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National Risk Assessment on Money Laundering
and Terrorist Financing for the Caribbean
Netherlands (Bonaire, Sint Eustatius and Saba)

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Cahier

This series of Cahier comprises reports of research conducted by or on behalf of the Research and Documentation Centre (WODC). Inclusion in the series does not mean that the content of the reports reflects the views of the Minister of Justice and Security.

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Abbreviations

AFM	Dutch Authority for the Financial Markets
AIVD	General Intelligence and Security Service
BES	Bonaire, Sint Eustatius and Saba
BTW	Wwft Supervision Office
CBS	Statistics Netherlands
DNB	Dutch Central Bank
EU	European Union
FATF	Financial Action Task Force
FIU-Netherlands	Financial Intelligence Unit – the Netherlands
FIOD	Dutch Fiscal Intelligence and Investigation Service
ISO 31000	Risk management according to the standards of the International Organization for Standardization
KNB	Royal Dutch Association of Civil Law Notaries
KPCN	Dutch Caribbean Police Force
MCA	Multi-Criteria Analysis
NOvA	Netherlands Bar Association
NRA	National Risk Assessment
RST	Special Police Taskforce
TBO	Anti-Undermining Team
UBO	Ultimate Beneficial Owner
Wet Bibob	Public Administration Probity Screening Act
WODC	Research and Documentation Centre
Wfm BES	Financial Markets Act for Bonaire, Sint Eustatius and Saba
WvS BES	Dutch Penal Code for Bonaire, Sint Eustatius and Saba
Wwft BES	Money Laundering and Terrorist Financing Prevention Act for Bonaire, Sint Eustatius and Saba

Summary

Study background

Dutch policy to prevent and combat money laundering and terrorist financing is based on the recommendations of the Financial Action Task Force (FATF) and European Union (EU) directives and regulations. The FATF – an intergovernmental body set up by the G7 in 1989 – focuses on the global combat of money laundering, terrorist financing and other related threats to the integrity of the international financial system. Members of the FATF, including the Netherlands, have committed themselves to implementing the 40 FATF recommendations on taking preventive and repressive measures by obliged entities, and to implementing measures to improve national legal and regulatory systems and international cooperation in this field. In addition, the FATF supervises the correct functioning and effectiveness of those (legal) measures. The majority of the FATF's recommendations has been adopted into the fourth EU Anti-Money Laundering Directive, applicable to all EU member states. Article 7 of this directive obliges EU member states to implement a risk-based policy against money laundering and terrorist financing and to establish a National Risk Assessment (NRA).

In 2017, the Research and Documentation Centre (*Wetenschappelijk Onderzoeken Documentatiecentrum, WODC*) of the Ministry of Justice and Security¹ conducted an NRA on money laundering and an NRA on terrorist financing for the European Netherlands. These NRAs identified and categorised the ten most significant money laundering and terrorist financing risks in terms of their potential impact. Both studies also gave an insight into the extent to which the existing policy instruments (legislation and regulation) reduce the identified risks.

The risks for the Caribbean part of the Netherlands were not included in these NRAs. These overseas Caribbean territories, i.e. Bonaire, Sint Eustatius and Saba (indicated in this report as Caribbean Netherlands or BES islands) have had the status of 'public bodies' or 'special municipalities' since 10 October 2010. The BES islands – with a total population of around 24,000 inhabitants (on 1 January 2017) and a total surface area of 322 km² – are situated in the Caribbean Sea at a distance of 7,000-8,000 kilometres from the European Netherlands. Bonaire is situated east of Aruba and Curaçao, at 80 kilometres from the continental coast of Venezuela. Sint Eustatius and Saba are situated south of Sint Maarten and north-west of Saint Kitts and Nevis. Bonaire is situated at around 800 kilometres' distance from Sint Eustatius and Saba.

Because of significant differences between the Caribbean and European Netherlands in terms of geographical, demographic, economic and sociocultural characteristics (context factors) that make these parts alternately more or less vulnerable to money laundering and terrorist financing, a separate NRA has been conducted for the BES islands. There are also differences between both parts in terms of the existing policy instruments to combat the risks and the way this fight is carried out.

The aim of this NRA is to identify the most significant money laundering and terrorist financing risks in terms of their potential impact and to assess the 'resilience'

¹ At the start of these assessments, this ministry was still named the Ministry of Security and Justice.

of the policy instruments designed to prevent and combat money laundering and terrorist financing. Resilience entails the functioning of policy instruments, whereby the following is applicable: the greater the resilience, the more effectively the instruments combat the risk. This NRA also describes a number of lessons learned that could be taken into account in subsequent NRAs.

Different research activities were executed for this NRA to gain an insight into existing threats relating to money laundering and terrorist financing on the BES islands, namely a literature study, an email survey, interviews with expert organisations and other involved organisations, and an expert meeting. Although this provided a considerable amount of information about the subject of money laundering in the Caribbean Netherlands, it did not lead to any clear signals of threats relating to terrorist financing. This does not necessarily mean terrorist financing does not occur on the BES islands; however, interviewees and participants in the expert meeting were unable to substantiate the few rumours about terrorist financing to the extent that they should be considered a threat. Also, the written and online sources that were consulted gave no indication of the existence of threats relating to terrorist financing. Because of this, the report and this summary focus on the subject of money laundering.

What is money laundering?

Money laundering can be defined in both legal and economic terms. The legal perspective of money laundering is based on the definition of money laundering in the articles in the Dutch Penal Code (*Wetboek van Strafrecht, WvS*). In the case of the BES islands, this definition is mentioned in Article 435a up to and including Article 435d of the Dutch Penal Code for Bonaire, Sint Eustatius and Saba (*Wetboek van Strafrecht BES, WvS BES*). These articles criminalise money laundering and describe the various circumstances in which someone is guilty of money laundering.

The economic perspective describes the *process* of money laundering. It focuses on how money obtained from criminal activity is introduced into the legal financial system and is used in an economic sense in such a way that the origin of the money is concealed. In general, the economic process of money laundering can be divided into three stages:

- placement: criminal funds are introduced into the financial system;
- concealment: the origin of the criminal funds is concealed;
- integration: the criminal funds are invested in legal projects, objects or goods.

Money laundering is preceded by another form of crime, such as the following predicate offenses: drug trafficking, human trafficking, theft or social/tax fraud. To launder criminal funds, criminals can use service providers operating in different sectors, like credit institutions, money or value transfer services and real estate. In this NRA, these sectors are indicated as channels. Furthermore, various methods connected to the above-mentioned stages of money laundering can be used. Methods of money laundering are not always reserved to one channel. Certain methods can be applied in multiple channels; for example, purchases with cash money are possible at car dealers and jewellers. The economic perspective of money laundering is central to this NRA.

Research methodology

The research methodology used for this NRA is qualitative in nature and predominantly based on experts' opinions and estimates. In short, the research methodology involved the following:

- A context analysis that depicts specific characteristics of the Caribbean Netherlands that are believed to be of influence in regard to the prevalence of money laundering and terrorist financing. For the purposes of this context analysis, a literature study was conducted and interviews were held with, among others, supervisory authorities, investigative authorities, other law enforcement authorities and the Financial Intelligence Unit of the Netherlands (*FIU-Nederland*), both in the European and Caribbean parts of the Netherlands.
- For the purpose of identifying threats relating to money laundering and terrorist financing on the BES islands, a literature study was conducted, interviews were held with supervisory authorities, investigative authorities, other law enforcement authorities and *FIU-Nederland* in the European and Caribbean Netherlands, and interviews were held with obliged service providers on the BES islands. This led to a longlist of threats relating to money laundering (but did not lead to a longlist of threats relating to terrorist financing – see earlier on in this summary).
- Prior to an expert meeting, the experts were sent an email survey in which they were asked to indicate for each threat and island to what extent they were familiar with facts/cases of threats on the longlist or, if that was not the case, whether the prevalence of the threats was plausible, implausible or unknown to them. Experts also had the opportunity to use the email survey to add money laundering methods that, according to them, were missing from the longlist.
- In the expert meeting with representatives of the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten, AFM*), the Wwft Supervision Office (*Bureau Toezicht Wwft, BTW*), the Dutch Central Bank (*De Nederlandsche Bank, DNB*), Customs Netherlands (*Douane Nederland*), the Public Prosecution Service of the European Netherlands (*Openbaar Ministerie Europees Nederland*) and *FIU-Netherlands*, it was first verified whether they were familiar with threats relating to terrorist financing in the Caribbean Netherlands. When this turned out not to be the case, the experts – taking into account the contextual vulnerabilities of the Caribbean Netherlands – identified the most significant money-laundering risks in terms of their potential impact. They also assessed, in general terms, the resilience of the existing policy instruments designed to combat the identified money-laundering risks.
- In the final stage of the research, a validation interview was conducted with a key expert with the primary purpose of examining to what extent this person recognised the identified risks and whether any significant risks had been over-looked. Furthermore, a draft version of this report was submitted to the three supervisory authorities in the context of the Money Laundering and Terrorist Financing Prevention Act for the BES islands (*Wet ter voorkoming van witwassen en financieren van terrorisme BES, Wwft BES*): *AFM, BTW* and *DNB*.

What makes the Caribbean Netherlands vulnerable to money laundering?

Geographical characteristics

Geographical characteristics that are associated with the prevalence of money laundering are the proximity of Central and South American countries and other Caribbean islands (because of drug trafficking and/or illegal immigration) and the great distance from the Netherlands, which has consequences for the way the three

supervisory authorities based in the European Netherlands (AFM, BTW and DNB) organise their supervision activities.

Sociocultural characteristics

The small scale and isolation of the BES islands have given rise to several sociocultural characteristics, like a culture in which everyone knows each other and a culture of interest in which patronage and clientelism exist according to the principle of 'give a little, take a little'. Because of this, boundaries between private and professional relationships often become blurred. The effect of this has been strengthened by the low minimum wages and benefits on the BES islands and by the increased cost of living since the constitutional reform on 10 October 2010. To make financial ends meet, many residents are forced to combine multiple jobs with different employers. As a survival strategy, the commission of petty crime also occurs.

