud, misappropriation and or collusion carried out by credit union staff have been detected in the sector and criminal charges were brought in two instances. These breaches were able to occur because of weak internal controls and procedures. Not all staff have developed an appreciation for the risk money laundering poses or for the importance of the implementation of best practices to mitigate these risks.

AML knowledge of business staff in the credit union sector is low. Most credit union staff have some knowledge of AML. However, the level of knowledge exhibited varies across credit unions and among individuals. AML knowledge among some staff is also below the required minimum set in the AML Guidelines. While there is evidence of staff training in the sector, not all directors and committee members are receiving on-going training.

The effectiveness of the compliance function in the credit union sector is medium-low. On-site examinations and surveillance conducted by the AML supervisor reveal that none of the credit unions have fully satisfied requirements for an effective compliance function. A risk-based approach has not been implemented in the compliance programs, and in some instances the Compliance Officer is not independent.

Suspicious activity monitoring and reporting is medium-low in the sector. During the period reviewed, 22 suspicious transactions were filed by the sector. It was noted that over 50 percent of credit unions were not using automated systems to proactively monitor unusual or suspicious transactions.

In assessing ML vulnerability of the sector, several sector specific factors were also considered. These factors affect the inherent vulnerability of the sector. Factors that increase inherent vulnerability in this sector include the total size of the sector, client-base profile, and the level of cash activity. Total size of the sector is considered to be high, noting the number and diversity of members utilizing the various services and the assets size of the credit unions. The latter is significant and increased by 37.6 percent over the review period.

The client base profile of the sector is considered to be high risk. With the exception of two credit unions, membership in credit unions is open to any person, including natural and legal persons resident in Belize. Credit unions are located in all districts of the country and are therefore open to membership from persons living in border communities, which also increases vulnerability.

The level of cash activity in credit unions is high, presumably influenced by the nature of the client-base.

1.7.2. Remittance Service Providers

The remittance service providers (RSP) sector in Belize is assessed to have a high level of ML vulnerability.

RSPs in Belize engage in both domestic and cross-border person-to-person money transfers. This business model offers cheap and fast money transfer alternatives. The cross-border business dominates their activities, with the bulk of inflows coming from the US, and with outflows somewhat more broadly distributed across neighboring Central American countries and Asia, as shown in the two charts below. Sector activity further suggests that family remittances form an important component of funds transfers.

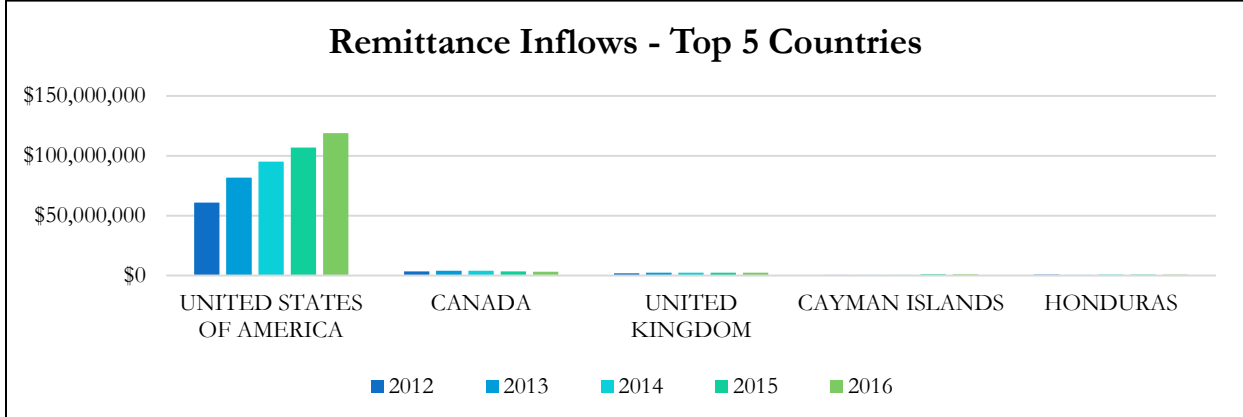


Figure 14: Remittance Inflows from Top Five Countries

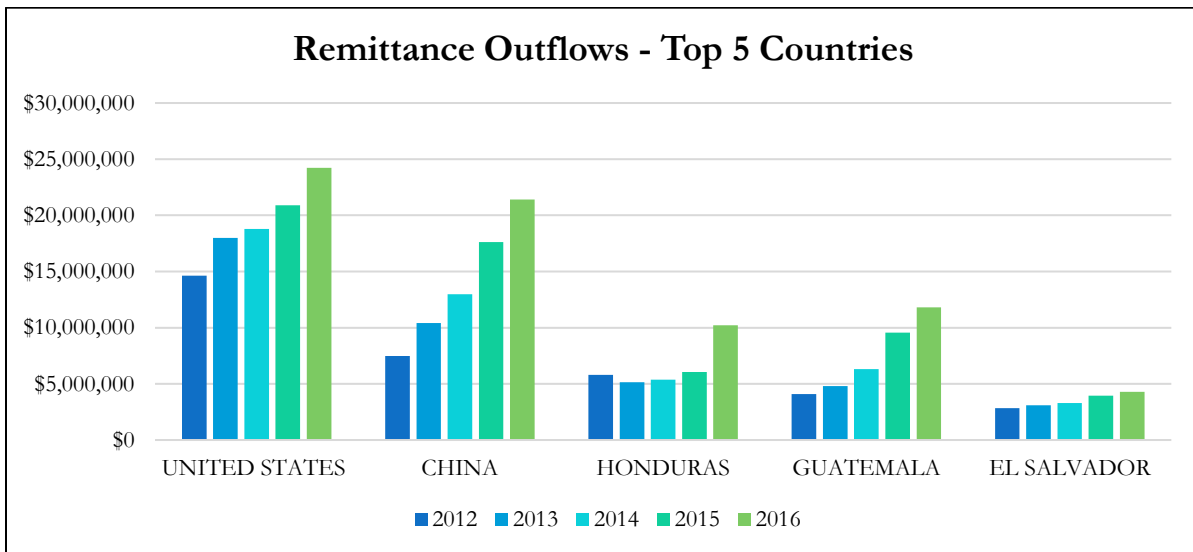


Figure 15: Remittance Outflows to Top Five Countries

Two overseas companies are engaged in the RSP business in Belize, operating through Agents who, in turn, do business through sub-agents. Money transfer through RSPs has been steadily growing as shown in the chart below.

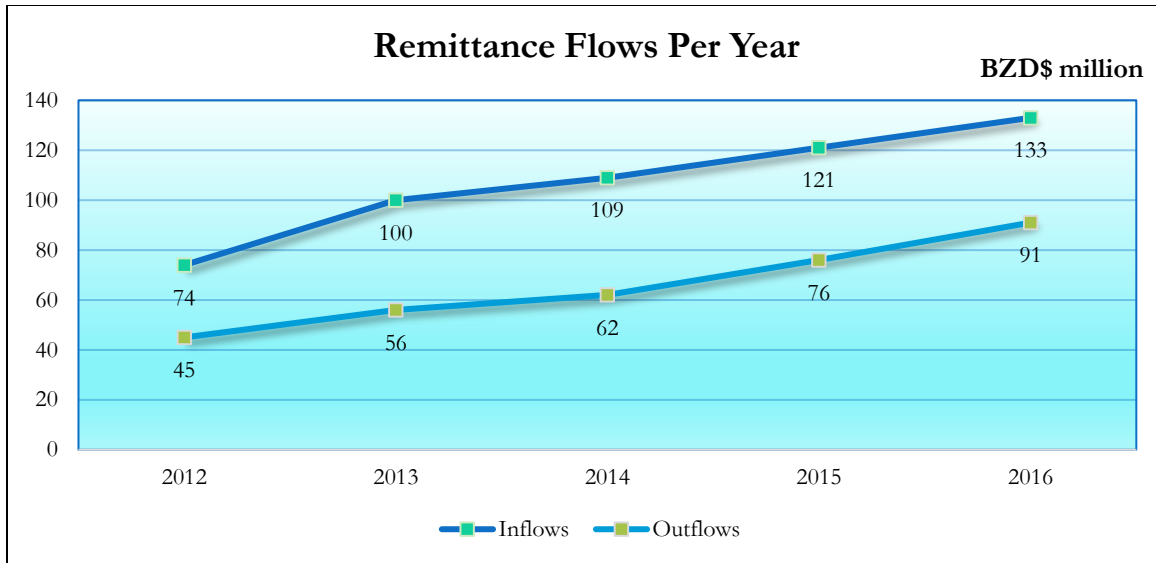


Figure 16: Remittance Flows 2012 - 2016

The ML vulnerability of the RSP sector is assessed as medium-high.

As indicated in Table 9, vulnerability in this sector is increased by variables such as effectiveness of supervision/oversight activities, availability and enforcement of administrative and criminal sanctions, integrity of business/institution staff, AML knowledge of business/institution staff, effectiveness of the compliance function, and effectiveness of suspicious activity monitoring and reporting. Availability of reliable identification infrastructure and availability of independent sources of information also increases vulnerability in this sector. However, these two variables were assessed at a national level and information on their assessment can be found in section 1.4. of this report.

As the AML Supervisor of the RSP sector, the Central Bank of Belize has appropriate authority and mandate granted through the MLTPA and the National Payment Systems Act to conduct AML Supervision of the sector. On-site examination findings are used by the Central Bank for policy decision-making and implementation processes. However, oversight of the sector is not effective due to inadequate resources, and a risk-based approach to on-site examinations and offsite surveillance has not been instituted.

A wide range of administrative sanctions applicable to RSP for non-compliance with the AML laws and guidelines exists. During the period being assessed, sixteen AML related directives were issued for RSPs to comply with AML requirements related to customer due diligence, record-keeping, STR, and the compliance function. However, directives to comply was the only administrative sanction used, and no monetary fines were imposed. To a large extent, violations are repeated.

There is a range of criminal sanctions available to deal with natural/legal persons in cases of non-compliance with AML laws and regulations. However, no evidence or statistics are available to indicate that criminal sanctions have been taken against persons in the sector.

RSPs regard their staff as secure from corruption by criminals. However, over the review period there were nine cases of integrity failures that involved staff of RSPs. None of these cases were reported to the supervisory authority, and no policies exist for disciplinary actions taken for integrity breaches by management and staff of RSPs.

During the period being reviewed approximately seventeen training sessions were provided by RSPs to staff at all levels. Annual training is conducted by the international affiliate of the RSP, which is a legal requirement for the continuation of operations. However, interviews with frontline staff of RSPs indicated that they were not familiar with terrorist financing, and not all staff members were aware of AML compliance and reporting procedures and obligations.

Entities in the RSP sector have appointed compliance officers within their organizations. Compliance officers, however, are not certified in AML, and no independent audits have been conducted to test the effectiveness of the compliance function in the organizations.

The compliance function of RSPs are expected to include a system for the monitoring of transactions and the reporting of suspicious transactions to the FIU. It has been determined that RSPs don't have sound knowledge of identifying suspicious transactions, and that only fourteen STRs were filed under the five-year period being reviewed. Eleven of the fourteen STRs filed were filed in 2016 and there were two years when no STRs were filed by this sector.

Specific features that increase the inherent vulnerability of this sector include the sector's size, client base, use of agents, level of cash activity, and frequency of international transactions. The size of the RSP sector is assessed to be high. As at December 2015 the size of the RSP sector was 3.5% of GDP and was growing during the period assessed. The sector has significant implications on the financial system given the nature of the client-base, its high level of utilization for net family remittance inflows in foreign exchange, and its tax contribution to Government.

The client base profile of the sector is assessed to be very high risk. The services of the RSP sector is available to a wide cross section of customers including non-residents, PEPs, and clients from high risk jurisdictions. The remitting RSP does not conduct any due diligence on the beneficiary customer who is in another jurisdiction. Persons who are not able to access the banking system can utilize the services of RSPs; and even persons with access to the banking system use RSPs when it is more convenient for them to do so. It was also determined that systems for effective screening of customers to determine possible criminal connections are not in place.

The principal RSPs use agents and sub-agents to facilitate use of their services. As at December 2016, there were five agents and ninety-five sub-agents operating in the sector. Agents are approved by the Central Bank who is the regulator of the sector. The RSPs however, don't risk-rate or conduct risk assessments on their sub-agents.

There are no laws that prohibit the volume, denomination and frequency of cash transactions that are carried out in the remittances sector, and the sector is known to be highly cash intensive. Cash received for payment of outgoing remittances is often used for payout of incoming remittances.

The nature of transactions in the RSP sector contribute to a high level of international transactions. This sector involves the sending and receiving of funds to and from various international jurisdictions. The value and volume of transactions in the sector has also been increasing over the period under review.

1.7.3. Moneylenders

The moneylenders' sector is assessed to have a medium-high level of ML Vulnerability.

During 2012-2016, oversight of moneylenders fell under the purview of the Ministry of Finance. Authority vested in the Ministry of Finance under the Moneylenders Act included the licensing of moneylenders, and an AML/CFT compliance regime had not been established in that Ministry at the time of the NRA review. The Central Bank of Belize assumed regulatory and supervisory oversight of the sector from the Ministry of Finance in April 2017.

The chart below shows the number of registered moneylending locations throughout the country during the period covered by the vulnerability assessment review.

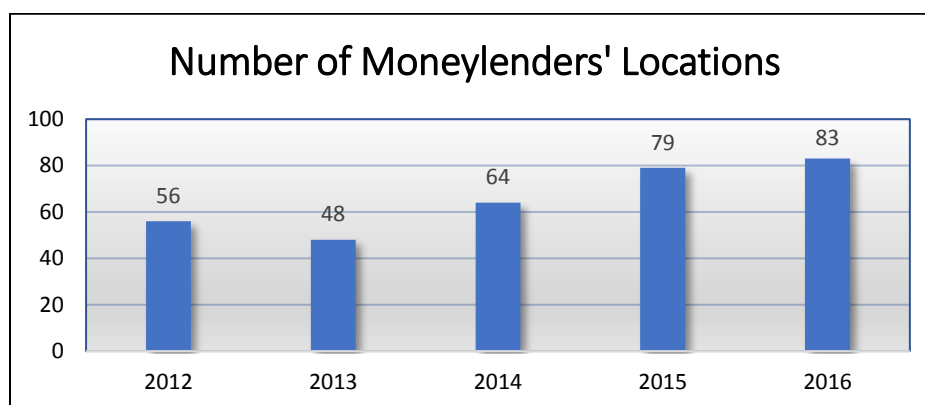


Figure 17: Number of Moneylenders Location 2012 – 2016

The ML vulnerability of the moneylenders' sector is assessed as medium-high.

As indicated in table 9, vulnerability in this sector is increased by variables such as effectiveness of supervision/oversight activities, availability and enforcement of administrative and criminal sanctions, availability and effectiveness of entry controls, integrity of business/institution staff, AML knowledge of business/institution staff, effectiveness of the compliance function, and effectiveness of suspicious activity monitoring and reporting. Availability of reliable identification infrastructure and availability of independent sources of information also increases vulnerability in this sector. However, these two variables were assessed at a national level and information on their assessment can be found in section 1.4. of this report.

The effectiveness of AML supervision/oversight activities in the moneylenders' sector is very low. For the period reviewed, there is no record of AML examinations being conducted in the sector. As indicated earlier, the Central Bank of Belize has recently assumed responsibility for oversight of the sector, as Registrar; and the development of policies, procedures, and manuals to guide and regulate the sector are in the

development stages. There is also a need to reinforce the physical, technical and financial resources necessary to effectively supervise the sector.

The MLTPA and the Moneylenders Act provide for a wide range of administrative sanctions which can be applied to moneylenders for breach of their AML obligations. However, mainly due to the state of development of oversight capacity in a new area, and the resulting limited extent of examination of the sector, no administrative sanctions have been imposed on persons in the sector.

The MLTPA and the MLA also provide for a wide range of criminal sanctions for non-compliance with AML laws and regulations. There is no record of criminal sanctions being taken against moneylenders during the period of review. Notwithstanding, in questionnaires issued to the sector, seventy percent of moneylenders who responded indicated that they believe criminal enforcement action would be brought against them for breaches to AML/CFT-related legal obligations.

Availability and Effectiveness of Entry Controls for moneylenders is assessed as medium. Section 3 of the Moneylenders Act prohibits unlicensed money lending. The licensing body for moneylenders is clearly defined in the Moneylenders Act; however, the Registrar is just beginning to work with the sector to determine the money laundering risk. Licenses issued are valid for one year, and specific terms and conditions are attached to each licence. Fit and proper requirements are in place for shareholders, associates and compliance officers; however educational and professional certification is not required for key directors and senior management.

Integrity of business/institution staff in the moneylenders' sector is assessed to be very low. There is a legal framework in place to protect staff who report integrity breaches or suspicious transactions; however, no reporting is being done. In questionnaires issued to the sector 65% of moneylenders reported that they had policies in place to safeguard staff from corruption. There are integrity issues in the sector relating to non-compliance with regulatory requirements as complaints are consistently received relating to moneylenders applying excessive interest rates to their customers. These are rates which are above legal ceilings.

The AML knowledge of business/institution staff of the moneylenders' sector is assessed as close to nothing. AML compliance expertise is limited in the sector; except for the larger operations, most moneylenders do not yet understand their obligations under the MLTPA, most have not yet obtained or sought AML training opportunities, and do not see money laundering as a risk since in most instances they are lending their own funds.

The effectiveness of the compliance function within the moneylenders' sector is assessed to be close to nothing. Some moneylenders have attempted, but have not fully implemented, the compliance function in their business. In most businesses a compliance officer has been appointed, but processes for implementing the full compliance function are not in place.

The effectiveness of suspicious activity monitoring and reporting of the moneylenders' sector is assessed to be – “does not exist.” During the period reviewed, no suspicious transactions reports were filed by the sector. Based on site visits conducted, it was noted that moneylenders typically hold transaction records

manually and did not have policies and procedures in place governing transaction monitoring and reporting of suspicious transactions.

The inherent ML vulnerability of this sector has been assessed to be medium-high. The most inherently vulnerable features of this sector include the level of cash activity and the difficulty in tracing transaction records in the sector. The moneylenders' sector is largely cash-based with fifty percent of moneylenders who responded to the questionnaire indicating that all transactions are processed solely with cash. It was determined that moneylenders have inadequate record keeping systems which makes transaction records difficult to trace. Generally, records are kept manually, and this inhibits accessibility to the records.

1.7.4. Money Changers

The money changers' sector is assessed to have a high level of ML Vulnerability.

This sector mainly involves currency conversion at the country's borders with Guatemala and Mexico (involving Belize dollars, Guatemalan Quetzales, Mexican Pesos, and US dollars) to facilitate cross-border trade and people movement. The vulnerability assessment of high for this sector may not be accurate as there is little information available which can be used to make proper assessments. The activities of this sector should be regulated under the requirements of the Exchange Control Act. These activities, however, are currently performed in the informal economy with no regulation or supervision. Based on the information available, all the ML control variables with the exception of "comprehensiveness of AML legal framework" are weak in this sector.

The effectiveness of supervision/oversight activities for the money changers sector is assessed to be close to nothing. Some money changers at the northern border have formed and are members of a cooperative society which falls under the purview of the Department of Cooperatives of the Government of Belize. Some money changers at the western border are a part of an association which falls under the purview of the Ministry of Investment Trade and Commerce. The assessment of supervision and oversight of the sector has taken into consideration that neither AML compliance nor regulatory supervision of the sector is being conducted.

Availability and enforcement of administrative sanctions in this sector has been assessed as medium low. The MLTPA provides for a wide range of administrative sanctions to be imposed; however, due to the lack of supervision of the sector, no administrative sanctions have been imposed.

Availability and enforcement of criminal sanctions in this sector is assessed to be low. A wide range of criminal sanctions are available to be used for non-compliance with AML obligations. However, there have been no investigations or prosecutions, hence no convictions for non-compliance with AML obligations in the money changers' sector.

Availability and effectiveness of entry control in the money changers' sector is assessed to be very low. The MLTPA addresses entry controls which should be in place for reporting entities who are to be supervised for AML compliance. However, money changers operate in the informal economy therefore there is no regulatory framework governing the operations of money changers including entry into the sector.

Each of four ML control variables being "integrity of business/institution staff", "AML knowledge of business institution staff", "effectiveness of compliance functions" and "effectiveness of suspicious activity monitoring and reporting" were assessed as "does not exist". This is as a result of information and data on the sector not being available due to its informal status. This is also the reason why the assessment of the sector may not be accurate.

The inherent ML vulnerability of this sector has been assessed to be high. The most inherently vulnerable features of this sector include the size/volume, client base profile, level of cash activity, frequency of international transactions, and the difficulty in tracing transaction records in the sector.

The size/volume of the sector could not be analyzed due to its informal nature. Not being able to assess the size of the sector increases its vulnerability.

Client base profile of the money lenders sector is assessed to be high risk. This is due to the sector being open to business with any client and without any type of client screening being conducted. As operations that take place near border points, they are accessed by non-resident clients as well as by clients with foreign business or personal interests. Money changers facilitate informal trade at border points.

The level of cash activity in this sector is assessed to be high. There is no indication that money changing at the borders is done using any other method than cash. The frequency of international transactions is assessed to be high. Money changers, by their very nature, provide services to both residents and non-residents of Belize, and as mentioned earlier, are used to facilitate informal trade with neighboring countries. However, data were not available to determine the size of these activities.

Transactions records are also not available for operators in this sector due to its informal nature. This also increases the inherent ML vulnerability of the sector.

1.8. Other International Financial Services

International Asset Protection and Management; Money Transmission Services, Payment Processing Services and Brokerage Consultancy or Advisory Services.

The Other International Financial Services (OIFS) sector is assessed to have a medium-high level of ML Vulnerability.

The IFSC through the IFSCA licenses the provision of a full menu of international financial services (IFS) or investment vehicles including international asset protection and management, money transmission services, payment processing services, money brokering, money lending and pawning, money exchange, safe custody services and brokerage consultancy or advisory services. As at December 2016 IFS Providers were not licensed for all these classes of services, therefore money laundering vulnerability assessment was conducted only for those services which had licensed providers. These services are international asset protection and management, money transmission services, payment processing services and brokerage consultancy or advisory services. The total number of IFS providers licensed for these four services as at December 2016 is outlined in the following table.

International Financial Service	Concept of Services	2016
International asset protection and management	To assist in all aspects of the administrative, financial, capital and operations of the assigned portfolio. They primarily manage funds for individuals and companies by making well-timed investment decisions on behalf of their clients to grow their finances and portfolio.	17
Money transmission services	The selling or issuing of payment instruments or closed-loop prepaid access or prepaid access devices or vehicles or receiving money or monetary value for transmission but does not include the provision solely of delivery, online, or telecommunications services or network access.	5
Payment processing services	The services of a person by a merchant to handle transactions from various channels such as credit cards and debit cards for merchant acquiring banks.	5
Brokerage, consultancy or advisory services	The services of broker, consultant or advisor.	15

Table 10: Total Number of IFS Providers licensed as at December 2016

In assessing the level of ML vulnerability in the OIFS sector, the period 2011 to 2016 was reviewed and 12 ML control variables were considered. The Table below indicates the 12 ML control variables that were assessed along with their assessed rating.

A. GENERAL INPUT VARIABLES	ASSESSMENT RATING	
Comprehensiveness of AML Legal Framework	(0.7) High	0.7
Effectiveness of Supervision/Oversight Activities	(0.5) Medium	0.5
Availability and Enforcement of Administrative Sanctions	(0.3) Low	0.3
Availability and Enforcement of Criminal Sanctions	(0.3) Low	0.3
Availability and Effectiveness of Entry Controls	(0.7) High	0.7
Integrity of Business/Institution Staff	(0.3) Low	0.3
AML Knowledge of Business/Institution Staff	(0.4) Medium Low	0.4
Effectiveness of Compliance Function (Organization)	(0.2) Very Low	0.2
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.2) Very Low	0.2
Availability and Access to Beneficial Ownership information	(0.5) Medium	0.5
Availability of Reliable Identification Infrastructure	(0.0) Does Not Exist	0
Availability of Independent Information Sources	(0.0) Does Not Exist	0

Table 11: ML Control Variables and Assessment Ratings OIFS Sector

The table above indicates that there are various levels of weaknesses in all control variables except for comprehensiveness of AML legal framework and availability and effectiveness of entry control.

The effectiveness of supervision/oversight activities in this sector was assessed to be medium. Section 3 of the IFSCA establishes the IFSC and sets out powers, duties and functions with respect to IFS providers. It also gives the IFSC authority to supervise these IFS providers. The MLTPA gives supervisory authority over IFS providers for AML/CFT compliance to the IFSC in its capacity as the oversight authority of IFS. This is specified in the Third Schedule of the MLTPA. The IFSC's supervisory activities include licences, permits and authorizations for IFS, as well as supervision and regulation of the conduct of IFS, which includes IFSC licensees. The IFSC has written policies and procedures for various aspects of its work such as for licensing, authorisations and on-site inspections but not for all areas where supervision is required; there is no comprehensive framework that includes a policies and procedures manual.

The IFSC conducts AML supervision through on-site inspections and off-site surveillance but did not conduct any on-site inspections for these categories of IFS providers during the period reviewed. The effectiveness of oversight has not been properly tested among these categories of IFS licensees. The main rationale for lack of on-site is as follows:

- the staff complement which has significant room for strengthening;
- the onsite team comprises of only 1 senior officer who must dedicate time to other projects;

- competing matters of importance requiring immediate attention; and
- the prioritization of other IFS and deferral of on-sites for these providers in line with recommendations from the international authorities.

Availability and enforcement of administrative sanctions was assessed to be low. The MLTPA provides for a wide range of administrative sanctions for non-compliance with AML obligations. These include monetary penalties, administrative actions and suspension/revocation of business licences. However, there is no record of these administrative sanctions being taken against entities in this sector. The reason for this could not be determined; however, the lack of on-site examinations in the sector can contribute to administrative sanctions not being applied.

Availability and enforcement of criminal sanctions was also assessed to be low. The MLTPA provides for appropriate criminal sanctions that can be taken against entities for not complying with AML obligations. It also provides for criminal prosecution for offences ancillary to ML. There is no record of investigations, prosecution or conviction, and no criminal enforcement actions that have been taken in the past by law enforcement authorities regarding breaches of AML obligations in this sector.

Integrity of business institution staff in this sector was assessed to be low. However, this assessment may not be accurate as there is insufficient information available to make a sound assessment of this variable. There was no on-site inspection during the period under assessment from which data could be collected for the assessment of this variable. Questionnaires were also issued to the service providers to assist in collecting data; however, the response rate was low and not sufficient to be a reflection of the sector. There has been no allegation, investigation or prosecution in relation to criminal offences for ML against IFS providers or members of staff.

AML knowledge of business/institution staff in this sector was assessed to be medium-low. There is insufficient information to determine whether staff of IFS providers had good knowledge of and are regularly updated on transnational ML schemes and typologies, including actual and potential misuse of the businesses and specialized knowledge and skills of their professionals and their products and services. This is largely as a result of the lack of on-site inspections. IFS providers were surveyed with regards to the level of training conducted for their staff, and the main findings were as follows:

- all respondents reported that members of staff underwent AML training at least annually and, in some cases, quarterly or monthly;
- not 100% of employees receive AML training in all cases;
- in-house AML training is conducted averaging 10 hours per year since 2015;
- only 1 respondent reported to have conducted AML training in 2014; other respondents possibly were not licensed with the IFSC in 2014 and earlier;
- other modes of outsourced or in-house training include online training utilizing the Moodle platform, assessment test, in-house presentations, testing of the level of awareness of staff in respect to AML through face-to-face testing and using random questions;
- AML training, including follow-up and assessment, was conducted by third parties; and

- one IFS provider engages a third party to conduct AML and compliance updates.

These results however were not tested, and further testing may be necessary for a more accurate determination of the level of AML staff knowledge in the OIFS sectors.

The effectiveness of the AML compliance function in this sector was assessed to be very low. The effectiveness of the AML compliance functions of the IFS providers could not be properly assessed due to lack of on-site inspections. IFS providers surveyed, except for one, indicated that they have written AML/CFT policies and procedures manuals which would assist in understanding risks based on an internal compliance program. It could also not be determined whether all licensees had appointed a Compliance Officer at the management level; where Compliance Officers were appointed, they were not being approved by the IFSC as is required by the MLTPA.

Effectiveness of suspicious activity monitoring and reporting has been assessed to be very low. All service providers surveyed except one reported that they have in place an information system that facilitates monitoring of their clients' transactions and that record keeping of transactions facilitate AML screening and monitoring. However, there have been low levels of STR reporting within this sector. Suspicious transaction monitoring and reporting systems of these IFS providers require review via on-site inspections to determine whether they are effective or require strengthening.

The variables availability and access to beneficial ownership information, availability of a reliable identification infrastructure, and availability of independent information sources, were assessed at a national level, and were based on what is available for clients who are nationals or residents of Belize. The results of the national level assessment were not used for the international sectors as they apply to domestic clients only. These variables were therefore assessed separately for the international sectors as these sectors involve clients who are not citizens or residents of Belize.