Economic characteristics

Since 10 October 2010, there has been an increase in the number of wealthy people from the European Netherlands and in the number of European-Dutch and foreign expats residing on the BES islands. The income inequality between the local population and the aforementioned group has caused dissatisfaction among the local population, which can lead to integrity problems and conflicts of interest. The fact the BES islands can be characterised as cash-based economies is another economic characteristic that may be associated with the prevalence of money laundering. This focus on cash is part of the informal character of their economies and of the informal trade flows with nearby islands and/or countries. The increase in tourism has contributed to the development of the property market on Bonaire and made the island attractive for the settlement of European-Dutch and foreign real estate entrepreneurs. In the past, there were some instances of investments using criminal money.

Predicate offences for money laundering

Most cases of property crime are registered on Bonaire (more than 700 registrations in 2017), compared to a much lower number on the much smaller islands Sint Eustatius and Saba (33 and 12 registrations in 2017 respectively). It must be borne in mind that crime is a 'dark number' phenomenon. Not all crime is known to the police and is registered. The actual extent of crime is probably higher than the official figures.

Bonaire is mainly used as a transit hub for international trafficking in narcotics, but local trafficking also occurs. Saba and Sint Eustatius are mainly final destinations. According to the Public Prosecution Service of Bonaire, Sint Eustatius and Saba, most drugs come from South America.

The BES islands can form an occasional transit area and destination for involuntary sex work and forced labour in households, agriculture and construction. Migrants who are in debt are sometimes subjected to forced labour in restaurants and other companies. This often concerns Colombians, Venezuelans and Dominicans. In recent years, there have not been any criminal investigations and prosecutions for human trafficking on the BES islands.

There are stories about corruption on the BES islands, but no hard evidence has been found. In recent years, there have therefore not been any criminal cases in the field of corruption.

Risks relating to money laundering

The context analysis made clear that the characteristics of the individual BES islands differ in such a manner that the risks cannot be determined in a single analysis. The exercise of identifying the money-laundering risks was therefore carried out separately for each island. Table S.1 shows only the most significant money-laundering risks in terms of their potential impact as identified by at least three participants in the expert meeting.²

Table S.1 Most significant money-laundering risks in terms of their potential impact in the Caribbean Netherlands

Bonaire	Expert meeting score (n=6)
Purchase of private homes	4
Purchase of resorts/holiday parks	4
Real estate project development	4
Purchase of business premises	3
New construction of real estate	3
Abuse of notary services	3
Money transactions/deposits through licensed credit institutions	3
Money transactions/deposits through licensed money or value transfer services	3
Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	3
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Sint Eustatius	
Money transactions/deposits through unlicensed credit institutions/underground banking	4
Exchange of cash from small denominations to large denominations (and vice versa) through unlicensed credit institutions/underground banking	4
Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	3
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Physical movement of large amounts of cash (money from/to island via sea/air)	3
Saba	
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3

In the case of Bonaire, a total of ten money-laundering risks in terms of their potential impact were identified (by at least half of the participants in the expert meeting). Most risks relate to the real estate sector. In addition, money transactions/deposits through licensed credit institutions and licensed money or value transfer services, (a form of) Trade-Based Money Laundering and money laundering through gambling are among the top ten money-laundering risks (in terms of potential impact). For all identified risks, the experts were either familiar with facts/cases of these money-laundering methods or considered their prevalence plausible, according to the email survey that was sent out prior to the expert meeting.

For Sint Eustatius, five money-laundering risks in terms of their potential impact were identified (by at least half of the participants in the expert meeting). The two

² Money-laundering risks that were identified by one or two participants can be found in an appendix to this report.

most frequently mentioned risks related to unlicensed credit institutions / underground banking, followed by risks related to Trade-Based Money Laundering, gambling and the physical movement of large amounts of cash. The results of the email survey that was sent out to experts showed that for all five identified risks, they were either familiar with facts/cases of these money-laundering methods or considered their prevalence plausible.

In the case of Saba, only one threat was identified by at least three experts as the most significant risk in terms of its potential impact, namely money laundering through gambling. Given the absence of casinos on both Saba and Sint Eustatius, this risk is expected to relate to online gambling and/or lotteries. The results of the email survey that was sent out to experts showed that none of them were familiar with facts/cases of this identified risk; however, some experts found the prevalence of this money-laundering method plausible.

One of the research questions was about money-laundering risks in the BES islands that had not yet been identified, but could arise in the future. In the interviews and expert meeting for this NRA, there was a focus risks relating to money laundering *at this moment*. The subject 'future risks' yielded little information. In the in-depth interviews, the experts referred to the continuing instability in Venezuela, which in the future could lead to an increasing influx of illegally obtained money (for example through corruption or bribery) in the economies of the Caribbean Netherlands, particularly Bonaire, which lies in the proximity of Venezuela. Although the BES islands can be regarded as cash-based economies, the experts suggested that virtual currencies could become a money-laundering risk in the future.

Another research question was about which quantitative data could be used in subsequent NRAs to identify money-laundering risks. Currently there is a lack of data on financial and economic crime on the BES islands. This does not mean data on the prevalence of the identified risks are not available at all. However, the data that *are* available are either limited in nature or may not be shared by supervisory authorities, investigative authorities and other law enforcement authorities, among other things due to privacy legislation.

Resilience of policy instruments

The policy aimed at preventing and combating money laundering in the Caribbean Netherlands is based on the recommendations of the FATF and the policy of the European Netherlands (which is derived from European anti-money laundering directives). The existing policy instruments are:

- Money Laundering and Terrorist Financing Prevention Act for Bonaire, Sint Eustatius and Saba (*Wet ter voorkoming van witwassen en financieren van terrorisme BES, Wwft BES*);
- Financial Markets Act for Bonaire, Sint Eustatius and Saba (*Wet financiële markten BES, Wfm BES*);
- Dutch Penal Code for Bonaire, Sint Eustatius and Saba (*Wetboek van Strafrecht BES, WvS BES*);
- Fiscal legislation.

Resilience concerns the effectiveness of the policy instruments that exist on the BES islands for combating money laundering and mitigating the individual money-laundering risks. This concerns both the scope and the implementation of the policy

instruments. In order to gain an insight into the resilience of the policy instruments, relevant reports were studied, interviews were held with experts in both the European and Caribbean Netherlands, and an expert meeting was organised in the European Netherlands. These research activities indicated that the resilience of the policy instruments and the execution of supervision, investigation and law enforcement on the BES islands could be improved. Based on the above-mentioned research activities, various points of attention can be indicated.

One point of attention is related to a number of contextual factors that make the BES islands vulnerable to money laundering. The small scale and enclosure of the island communities, the related culture in which everyone knows each other, and the culture of fear, silence and interests can lead to a limited willingness to declare criminal activities. These factors may also limit the willingness of service providers to report unusual transactions. This leads to a lack of information with respect to investigation, enforcement and supervision. The aforementioned informal economy of the BES islands (mainly cash-based, an informal loan culture and often informal trade flows) also ensures that administration systems are not always complete, making implementation of law enforcement and supervision more difficult.

A further point of attention is the lack of capacity at investigative authorities and other law enforcers on the BES islands. Investigative authorities and other law enforcers perform a relatively large amount of work to combat socio-economic and security problems on the BES islands. The unemployment and poverty of the population on the islands play a role in this. As a result, there is less capacity available for dealing with financial-economic crime, but also for the systematic collection of data on crime.

Another point of attention, which is related to the previous points, is the lack of knowledge and data on financial and economic crime among investigative authorities and other law enforcers on the BES islands. An extra point of attention in this respect is that the data that supervisory authorities, investigative authorities and other law enforcers *do* have may not always be shared with each other.

Aspects that make supervision in the context of the Wwft BES more difficult were also discussed in the expert meeting. The importance of supervisory authorities being able to carry out unannounced inspections at obliged service providers was mentioned. This is difficult to realise in practice, since the supervisory authorities are based in the European Netherlands.

Experts also indicated that the Wwft BES currently does not sufficiently enable supervisory authorities to supervise notaries and lawyers on Bonaire adequately.³ These independent professionals are not affiliated with the professional associations in the European Netherlands, the Royal Dutch Association of Civil-law Notaries (KNB) and the Netherlands Bar Association (NOvA), respectively. For this reason, these professionals are also not subject to behavioural and professional rules and the disciplinary rules of KNB and NOvA. Lawyers on Bonaire do not cooperate with the supervision of BTW by invoking the right of legal professional privilege. BTW is involved in annual discussions with the notaries on Bonaire about unusual property transactions in public notarial deeds. However, the notaries do not provide access to their financial administration and their transaction files.

Finally, it was mentioned in the expert meeting that DNB is dependent on the supervision by and cooperation with the Central Bank of Curaçao and Sint Maarten, because the seat of licensed credit institutions on the BES islands is located in almost all cases in Curaçao and Sint Maarten.

³ No notaries and lawyers are established on Sint Eustatius or Saba.

With regard to the policy instruments, experts in the interviews and the expert meeting recommended to expand the number of types of obliged service providers stated in the Wwft BES. The Wwft BES could also apply to contractors, project developers and the building materials trade, so BTW can also supervise these service providers. This can help to get a better grip on the risks associated with the real estate sector that have been identified for Bonaire. With regard to the policy instruments, they also indicated that a policy instrument such as the Public Administration Probiity Screening Act (*Wet Bibob*) in the European Netherlands is currently lacking on the BES islands. This instrument allows for the testing of the integrity of holders and/or applicants for permits and subsidies. This can be particularly useful on Bonaire, more specifically as an examination of (foreign) entrepreneurs/investors in the Bonaire real estate market.

In conclusion

This NRA has provided an insight into what experts consider to be the most significant money-laundering risks in terms of their potential impact in the Caribbean Netherlands and – in general terms – into the resilience of the policy instruments aimed at combating money laundering. Similar to the NRAs for the European Netherlands, the research methodology used for this NRA had a qualitative character in which the judgments and assessments of experts, in particular representatives of supervisory authorities, investigative authorities and other law enforcement authorities, were leading. The latter was due to the limited availability and suitability of data on money laundering and terrorist financing on the BES islands.

For the next NRA for the BES islands, the aim should be to apply a more data-driven research methodology. This would reduce dependence on expert assessments, which may be wholly or partially subjective, and reduce the associated risks. An important note to be made here is that quantitative data on the prevalence and potential impact of money-laundering risks on the BES islands are currently lacking. To compensate for this, this NRA included interviews conducted in the Caribbean Netherlands with representatives of obliged service providers, in addition to interviews with investigative and other law enforcement authorities. In the next NRA for the BES islands, the number of these interviews should be increased, in particular interviews with service providers involved in the real estate market on Bonaire: real estate agents, project developers and contractors. Furthermore, for the next NRA an expert meeting could take place in the Caribbean Netherlands instead of the European Netherlands, so investigative authorities and other law enforcement authorities can also participate.