Availability and access to beneficial ownership (BO) information was rated as medium. BO information is only readily available for IBCs or ILLCs registered in or administered in Belize. For the general IBCs and ILLCs, the beneficial ownership information must be kept by the registered agent and produced to a competent authority upon request within twenty-four hours. However, this is not applicable to clients of IFS providers if the clients are not IBCs or ILLCs registered or administered in Belize.

Availability of reliable identification infrastructure is rated as "does not exist". This is a result of the clients of these licensees being non-nationals or non-residents of Belize. The Belize national identification infrastructure is therefore inapplicable to clients in this sector. It is not possible to assess identification infrastructure for all jurisdictions from where clients of this sector come.

Availability of independent information sources is also rated as "does not exist" for this sector. Sources that do exist in Belize would not be applicable to this sector as the clients are non-Belizeans who are also non-residents. Whether independent information is available depends on the jurisdiction of a client and numerous jurisdictions' information sources may need to be assessed for independence and reliability.

The ML vulnerability of services licensed in the OIFS sector as at December 2016 was also assessed and the results of the assessment is presented in the figure below.

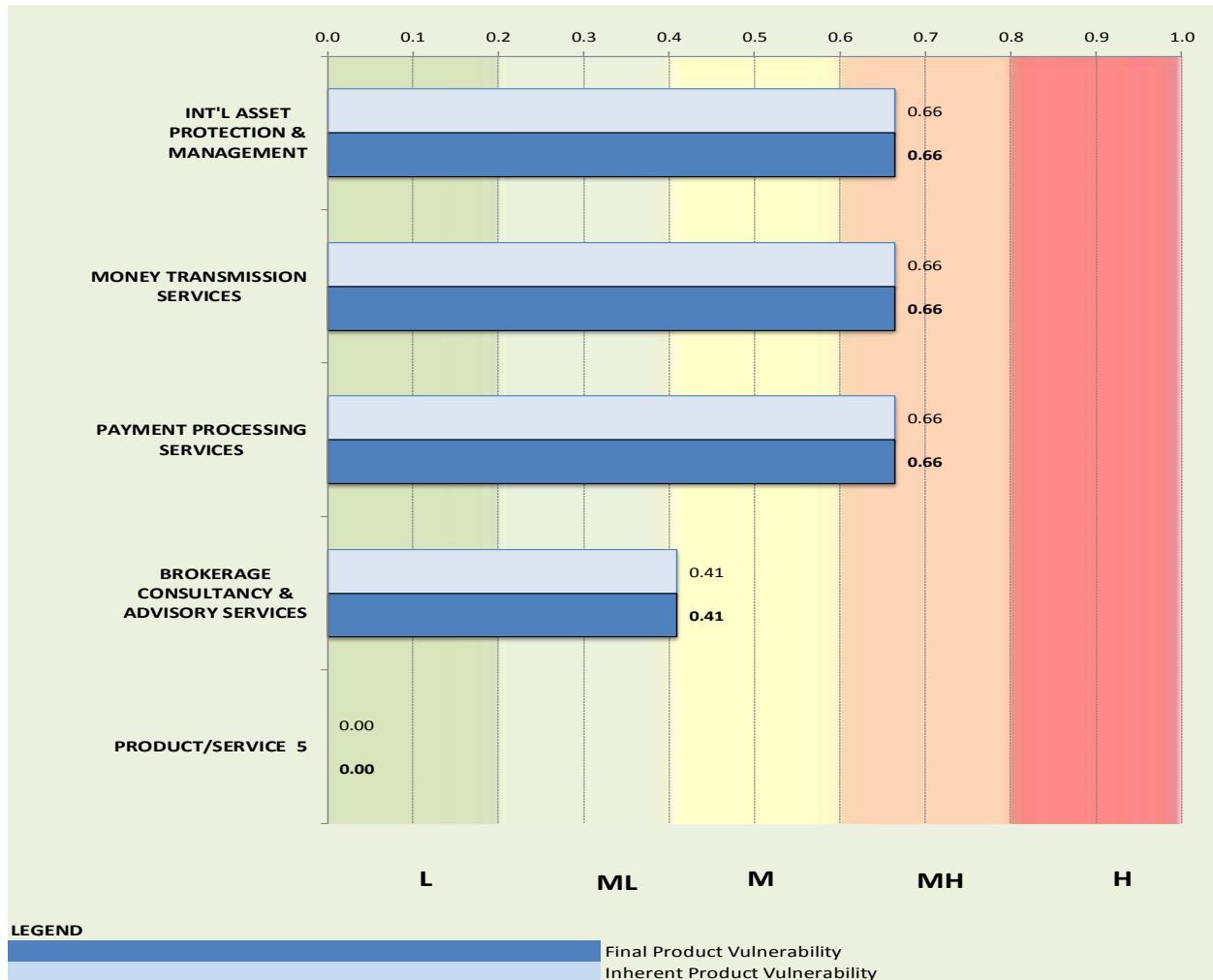


Figure 18: ML Vulnerability Rating – Licensed International Financial Services

International Asset Protection and Management, Money Transmission Services and Payment Processing Services are assessed to have medium-high ML vulnerability while Brokerage Consultancy and Advisory Services is assessed to have medium ML vulnerability.

In assessing the ML vulnerability of these services, several inherent vulnerability variables were assessed as per below.

B. PRODUCT SPECIFIC INPUT VARIABLES	INT'L ASSET PROTECTION & MANAGEMENT	MONEY TRANSMISSION SERVICES
Total Size/ Volume	Medium	Medium
Client Base Profile	High Risk	High Risk
Use of Agents	Does Not Exist	Does Not Exist
Level of Cash Activity	High	High
Frequency of International Transactions	Medium High	Medium High
Other Vulnerable Factors - Anonymous use of the product	Not Available	Not Available
Other Vulnerable Factors - Difficulty in tracing the transaction records of the product	Easy to Trace	Easy to Trace
Other Vulnerable Factors - Existence of ML typologies on the abuse of the product	Exist but Limited	Exist but Limited
Other Vulnerable Factors - Use of the product in fraud or tax evasion schemes	Does not Exist	Does not Exist
Other Vulnerable Factors - Non face to face use of the product	Available and Prominent	Available and Prominent

Table 12: Product Inherent Vulnerability Ratings - Int'l Asset Protection & Management and Money Transmission Services

B. PRODUCT SPECIFIC INPUT VARIABLES	PAYMENT PROCESSING SERVICES	BROKERAGE CONSULTANCY & ADVISORY SERVICES
Total Size/ Volume	Medium	Medium
Client Base Profile	High Risk	High Risk
Use of Agents	Does Not Exist	Low
Level of Cash Activity	High	Does Not Exist
Frequency of International Transactions	Medium High	Low
Other Vulnerable Factors - Anonymous use of the product	Not Available	Available
Other Vulnerable Factors - Difficulty in tracing the transaction records of the product	Easy to Trace	Easy to Trace
Other Vulnerable Factors - Existence of ML typologies on the abuse of the product	Exist but Limited	Exist but Limited
Other Vulnerable Factors - Use of the product in fraud or tax evasion schemes	Does not Exist	Exist but Limited
Other Vulnerable Factors - Non face to face use of the product	Available and Prominent	Available and Prominent

Table 13: Product Inherent Vulnerability Ratings – Payment Processing Services and Brokerage Consultancy & Advisory Services

The total number of IFS providers licensed in these sectors seems small, but they may have large numbers of clients on whose behalf they transact significant volumes of business. The asset size for the four types of services were determined to be medium.

The client base profile of the IFS providers consists of solely international clients. While domestic individuals and entities may apply for IFS licences, the IFSCA specifically prohibit IFS providers from doing business with domestic clients. In assessing the level of high-net-worth clients of the different IFS providers, the providers when surveyed were asked whether they had individual clients that accounted for more than 20% of their business revenues. Eighty-five percent of the providers surveyed indicated that they did not have any such clients, while 15% indicated that they had. The vast majority of clients of the IFS providers are classified as high risk due to the nature of the transactions being non-resident where non-face-to-face transactions are conducted, and some clients were reported as being PEPs. AML supervision and monitoring

of this sector has been almost non-existent; therefore, it is possible that criminals could abuse IFS providers for illicit activities.

The use of sub-agents is not a common factor among these IFS providers. Sub-agents are utilized in other services within the offshore industry, (for example TCSPs) but for these IFS providers, the use of sub-agents in the sector, although not common, may entail engagement with a third party, business associate, branch or subsidiary.

The vast majority of these IFS providers reported that they do not do any cash transactions. Transactions are normally done through wire transfers. Any vulnerability related to transactions conducted by wire transfer could have been reduced if the monitoring of IFS through inspections were in place during the assessment period.

All IFS providers reported that their transactions are international transactions and involve wire transfers.

NON-FINANCIAL SECTORS

1.9. Designated Non-Financial Businesses and Professions (DNFBPs)

The ML assessment conducted on the DNFBP sector rated the sector as having high money laundering vulnerability. This is a result of the high vulnerability rating of the real estate, dealers in motor vehicles, and businesses operating in a free zone, sectors which are also among those with the highest weights among DNFBPs.

Overview

FATF classifies Casinos, Real Estate Agents, Dealers in Precious Metals and Precious Stones, Lawyers, Accountants, and Trust and Company Service Providers (TCSPs) as designated non-financial businesses and professionals. However, the approach in Belize varies as DNFBPs are defined as businesses and professionals supervised by the FIU, and TCSPs are not, based on this definition, considered DNFBPs. Additionally, the FATF's identification of DNFBPs has been expanded in Belize to include non-profit and non-governmental organisations, businesses operating in a free zone area, and dealers in vehicles. The entities supervised by the FIU are listed in [Figure 10](#) below and do not include International Trust and Company Service Providers. International Trust and Company Service Providers are regulated and supervised by the International Financial Services Commission; given the importance and significance of this sector to Belize, a standalone assessment was conducted, and the results of that assessment is also provided below.



Figure 19: List of DNFBPs

Introduction to DNFBBs

On January 12, 2009 the MLTPA⁶ was enacted and, with the exception of International TCSPs⁷, the FIU was appointed the AML/CFT Supervisory Authority of DNFBBs. With the introduction of the MLTPA, “dealers in motor vehicles” was identified as a sector that should have AML/CFT reporting obligations. The MLTPA was amended on two subsequent occasions to include businesses operating in a free zone area, and non-governmental organizations⁸ (2013), and non-profit organizations⁹ (2014). The addition of dealers in motor vehicles and businesses in a free zone area was intended to address inherent risks that were identified by competent authorities in those sectors. NGOs and NPOs were added to the DNFBB definition in order to satisfy the requirements of FATF’s Recommendation 8¹⁰, since the absence of supervision of these entities was found to constitute a deficiency during Belize’s third round MER.

With the amendment to the MLTPA in 2013, it became mandatory for all DNFBBs to register with the FIU; and in 2014 a comprehensive set of powers were granted to the FIU with the addition of the Fifth Schedule to the MLTPA to monitor and supervise the sectors that comprise DNFBBs.

At the end of 2016 there were 854 DNFBBs operating in Belize that were registered with the FIU. Four sectors account for approximately 88% of FIU registrations – Businesses Operating in a Free Zone, NPOs/NGOs, Real Estate Agents, and Motor Vehicle Dealers; representing 34%, 25%,15% and 14% of the entire DNFBB sectors, respectively. Table 13 sets out the number of entities registered with the FIU as at the end of December 2016.

RANK	DNFBP SECTOR	DNFBPs REGISTERED[1]
1	Businesses Operating in a Free Zone Area	289
2	NPOs/NGOs	211
3	Real Estate Agents	128
4	Dealing in Vehicles	119
5	Lawyers, Notaries & Other Independent Legal Professionals	58
6	Dealers in Precious Metals & Dealers in Precious Stones	28
7	Accountants, Auditors & Tax Advisors	14
8	Gaming –	5
	Licensed Gaming Premises (Casinos)	
	Licensed Gaming Establishments	2
TOTAL		854

[1] FIU Compliance Department Statistics.

Table 14: Number of Entities Registered with the FIU as at December 2016

⁶ Act No. 18 of 2008

⁷ The IFSC is the AML/CFT Supervisory Authority for the TCSP sector

⁸ Money Laundering and Terrorism Prevention (Amendment) Act No 4 of 2013

⁹ Money Laundering and Terrorism Prevention (Amendment) Act No 7 of 2014

¹⁰ FATF Recommendation 8: Non-Profit Organizations - Countries should review the adequacy of laws and regulations that relate to non-profit organizations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organizations to protect them from terrorist financing abuse, including: (a) by terrorist organizations posing as legitimate entities; (b) by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and (c) by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organizations.

In assessing the level of ML vulnerability in these DNFBP sectors, the period 2010 to 2016 was reviewed and ML control variables were considered. The table below indicates the ML variables that were assessed along with their assessed rating by sector and overall ML vulnerability rating by sectors.

AML CONTROL VARIABLES	SECTORS										
	Real Estate Agents	Accountants & Auditors	Vehicle Dealers	Casinos & Licensed Gaming Establishments	Lawyers, Notaries & Independent Legal	Dealers in Precious Metals & Precious Stones	Free Zone Businesses	Trust & Corporate Services Providers			
Comprehensiveness of AML Legal Framework	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7			
Effectiveness of Supervision/Oversight Activities	0.2	0.2	0.2	0.7	0.2	0.2	0.7	0.6			
Availability and Enforcement of Administrative Sanctions	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6			
Availability and Enforcement of Criminal Sanctions	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4			
Availability and Effectiveness of Entry Controls	0.3	0.4	0.3	0.5	0.7	0.2	0.4	0.8			
Integrity of Business/Profession Staff	0.8	0.8	0.7	0.8	0.7	0.7	0.5	0.7			
AML Knowledge of Business/profession Staff	0.4	0.5	0.3	0.5	0.5	0.3	0.5	0.6			
Effectiveness of Compliance Function (Organization)	0.4	0.2	0.2	0.5	0.4	0.3	0.5	0.6			
Effectiveness of Suspicious Activity Monitoring and Reporting	0.3	0.3	0.2	0.5	0.3	0.2	0.4	0.4			
Availability and Access to Beneficial Ownership Information	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7			
Availability of Reliable Identification Infrastructure	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.1			
Availability of Independent Information Sources	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.1			
Legend	Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0
INHERENT VULNERABILITY FACTORS											
									CSP	TSP	
Total Size/Volume of the business/profession	High	Medium High	High	High	Medium High	Low	High	High	High	High	
Client Base Profile of the business/profession	High Risk	Medium Risk	Medium Risk	High Risk	High Risk	Medium Risk	Very High Risk	High Risk	High Risk	High Risk	
Level of Cash Activity	High	Medium High	High	High	Medium Low	Medium High	High	Very Light	Light	Light	
Other Vulnerable Factors - Use of Agents in the business/profession	Medium High	Medium High	Medium Risk	Does Not Exist	High	Low	Does Not Exist	High	High	High	
Other Vulnerable Factors - Anonymous use of the product in the business/profession	Not Available	Not Available	Not Available	Not Available	Not Available	Available	Not Available	Not Available	Not Available	Available	
Other Vulnerable Factors - Difficulty in tracing the transaction records	Difficult/Time Consuming	Easy to Trace	Difficult/Time Consuming	Easy to Trace	Easy to Trace	Difficult/Time Consuming	Difficult/Time Consuming	Easy to Trace	Easy to Trace	Easy to Trace	
Other Vulnerable Factors - Existence of ML typologies on the abuse of the business/profession	Exist	Exist but Limited	Exist but Limited	Exist and Significant	Exist	Exist	Exist and Significant	Exist and Significant	Exist	Exist	
Other Vulnerable Factors - Use of the business/profession in fraud or tax evasion schemes	Does Not Exist	Exist	Exist but Limited	Exist but Limited	Exist	Exist but Limited	Exist but Limited	Exist but Limited	Exist but Limited	Does not Exist	
Other Vulnerable Factors - Non face to face use of the product in the business/profession	Available and Prominent	Available	Available but Limited	Not Available	Available and Prominent	Available but Limited	Available but Limited	Available and Prominent	Available and Prominent	Available and Prominent	
Overall Sector Vulnerability Rating	High	Medium-High	High	Medium-High	Medium-High	Medium	High	Medium-High	High	Medium-High	

Table 15: DNFBP ML Variable Ratings and Overall Sector ML Vulnerability Rating

1.9.1. Real Estate Agents

The real estate agents' sector is assessed to have a high level of ML Vulnerability.