1 Introduction

1.1 Reason for the assessment

Dutch policy to combat money laundering and terrorist financing⁴ is based on the recommendations of the Financial Action Task Force (FATF)⁵ and European Union (EU) directives and regulations. The FATF – an intergovernmental body set up by the G7 in 1989 – focuses on the global combat of money laundering, terrorist financing and other related threats to the integrity of the international financial system. Members of the FATF, including the Netherlands, have committed themselves to implementing the 40 FATF recommendations on taking preventive and repressive measures by obliged entities, and to implementing measures to improve national legal and regulatory systems and international cooperation in this field. In addition, the FATF monitors the correct functioning and effectiveness of those (legal) measures.⁶ The majority of the FATF's recommendations has been adopted into the fourth EU Anti-Money Laundering Directive, applicable to all EU member states.⁷ In short, Article 7 of this directive obliges EU member states to implement a risk-based policy against money laundering and terrorist financing and to establish a National Risk Assessment (NRA). For the Netherlands, this means that a NRA must be conducted.

In 2017, the Research and Documentation Centre (WODC) of the Ministry of Justice and Security⁸ conducted an NRA on money laundering and an NRA on terrorist financing for the European Netherlands.⁹ These NRAs identified and categorised the most significant money laundering and terrorist financing risks in terms of their potential impact. Both studies also provided insight into the extent to which the existing policy instruments (legislation and regulations) for combating the risks, the identified risks with the greatest potential impact.

The risks for the Caribbean Netherlands were not included in these NRAs for the European Netherlands. These overseas Caribbean territories are also referred to as the BES islands, namely Bonaire, Sint Eustatius and Saba. Since 10 October 2010, the BES islands have had the status of 'public bodies' or 'special municipalities'.¹⁰ The BES islands are situated in the Caribbean Sea, 7000–8000 kilometres from the European Netherlands. Bonaire is situated east of Aruba and Curaçao, 80 kilometres off the continental coast of Venezuela. Sint Eustatius and Saba are situated south of Sint Maarten and north-west of Saint Kitts and Nevis (see Figure 1.1). The total number of residents of the BES islands was around 24,000 on 1 January 2017, for a total land area of 322 km² (Bonaire 288 km², Sint Eustatius 21 km² and Saba 13 km²).

⁴ In this report, combating money laundering and terrorist financing refers to both the prevention and combat of money laundering and terrorist financing. However, where relevant, 'prevention' and 'combat' may be referred to as separate concepts.

⁵ FATF (2012).

⁶ www.fatf-gafi.org.

⁷ See the Bibliography for the formal titles and references of the legislation and regulations.

⁸ At the time these assessments were performed, this ministry was named the Ministry of Security and Justice.

⁹ Van der Veen and Heuts (2017a, 2017b).

¹⁰ The Caribbean islands of Aruba and Curaçao and the Dutch part of Sint Maarten have the status of countries within the Kingdom of the Netherlands, and must conduct their own NRAs.

Figure 1.1 Geographic location of Bonaire, Sint Eustatius and Saba



Because of significant differences between the Caribbean Netherlands and European Netherlands in terms of the geographical, demographic, economic and sociocultural characteristics (context factors) that may make both vulnerable to money laundering and terrorist financing, a separate NRA has been conducted for the BES islands. There are also differences between the two in terms of the available policy instruments to combat the risks and how these instruments are applied. With this National Risk Assessment on Money Laundering and Terrorist Financing for Bonaire, Sint Eustatius and Saba (NRA BES), the picture for the European Netherlands of the risks of money laundering and terrorist financing and the resilience of the policy instruments to combat these risks is complemented by the picture for the Caribbean Netherlands.

1.2 What are money laundering and terrorist financing?

Money laundering

Money laundering can be defined in both legal and economic terms.¹¹ The legal perspective of money laundering is based on the definition of money laundering in the articles of the Dutch Penal Code. In the case of the BES islands, this definition is described in Article 435a–d of the Dutch Penal Code for the BES islands (WvS BES: *Wetboek van Strafrecht BES*). This article criminalises money laundering and describes the various circumstances that renders a person guilty of money laundering. From a legal perspective, money laundering is when somebody *hides or conceals the true nature, origin, place where it was found, disposal or relocation of an object*, or hides or conceals who the legal owner is or who is in possession of the object, despite knowing (intentional money laundering) or being in a position in which they should reasonably suspect (culpable money laundering) that the object in question was either directly or indirectly obtained as a result of any crime. For the purpose of this definition, 'object' includes any good and any property rights. Money laundering also includes *obtaining, possessing, transferring or converting an object* despite

¹¹ Soudijn and Akse (2012).

knowing or being in a position in which it should reasonably be suspected that the object in question was either directly or indirectly obtained as a result of any crime.¹² Habitual money laundering is also criminalised.

The economic perspective describes the process of money laundering. It focuses on how money obtained from criminal activity is introduced into the legal financial system and is used in an economic sense in such a way that the origin of the money is concealed.¹³ In general, the economic process of money laundering can be divided into three stages:¹⁴

- placement: criminal funds are introduced into the financial system;
- concealment: the origin of the criminal funds is concealed;
- integration: the criminal funds are invested in legal projects, objects or goods.

Money laundering is preceded by another form of crime, such as the following predicate offences: drug trafficking, human trafficking, theft, social fraud and tax fraud. To launder criminal funds, criminals use a range of channels – that is, sectors and the service providers that operate in them such as credit institutions, money or value transfer services and real estate agents. Furthermore, various methods connected to the aforementioned stages of money laundering can be used. Methods of money laundering are not always reserved to a single channel. Certain methods can be applied in multiple channels; for example, cash purchases are possible at both car dealers and jewellers. The economic perspective of money laundering is the focus of this NRA BES.

Terrorist financing

Article 435e of the WvS BES defines the criminalization of terrorist financing. It states that a person who intentionally provides means or information or intentionally collects, obtains, possesses or provides to another person any object (i.e. any good or any property right) that wholly or partially and directly or indirectly serves to provide financial support to the commission of a terrorist offence or an offence that involves preparing for or facilitating a terrorist offence. The article also refers to other articles in the WvS BES containing more detailed explanations of various types of (terrorist) crimes.¹⁵

Terrorist financing can involve funding of terrorist activities in the Caribbean Netherlands, whether internally or from abroad, or funding of terrorist activities abroad from or via the Caribbean Netherlands. The money used for terrorist financing may originate from criminal activities, such as proceeds from drug-related crime, arms smuggling, fraud or human trafficking. Terrorism can also be funded by cash that was obtained legally, such as donations or income from legitimate businesses. Terrorists may also use their own money (e.g. wages) in order to carry out terrorist attacks.¹⁶

¹² WvS BES, Articles 435a–d; see the Bibliography for the formal titles and references of the legislation and regulations.

¹³ Soudijn and Akse (2012, p. 13ff).

¹⁴ Soudijn and Akse (2012, p. 13); www.fatf-gafi.org/pages/faq/moneylaundering/.

¹⁵ Article 435e of WvS BES; see the Bibliography for the formal titles and references of legislation and regulations.

¹⁶ FATF (2015).

1.3 Aim and research questions

An effort has been made to align the NRA for the BES islands as closely as possible with the objectives and applied methodology of the NRAs for the European Netherlands. For instance, the NRA for the Caribbean Netherlands shares the aim of identifying the risks with the greatest potential impact in the areas of money laundering and terrorist financing. In addition, this NRA also has the aim of providing insight into the extent to which the existing policy instruments used to combat the risks are succeeding in mitigating the risks identified as having the greatest potential impact.

Like the NRA for the European Netherlands, the NRA for the BES islands is built around the following elements:

- A *context analysis* that depicts specific circumstances on the BES islands that are believed to be of influence in regard to the prevalence of money laundering and terrorist financing.
- In the *risk identification* phase, the most significant risks relating to money laundering and terrorist financing in terms of their potential impact were identified and categorised for Bonaire, Sint Eustatius and Saba. The risks were selected from a longlist of threats.
- The *risk analysis* phase. The analysis provides insight into the extent to which the existing policy instruments designed to prevent and combat the risks relating to money laundering and terrorist financing are able to counter the risks that emerged in the risk identification phase as having the greatest potential impact.

The same research questions posed in the NRAs for the European Netherlands are also central to the NRA BES:

- 1 What context variables make Bonaire, Sint Eustatius and Saba vulnerable to money laundering and terrorist financing?
- 2 Which risks relating to money laundering and terrorist financing can – in view of the context outlined – be deemed as having the greatest potential impact on Bonaire, Sint Eustatius and Saba?
- 3 Which risks on Bonaire, Sint Eustatius and Saba have not yet been identified but could be relevant in the future? How can more insight into these risks be obtained?
- 4 What policy instruments are available on Bonaire, Sint Eustatius and Saba to combat the identified risks?
- 5 To what extent can the existing policy instruments be expected to combat the identified risks effectively?
- 6 Against which of the identified risks are the policy instruments ineffective? Why is that? What are the options for fixing this? To what extent are these options feasible?
- 7 Which risks remain after the policy instruments have been applied? How serious are the remaining risks relative to one another?
- 8 What quantitative data can be used in subsequent NRAs to identify the risks relating to money laundering and terrorist financing?

It is important for the NRA growth model to detect and spell out the lessons learned during each NRA. In order to be able to use these lessons learned, it is crucial to ensure the transparency of the analyses performed for the NRA and of their results. This transparency makes it possible to replicate the analyses. This is also important for the purpose of academic justification. For this reason, the following research question will also be answered in this NRA:

9 What are the lessons learned that could be applied to subsequent NRAs?

1.4 Focus on the subject of money laundering

A range of research activities were carried out for this NRA to gain an insight into existing threats relating to money laundering and terrorist financing on the BES islands (including a literature review, interviews in the Caribbean and European Netherlands, and an expert meeting; more information on this topic can be found in Chapter 2). Although this provided a considerable amount of information on the subject of money laundering in the Caribbean Netherlands, it did not lead to any clear signs of threats relating to terrorist financing. This does not necessarily mean terrorist financing does not occur on the BES islands, the interviewees and participants in the expert meeting could not substantiate the few rumours about terrorist financing to the extent that they should be considered a threat. Also, the written and online sources consulted (see Chapter 2 for more information) gave no indication of the existence of threats relating to terrorist financing. Since the study did not uncover any clear signs of terrorist financing, it was decided that the present report should focus on money laundering.

1.5 Limitations of this NRA

Due to the limited availability of data on money laundering and terrorist financing on the BES islands, the NRA for the Caribbean Netherlands is primarily based on the opinions of experts. Identification of the key risks therefore contains a subjective element, and may be subject (partially) to perceptions/personal estimations.

Fewer representatives of supervisory authorities, investigative authorities and other law enforcement authorities are active in the Caribbean Netherlands than in the European Netherlands. This is explained by the small scale of the BES islands. For this reason, fewer money laundering experts could be interviewed for this assessment than for the NRAs for the European Netherlands. This was even more the case with regard to terrorist financing.

Accordingly, to supplement the expert interviews, interviews were also conducted with representatives of 'service providers'¹⁷ which, under the Money Laundering and Terrorist Financing Prevention Act – BES (Wwft BES), are obliged to report unusual transactions to the unusual transactions reporting office¹⁸ and perform customer due diligence; these include credit institutions, trust offices and civil law notaries. See Appendix 2 for a list of (the type of) organisations whose representatives have been interviewed.

1.6 Document overview

Chapter 2 focuses on the research methods used for this NRA. It also contains a description of the key concepts in the NRA which are used in this report. Chapter 3 describes the vulnerabilities of the BES islands and substantiate them with reference

¹⁷ Private obliged entities are referred to as 'service providers' in the Wwft BES. In the Wwft for the European Netherlands they are referred to as 'institutions'.

¹⁸ This reporting office is based at FIU-Netherlands. FIU-Netherlands employs a contact manager in the Caribbean Netherlands to communicate between the BES islands, FIU-Netherlands and the FIUs in the region.

to the geographic, demographic, economic, sociocultural and criminological characteristics of the Caribbean Netherlands that could have an impact on the prevalence of money laundering. Chapter 4 starts by setting out the longlist of money-laundering threats. This list formed the basis for the expert meeting, at which experts identified the most significant risks in terms of their potential impact. The chapter goes on to describe the outcomes from the expert meeting. Chapter 5 describes the existing policy instruments used on the BES islands for combating money laundering, as well as resilience in general terms as assessed by the experts. Chapter 6 uses the responses to the research questions to describe the key results of the NRA. The NRA is then evaluated, with both the strengths and the areas for improvement of the research methodology applied being highlighted. Finally, the report examines some of the lessons learned, which may be useful when designing the next NRA BES.

2 Research methodology

This chapter describes the approach chosen for this NRA. Firstly, the key concepts in the NRA are introduced and defined. The plan for the research process and the methods applied are described with reference to the three phases of the NRA: context analysis, risk identification and risk analysis. These phases are part of the ISO 31000 method for risk management¹⁹ which was chosen as the core framework for this NRA.

2.1 Key NRA concepts

The NRA focuses on the concepts of threats, consequences, vulnerabilities, risks and resilience. The FATF Guidance supporting the NRA process contains the following definitions for the key concepts of threats, vulnerabilities, consequences and risks:²⁰

- Threats are persons or groups of people, objects or activities that may cause harm to, for example, the state, society and the economy. In the context of money laundering, this means criminals, their deliberate or unwitting facilitators, their intended or completed transactions and the activities they engage in related to money laundering.
- Vulnerabilities are opportunities that may be exploited by threats (persons or groups of people, objects or activities that may cause harm or other consequences to the state, society or the economy). This may include the specific features/characteristics of a country, sector, services or financial products which make it possible for harm or other consequences of a threat to occur.
- Consequences are the effects that occur as the result of money laundering – in other words, the impact. This can include the effect of the criminal activities on the financial system, financial institutions, the economy and society. These consequences are not limited to harm or loss. Criminals spend at least part of their revenues in the regular economy, and this spending can therefore have an effect on the economy.
- The risks of money laundering are a function of the above three factors (threats, vulnerabilities and consequences). This results in the following risk equation:
 $r=f(t,v,c)$.²¹

As indicated above, the FATF risk equation includes a vulnerabilities element. In this NRA, this consists of:

- The geographic, demographic, economic and sociocultural context factors that may have an impact on the prevalence of money laundering on the BES islands.
- The landscape of criminal activities that are focused on obtaining revenue, including property crimes and drug-related crimes. These forms of criminal activities may be predicate offences for money laundering. The context analysis includes an overview of predicate offences on the BES islands of which the focus is acquiring assets.

As in the NRAs for the European Netherlands, as well as the relatively well-established, hard to influence vulnerabilities, this NRA also takes into account factors

¹⁹ Risk management according to the standards of the International Organization for Standardization.

²⁰ FATF (2013a).

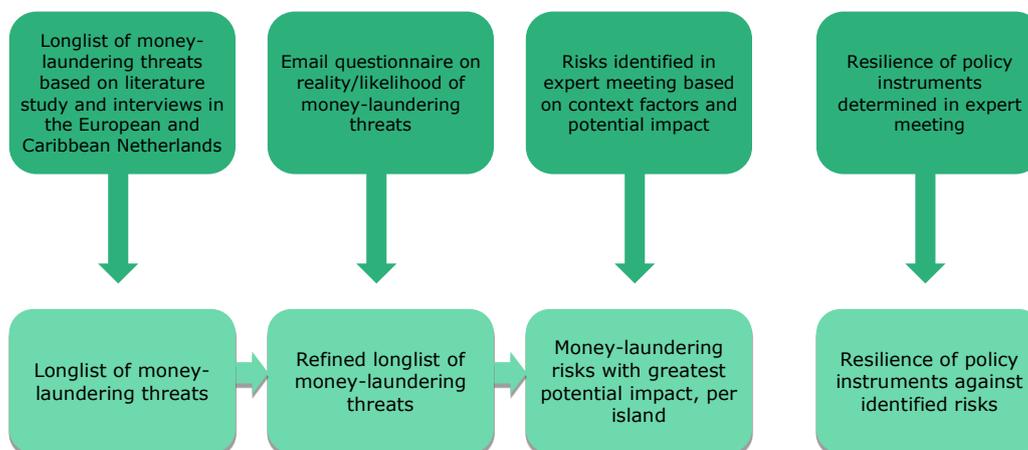
²¹ Where r = risk, t = threat, v = vulnerability and c = consequences.

which specifically limit, or perhaps even remove, the possibility that harm or other consequences may occur. These may include accurate registration, and supervision, enforcement and investigation with sufficient capacity, quality and professionalism. These factors are incorporated in the element of *resilience*.²² *Resilience* relates to the effectiveness of the policy instruments that exist on the BES islands for combating money laundering and countering individual money-laundering risks. This concerns both the scope and the implementation of the policy instruments. The principle is that the greater the resilience, the better the risks can be combated.

The precise difference in this NRA between *threats* and *risks* requires some clarification. This clarification will be based on the research methods applied (see Figure 2.1); the following paragraph looks into the research methodology in greater detail.

- Based on a literature review and interviews in the European and Caribbean Netherlands, a longlist of threats relating to money laundering was drawn up. For the *threats*, no consideration was given at this stage to the vulnerabilities and consequences referred to above (i.e. the potential impact of the threat).
- However, consideration was given to the vulnerabilities and consequences of the *risks*. In an expert meeting, representatives of expert organisations²³ were able to identify up to ten risks per island from the longlist of threats. In doing so, they took into account of the existing vulnerabilities (context factors) and what in their estimation would be the potential impact.

Figure 2.1 Research methodology NRA BES



2.2 Conducting the NRA within the ISO 31000 framework

The NRA was conducted within the ISO 31000 risk management framework. A wide range of methods can be used within this internationally standardised framework. The FATF Guidance²⁴ also follows the broad outline of this structure. The NRA pre-

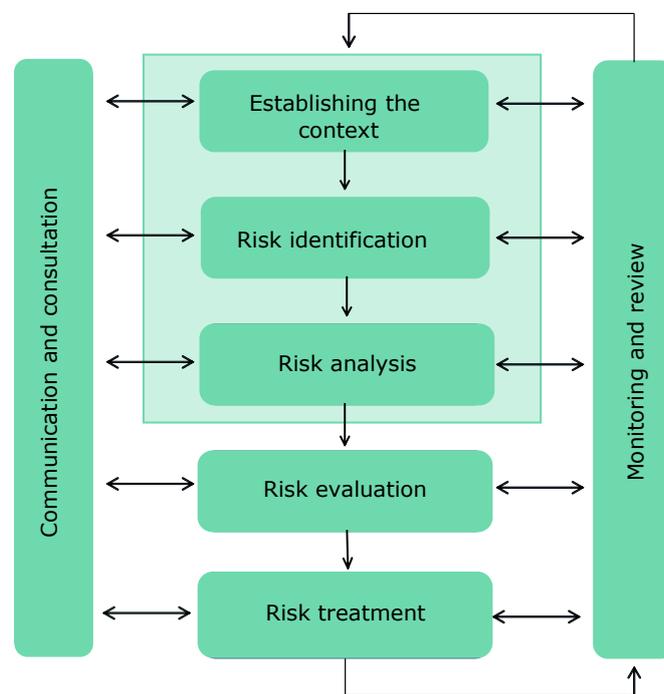
²² It was decided to add the resilience element to the FATF methodology because it provides an opportunity to find starting points for formulating new policies or refining existing policies to combat the risks of money laundering identified in the NRA.

²³ In this NRA, 'expert organisations' means supervisory authorities, investigative authorities and other law enforcement authorities in the areas of money laundering and terrorist financing.

²⁴ FATF (2013b).

sented here does not cover the entire ISO 31000 risk management cycle; instead, it is restricted to the context analysis, risk identification and risk analysis. The risk evaluation and risk treatment phases require decisions to be made about the extent to which risks are acceptable or tolerable and whether new or adjusted policies are necessary. Making these kinds of normative decisions are at odds with the academic approach of the NRA. Accordingly, risk evaluation and risk treatment fall outside the scope of the present NRA.