The number of real estate reporting entities registered with the FIU totals 128¹¹ and the sector is estimated to have generated income of BZD \$35.3m¹² in 2016. FIU statistics show that 52% of the realtors registered with the FIU are Belizean nationals.¹³ Although real estate transactions involving non-residents are regulated by the Central Bank for exchange control purposes, Belize's real estate agents are unregulated, and in the absence of a Regulatory Body, it is difficult to fully determine an accurate sector size. However, it is projected that the number of brokers/agents and individuals actually operating in the real estate arena is more than double those registered with the FIU. The only current legal obligations imposed on real estate brokers/agents (apart from those related to Exchange Control) is that of FIU registration and their adherence to AML/CFT obligations.

It is observed that there is a need to provide legislation to address issues in the sector, including the definition of a real estate broker/agent. Currently, the 3rd Schedule of the MLTPA only describes the activities for which real estate agents are supervised, such as "when they are involved in transactions for their client concerning the buying and selling of real estate." It also identifies lawyers, notaries, other Independent Legal Professionals, accountants, auditors, and tax advisers to be included in the real estate agent/ broker category, as they too are described as carrying out "transactions for their client concerning the buying and selling of real estate."¹⁴ This current definition leaves the door open to question the possible inclusion of property developers and those involved in the construction and subsequent sale of commercial and residential property as real estate agents/brokers.

The value of new real estate loans issued by domestic banks for local projects in 2016 amounted to BZD \$293.3 million, while US \$66.5million was lent for local real estate projects by international banks licensed in Belize¹⁵. Additionally, for 2016 there was BZD \$70.1m¹⁶ that represented foreign direct investment for real estate activities. Of the total loans issued by domestic banks, 40% was attributable to commercial real estate loans, followed by 37% which accounted for loans towards residential properties, and 23% for land acquisition¹⁷. In the international banking sector, 44% of real estate loans issued was attributable to commercial loans, 29% to land acquisition, and 27% to residential loans. It was found that the locations with the highest level of demand for acquisition or financing were on the coastal, on the cayes, and in inland urban areas¹⁸.

Apart from its natural beauty, Belize has successfully marketed itself as place to invest in real estate by offering several attractive financial incentives, an important one being the absence of a capital gains tax.

¹¹ FIU 2016 Annual Report 2016

¹² Source: Income/Revenue reported to GoB's Income Tax Department based on 44 Reporting Entities.

¹³ FIU Compliance Department statistics

¹⁴ Act No. 7 of 2014, MLTPA Amendment

¹⁵ Statistics obtained from Central Bank of Belize, 2017

¹⁶ Statistics obtained from Central Bank of Belize, 2017

¹⁷ Statistics obtained from Central Bank of Belize, 2017

¹⁸ Based on statistics gathered from questionnaires

Secondly, in June 2006¹⁹, there was a 10-percentage point reduction in the level of the GoB's Stamp Transfer Tax from 15% to 5% for all land purchases²⁰. This change not only applied to citizens, but to all non-nationals, inclusive of CARICOM residents.

There are two known sector associations that have been formed to provide representation for and guidance to the sector – Belize National Association of Realtors and the Association of Real Estate Brokers in Belize (AREBB)²¹; however, only AREBB is currently active. Of the 29 entities who responded to the questionnaire regarding whether they were a member of any of Belize's real estate associations, 55% confirmed that they are members of an association. AREBB's current membership stands at 60 entities.²² Apart from real estate brokers, AREBB's membership also include law firms, offshore service providers and accountants. There are approximately three law firms offering real estate attorney services that also facilitate offshore services, some of which also offer the use of their office's escrow account to facilitate real estate transactions.

Although there have been no money laundering convictions against real estate agents, there have been fraudulent activities in the real estate industry some of which involves land transactions by attorneys-at-law and PEPs. In 2015, the Ministry of Natural Resources issued a Press Release which indicated that they had launched an investigation into fraud cases involving land titles. Their preliminary investigation suggested that there was a systematic effort being orchestrated by persons of both foreign and local nationalities to obtain property by fraudulent means.²³

Additionally, in December 2016, the Office of the Solicitor General filed a claim in the Belize Supreme Court against the family member of a politically exposed person as well as an attorney-at-law over an alleged fraudulent land transaction and subsequent compensation amounting to a combined BZD \$800,000.²⁴

Given the indication of fraudulent activity in the industry, and the fact that low numbers of STRs have been filed with the FIU by the sector to date²⁵, more attention needs to be given by the FIU to bring AML/CFT awareness to those persons dealing in real estate transactions. Moreover, there have been no on-site AML/CFT inspections conducted in this sector and no sector specific guidelines published.

1.9.2. Accountants/Auditors

The Accountants/Auditors sector is assessed to have a medium-high level of ML Vulnerability.

Accountants, auditors and tax advisers²⁶ are subject to the MLTPA when they prepare for or carry out transactions for their client concerning the following activities:

- a) buying and selling of real estate;

¹⁹ <http://www.arebb.com/about-arebb>

²⁰ Where the first BZ \$20,000 is exempted from tax

²¹ <http://www.arebb.com/members-directory>

²² <http://www.arebb.com/members-directory>

²³ Ministry of Natural Resources Press Release: <http://mnra.gov.bz/2015/03/land-fraud-cases/>

²⁴ <https://www.sanpedrosun.com/politics-and-government/2016/10/19/gaspar-vega-resigns-cabinet-land-scandal/> and <https://www.sanpedrosun.com/government/2017/01/17/solicitor-general-sue-vega-pitts-failing-repay-800000-land-compensation/>

²⁵ FIU Analysis Department statistics

²⁶ Third Schedule MLTPA

- b) managing of client money, securities or other assets;
- c) management of bank, savings or securities accounts;
- d) organization of contributions for the creation, operation or management of companies; and
- e) creation, operation or management of legal persons or arrangements and buying and selling of business entities.

The total revenue generated by the accountancy sector is estimated to be BZ \$9.2m²⁷. The sector is partially regulated by the Institute of Chartered Accountants of Belize (ICAB)²⁸ which is a Self-Regulatory Body²⁹ whose objectives include making provisions for the training, education and examination of persons engaging or intending to engage in the accountancy profession, therefore issues practicing certificates to qualified public accountants³⁰. However, there is no regulation of accountants who are not classified as public accountants. ICAB registration totals 56³¹, of which 30 or 54% are practicing members. The advantage of being a non-practicing ICAB member includes having access to training, workshops, etc., offered by the Association, at little or no cost. FIU registration totals 14³² reporting entities; of those entities, five or 36% responded to the NRA survey. Of those who responded, 100% indicated that they provide accounting services, 80% provide auditing services and 80% provide tax advisory services³³. Approximately 50% of the accounting reporting entities registered with the FIU are firms and it is estimated the top four accountancy firms in Belize³⁴ employ approximately 75 persons. As the sector is only partially regulated, it is difficult to determine an accurate sector size, and it is estimated that the sector is much larger than the number registered with the FIU³⁵. In a collaborative effort to close the registration gap, ICAB has agreed to amend its registration forms to capture information on those individuals performing accountancy services as prescribed in the MLTPA and require such persons to be FIU registered before practicing certificate renewals are issued.

To gain membership within ICAB's association, a person is required to obtain a license to practice from ICAB and have a minimum of two to four years of experience practicing with a Certified Public Accountant in Belize. Other requirements include providing both a professional and character reference and a police record. All applications for the issuance of a license are vetted and approved by ICAB's board and is only issued for auditing purposes. ICAB is governed by an Executive Committee consisting of seven members who are elected at the Annual General meeting of the Institute. Although ICAB asserts that a high level of professionalism is maintained as they adopt the standards and codes of International Financial Reporting Standards (IFRS) and the International Federation of Accountants (IFAC) code of ethics in addition to the

²⁷ Income Tax statistics as at December 2016

²⁸ <https://site.icab.bz/>

²⁹ Accountancy Profession Act, Cap. 305, s. 4A

³⁰ The Accountancy Profession Act defines a public accountant as a person who for reward prepares or examines financial, accounting or related statements, or issues any written reports or certificates concerning any such statements.

³¹ Belize Government Gazette No. 48 dated 26 November 2016 (p. 1221)

³² Based on statistics gathered from questionnaires

³³ Results obtained from FIU surveys.

³⁴ Estimated top 4 accounting firms in Belize – Grant Thornton LLP, PKF Belize, Baker Tilly Hulse & Moore Stephens Magana LLP

³⁵ Perception interviews with ICAB.

Accountancy Profession Act, Chapter 305 of the Laws of Belize³⁶, vetting of new members does not have an AML component.

To date, there have been no on-site inspections conducted by the FIU as the sector's AML/CFT Supervisory Authority, and no outreach nor guidance given. Furthermore, no STRs were filed by the sector with the FIU. Apart from the sector's general lack of awareness of the FIU's role and responsibility, it is suspected that, when confronted with suspicious activities, accountants generally refer the matter to their firm's legal advisor. The accounting community in Belize is very small, and an auditor's judgement may be compromised due to "familiarity". The fear of tipping off is real, and the accountancy profession prides itself on its reputation for maintaining client confidentiality. Many auditors' approach to dealing with suspicious activities involves making recommendations to rectify deficiencies identified via the auditors' formal or informal recommendations to management. The audit rotation for private companies align with international standards of maximum seven years. It is left to the discretion of the accountant/auditor to terminate the business relationship should there be no evidence on part of the client in making efforts to implement the suggested recommendations.

The ICAB, as an SRB, must be commended for taking steps to supervise, monitor and evaluate its membership for compliance with international standards. In 2016, ICAB outsourced the conduct of on-site examinations to the Association of Chartered Certified Accountants (ACCA) to test the quality of audits and client assessments. This initiative is part of a wider Caribbean initiative to ensure compliance amongst its ACCA CARICOM members. There is need for collaboration between ICAB and the FIU to review the results of the inspections to determine if there are relevant AML/CFT issues.

To date, a total of three ACCA on-site examinations were conducted³⁷, with three more scheduled for 2017. ICAB has a Disciplinary Committee charged with investigating integrity breaches and administering any disciplinary actions/sanctions to its members. There is no specific mandate for ICAB to investigate AML/CFT integrity breaches, neither did this appear to be a priority of the Association. To trigger an investigation, protocol requires ICAB to receive a formal complaint about a member. To date, one investigation was conducted; no sanctions were levied.

Their top international clients of accountants and auditors are residents of the United States of America, Guatemala, and Central America³⁸. However, given the lack of responses to the NRA questionnaire, it was not possible to determine whether the majority of accountancy firm's clients were those of domestic companies or overseas companies and what were the most demanded services. Furthermore, little information is available on the cash intensiveness relating to payment of services, and currently no industry standards exist to limit the cash intensiveness of the sector. There is also no publicly available information on the estimated total value of total assets managed by this sector and once more it was not possible to determine this from the survey.

³⁶ http://www.oas.org/juridico/english/mesicic3_blz_account.pdf

³⁷ As at December 2016

³⁸ Perception interviews with ICAB

The assessment of accountants, auditors and tax advisors is limited due to the lack of information available on or from within the sector. The response rate to the questionnaire issued to the sector was too low to be a representative proportion of the sector from which trends and analysis could be determined. The response rate supports the need for more resources and attention to be directed to the sector.

Urgent review and legislative reform are needed. An apparent area for priority action is creating a state regulatory body or expand the objectives of ICAB to ensure that they enforce the AML/CFT obligations of their members. Other areas include expanding the regulatory regime to include tax advisors (and possibly internal auditors) and enhancing disciplinary powers.

1.9.3. Motor Vehicle Dealers

The motor vehicle dealers' sector is assessed to have a high level of ML Vulnerability.

Dealing in vehicles was classified in the MLTPA as an activity or business subject to the Act³⁹ in January 2009, with the FIU being designated as its AML/CFT supervisory authority. The FATF Recommendations do not specify this business to be subject to effective systems and monitoring and ensuring compliance with the relevant AML/CFT measures required in the recommendations.⁴⁰ Competent authorities, however, had concerns about the vulnerability of the sector to being abused for money laundering activities. This was due to several factors including the lack of regulation and the increasing growth and volume of activities observed in the sector.

The Customs valuation of vehicles imported into Belize for 2016 is approximately BZD \$94 million⁴¹ and is merely indicative of the activity that is associated with this sector. Of that, approximately BZD \$78.7 million⁴² is attributable to the importation of used vehicles and BZD \$15.2 million is attributable to new vehicles. The estimated annual revenue generated by new vehicle dealers as at end of December 2016 is approximately BZD \$42.6 million⁴³, which is the third largest revenue generating DNFBP sectors. The annual revenue of approximately BZD \$42.6 million generated by the new vehicle dealers reflects revenue from all products and services offered by the new vehicle dealers as revenue from new vehicle sales is not reported separately. As at the end of December 2016, there were 119⁴⁴ Dealing in Vehicles Reporting Entities registered with the FIU as compared to 156 registered with the Department of Transport and Belize City Council Traffic Department. There has been rapid growth in the number of dealers registering with the FIU as represented by a 46% increase in FIU registrations for 2016⁴⁵. Dealers operate in all six country districts, with the biggest concentration being in the Belize District where 30% of the country's population resides⁴⁶.