Figure 2.2 The risk management process based on the ISO 31000 framework, showing the focus of the NRA in light green



2.3 Methods applied

Within ISO 31000, it is possible to use specific research methods for each component. This NRA is predominantly based on qualitative methods. The key information for the NRA came from an independent collection of data among supervisory authorities, investigative authorities and other law enforcement authorities in the European and Caribbean Netherlands, as well as among service providers that are obliged under the Wwft BES to report unusual transactions and perform customer due diligence. The information supplied by these parties was collected through interviews and an expert meeting.

Context analysis

A literature review was used to obtain an initial picture of the context factors that could have an impact on the prevalence of money laundering on the BES islands. Interviews conducted in the European and Caribbean Netherlands (see Table 2.1) supplemented and refined these insights. Documents containing information about the prevalence of criminal activities targeting financial or material revenues were also examined. As part of the context analysis, it was intended that the participants'

terms of reference be introduced at the expert meeting (see the next page for more details) so that in assessing the potential impact of money-laundering threats they would base their estimations on the same basic information about the context in which money laundering in the Caribbean Netherlands takes place.

Risk identification

The starting point for drawing up a longlist of money-laundering threats for the BES islands was the longlist used in the NRA on Money Laundering for the European Netherlands. This longlist was adapted and expanded on the basis of information from existing documents about money laundering on the BES islands and from interviews with expert organisations in the European and Caribbean Netherlands and with service providers in the Caribbean Netherlands.

The written and online sources consulted included the annual reports of the Financial Intelligence Unit – the Netherlands (FIU-Netherlands), the Public Prosecution Service of Bonaire, Sint Eustatius and Saba, the General Intelligence and Security Service (AIVD) and the Special Police Taskforce (RST). These sources were searched for indications of the prevalence of both money laundering and terrorist financing in the Caribbean Netherlands.

In the European and Caribbean Netherlands, 17 interviews were conducted with a total of 28 representatives of expert organisations in the area of money laundering. In addition, 8 interviews were conducted in the Caribbean Netherlands with a total of 21 representatives of service providers. All interviewees were asked not only about potential threats relating to money laundering but to terrorist financing. As mentioned in Chapter 1, these interviews – in conjunction with an examination of written and online sources – did not lead to any clear signs that threats in this area are actually present on the BES islands. Table 2.1 on the next page provides an overview of the organisations from which representatives were interviewed. In addition, contact was made on several occasions with the investigators performing an update of the 2014 assessment entitled *Security in the BES Islands*,²⁵ a study of crime and security on the BES islands. These conversations are not included in Table 2.1; the same applies to some informal conversations with operators in the hospitality industry in the Caribbean Netherlands.

The interviews in the European and Caribbean Netherlands resulted in a longlist of thirty threats relating to money laundering on the BES islands. These interviews also provided an initial impression of the effectiveness of the existing policy instruments designed to combat money laundering, with regard to both the scope of the instruments and their implementation by the supervisory authorities, investigative authorities and other law enforcement authorities.

The context analysis, interviews and a visit to the BES islands made it clear that a separate risk analysis must be performed for each BES island. The islands show considerable differences in terms of vulnerabilities to and resilience against money laundering.

²⁵ Mooij et al. (2014)

Table 2.1 Interviews with expert organisations and service providers

Expert organisation interviews	Interview location
• Dutch Authority for the Financial Markets	European Netherlands
• Wwft Supervision Office	European Netherlands
• Dutch Central Bank	European Netherlands
• Dutch Customs	European Netherlands
• Dutch Fiscal Intelligence and Investigation Service	European Netherlands
• Financial Intelligence Unit – the Netherlands	European Netherlands
• Caribbean Netherlands Tax and Customs Administration	Bonaire
• Chamber of Commerce and Industry	Bonaire
• Caribbean Netherlands Police Force – Bonaire	Bonaire
• Caribbean Netherlands Police Force – Sint Eustatius	Sint Eustatius
• Central Bank of Curaçao and Sint Maarten	Curaçao
• Royal Netherlands Marechaussee	Curaçao
• Public Prosecution Service of Bonaire, Sint Eustatius and Saba	Video conference from the European Netherlands
• Public Prosecution Service of Curaçao	Video conference from the European Netherlands
• Rotterdam Police Detective Force	European Netherlands
• Special Police Taskforce, Bonaire	Video conference from the European Netherlands
• Special Police Taskforce, Curaçao	Video conference from the European Netherlands
Service provider interviews	Interview location
• Two credit institutions	Bonaire and Sint Maarten
• Three firms of civil law notaries	Bonaire and Sint Maarten
• An accountancy firm	Saba
• An administration office providing trust services	Bonaire
• A company performing compliance activities for a money/value transfer service on the BES islands	Curaçao

In an expert meeting held in the European Netherlands, experts were requested to identify from the longlist of money-laundering threats up to ten risks *per island* with the greatest potential impact. This meeting was attended by representatives from the three supervisory authorities under the Wwft BES – the Dutch Authority for the Financial Markets (AFM), the Wwft Supervision Office (BTW) and the Dutch Central Bank (DNB) – Dutch Customs, the Financial Intelligence Unit of the Netherlands (FIU-Netherlands) and the Public Prosecution Service of the European Netherlands.

One lesson learned from the NRAs for the European Netherlands²⁶ is that the selection of risks by the experts should be better reasoned and substantiated for subsequent NRAs. This lesson was taken on board for the performance of the NRA for the Caribbean Netherlands. Before the expert meeting the experts were asked to complete an email survey, which asked them to indicate *for each island* the extent to which the thirty threats in the longlist were actually encountered on the BES islands. The experts were asked to assign one of the following letters to each threat:

- an *F* if, according to the expert, one or more criminal acts/cases (*F: Feiten/casussen*) relating to the threat are known to his/her organisation;
- an *A* if, according to the expert, it is likely (*A: Aannemelijk*) that the threat is present but no actual criminal acts/cases are known to his/her organisation;

²⁶ Van der Veen & Heuts (2017a, 2017b).

- an *N* if, according to the expert, it is unlikely (*N: Niet aannemelijk*) that the threat is present, based on the information available to his/her organisation;
- an *O* if the expert does not know (*O: Onbekend*) whether or not the threat is present because his/her organisation has no information on the matter.

In this report, this is referred to as the 'FANO classification system'.

Experts also had the opportunity to use the email survey to add money-laundering methods that, according to them, were missing from the longlist. This resulted in the addition of 3 threats,²⁷ so that the final longlist consisted of 33 money-laundering threats. Appendix 4 presents the results of the email survey.

In the expert meeting, the results of the email survey were discussed by the entire group for each island. The experts were given an opportunity to explain their answers, and were asked to clarify any differences between their answers and those of other experts. This plenary discussion sometimes led experts to change their original opinions about the prevalence or likelihood of a threat. Following this discussion, the experts were asked to select up to ten of the most significant threats in terms of their potential impact *per island* from the longlist. In selecting the threats, the experts were asked – to the extent that they were able to do so – to take into consideration any context factors that have an impact on the prevalence of money laundering in the Caribbean Netherlands; at the start of the meeting, the provisional findings of the context analysis were presented and discussed. The experts were also asked, in selecting the threats, to take into account where possible the potential impact of the threats on the following seven criteria:²⁸

- the stability of the financial system;
- the regular economy;
- society: social order and the rule of law;
- the extent to which the legitimate business world and the criminal underworld are interconnected;
- the occurrence or facilitation of criminal or terrorist activities;
- the subjective sense of security;
- the image and reputation of the Netherlands.

This exercise resulted in a list for each island of what the experts considered were the most significant money-laundering risks in terms of their potential impact.

Risk analysis

There was a general discussion in the expert meeting about the resilience of the existing policy instruments on the BES islands for combating money laundering. Participants also discussed the prevention and combating of money laundering by the supervisory authorities, investigative authorities and other law enforcement authorities and the issues they experienced.

²⁷ The additional threats were: 'money laundering by creating money flows through mortgage loans', 'money laundering through new construction of real estate' and 'money laundering by starting up a company using funds of dubious provenance'.

²⁸ These criteria were also used in the NRAs on Money Laundering and Terrorist Financing for the European Netherlands.

Box 2.1 Differences to the NRAs for the European Netherlands

An effort was made to align the NRA for the BES islands as closely as possible with the research methodology used in the NRAs for the European Netherlands. However, there are still certain differences between the research methodologies used in the respective NRAs for the European and Caribbean Netherlands. These differences are:

- In the NRA for the BES islands, the experts did not perform a *quantitative* assessment of the potential impact of the risks. In the expert meetings for the NRA for the European Netherlands, the collected data was aggregated to conduct a multi-criteria analysis (MCA). The number of experts who attended the expert meeting for the NRA for the BES islands was significantly smaller than for the NRAs for the European Netherlands. The aggregation of a dataset based on such a small number of experts would have less added value, because it would result in a very rough quantitative measurement. The small number of experts cannot be attributed to a lack of willingness to take part; it is simply due to the limited number of organisations that are involved in the prevention and combating of money laundering on the BES islands and/or that possess relevant knowledge. This is explained by the small scale of the BES islands. Moreover, in the expert meeting for the NRA for the BES islands, the participants were asked when identifying the money-laundering risks to take into consideration the potential impact that money-laundering threats could have on a set of seven criteria. These were the same criteria used in the MCA of the NRAs for the European Netherlands.
- For the above reason, the experts involved in the NRA for the BES islands – unlike the experts in the NRAs for the European Netherlands – also did not perform a quantitative assessment of the resilience of the existing policy instruments.
- In light of the small number of participants in the expert meeting, it was deemed that the use of a Group Decision Room,^a which played a key role in the expert meetings held as part of the NRAs for the European Netherlands, would have insufficient added value.
- A research activity was added to the NRA for the Caribbean Netherlands which was not used for the NRAs for the European Netherlands, namely the email survey of the experts who would later attend the expert meeting. In this survey, for all of the threats on a longlist of money-laundering threats and for each BES island, the experts were asked to apply the FANO classification system by indicating whether they knew of any criminal acts/cases, whether they considered it likely or unlikely that the threats were present, or whether their organisation had no information on the likelihood of the existence of the threats.
- In the NRA BES the Delphi method played a limited role, though it had been used in the expert meetings held as part of the NRAs for the European Netherlands.^b Through the email survey referred to above (using the FANO classification system), the experts who would be attending the expert meeting were able to indicate the extent to which certain money-laundering threats are present on the BES islands. These responses were anonymised and distributed at the expert meeting, and following the plenary discussion of the email survey results the participants were asked to identify the risks with the greatest potential impact.

^a A Group Decision Room is an electronic conference system which allows participants to generate a large quantity of ideas and opinions in a short time using a range of ICT technology along with plenary discussions. In a Group Decision Room, participants use networked tablets or laptops to submit questions, provide input and vote on statements; questions are also answered digitally. Participants' answers and responses are centrally collected and stored.

^b The Delphi method is used in the Group Decision Room. The Delphi method is characterised by an iterative process in which the opinions of experts (or a group of experts) are combined through decision-making on topics on which no reliable, scientifically verifiable information exists. Gaps in knowledge are filled through expert opinions, experiences and intuition. Through the process of sharing and substantiating these opinions, experiences and intuition, anonymously or otherwise, the experts may revise their initial opinions. This can lead to a greater consensus for a solution.

Validation

In the final stage of the research, a validation interview was conducted with a representative of the Public Prosecution Service of Bonaire, Sint Eustatius and Saba with the primary aim of examining to what extent this person recognised the identified risks and whether any significant risks had been overlooked. A draft version of this report was also submitted to the three supervisory authorities under the Wwft BES (AFM, BTW and DNB).

3 What makes the BES islands vulnerable to money laundering?

The first step in this NRA was to conduct a context analysis. This chapter begins with a brief description of the geographic, demographic, economic and sociocultural factors that could have an impact on the prevalence of money laundering on the BES islands. It then goes on to examine the forms of criminal activity on the BES islands that are focused on obtaining revenue, and that could be predicate offences for money laundering.

3.1 Geographic and demographic characteristics

Bonaire, Sint Eustatius and Saba are islands in the Caribbean Sea which have been 'public bodies' or 'special municipalities' of the Netherlands since 10 October 2010. Sint Eustatius and Saba, both situated around 50 kilometres to the south of Sint Maarten, form part of the Windward Islands, and are situated approximately 800 kilometres to the north-east of Bonaire (see the map of the Caribbean region in Figure 1.1 for the precise locations of Bonaire, Sint Eustatius and Saba). Together with Aruba and Curaçao, Bonaire belongs to the Leeward Islands and is situated approximately 80 kilometres off the coast of Venezuela.

In terms of land area and population, Bonaire is the largest of the BES islands. At the start of 2017, Bonaire had around 19,000 residents. The number of residents has risen in recent years; in 2011, there were still fewer than 16,000 people living on Bonaire.²⁹ The population of Saba has also increased over the past few years, from around 1,800 residents in 2011 to approximately 2,000 residents in 2017. Since 2011 Sint Eustatius has seen a slight drop in its number of residents, from 3,611 to 3,250 residents in 2017.³⁰

Approximately two in every five Bonairians (39%) were born on Bonaire. Nearly 20% of Bonairians was born on Curaçao³¹ and 14% originally came from the European Netherlands. Approximately one in five Bonairians (19%) was born in Central or South American countries (see Table 3.1); in most cases, the Dominican Republic, Colombia or Venezuela.³² The growth of the population on Bonaire has gone hand in hand with the growth of the tourist industry. This has led to demand for foreign workers from Central and South America and the European Netherlands.

Some 34% of the residents of Sint Eustatius was born on the island. Almost one in three immigrants (29%) was born in a Central or South American country, in many cases the Dominican Republic or neighbouring Saint Kitts and Nevis.³³ Other immi-

²⁹ The population of Bonaire also includes a number of illegal immigrants; it is believed that most of these come from Venezuela or Colombia.

³⁰ CBS Statline (2018).

³¹ It should be noted that some of the Bonairians born on Curaçao are probably not migrants; they were born on Curaçao because of the lack of a hospital on their own island.

³² CBS Statline (2018).

³³ CBS Statline (2018).

grants come from neighbouring Sint Maarten³⁴ (12%), Curaçao (5%) and the European Netherlands (5%).

More than a quarter (27%) of the residents of Saba was born on the island; 14% were born on Sint Maarten.³⁵ Likewise, a large proportion (20%) of the population of Saba was born in a Central or South American country; in many cases, the Dominican Republic or Colombia. In addition, a significant proportion of residents have come from the United States (10%) or Canada (5%); many American and Canadian students study at the Saba University School of Medicine, a medical faculty established on the island in 1992.

Table 3.1 Country of birth of residents of the BES islands on 1 January 2017

Country	Bonaire		Sint Eustatius		Saba	
Aruba	493	3%	112	3%	43	2%
Bonaire	7,395	39%	4	0%	2	0%
Curaçao	3,480	18%	172	5%	54	3%
Saba	5	0%	10	0%	540	27%
Sint Eustatius	29	0%	1,106	34%	6	0%
Sint Maarten	40	0%	378	12%	286	14%
European Netherlands	2,755	14%	178	5%	112	6%
South and Central America	3,726	19%	936	29%	409	20%
United States	317	2%	101	3%	205	10%
Canada	42	0%	6	0%	97	5%
Other countries	897	5%	247	8%	256	13%
Total	19,179	100%	3,250	100%	2,010	100%

Source: CBS Statline (2018)

Table 3.1 also shows that very little migration takes place between Saba and Sint Eustatius, even though they are only 30 kilometres apart. For both islands, only 1% of the residents came from the other island.

3.2 Sociocultural characteristics

The small scale of the BES islands is associated with a number of sociocultural characteristics that could have an impact on the prevalence of money laundering.

According to Mooij and colleagues, Bonaire, Sint Eustatius and Saba are characterised by their closed communities, according to the maxim: the smaller the community, the more closed the community.³⁶ In these small-scale closed communities a culture in which everyone knows each other is widespread: many people know each other, or come into contact at some time or another, whether at work, at school or on the sports field. A related risk is that employees at obliged service providers (in the context of the Wwft BES) may be less willing to perform in-depth customer due diligence if they know the customer personally. There is also a risk that they could be less willing to report unusual transactions by 'acquaintances' to FIU-Netherlands.

³⁴ It should be noted that some of the residents of Sint Eustatius born on Sint Maarten are probably not migrants; they were born on Sint Maarten because of the lack of a hospital on their own island.

³⁵ It should be noted that Saba has no childbirth facilities, and that most babies are therefore born on Sint Maarten. This percentage therefore does not solely represent migrants.

³⁶ Mooij et al. (2014).

Due to the small scale, the closed community and the culture in which everyone knows each other, there is a risk that residents may prefer to conceal criminal activities and may be less prepared to file a report with the police. After all, overcoming the culture of silence can have consequences for relationships in the community.

Mooij and colleagues raised another sociocultural characteristic that could have an impact on the prevalence of money laundering. The Caribbean Netherlands has a 'culture of interests', which Mooij and colleagues describe as the creative combining of interests.³⁷ This culture of interests may have arisen because residents of the small-scale, geographically isolated islands were dependent on themselves and on each other; for a long time there was no government to oversee a public and fair consideration of special interests. With this in mind, the Commission for Integrity in Public Administration declared that the culture of patronage and clientelism in the Caribbean region is characterised by the principle of 'give a little, take a little'. Rich families create ties with less affluent families in exchange for services and favours, for example paying the bill for a doctor's visit or purchasing school books in exchange for a vote in the local elections.

It should also be mentioned that in cultures with inequality of power, such as the Caribbean Netherlands, fear of authority means that subordinates tend not to hold their 'superiors' accountable for their actions. This culture of fear significantly reduces the likelihood of being caught for committing irregularities.³⁸ Moreover, it is not always the elites who initiate the power relationship. The reverse also occurs, for instance when a political candidate is approached by citizens asking what they will get in return for their votes.³⁹ Patronage and clientelism can lead to an overlap between private relationships and professional contacts. Moreover, the low wages earned by residents of the BES islands means they are more likely than residents of the European Netherlands to have several jobs. This may lead to the occurrence of conflicts of interest and integrity violations such as favouritism and corruption on the BES islands.⁴⁰ The risks of these 'adverse conflicting interests' are considered to be greatest among government officials, administrators and politicians.⁴¹ In the Caribbean Netherlands, politicians usually work part-time.⁴² In addition to their political role, they often also hold a position in the business community and/or occupy another public position.⁴³ As a result, there is a significant overlap between the economic and political elites on the BES islands. This creates even more opportunities for conflicts of interest.

3.3 Economic characteristics

The US dollar as the currency

As a result of the constitutional reform of 10 October 2010, the US dollar replaced the Antillean guilder as the official currency of the BES islands on 1 January 2011.⁴⁴

³⁷ Mooij et al. (2014).

³⁸ Nauta (2011).

³⁹ Commission for Integrity in Public Administration (2014).

⁴⁰ Nauta (2015), Veenendaal (2017).

⁴¹ Commission for Integrity in Public Administration (2014).

⁴² Nauta (2015).

⁴³ Veenendaal (2017).

⁴⁴ Pursuant to the BES Monetary System Act (2010).

According to the DNB, one of the key reasons for this decision was that it would limit the foreign exchange risks:

- imports to and exports from the BES islands primarily involve countries that make payments in US dollars (or in a currency tied to the US dollar);
- the majority of tourists on the BES islands originate from dollar regions ;
- most Caribbean islands have the US dollar as their currency, or else their currency is tied to the US dollar.

Financial sector

Many credit institutions operating on Bonaire have their head office elsewhere, often Curaçao. The credit institutions operating on Bonaire consist of six branches and one head office (see Table 3.2). Currently only one branch office of a credit institution is operating on Sint Eustatius, and one on Saba.

There are no independent insurance companies with head offices in the Caribbean Netherlands, although a number of insurance companies have branch offices on Bonaire. Two insurance companies have branch offices on Saba, but no insurance company branch offices are registered on Sint Eustatius.

Two large, global money or value transfer services provide financial services on two of the islands through notified payment service agents, although neither of them operate independent offices in the Caribbean Netherlands. One money transfer service is based on Bonaire and two money transfer services have offices on Sint Eustatius. In addition, the field work for the NRA BES showed that in the Caribbean Netherlands at least one non-notified outlet is operating through which it is possible to perform monetary transactions (this outlet is not listed in Table 3.2). A permit from the DNB is required for this activity; the outlet is currently going through the permit application process.⁴⁵

In addition, one pension fund and one administration office providing trust services have offices on Bonaire.