³⁹ Third Schedule of the MLTPA

⁴⁰ <http://www.fatf-gafi.org>

⁴¹ Customs & Excise Department

⁴² Customs & Excise Department

⁴³ Note that figure is revenue declared by five major auto dealers and is comingled with income other than vehicle sales.

⁴⁴ FIU Registration statistics

⁴⁵ FIU MV Dealer registrations as at December 2015 and December 2016 totaled 80 and 118, respectively

⁴⁶ Belize Population and Housing Census Report 2010

The central authority responsible for the issuance of dealer licenses is the Department of Transport; however, currently both the Belize City Council Traffic Department and the Department of Transport facilitate the collection of initial registration and annual renewal fees of BZ \$1,500. Despite the granting of dealer licenses by these two agencies, the sector is still unregulated, as neither of these agencies regulate the industry and/or have mechanisms in place to ensure that only those persons who are qualified are granted licenses to operate in the sector. Furthermore, no supervisory or monitoring type functions are carried out or provided for in their legislation⁴⁷. The registration process of both organizations does allow for FIU registration as a precondition before operational licenses are issued. In an effort to bridge the registration gap and improve communications between agencies, the Belize City Council Traffic Department has agreed to amend its internal policy and to issue notifications to the FIU of all new vehicle dealer's licenses issued. A similar request has been made of the Department of Transport; however, an agreement has not yet been reached.

To further complicate matters, the dealer's license registration process allows for up to three persons to be named on the issuance of one motor vehicle dealer's licence. This was instituted to make the licence more affordable and encourage more vehicle dealers to apply for the licence. This, however, has complicated and frustrated the monitoring of dealers as there have been situations where dealers named on the same licence do not have any business or personal relationships and do not know each other. They simply apply for a licence together in order to reduce cost. Additionally, the ambiguity of the sector definition as per the MLTPA contributes to the challenges in effectively supervising and monitoring the sector for AML/CFT compliance by the FIU. Currently, the vehicle dealer sector in Belize involves sales of foreign new, foreign used and local used vehicles. FIU registrants include a wide range of dealers, from those selling motor vehicles to golf carts and agricultural type vehicles. Vehicles are not manufactured in Belize; they are imported, via ocean-freight mainly from Thailand, USA, and Japan; or driven across the northern or western border from the USA, Mexico, or Guatemala into Belize⁴⁸.

There is growing concern over the tracking of vehicles imported into Belize as the Department of Transport and individual municipalities currently each have their own independent vehicle registration systems, with most being paper based. This does not allow for easy sharing of information on vehicle registrations between municipalities; therefore, it is difficult to track ownership and registration history of a vehicle once it is in Belize. The Department of Transport through the Central Information Technology Office (CITO) has requested assistance from the Taiwanese government to implement a new vehicle registration and licensing system which will assist in establishing a centralized database that will facilitate the storage, integration, and exchange of data⁴⁹. This new system is anticipated to be operational by June 2021.

An emerging trend identified is the pawning of vehicles. Serious concerns are raised over the level and quality of client acceptance and record keeping procedures maintained by pawnshops. Powers of AML/CFT supervision over pawnbrokers were given to the Central Bank of Belize (CBB) in 2017⁵⁰.

⁴⁷ Motor Vehicle and Road Traffic Act Chapter 230 of the Laws of Belize, Revised Edition 2011 and Motor Vehicle and Road Traffic Regulations, Chapter 230 of the Subsidiary Laws of Belize, Revised Edition 2003.

⁴⁸ Customs and Excise Department's vehicle importation statistics.

⁴⁹ <https://www.icdf.org.tw/ct.asp?xItem=43504&ctNode=30063&mp=2>

⁵⁰ Money Lender's (Amendment) Act 2017

Persons dealing in vehicles can be easily and frequently exploited by their customers who purchase motor vehicles, in order to disguise unlawful tax evasion or the origin of dirty money. Dealing in motor vehicles is a highly cash intensive business. Customers who try to evade income tax, customs duty, or GST, often use the proceeds of this evasion to buy and sell assets, so that their tax evasion is difficult to detect. All vehicle dealers must be alert to this risk as those dealers who negligently fail to identify suspicious transactions may inadvertently also become accomplices to organized criminal activity.

The FIU has not conducted any AML/CFT supervision over the sector, and this may be the reason why no STRs have been filed by vehicle dealers. The lack of the FIU's administration of its compliance and supervisory functions over the sector is attributable to insufficient resources assigned to the FIU.

Consideration must be given to the resource level of the FIU. For more than one third of its existence⁵¹, the Compliance Department of the FIU was staffed with merely one or two persons. Currently, there is a total of four staff members vested with the responsibility of supervising over 852 DNFBP Reporting Entities for AML/CFT compliance. A definite and strategic approach to supervision needs to be adhered to which must be in alignment with a risk-based methodology, that best allocates and utilizes the FIU's current resources in an effective and efficient manner.

Recent Developments:

In July 2017, the FIU conducted its first outreach and awareness session to the dealing in vehicles sector, which was attended by approximately 50% of its registered Reporting Entities. The session focused on creating awareness of the AML/CFT obligations of persons operating in the sector. The general sentiment of the dealers in attendance was that enforcing customer due diligence requirements would negatively impact their businesses by driving customers away especially if not all dealers are complying with the obligations. Persons operating in the sector also requested additional assistance in developing their compliance programs therefore the FIU will need to issue sector specific guidance in the near future and conduct risk-based monitoring of the sector to ensure compliance with obligations.

1.9.4. Gaming – Casinos and Licensed Gaming Establishments

The casino sector is assessed to have a medium-high level of ML Vulnerability.

Belize's gaming sector is comprised of casinos or licensed gaming premises (LGPs), licensed gaming establishments (LGEs) and on-line gaming/internet casinos and is estimated to have generated over BZD \$59m⁵² in revenue in 2016. The sector's regulatory body which is the Gaming Control Board has a total of 45 gaming entities registered, of which 9 are LGPs or casinos, 33 are LGEs and 3 are online gaming⁵³. At the same time, the AML supervisory authority for the gaming sector – the FIU - has only 7 entities registered, of which 5 are LGPs or casinos and 2 LGEs. At present, there are no online gaming establishments registered

⁵¹ In 2010 & 2011 FIU Compliance Dept. was staffed with 1 person and in 2012 a total of 2 persons

⁵² Revenue reported to the Income Tax Department in 2016

⁵³ MITC registration statistics as of December 2016

with the FIU. The largest registration gap applies to LGEs, as the vast majority of this sector is unaware of their legal obligations to register with the FIU.

The Ministry of Investment, Trade and Commerce (MITC) is the Secretariat to the Gaming Control Board (GCB) and to the Lotteries Committee, which controls and regulates the promotion, holding and conduct of lotteries in Belize. Currently, the MITC is in the process of amalgamating the Gaming Control Act and the Lotteries Act. A feature of the new Gaming Act will be to establish a Gaming Commission. The draft Bill has been presented to Cabinet and is currently under review. In the interim, the GCB receives, processes and approves gaming licenses. The regulatory body's registration and approval process is stringent, with FIU and Interpol due diligence checks being conducted on the principals of the companies submitting applications. The gaming licenses are required to be renewed annually.

Apart from GCB, the MITC's portfolio also includes Free Zones, the Belize Trade and Investment Development Service, Export Processing Zones (EPZs), a Fiscal Incentives Programme, and all investment policy issues. In addition, the GCB through the MITC also conducts monthly operational compliance inspections of LGPs and LGEs. The scope of examinations includes the monitoring of gaming machines, certifying establishments meet health and sanitary requirements, and ensuring no under-aged persons are being employed. The inspections do not include an AML/CFT component. In accordance with the Act⁵⁴, the MITC has the authority to revoke a gaming license if a licensee has acted in violation of any of the provisions of the Act⁵⁵ or has been in breach of any of the terms and conditions of his licence.

In comparison, the FIU, over a six-year period has conducted a total of 18 on-site AML/CFT inspections on LGPs or casinos, while no examinations were conducted on the LGEs entities. This can be attributed to the small number of LGEs registered with the FIU and the lack of outreach to that sector. A major AML/CFT deficiency observed in LGPs or casinos was a lack of implementing CDD procedures, failure to provide ongoing compliance training to staff, and failure to maintain customer records. During the period under review, two instances of integrity breaches by staff were also reported to the FIU.

To be classified as a casino requires that an entity has at least a 50-room hotel, or a 25-room hotel together with a call center. Casinos are also licensed to operate slot machines and are the only gaming establishments that can have live games, such as blackjack, poker and roulette. Casino operations are largely cash-based and are among the top cash-generating businesses. This presents opportunities for money laundering as casinos utilize a variety of value instruments, including cash, casino chips, Ticket In-Ticket Out (TITO), and gaming machine credits to facilitate gambling by their customers⁵⁶. Although subject to the AML/CFT reporting obligations as specified in the MLTPA, the inherent nature of the gaming services offered by both casinos and LGEs does not facilitate applying CDD measures, record keeping of its clients, and source of funds declarations. As a point of interest, the majority of casinos in Belize are owned and managed by Turkish nationals⁵⁷

⁵⁴ Gaming Control Act, Cap. 152, s. 24 (14 & 15) Revised Edition 2011

⁵⁵ Gaming Control Act, Cap. 152, Revised Edition 2011

⁵⁶ CAMS Study Guide -5th Ed.

⁵⁷ FIU Registration Statistics

For LGEs, an individual can be licensed to operate multiple machines. In instances where the operator decides to rent the machines to bars and/or shop owners for a fee, the MITC must be made aware of such arrangements. The name of the renter(s) as well as the location of the machines must be specified on the licence application. This enables the GCB to be fully aware of where the various gaming machines are located country wide. When applications for licences are reviewed by the GCB, CDD is conducted on the prospective operator; however, no CDD is done on the renter(s). Licenses granted to LGEs are issued for a minimum of 12 and a maximum of 40 slot machines, and unlike casinos, LGEs are not licensed to conduct live games.

The power and effectiveness of the MITC as the gaming sector's Regulatory Body and Secretariat to the GCB was demonstrated in 2016 when it revoked the license of the only on-line gaming establishment that was operational at that time in Belize due to failure to satisfy regulatory requirements; the business was subsequently forced to cease operations completely.

Section 17(2A) of the MLTPA stipulates that LGPs or casinos shall keep written records of specific information regarding transactions or business relations in relation to any transaction equal to or above BZD\$6,000. Furthermore, section 17 (4) of the MLTPA stipulates that LGPs or casinos, LGEs and online gaming establishments shall file STRs with the FIU in relation to any suspicious transactions. To date, only four⁵⁸ STRs were filed by casinos, none of which was in relation to transactions as specified in the MLTPA. As requested by the FIU pursuant to section 17(2) (b), casinos do, however, submit a monthly cash transaction report to the FIU detailing the inflows and outflows of transactions equal to or above BZD \$6,000. Based on these monthly cash transaction reports, first level analysis is conducted by the FIU's Compliance Department. Should suspicious trends be identified, internal STRs (iSTRs) are filed with the FIU's Analysis Department. For the period under review, a total of 9 iSTRs were forwarded to the Analysis Department.

A complete review of LGEs has not yet been undertaken due to resource constraints but given the high level of assessed vulnerability for the LGP sector a review of the LGE sector is now due.

1.9.5. Lawyers, Notaries and Independent Legal Professionals

The lawyers, notaries and independent legal professionals' sector is assessed to have a medium-high level of ML Vulnerability.

In Belize, the legal profession is fused, and attorneys-at-law may act as both barristers and solicitors. The range of services that attorneys offer is varied and includes litigation, transactional and management of clients' affairs. There are currently 240⁵⁹ attorneys that are entitled to practice law in Belize. Of that figure, there are 58⁶⁰ reporting entities registered with the FIU. The composition of the reporting entities includes sole practitioners, partners and employed legal professionals within professional firms. FIU registration figures do not include "internal" (i.e. in-house) professionals that are employees of other types of businesses, nor those working for government agencies. There are 77⁶¹ persons that are commissioned as Notaries

⁵⁸ FIU Analysis Department Statistics

⁵⁹ Attorneys-at-law listed on the Roll as at December 2016 as obtained by the FIU

⁶⁰ FIU 2016 Annual Report

⁶¹ Statistics from the Register of Notaries Public at the Supreme Court Registry as obtained by the FIU

Public in Belize. The Prime Minister may grant the commission to any fit and proper person who meets the legal qualification to be appointed and enrolled as a notary public and is certified to him in writing by the Chief Justice. In practice, the commission is granted only to attorneys-at-law that have been admitted to practice law for at least five years and the attorney is commissioned for life. In Belize, common law notaries perform merely administrative acts such as witnessing or authenticating documents, as the grantee is qualified to draft and execute legal documents by virtue of being a legal practitioner. The framework governing the legal profession in Belize does not specifically provide for a sector known as independent legal professionals. As such, there is no clear legal definition of who operates as an independent legal professional in Belize, even though it is listed as a reporting entity in the MLTPA. For purposes of this assessment, legal professionals include both attorneys-at-law and notaries.

The attorney-at-law sector is governed by the Legal Profession Act⁶² (LPA) and regulation of the sector is conducted by the Supreme Court. The Supreme Court governs the admission⁶³ of persons to the "Roll" which is a list of attorneys-at-law entitled to practice law in Belize. The General Legal Council (GLC) is the disciplinary authority and is responsible for upholding the standards of professional conduct. The GLC may make recommendations to the Chief Justice for the disciplining of attorneys-at-law. The GLC is comprised of the Chief Justice, the Attorney General and other legal professionals who are entitled to practice law⁶⁴. The GLC has the power to impose a range of sanctions on attorneys including fines, suspension or removal from the Roll with removal resulting in an individual not being able to practice law in Belize. The Bar Association of Belize (BAB) is another organization that assists in the oversight of the sector. In 2014 the LPA was amended to remove the precondition of paying the BAB's annual subscription to be admitted to practice law; effectively rendering membership non-compulsory. Notwithstanding, as at the end of 2016 only 2 attorneys-at-law had withdrawn as members of the BAB and there were 90 members in good-standing.⁶⁵ Among other things, one of the BAB's role is to promote and bring about the desired law reform and to take all steps necessary or desirable to develop and maintain a public awareness of the need for a constant review of the law.

As set out in the MLTPA, attorneys-at-law who engage in the buying and selling of real estate; managing of client money, securities or other assets; management of bank, savings or securities accounts; organization of contributions for the creation, operation or management of companies; or creation, operation or management of legal persons or arrangements, and buying and selling of business entities are required to register with the FIU⁶⁶. The estimated annual revenue that this sector generated as at December 2016 was BZD \$24.7 million⁶⁷, which covers the total estimated income of the legal profession. Segregated data by income streams to cover those activities that the FIU supervises was unavailable for this assessment.