Table 3.2 Size of the financial sector in the BES islands (22 February 2018)

Sector	Sint		
	Bonaire	Eustatius	Saba
Credit institutions (head office)	1	0	0
Credit institutions (branch office)*	6	1	1
Life insurance companies (branch office)	2	0	1
Non-life insurance companies (branch office)	3	0	1
Funeral/Benefits-in-kind insurance companies (branch office)	1	0	0
Money or value transfer services (payment service agents)	1	2	0
Pension funds	1	0	0
Trust offices	1	0	0

* The head offices of the companies with branch offices on Bonaire are on Curaçao. The head offices of the companies with branch offices on Sint Eustatius and Saba are on Sint Maarten.

Source: DNB (2018)

⁴⁵ The island on which this non-notified outlet is operating is not specified here, due to the risk that it could be identified.

Economic activity

The most significant economic sectors on Bonaire are tourism and salt mining. The tourism mainly involves diving tourists and tourists who visit the island on a cruise. Tourism on Sint Eustatius and Saba is on a much smaller scale than on Bonaire. According to Statistics Netherlands (CBS), the gross domestic product of the Caribbean Netherlands in 2015 was USD 564 million.⁴⁶

According to the CBS, 15% of the workforce in the Caribbean Netherlands works in the public sector. On Saba, the public sector is comparatively the biggest employer (27%); according to the CBS, many people on this island also work in education (due to the American medical school that is based there). On Bonaire, the largest group of people work in the hospitality industry (14%), the public sector (13%) and construction (11%). On Sint Eustatius, industry is the sector which employs the biggest group of people (17%), due to the presence of the American company NuStar which has an oil terminal there.⁴⁷

There has been an increase in the number of new companies on Bonaire in recent years. In 2014, the Bonaire Chamber of Commerce and Industry processed 325 new registrations; in 2015, this number rose to 442. The sectors which saw the highest numbers of new registrations were business services and other services; in 2015, these sectors accounted for 74% of new registrations.⁴⁸

Since Bonaire acquired the status of a special municipality on 10 October 2010, several hundred million euros have been invested there in real estate, hospitality complexes and tourist attractions.⁴⁹ In 2014, Mooij and colleagues indicated that Bonaire might be attractive for real estate investments using criminal funds originating from the European Netherlands – among other places.⁵⁰ An example of this is a case in which real estate investments were made using funds obtained from scams, direct debit fraud and bankruptcy fraud. This case led to a criminal conviction in 2016.⁵¹ In 2017, the Court of Gelderland ordered the defendant in this case to pay EUR 7 million.⁵²

Cash-based economy

On the BES islands, payments are usually made in cash. In many shops, cash is the only accepted method of payment, employees in some sectors receive their wages in cash, and some tenants pay their rent in cash. Not all residents of the Caribbean Netherlands have a bank account.⁵³ The frequent use of cash in an economy is often associated with the prevalence of money laundering.⁵⁴

Informal loan culture

According to the persons interviewed, the small scale of the BES islands in combination with a culture of self-reliance on the islands has resulted in the prevailing informal loan culture that could potentially have an impact on the prevalence of money

⁴⁶ CBS (2017a).

⁴⁷ CBS (2017c).

⁴⁸ www.bonaire.nu/2016/01/11/stijging-van-het-aantal-bedrijven-en-instellingen-op-bonaire/.

⁴⁹ Korse (2012).

⁵⁰ Mooij et al. (2014).

⁵¹ Bonaire.nu, 2016. John den B. sentenced to four years in prison.

⁵² Rechtspraak.nl, 2017.

⁵³ Nauta (2015).

⁵⁴ FATF (2015); Europol (2015).

laundering. Instead of obtaining a loan from a financial institution, it is relatively common in small communities for residents to obtain loans from each other.

Informal trade flows

The small scale of the islands has also resulted in the presence of a relatively significant level of informal trade flows between the BES islands and the neighbouring Caribbean islands, as was revealed in the interviews. Many residents of the BES islands have family, friends or acquaintances on neighbouring islands, and they import and export products that are difficult to obtain on their own island. The presence of such informal trade flows may have an impact on the prevalence of money laundering.

Unemployment and poverty

Sint Eustatius has the highest unemployment rate in the Caribbean Netherlands. In 2016, 7.1% of the population of the island was unemployed. The unemployment figures for Bonaire and Saba were 6.7% and 3.3% respectively in 2016.⁵⁵ By comparison, the unemployment rate in the Netherlands in 2016 was 5.4%.⁵⁶

However, having a job on the BES islands is no guarantee that a person will be able to cover the cost of the basic necessities of life. Since the constitutional reform in 2010 the cost of living has risen sharply, while wage increases have lagged behind. As a result, purchasing power in the Caribbean Netherlands has deteriorated.⁵⁷ Many residents of the BES islands work multiple jobs to make ends meet.⁵⁸

The 2015 evaluation of the new political structure by the Spies Commission made it clear that after the transition to the new political structure on 10 October 2010 the existing poverty issues did not decrease; rather, they increased.⁵⁹ Tackling poverty is therefore one of the pillars of the multi-year programme for the Caribbean Netherlands for the period 2015–2018. Poverty on the BES islands appears to be closely related to criminal activity, particularly petty crimes such as theft of the basic necessities, like food and clothing. In this regard, the Netherlands Institute for Social Research notes that crimes are being committed as a survival strategy.⁶⁰

In 2014, Mooij and colleagues also noted an increase in poverty and in the growth of income inequality on the BES islands since the constitutional transition. As poverty among the local population has grown, the number of wealthy people from the European Netherlands and the number of well-paid European-Dutch and foreign expats residing on the BES islands has also increased. According to Mooij and colleagues, the growth in income inequality has resulted in discontent and unrest among the local population.⁶¹

⁵⁵ CBS (2017e).

⁵⁶ CBS (2017b).

⁵⁷ Meindert et al. (2017).

⁵⁸ Netherlands Institute for Human Rights (2016).

⁵⁹ Spies et al. (2015).

⁶⁰ Pommer and Bijl (2015).

⁶¹ Mooij et al. (2014).

3.4 Predicate offences for money laundering

This paragraph examines the scope of the criminal activity on the BES islands that is focused on acquiring assets. There is a wide range of crimes that can be predicate offences for money laundering. These include a variety of property crimes, as well as drug-related crimes and human smuggling/trafficking.

Property crimes

The Dutch Caribbean Police Force (KPCN) keeps statistics on the number of property crimes recorded by the police and the number of arrests by type of property crime. According to the KPCN, in 2017 more than 700 property crimes were recorded on Bonaire, most of which were burglary, theft and criminal destruction. On Sint Eustatius (33 crimes in total) and Saba (12 crimes in total), the number of property crimes recorded that year was significantly lower. Table 3.3 provides a breakdown of these offences.

Table 3.3 Number of property crimes recorded on the BES islands in 2017

Offence/description	Bonaire	Sint Eustatius	Saba
Domestic burglary*	177	3	5
Burglary/theft from tourist accommodation*	46	0	0
Commercial burglary*	62	10	3
Theft of a motor vehicle*	61	2	1
Theft at a dive site from a car or other*	77	0	0
Theft from a vehicle*	117	4	3
Other theft*	162	13	0
Embezzlement	4	1	0
Robbery in or around a residence	3	0	0
Robbery in or around a business/commercial premises	8	0	0
Street robbery	11	0	0
Total	728	33	12

* Relates to crimes carried out as well as attempts to commit these crimes.

Source: KPCN (2018)

Drug trafficking

The 2016 annual report of the Public Prosecution Service of Bonaire, Sint Eustatius and Saba states that Bonaire is primarily used as a transit hub for the local and international narcotics trade. Saba and Sint Eustatius are mainly final destinations. According to the Public Prosecution Service of the BES islands, most of the drugs originate from South America (primarily Venezuela). The drugs predominantly arrive on the island by boat. The main destination for the exported drugs is the European market, to which they are transported via the airport in postal parcels, in baggage or by people. A number of drug-smuggling boats were intercepted in 2016. According to the Public Prosecution Service of the BES islands, drugs are also intercepted during export on a regular basis.⁶² The RST annual reports state that a number of large consignments of cocaine being taken by boat from Bonaire to Spain were intercepted in 2016. In another investigation in 2015 more than three kilos of cocaine, marijuana and a firearm were seized following searches, and four suspects were arrested in total. Another investigation targeted the trade in narcotics from Bonaire to the Netherlands via the airport. In total, more than 60 kilos of cocaine

⁶² Public Prosecution Service of Bonaire, Sint Eustatius and Saba (2017).

were intercepted and thirteen suspects were arrested, included several people employed at Flamingo Airport on Bonaire.⁶³

A report from 2011 by the former National Police Services Agency (KLPD) examined drug routes to and from Sint Maarten. On one of the routes, cocaine is carried from Venezuela to Sint Maarten by small private aircraft which drop the drugs near the Saba Bank (a coral reef off the coast of Saba where the water is shallow). Fast speedboats then fish the drugs out of the water and deliver them in small quantities to Sint Maarten. In another drug route described in the report, cocaine is smuggled northwards from Colombia via Venezuela and the chain of islands in the south-eastern part of the Caribbean Sea until it reaches Sint Maarten. A third drug route runs from Venezuela to Sint Maarten via Curaçao, Bonaire or Aruba, in which drugs from Venezuela are smuggled on fishing boats and cargo boats (fruit boats and container ships) from Curaçao to Sint Maarten.⁶⁴

The KPCN keeps statistics on the number of drug-related offences recorded by the police and the number of recorded arrests relating to the drugs that are discovered. In 2017, around thirty drug-related offences were recorded on Bonaire and there were around twenty recorded arrests. On Saba in the same year only two drug-related offences and two arrests were recorded; no drug-related offences or arrests were recorded on Sint Eustatius in 2017. Table 3.4 provides a breakdown of these offences.

Table 3.4 Number of drug-related offences and arrests recorded on the BES islands in 2017

	Bonaire	Sint Eustatius	Saba
Drug-related offences (relating to the sale and discovery of drugs)	32	0	4
Arrests for drug-related offences (relating to discovered drugs)	21	0	3

Source: KPCN (2018)

Human trafficking

According to the Trafficking In Persons (TIP) Report 2017, the BES islands are a transit area and destination for forced sex work and other forced labour in households, agriculture and construction.⁶⁵ The report names migrants with debts as a vulnerable group for forced work in restaurants and other businesses. The persons concerned often originate from countries such as Colombia, Venezuela or the Dominican Republic. According to the TIP Report, no new criminal investigations or prosecutions relating to human trafficking were launched on the BES islands in 2016.