⁶² Chapter 320 of the Substantive Laws of Belize, Revised Edition, 2011

⁶³ Section 6 Legal Profession Act

⁶⁴ Specifically, the GLC consists of the Chief Justice or a judge of the Supreme Court appointed by the Chief Justice, the Attorney General or his nominee, and three attorneys-at-law elected by the Bar Association, of whom two shall be attorneys-at-law of not less than two years standing in the profession, and two attorneys-at-law appointed by the Attorney General; the Chief Justice or a judge of the Supreme Court appointed by the Chief Justice shall be the Chairperson of the Council.

⁶⁵ Bar Association of Belize

⁶⁶ Section 85B, MLTPA

⁶⁷ Income Tax Department

Attorneys-at-law, accountants, and trust and company service providers are also known globally as 'gatekeepers' or facilitators because they act as an entry point for those seeking to misuse legitimate financial systems and corporate structures for money laundering. The types of services provided by lawyers make them attractive for money laundering as their professional status provides a veneer of legitimacy and reduces the risk of their financial activities raising suspicion. For example, whether knowingly or otherwise, attorneys may play a key role in providing advice and services that assist criminal groups with establishing legal, corporate, and financial structures to launder illicit funds; consequently, there is an inherent vulnerability to the sector due to the nature of some of the services provided which may be abused to facilitate money laundering. As at the end of 2016, attorneys-at-law comprised 43.6% of Trust Service Providers and 46.2% of Corporate Service Providers registered with the IFSC.

The FIU has been the AML/CFT supervisor of this sector since 2009. During that time, the FIU has not conducted any sector specific outreach to the sector, nor has it engaged in on-site examinations. As such, data in relation to how payments are made to attorneys and the cash intensiveness of the sector is unavailable. The sector's client composition is also unknown, so that analysis in relation to the number of high-risk clients, such as PEPs, non-residents, the use of agents and non-face-to-face customers, etc. could not be conducted. As the supervisory authority, the FIU needs to enhance its interaction with the sector by conducting on-site examinations in a risk sensitive manner and embarking on an outreach campaign to ensure that attorneys-at-law are aware of their AML/CFT obligations, thereby providing the foundation for effective enforcement efforts.

Of the 57 reporting entities registered with the FIU and a total of 9 new registrations in 2016, there have been no enforcement sanctions that have been imposed by the FIU against entities in the sector. Attorneys-at-law filed a total of eight STRs with the FIU during the review period, three in 2016, and at least one STR per year since 2012, except for 2014 when none was filed. Notably, the STRs were related to suspected cases of fraud against the attorneys themselves by clients or unrelated parties. This level of STR filing is low and the FIU will need to determine the reason for this.

As the disciplinary body responsible for upholding standards of professional conduct, the GLC received a total of 52⁶⁸ complaints made against attorneys-at-law during the period 2010 to 2016. Unfortunately, adequate information regarding the nature of the complaints, resolution and whether any sanctions were imposed on legal professionals was unavailable for this assessment to properly assess the mechanisms in place to ensure that integrity is upheld. There were two notable cases concerning the integrity of members of the legal profession during the period under review. In 2015, an attorney-at-law held BZD \$230,000 in escrow for the payment of the purchase price for property in a land transaction. The money was never handed over to the vendor for the sale. The Court compelled the attorney to return the money to his clients by selling off his assets⁶⁹. A freeze order was obtained on his assets, and he was subsequently ordered to disclose all assets held in Belize, including those he held in trust for clients⁷⁰. There was also a case where payment of an insurance claim was made to an attorney on behalf of its client and the attorney denied

⁶⁸ Statistics obtained from Supreme Court's Registry.

⁶⁹ <http://edition.channel5belize.com/archives/109968> and <http://www.7newsbelize.com/sstory.php?nid=32033>

⁷⁰ <http://edition.channel5belize.com/archives/109968>

receiving the payment. The insurance company was able to prove payment and the client took court action against the attorney.

Recent Developments:

In March 2017, the FIU engaged in its first outreach to the attorneys' sector at the Annual General meeting of the Bar Association of Belize.

1.9.6. Dealers in Precious Metals and Precious Stones

The dealers in precious metals and precious stones sector is assessed to have a medium level of ML Vulnerability.

The dealers in precious metals and precious stones (DPMS) sector is currently unregulated. The number of DPMS registered with the FIU totals 28⁷¹, accounting for only three percent of the DNFBPs registered with the FIU, and it is estimated the sector generated a total of BZD \$32.2m⁷² in 2016. Many businesses in this sector are also involved in other activities such as pawning and money lending therefore the estimated income reflects all activities of the businesses and is not limited to income from dealing in precious metals and precious stones.

FATF deems DPMS to be a high-risk sector, as money launderers and terrorist financiers are drawn to precious metals and stones since they are often highly valuable relative to their weight and also have a relatively stable price. Precious metals and stones are often exposed to elevated levels of money laundering risks due to its characteristics, including their high value, portability, and being virtually an untraceable and odorless commodity.

Very little is known about this sector in Belize as no on-site examinations nor outreach activities have been conducted by the FIU. It is estimated that the majority of DPMS registered with the FIU are essentially jewelry stores, retailing in finished goods, such as rings, earrings, bracelets and necklaces to locals, as opposed to engaging in bulk transactions and cross-border sales of precious metals, stones or jewels. One international jewelry store operates in Belize and is located in the duty-free area of the cruise complex that caters mainly to cruise ship visitors. Notably, pawnshops are engaging in the exchange of money for gold and have therefore been registering with the FIU as a DPMS; they are also supervised by the CBB which is the AML/CFT Supervisor for pawning and moneylending.

Section 17(4)(c) of the MLTPA requires that reporting entities which are DPMS, together with other dealers in high value goods, file STRs with the FIU for each instance when engaging in any cash transaction equal to or above the equivalent of BZD \$15,000. To date, no STRs have been filed in this category.

⁷¹ FIU Registration Statistics

⁷² Income Tax Department

Small-scale gold-panning is conducted in rivers and streams in mountainous areas of the country, mostly by poachers and other illegals from Guatemala. While the yield from these activities is not tracked, the continuing small scale of operations suggest that so far it is not a significant income generator.

1.9.7. Free Zone Businesses

The free zone businesses sector is assessed to have a high level of ML Vulnerability.

Commercial Free Zones (CFZs) present a unique money laundering and terrorist financing threat because of their geographical location and cash intensive nature. As at the end of December 2016, this sector had a total of 289 reporting entities registered with the FIU. The sector reported sales of \$305.4m⁷³ in the year 2016. No STRs have been filed by or on the sector; however, the trafficking of contraband⁷⁴ goods from the CFZs is of concern⁷⁵. Two CFZs are functional in Belize, the Corozal Free Zone located at Belize’s border with Mexico and the Benque Free Zone located at Belize’s border with Guatemala. A total of six CFZs are licensed in Belize, however, four of them are currently non-operational or in the development stage. Below is the listing of the CFZs licensed in Belize and their operational status.

Operational Status of CFZ Businesses	
Name of CFZ	Operational Status
Corozal Free Zone	Operational
Benque Free Zone	Operational
International Free Zone	Non-Operational
Belize Port Free Zone	Development Stage
Toledo Free Zone	Non-Operational
Western Free Zone	Non-Operational

Table #16: Operational Status of CFZs Licensed in Belize

CFZs are governed by the Free Zone Act, 2005 and regulated by the National Free Zone Authority (NFZA). The Board of Directors of the National Free Zone Authority comprises a combination of public and private sector entities as well as a representative from the National Trade Union Congress of Belize.

The NFZA is responsible for the vetting and approval of Free Zone applications. The effectiveness of the NFZA is yet to be determined as the Board currently consists of stakeholders of the zones, raising the issue of regulatory capture and the potential for conflict of interest.

Businesses operating in the Free Zone are predominantly owned by Belizean nationals, of which 41% are naturalized Belizeans⁷⁶. Management of the zone is done by private investors in the case of the Benque Free Zone and by the Government of Belize in the case of the Corozal Free Zone. A Chief Executive Officer

⁷³ Statistical Institute of Belize Annual Imports Commercial Processing Zone figure for 2016

⁷⁴ contraband- Goods that have been imported or exported illegally.

⁷⁵ <http://www.7newsbelize.com/sstory.php?nid=34501&frmsrch=1>

⁷⁶ FIU registration statistics as at December 2016

supervises daily operations of both zones. AML supervision is conducted by the FIU. The Customs and Excise Department also has heavy presence in the zones as that department monitors the importation and exportation of goods to and from the Free Zones.

The zones primarily engage in the sale of electronics, perfumes, liquor, household items, fuel and cigarettes. Statistics gathered from the NRA survey shows that 54% of the revenue generated derived from wholesale transactions and 46% from retail transactions⁷⁷ with exportation to Mexico, Guatemala, Honduras, El Salvador and the United States.

Currently, businesses operating within the Corozal Free Zone are required to submit monthly sales reports and yearly financial statements to the Free Zone Management. Audited financial statements are not required. As a result, the accuracy of reporting cannot be verified by the Free Zone Management. Furthermore, no legislation enforces the use of point of sales machines in the zones which would aid in monitoring cash transactions conducted by the business.

The presence of commercial banks in the zones is limited as only two domestic banks operated within the Corozal Free Zone up until 2015 when one bank withdrew from the zone. The remaining bank has placed a threshold on the amount of funds that can be deposited by any one business. Furthermore, screening of the businesses is conducted before funds are accepted. No bank operates in the Benque Free Zone and in the absence of reporting, no information is available on the activities that are conducted.

Commercial banks in Belize deal in cash and instruments denominated in US and Canadian dollars, Euros, Sterling and domestic currency. However, a significant number of Mexicans enter the Corozal Free Zone on a daily basis and are making cash payment utilizing Mexican currency i.e. pesos. The same is being done in the Benque Free Zone where Guatemalans enter the zone and make cash payments with the Guatemalan currency i.e. quetzales. Likewise, there is no definitive way of determining where these monies are being held and how they are exchanged for US and/or Belize dollars. Approximately 77 persons had applied to operate in this informal and unregulated money exchange sector in 2012.⁷⁸

The FIU has conducted AML/CFT outreach activities for this sector. Onsite examinations were conducted for 21 registered businesses in 2016⁷⁹. The examinations revealed a lack of understanding of the AML/CFT obligations established by the MLTPA. Deficiencies identified included failure to implement AML/CFT policies and procedures, failure to implement CDD procedures, failure to submit STRs, and failure to provide AML/CFT training to staff.

1.9.8. Trust and Corporate Service Providers

The Trust and Corporate Service Providers sector is assessed to have a medium-high level of ML Vulnerability.

⁷⁷ Results obtained from NRA surveys

⁷⁸ Statistics gathered from applications submitted to CBB as of 2012

⁷⁹ FIU Compliance Department statistics

Trust and Corporate Service Providers (TCSPs) are broken down into two segments; Corporate Service Providers (CSPs) and Trust Service Providers (TSPs). Corporate Services typically includes the establishing of International Business Companies (IBCs) and International Limited Liability Companies (ILLCs); acting as a formation agent of legal persons; acting or arranging for persons to act as shareholders, directors, officers, members, or managers of legal entities; providing registered offices, or acting or arranging for persons to act as nominee shareholders. One of the core business areas of CSPs is to assist with the filing of documents with the IBC Registry, the ILLC Registry or Protected Cell Company (PCC) Registry. These requirements are set out in the legislation that provides for IBCs, ILLCs and PCCs and relate to the incorporation of companies, allotment of shares, etc, where the entities must rely on CSPs to do the filings as they are prohibited from performing direct registrations.

TSPs typically offer services related to trusts and foundations. For trusts, these include the processing and establishing of offshore trusts, acting as or arranging for persons to act as trustees, or providing trust administration services. For foundations, this includes the processing and establishing of international foundations, acting as or arranging for persons to act as foundation council members, or providing fiduciary services.

Belize has seen significant decreases both in the number of new IBCs incorporated annually over the five-year review period and in the number of IBCs registered at the end of each year. Despite the number of annual new registrations over the review period the total number of IBCs registered at each year-end declined. In respect of ILLCs, (which was a new IFS product, with the first incorporations occurring in 2012) there was a similar downward trend in new registrations following annual increases during the first three years, although the total number of registered entities at year-end continued to rise. The pattern with respect to Trusts was similar to those for ILLCs.

	2016	2015	2014	2013	2012
Total IBCs	55,867	63,478	68,926	70,614	66,841
New Registration	5,970	7,749	10,115	12,761	15,568
Revenue Generated	US\$7,536,980	US \$7,103,430	US \$7,444,120	US \$7,617,970	US \$7,276,790

Table 17: IBCs Registered over the last 5 years

	2016	2015	2014	2013	2012
Total ILLCs	316	272	301	181	50
New Registration	64	80	167	143	50
Revenue Generated	BZ\$76,555	BZ\$17,560	Not Available	Not Available	Not Available

Table 18: ILLCs Registered over the last 5 years and Revenue generated.

	2016	2015	2014	2013	2012
Total International Trusts	2,401	2,363	2,211	2,049	1,810
New Registration	129	152	162	239	227
Revenue Generated	\$25,800	\$30,400	\$32,400	\$47,800	\$45,400

Table 19: Trusts Registered over the last 5 years and Revenue generated.

At July 2017, there were 147 TCSPs licensed by the IFSC, comprising individuals, companies, or limited liability partnerships (LLPs). Ninety-seven were CSPs and fifty-five were TSPs with 5 licensed as both. Of the 97 CSPs, 46.2% were attorneys, while 17.2% had financial backgrounds, being either accountants or auditors or were engaged in finance or banking activities.

TCSPs' clients come from various parts of the globe with majority from Europe, and particularly from Cyprus, Ukraine, the Russian Federation, and the United Kingdom. Clients in Asia are primarily from Taiwan, China, Hong Kong and Japan. There were no persons from non-cooperative jurisdictions found among the client base; two TCSPs reported having one single client accounting for 20% or more of its service revenue. Most TCSPs do not see their customers as they are non-residents. Non-residents who conduct business through mail or Internet while staying in a foreign country always conduct non-face-to-face transactions, so they may maintain anonymity. It is possible for them to falsify customer identification data or pretend to be another person. While it appears that there are few PEP clients and few high net-worth individuals, the fact that clients are not residents and that there is a high number of clients from specific corporate services providers, result in vulnerabilities related to the client base profile being high. Professional intermediaries are also used by TCSPs and their customers for the purpose of promoting and obtaining clients and to act as agent between end user clients and the TCSPs.

The IFSCA at Section 3 establishes the IFSC and sets out powers, duties and functions for regulating IFS practitioners, including TCSPs. The IFSCA Section 5 sets out the functions of promoting and developing Belize as a centre for the carrying on of IFS; as well as protecting, and enhancing internationally, the reputation of Belize as an IFS centre. In 2013, the IFSCA was amended by Act No. 15 of 2013 to give explicit authority to the IFSC to carry out on-site inspections of any entity carrying on IFS.

The MLTPA in column 2 of the Third Schedule gives AML/CFT supervisory authority over TCSPs to the IFSC. At Section 21 of the MLTPA, the IFSC is charged with ensuring that TCSPs are complying with AML/CFT requirements. The IFSC has written policies and procedures for various aspects of its work, including licensing, authorisations and on-site inspections, but not for all areas where supervision is required. There is no comprehensive framework with compiled and documented procedures manuals.

The IFSC conducts both offsite surveillance and on-site inspection of TCSPs. The on-site inspection process has written policies and procedures as well as review forms for legal entities and legal arrangements which are examined. There are two types of on-site inspections which may be conducted, the full scope and the partial scope. Full scope on-site inspections cover all aspects of the TCSP's business including compliance with AML/CFT laws and regulations, Best Practices, and Code of Conduct. The partial inspections are usually

conducted as a response to allegations of misconduct or upon recommendation from off-site surveillance, or upon the instructions of the Director General.

	2016	2015	2014	2013
Company Service Provider	5	14	10	-
Trust Service Provider	4	7	24	-
Trust & Company Service Provider	-	-	-	-

Table 20: Total number or onsite inspection of TCSPs

During the period under review there were limited on-site inspections conducted and they were not risk based. As at December 2016 the IFSC as the AML/CFT Supervisor had an inadequate number of trained staff to carry out inspections. The IFSC has since undertaken recruitment and training of additional staff to bring its staff complement for on-site examinations to an adequate level.

The level of AML knowledge of staff in TCSPs businesses could not be determined from on-site examinations conducted. Thirty TCSPs who had staff ranging from two to forty individuals were surveyed. Of the thirty only two indicated that they had not conducted any AML training for staff while all others acknowledged that at least two and in some cases all members of staff had received AML training from various sources including in-house and external. Four TCSPs reported having staff who were certified in AML. During on-site examinations over 75% of entities examined were able to produce a training register for inspection. As indicated earlier however, the AML knowledge has not been tested by on-site examinations.

There have been low levels of STRs filed by TCSPs during the period under review. This may be an indication that STR detection and reporting systems are way below acceptable standards or that the mechanisms for identification and recording of unusual transactions in order to file STR are not being actively engaged. All TCSPs acknowledged having suspicious activity monitoring and reporting systems in place and some reported that the STR form for filing with the FIU is extensive and detailed which can be intimidating when filing the first time. They also reported that it seems that the reporting system is not effective as they get no acknowledgement, feedback or advice on what action to take regarding the clients or transactions. Further review of this area is required to determine the true reason for the low levels of STR filing with the FIU.

	2016	2015	2014	2013	2012
No. of STRs filed	3	12	6	5	16

Table 21: Total number of STRs filed as reported by TCSPs 2012 - 2016

For the period reviewed, no statistics on administrative actions, warnings and directives taken against TCSPs were available; however, the result of on-site inspections resulted in in directives being issued. IFSC records indicate that 4 TCSPs were reprimanded for non-compliance with the Code of Conduct for the period 2011-

2016; 4 TCSPs were suspended indefinitely in 2014; and one TCSP did not meet fit and proper standards due to out of court settlement for misappropriation of funds. Licencees surveyed acknowledged being aware of disciplinary action available for use by Supervisors and 50% indicated that the range of sanctions was enough to deter them from engaging in unacceptable behaviour. No record or statistics were found of any criminal action being taken pertaining to TCSPs.

SECTION 2 - TERRORIST FINANCING RISK

2.1. National TF Risk

National TF risk is a combination of TF Vulnerability and TF Threat. With TF vulnerability assessed as medium-low and TF threat assessed as low the national TF risk is **Medium-Low**.

In assessing the level of Terrorist Financing risk in Belize an assessment was conducted of the national TF vulnerabilities and threat.

TF is criminalized in the laws of Belize in line with International Standards and the legal and institutional frameworks are in place for the prevention, investigation, prosecution and the conviction of the crimes. To date, while there have been minimal TF investigations, they have not resulted in any prosecutions or convictions, and as at the end of 2017 there were no active investigations of TF and its related typologies.

Despite the absence of cases of TF and its related typologies, Belize continues efforts to improve its capacity to detect, investigate, prosecute, and convict any TF case that may arise. This is done through the strengthening of national, regional and international cooperation, legislative amendments to the Money Laundering and Terrorism (Prevention) Act (MLTPA), institutional strengthening, and continuous capacity building.

2.2 National TF Vulnerability

The terrorist financing vulnerability for Belize is assessed as **Medium Low**. Various measures have been undertaken at the national level to strengthen and improve capacity to respond to terrorist acts and detect, investigate and prosecute various forms of terrorist financing.

Pursuant to the United Nations Security Council Resolutions 1269 (1999), 1368 (2001), 1373 (2001), 1540 (2004), 1566 (2004) and 1624 (2005), Belize has taken the necessary actions and implemented or is in the process of amending relevant legislation to give effect to its obligations vis-a-vis the various conventions and protocols related to terrorism.

The 2011 Revised (MLTPA) establishes provisions for the investigation and prosecution of terrorism, terrorist financing and other related crimes. The Act defines the offences of terrorism and terrorist financing and outlines stiff penalties for violations. The revised MLTPA also includes other important changes such as enhanced provisions for the investigation and prosecution of terrorism and related crimes, procedures for the forfeiture of criminal proceeds and terrorist property, and requirements for relevant entities to take preventative measures to help combat terrorist financing.

Section 11 of the MLTPA also outlines the powers of the FIU in relation to the National AML/CFT regime and Sections 21, 22, and Schedules 3 and 5 establish the role and sanctioning powers of AML/CFT supervisory authorities. Amendments were made to the MLTPA revised edition 2011 to ensure compliance with CFATF Recommendations made in the third Round Mutual Evaluation Report for Belize, 2011. This included an amendment which provides for a system of communicating freezing actions to reporting entities relevant to the United Nations Security Council resolutions, in order to comply with the UN Security Council's resolutions relating to TF. The Act was more recently amended in April 2016 to further strengthen compliance with FATF standards, and to implement UN Security Council Resolutions 2178 and 2253 in response to growing global terrorist threats and to streamline the currency declaration process.

Belize has also signed on to the International Convention for the Suppression of the Financing of Terrorism and is a state party to:

1. The 1963 Convention on Offences and Certain Other Acts Committed On Board Aircraft;
2. The 1970 Convention for the Suppression of Unlawful Seizure of Aircraft;
3. 1971 Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation;
4. The 1988 Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation;
5. The 1973 Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons;
6. The 1979 International Convention against the Taking of Hostages;
7. The 1991 Convention on the Marking of Plastic Explosives for the Purpose of Detection; and
8. The 1997 International Convention for the Suppression of Terrorist Bombings.

Regional Efforts to Combat Terrorist Financing

While not considered primary targets for acts of terrorism, the Caribbean and Central America's geographic location and its porous borders and in some cases poor or corrupt policing, make it an attractive operating base. While the likelihood of an event or anyone being involved in any incident related to terrorism financing and its related activities is regarded as being minimal, the countries within the region remain alert and continue to strengthen regional cooperation to reduce the possibility of becoming a base from which funds can be raised to recruit terrorist or finance acts of terrorism.

CARICOM States including Belize have drafted a CARICOM Counter Terrorism Strategy to reduce the risk of terrorism and related financing activities and to build resilience to extremist ideology. The Heads of Government approved the Counter Terrorism Strategy at the Twenty-Ninth Inter-Sessional Meeting of the

Conference of Heads of Government of the Caribbean Community (CARICOM) which was held at Port-au-Prince, Haiti, on 26-27 February 2018.

The CARICOM Counter-Terrorism Strategy addresses the risk of terrorism and related crimes through 5 core pillars which are:

1. preventing violent extremism;
2. denying terrorists, the means and opportunity to carry out their activities;
3. disrupting extremist and terrorist activities and movements in CARICOM;
4. improving preparedness and defences against terrorist attacks; and
5. responding effectively to terrorist attacks and promoting a culture of resilience.

In addition to efforts made by Belize through CARICOM, Belize through the Central American Integration System (SICA) also collaborates with its Central American counterparts in combatting the threat of terrorism in the region. Through the Central American Security Strategy, countries of the region are directed towards the creation of preventive mechanisms to protect the population and safeguard the regional strategic infrastructure from the threat of terrorism and related crimes. The strategy calls for greater collaboration in information exchange and intelligence to first assess the risk and threats of terrorism, and then to inform the development of programs in accordance with international standards and agreement to specifically address and combat the threat of terrorism and related crimes in each member state.

Domestic Efforts to Combat Terrorist Financing

The National Security Strategy (NSS) of Belize lists 12 strategic actions to respond to the threat of Terrorism.

Strategic Actions include:

1. Develop a Counter Terrorism (CT) Strategy;
2. Update CT legislation in accordance with existing international instruments and standards;
3. Establish a CT Committee to provide strategic guidance to the National Security Council on appropriate tourism, maritime, aviation, and cyber-security measures on how to combat terrorism;
4. Promote cooperation and information sharing between public and private sectors, especially between financial institutions and control authorities, with respect to individuals, entities, and organizations that could be related to money laundering activities and financing of terrorist groups and/or activities;
5. Develop a properly resourced multi-department Counter Terrorism Unit;
6. Enhance border and customs control measures;
7. Develop a border management system;

8. Promote technical standardized training for immigration and customs personnel;
9. Prevent the fraudulent use of identification and travel documents;
10. Enable border enforcement authorities to better enforce control laws without affecting the flow of commerce;
11. Improve vigilance and control, to prevent the passage of terrorists; and
12. Improve coordination of the intelligence gathering arms of the Security Forces in disseminating their intelligence to an Intelligence Fusion Centre to ensure better flow of intelligence, nationally and regionally.

Since 2011 the joint effort by the Belize Police Department (BPD) and the Belize Defence Force (BDF) produced a National Anti-Terrorism Plan to guide Belize's response to incidence of terrorism in Belize.

The Department of Immigration and Nationality Services and the Customs and Excise Department in Belize play essential roles in the identification and prevention of terrorist financing related crimes, by identifying and reporting related red flags.

The Department of Immigration and Nationality is crucial to Belize's ability to implement travel bans mandated by the UN Security Council. It is also involved in providing international cooperation in tracking movements of known and suspected criminals into and out of Belize. The Department's effort will be enhanced when the Advance Passenger Information System comes on stream.

In accordance with the strategic actions listed in the NSS to protect Belize from terrorism, the Customs and Excise Department has implemented several measures to enhance border and customs control to better respond to the threat of terrorist financing related activities. As the lead agency for the collection of currency declarations, the Customs and Excise Department has an essential role in the detection of illegal cross border currency transportation. The information collected from currency declarations is immediately transmitted to the FIU for analysis and, when warranted, investigation. The FIU has authority to investigate and prosecute financial crimes including terrorist financing. However, it does not have a dedicated prosecutor on staff which could contribute to the low rate of financial crime investigations which proceed to prosecution.

The FIU coordinates and cooperates with enforcement agencies, Government Departments, regulatory authorities, private institutions and members of relevant professions in evolving methods and policies to prevent and suppress all financial crimes. At the policy level, key players are brought together by their membership in NAMLC. NAMLC meets on a minimum quarterly basis to perform its functions of fostering coordination and advising the Minister of Finance on matters related to AML/CFT.

To support the efforts of NAMLC, the Financial Crimes Working Group, a multi-agency group, was established in January 2018 with the objective of sharing information on financial crimes in order to enhance financial investigations including terrorist financing. The working group comprises of representatives from FIU, BPD, Customs and Excise Department, Immigration and Nationality Department, Income Tax Department and the International Financial Services Commission. The working group receives training and technical assistance from the United States Treasury's Office of Technical Assistance.

Non-Profit Organizations/Non-Governmental Organizations

A Non-Profit Organization (NPO) is defined as "a legal entity or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, for promoting commerce, art or science, or for the carrying out of other types of good works ." A Non-Governmental Organization (NGO) is defined as, "a legal entity formed as a company limited by guarantee under the Companies Act, Cap. 250, whose aims, nature and objects, direct or indirect ... are designed to contribute to sustainable human development in Belize ." NPOs and NGOs are especially vulnerable to misuse for TF as they enjoy public trust, have access to considerable sources of funds, may have global presence in or next to areas that are exposed to terrorist activity which allows for national and international financial transactions, and are easy to create and have little regulation.

Currently, the NPO sector is unregulated while responsibility for the regulation of the NGO sector lies with the Attorney General's (AG's) Ministry. As at the end of December 2016, a total of 211 organizations were registered with the FIU, 171 or 81% of which represent NPO registrations. The total NPO/NGO sector revenue could not be determined as data were unavailable. However, foreign exchange inflows statistics reflect donations of BZD \$4.5m for the sector in 2016. The Protected Areas Conservation Trust (PACT) also provided BZD \$2.5m in grants to the NPO/NGO sector in 2016. Interviews with the sector association and several NGOs indicated that the United Nations Development Program - Global Environment Facility (UNDP-GEF) Small Grants Program was also a source of funding for local NPOs/NGOs.

Categories of NPOs and NGOs who are most at risk of abuse for TF purposes have not been identified. Therefore, all NPOs and NGOs are subject to legal obligations of reporting entities under the MLTPA. The FIU is the AML/CFT supervisory authority for these organizations. The FIU has appropriate supervision powers granted by a comprehensive legal and regulatory framework, however supervision of the sector has been low. During the period of review, the FIU's supervision activities have been limited to registration of the entities and two outreach sessions to small groups of NPOs/NGOs. There has been no AML/CFT examination of entities in the sector therefore little is known about the level of AML/CFT knowledge in the sector, effectiveness of the compliance function of the organisations, or effectiveness of suspicious transaction monitoring and reporting. No STRs have been filed by these organizations during the period under review, and although there is no evidence to date of abuse in this sector, vulnerability is assessed to be medium-high.

2.3. National TF Threat Analysis

During the period under review there were no intelligence reports to suggest domestic terrorist organizations are operating within Belize and targeting Belize or foreign jurisdictions. In 2017, a Belizean national Abu Naili was killed during a shootout with police in the Philippines after resisting arrest. Naili was a suspected radical supporter of the Islamic State and the Levant (ISIL, also known by the Arabic acronym Daesh). Investigations into the case of Abu Naili by the Special Assignment Team of the BPD did not uncover any evidence of other possible TF activities in Belize, and there was no evidence on which to proffer any criminal charges.

There were also no intelligence reports to suggest regional or global terrorist organizations or individuals were targeting Belize for acts of terrorism. Based on data requested and discussions with law enforcement authorities there was also no indication that funds were being generated in Belize legitimately or criminally for terrorism operations in Belize or in a foreign jurisdiction; or that Belize was being used as a transit point for funds generated in foreign jurisdictions and being used in foreign jurisdictions for terrorist acts; or that Belize was being used for recruitment or training of individuals for terrorism. During the period reviewed there were five Requests for Information relating to foreign investigation of this offence, and no STRs related to TF were filed with the FIU. The five requests were received from foreign FIUs. Three of the five requests were responded to, and none resulted in hits or TF investigations being opened in Belize.

There was no indication that sectors in Belize including non-profit organizations were being used as channels for TF. Based on the absence of TF activity and intelligence to support TF related activity in Belize, the threat is assessed to be **LOW**.

CONCLUSION

Overall National Assessment of ML Risk

The national assessment has determined that the country’s ML risk level is Medium-High. This risk level reflects a national ML threat level of Medium and a national ML vulnerability level of Medium-High. The below risk map was used to determine the national ML risk level based on the assessment of national ML threat and vulnerability levels.

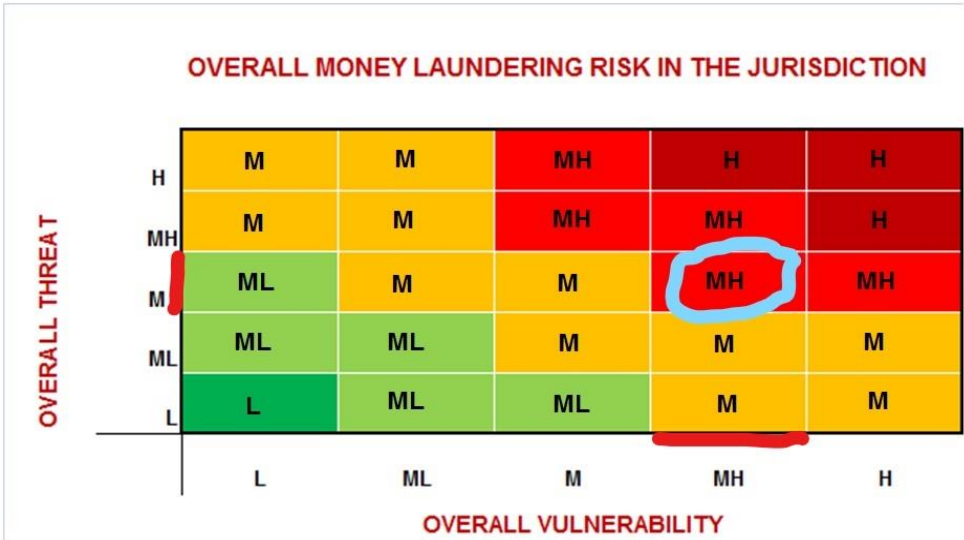


Figure 20: Risk Map of National ML Risk

National ML Threat

The National ML Threat was assessed to be Medium. This Medium rating takes into account the assessment of 25 ML predicate offences. Drug Trafficking was considered to be the most significant ML threat for Belize with a threat level of High. This was largely based on the significant level and value of drug seizures during a four-year period reviewed. This predicate offence was also assessed to have both domestic and foreign threat components. There was one offence category (corruption and bribery) which was assessed to have a Medium-High level of ML Threat which was determined to come from both domestic and foreign sources. Four offences were assessed to have a Medium level of ML Threat. These offences are theft, tax evasion, fraud and forgery. Three of these four offences were considered to have both foreign and domestic threat components, with theft being considered to have only a domestic component. Three offences were assessed to have a Medium-Low level of threat. These offences are robbery, smuggling of goods, and failure to declare currency. Robbery was assessed to have only a domestic ML threat component, while “smuggling of goods” and “failure to declare currency” were assessed to involve both domestic and foreign threat

elements. The other 16 offences assessed were considered to have Low threat of contributing to ML in Belize.

National ML Vulnerability

The national ML vulnerability is medium-high. This is influenced by the ML vulnerability of the sectoral and national AML framework. In assessing vulnerability of these frameworks, variables which reflect key features of the frameworks were assessed. The sectoral vulnerability assessment indicates that most of the DNFBP and Other Financial Services sectors have high and medium-high vulnerability to ML.

Sectoral Risk Assessment

The tables below reflect the ML risk rating of various sectors⁸⁰

No.	Financial Sector	Threat	Vulnerability	ML Risk Rating
1	Remittance Service Providers	High	High	High
2	International Securities	High	Medium High	High
3	Money Lenders	Medium High	Medium High	Medium High
4	International OFS (A)	Medium-High	Medium High	Medium High
5	Credit Union	Medium	Medium High	Medium High
6	International Banking	Medium High	Medium	Medium High
7	International OFS (B)	Medium High	Medium	Medium High
8	Domestic Banking	Medium	Medium	Medium
9	International Insurance	Low	Medium	Medium Low
10	Domestic Insurance	Low	Medium Low	Medium Low

Table 22: Money Laundering Risk Rating of Financial Sectors

⁸⁰ International OFS (A) includes international asset protection and management, money transmission services and payment processing services. International OFS (B) includes brokerage consultancy and advisory services.

No.	DNFBP	Threat	Vulnerability	ML Risk Rating
1	Real Estate Agents	High	High	High
2	Dealers in Motor Vehicles	High	High	High
3	Businesses Operating in a Free Zone	High	High	High
4	Lawyers/ Notaries	High	Medium High	High
5	Casinos & Licensed Gaming Premises	Medium High	Medium High	Medium High
6	Accountants/ Auditors/ Tax Advisors	Medium High	Medium High	Medium High
7	TCSPs	Medium High	Medium High	Medium High
8	NPOs/ NGOs	Medium Low	Medium High	Medium
9	Dealers in Precious Metals & Stones	Low	Medium	Medium Low

Table 23: Money Laundering Risk Rating of Non-Financial Sectors

The Domestic Banking Sector is assessed to be Medium Risk for ML due to its asset size, high cash activity, product vulnerabilities and its exposure to threats which is mostly from domestic predicate offences. Vulnerabilities identified are mitigated by supervisory processes and procedures which have been implemented for the sector.

The International Banking Sector is assessed to be Medium-High Risk for ML. Although this sector's asset size and volume of cash activity is less than domestic banking, it is exposed to threats from foreign predicate offences due to the nature of its level of cross-border transactions and international customer base.

The International Securities Sector is assessed to be High Risk for ML. This sector was found to have comprehensive legal frameworks and effective entry controls; however, vulnerability gaps exist in STR monitoring and reporting, in AML knowledge of staff in these firms, and in the level of effectiveness of supervision procedures and practices. This sector is also exposed to threats from foreign predicate offences due to the nature of its products and services and the international customer base.

The Domestic and International Insurance Sectors are both assessed to be Medium-Low risk for ML. There is a comprehensive legal and regulatory framework which provides laws and regulations regarding AML preventive measures and AML supervision in the insurance sector. There are effective entry controls for the sector, and an adequate supply of trained staff and other resources to enable proper execution of duties. Vulnerability factors which require strengthening include availability and effectiveness of criminal sanctions, effectiveness of the compliance functions within insurance entities, and STR monitoring and reporting by the insurance organizations. The threat of ML in this sector is low due to the nature of products offered in the sector and lack of evidence of the sector being used in Belize for ML.

The Remittance Service Providers Sector is assessed to be High risk for ML. Volume and velocity of transactions in this sector along with the need to improve AML compliance and monitoring systems

contribute to the medium-high level of vulnerability in this sector. ML threat is high as the sector is exposed to potential threats from both domestic and foreign predicate offences due to the nature of transactions and activities in this sector.

The Credit Union Sector is assessed to be Medium-High risk for ML. The Medium-High Level of vulnerability for this sector stem from its high level of transactions, large membership base and weaknesses in the AML compliance program of the entities. The medium level of threat is a result of it being exposed to primarily domestic threats by way of its domestic only customer base and transactions.

The Moneylenders Sector is assessed to be Medium-High risk for ML. This sector has comprehensive AML laws and regulations that apply to it and entry controls are high. However, AML compliance programs and systems among entities are at a development stage. The exposure to domestic threats from predicate offences is high for this sector as it has only recently come under regulation.

The Real Estate Sector is assessed to be High risk for ML. This sector is unregulated and is the fourth largest revenue generator among DNFBPs. There have been fraudulent activities in this sector, some of which involve land transactions by attorneys and politically exposed persons. Prior to 2016 there was limited AML supervision of this sector.

The Accountants/Auditors/Tax Advisors Sector is assessed to be Medium-High Risk for ML. This sector is partially regulated as public accountants and auditors are licensed; however, there is no regulation of accountants who are not classified as public accountants. There has also been limited supervision of this sector. This sector also has a high level of inherent exposure to being used to launder the proceeds of foreign crimes or to participate in concealing illegal activity.

The Dealers in Motor Vehicles Sector is assessed to be High Risk for ML. This sector is unregulated and is the third largest revenue generator in the DNFBP sector. There has been limited AML supervision of and outreach to this sector. The sector also faces exposure to being used to harbor proceeds of both domestic and foreign crimes.

The Gaming Sector is assessed to be Medium-High risk for ML. This sector is regulated and there has been some level of AML supervision of the sector. However, the sector is inherently vulnerable due to its high level of cash activity, client base profile, and size and volume of activities which make it the second largest revenue generator in the DNFBP grouping.

The Lawyers and Notaries Sector is assessed to be High risk for ML. The sector is regulated; however, there has been limited AML supervision of the sector and low levels of suspicious transaction monitoring and reporting by the sector, which contributes to its vulnerability. This sector has a high inherent threat level of ML from foreign crimes due to the nature of products and services offered to clients, including international clients.

The Businesses Operating in the Free Zone Sector is assessed to be High risk for ML. This sector is regulated; however, it is the largest in terms of revenue generated in the DNFBP grouping and is inherently vulnerable to ML due to factors such as its high-risk client base profile, and high level of cash activity. This sector also has a high inherent threat level of ML, including trade-based ML, due to the nature of its business activities which are primarily international.

The Trust and Corporate Service Providers Sectors are assessed to be Medium-High risk for ML. These sectors are regulated and have strict entry controls. The AML supervision of the sector requires strengthening, however. The sector is also inherently vulnerable to ML due to its client base profile, which is exclusively foreign. The CSPs also play a gatekeeper function for clients, which creates exposure to ML from foreign proceeds of crime.

Terrorist Financing Risk Assessment

The assessment of national vulnerabilities and threats of Terrorist Financing (TF) in Belize produced a Medium-Low TF risk rating. Based on the various measures undertaken at the national level to strengthen and improve capacity to detect and respond to terrorist acts, detect, investigate and prosecute various forms of terrorist financing and taking into account the fact that these measures have not been adequately tested, the Terrorist Financing vulnerability for Belize is assessed as Medium-Low.

During the period under review there were no intelligence reports to suggest domestic terrorist organizations were operating within Belize and targeting Belize or foreign jurisdictions. There were also no intelligence reports to suggest regional or global terrorist organizations or individuals were targeting Belize for acts of terrorism, terrorist financing, terrorist recruiting or training. While there were three terrorist financing investigations during the period under review, there were no prosecutions or convictions for the offence. Based on the absence of evidence of terrorism activity or intelligence to support TF related activity in Belize, the TF threat is assessed to be low.

APPENDIX 1- OTHER AREAS NOT ASSESSED

USING MODULES

(I) Trade-Based Money Laundering

Two free zones operate in Belize, one at the country's western border with Guatemala near the town of Benque Viejo, the other at the country's northern border with Mexico, near the town of Corozal. While both operations are engaged in importing and re-exporting activities, providing tax-free items for purchase by visitors from across the borders into the free zones, with no intermediate processing of goods taking place, no usable data are currently available directly from them relating to details of the types of merchandise involved in trading operations; or relating to goods sourcing or export enterprises or destinations, including intermediaries; or with respect to the financing of imports and the disposition of sales proceeds, or audited financials. While some aggregate financial data are available with respect to the Corozal Free Zone operation, which is by far the larger of the two, no information is available with respect to the operation at Benque Viejo. The free zones are legally not within the Belize Customs territory.

Recent developments:

A review of Corozal Free Zone operations was recently undertaken as part of the effort to enhance the contribution of free zone operations to national development through encouraging value-added operations and product processing. Work associated with the review noted the substantial use of US cash as the main means of payment for free-zone purchases, leading to some concern over the sourcing of those funds. While this issue is being followed-up because of its potential for money laundering, and effort is ongoing to persuade free-zone operators to utilise non-cash instruments in transactions, it is also likely to be related to a demand for foreign currency cash (both US dollars and Mexican pesos) from the large number of Belizeans for whom the Mexican border town of Chetumal is a popular weekend break and shopping destination, especially for Belizeans living in the northern part of the country. The absence of formal banking relationships between financial institutions in Belize and Mexico (and also between Belize and Guatemala) has resulted in a strong preference for cash in transactions, especially among lower-income travelers; and has contributed to the important role played by informal money-changing operations at both borders.

(II) Overland Agricultural Exports

Belize is currently a substantial exporter of grains (corn, rice, beans) and live cattle to neighboring Mexico and Guatemala. In addition to cross-border shipments, the agricultural producers and exporters also provide land-clearing and other agriculture-related services, given their location near to border areas.

Much of the grains exports to Guatemala are reportedly effected via direct farmgate sales to Guatemalan truckers, who reportedly pay in a combination of US dollars in cash, and Guatemalan Quetzales. The sourcing of US dollars for payment is not known, with the Mexican importers facing the same restrictions on access to US cash in Mexico as has been referred to in the discussion on Corozal Free Zone operators. In addition, it is not clear that there has been full reporting of agricultural production and sales, with consequences both for tax assessments and collections and for the accuracy of agricultural production and trade statistics. Issues with the payment for agricultural exports also apply to the provision of land development services.

Possible Actions:

Mandatory monthly reporting to the Ministry of Agriculture and to the Belize Tax Service Department of sales to Guatemalan and Mexican purchasers (by product type, volume, and value). This would also help improve our Statistical Institute's data coverage.

(IV) Lotteries

While gaming establishments and casinos operate in Belize and are covered under the DNFBP categorization, there is a substantial cash-based lotteries subsector that involves daily and weekly winner determinations that is patronized on a country-wide basis. Five drawings during each week for two different games involve accumulating prizes in the event of non-winners, while two daily weekday drawings for two separate lotteries and a separate Sunday lottery pay prizes based on the number of units purchased. Additionally, an ongoing scratch-off game of chance provides for instant determination of winners.

The games are all cash-based and are thought to provide substantial opportunities for covering and disguising the introduction by their operators of cash generated from other activities.

Possible Actions:

A requirement for legal entity status for lottery operators (excluding operators of "raffles"), and for annually audited financials.