In the Caribbean Netherlands, work has been done to create a thematic register relating to human trafficking and smuggling. This thematic register stores all the data on human trafficking and smuggling, which partners in the criminal justice chain, including the police, the Public Prosecution Service and the Royal Netherlands Marechaussee, can inspect.⁶⁶

⁶³ RST (2015, 2016, 2017).

⁶⁴ KLPD – National Police Intelligence Service / Sint Maarten Police Force (KPSM) (2011).

⁶⁵ US Department of State (2017).

⁶⁶ www.bonaire.nu/2017/06/29/mensenhandel-en-mensensmokkel-effectief-aangepakt-caribisch-nederland.

The KPCN has not recorded any human trafficking offences on the BES islands in recent years.

Corruption

In their 2014 report, Mooij and colleagues indicated that little can be said for certain about the prevalence of corruption on the BES islands. It is mentioned that stories sometimes circulate, for example about rich families that are favoured in appointments for positions, particularly in government, but the origin of such stories is difficult to trace. In the interviews conducted by Mooij and colleagues for their study, it emerged that there had been reports of integrity violations on Saba by government officials, company directors and politicians.⁶⁷

In 2015, the Law Enforcement Council carried out a study on the infrastructure for tackling corruption on the BES islands.⁶⁸ It was apparent from virtually all interviews conducted by the Law Enforcement Council in the context of this research that corruption constitutes a risk on Bonaire. In particular, interviewees cited government figures (members of the Island Council and of the Island Executive/Governing Council) as being subject to conflict between their public and private interests. Both a literature review and the interviews conducted as part of the study revealed that obtaining an advantage for one's own group, family (nepotism), party or company (favouritism) is part of the culture of Bonaire, Sint Eustatius and Saba. It was noted that such a culture is not by definition 'corrupt', but that it does mean that the line between improper relationships where favours are exchanged (following the principle of 'give a little, take a little') and permissible business relationships can sometimes become blurred. There is little concrete information about the extent of possible corruption. If a distinction is made in this regard between two categories of corruption – 'grand corruption' and 'petty corruption' – the impression is that corruption on the BES islands is primarily 'petty' corruption. It mainly involves people doing favours for friends; in the sociocultural context of the BES islands, it seldom leads to serious public turmoil or outcry.

Work is currently underway to create a thematic register on corruption on the BES islands.

The KPCN has not recorded any corruption offences on the BES islands in recent years.

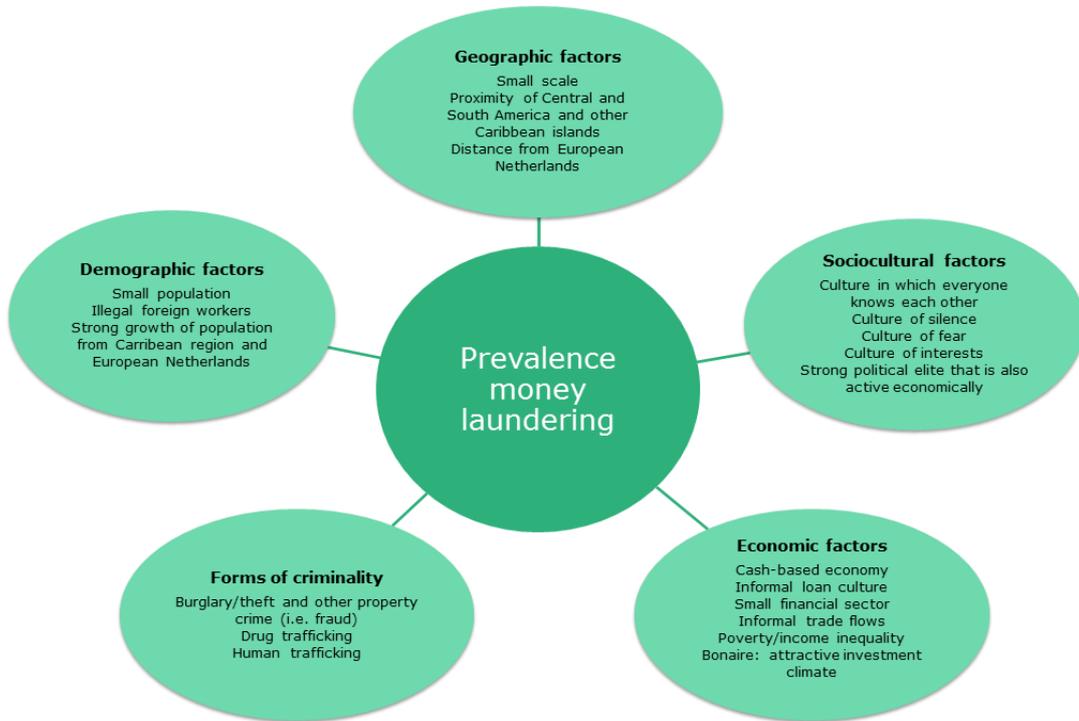
3.5 In summary

Figure 3.1 sets out in diagram form the context factors that could have an impact on the prevalence of money laundering on the BES islands.

⁶⁷ Mooij et al. (2014).

⁶⁸ Law Enforcement Council (2015).

Figure 3.1 Context factors on the BES islands



4 Risks relating to money laundering

This chapter starts by describing the various *threats* relating to money laundering. The focus is on 'money-laundering channels', which can be considered to be the sectors (and the service providers within those sectors) where the money laundering takes place, and on the 'money-laundering methods' that may be used by criminals within the various channels. The chapter then examines the results of the expert meeting, at which experts used a longlist of threats to identify the most significant *risks* in terms of their potential impact on seven criteria.

The context analysis made it clear that there were significant differences between the characteristics of the individual BES islands. This finding meant that the risks for the BES islands could not be determined in a single 'overall' analysis, and that the exercise of identifying the money-laundering risks had to be completed for each island separately.

4.1 Money-laundering channels and methods

The starting point for the longlist of money-laundering threats on the BES islands was the NRA on Money Laundering for the European Netherlands.⁶⁹ For the NRA for the BES islands, this longlist was adapted and expanded on the basis of information from the literature review and interviews with expert organisations in the European and Caribbean Netherlands and obliged service providers in the Caribbean Netherlands. This resulted in a provisional longlist of thirty money-laundering threats for the BES islands.

In the longlist of money-laundering threats (see Table 4.1), a distinction was made between 'money-laundering channels' and 'money-laundering methods'. To launder criminal money, criminals use a range of channels – that is, sectors and the service providers that operate in them – such as credit institutions, money or value transfer services and real estate agents. Within the money-laundering channels a range of money-laundering methods are used. These methods are not always reserved to a single channel. The same money-laundering method may be applied in multiple channels. For example, cash purchases may be made at both car dealers and jewelers.

Money laundering through credit institutions

Under the Financial Markets Act for Bonaire, Sint Eustatius and Saba (Wfm BES), a credit institution on the BES islands must hold a permit from the DNB. Criminals can abuse the services of credit institutions in a variety of ways: abusing banking products and services through cash deposits or transactions at levels below the reporting and recording thresholds,⁷⁰ opening bank accounts using proxies (front men) to conceal the identity of the person controlling the account, exchanging low-denomination banknotes for high-denomination banknotes, introducing cash into the electronic payments system, and so on. Money laundering via licensed credit institu-

⁶⁹ Van der Veen en Heuts (2017a).

⁷⁰ The FIU-Netherlands website has a list of the objective indicators for when a transaction must be reported to the unusual transactions reporting office under the Wwft BES. See: <https://bes.fiu-nederland.nl/nl/dienstverleners/-kredietinstellingen-geldtransactiekantoren-ea/objectieve-indicatoren>.

tions is complicated for criminals by the fact that the Wwft BES requires the institutions to report unusual transactions to the unusual transactions reporting office, on the basis of objective and/or subjective indicators; credit institutions must also perform customer due diligence checks under this Act.

From time to time the DNB receives reports of companies on the BES islands engaging in banking activities without a permit.⁷¹ If a banking institution is operating without a permit from the DNB or is not in compliance with the DNB's conditions and has not reported to the DNB, it is engaged in illegal or 'underground' banking. Criminals may choose to transfer their money via underground banking. Underground banking has a number of advantages for criminals. It enables international payments to be made without using official channels. It avoids the risks associated with physical (cash) transfers (risk of seizure) and with electronic funds transfers through a regular institution (risk of triggering an unusual transaction report). Another advantage for criminals is that underground banking allows them to make large cash payments and physical transfers of money, which offer possibilities for laundering criminal money.

According to representatives of expert organisations in the European and Caribbean Netherlands, underground banking is particularly prevalent in the Chinese communities on the BES islands. There are no specific cases on the BES islands where money laundering is known to have occurred through underground banking; however, such cases have been documented in Curaçao, which like the BES islands has many Chinese businesses (see Box 4.1).

Box 4.1 Case 1

In 2017, searches were performed in Curaçao of dwellings, minimarkets and business premises owned by Chinese business people. According to the Public Prosecution Service in Curaçao, the searches were part of an investigation into money laundering and underground banking. One man was arrested and 1 million Antillean guilders (almost half a million euros) were seized, as well as a number of cars and buildings valued at approximately 10 million Antillean guilders (nearly 5 million euros).^a

^a www.nu.nl/buitenland/4881920/onderzoek-witwassen-en-ondergronds-bankieren-curaao.html.

Money laundering through money or value transfer services

A money or value transfer service is a company engaged in providing payment services to end users. Payment services include providing support for and processing debit card transactions, facilitating online payment transactions, and issuing and accepting payment cards such as credit cards. Money or value transfer services can be used by criminals to launder criminal money. Sending money through money or value transfer services is subject to a maximum amount.⁷² Criminals who want to avoid attracting attention with a money transfer can split a larger amount of money into multiple smaller amounts so as to stay below the reporting threshold – the level at which money or value transfer services are obliged to report unusual transactions to the unusual transactions reporting office. This practice is known as 'smurfing'.

⁷¹ www.cn.dnb.nl/nl/nieuws/2017/11/Aandacht_voor_illegale_dienstverlening.

⁷² The FIU-Netherlands website has a list of the objective indicators for when a transaction must be reported to the unusual transactions reporting office under the Wwft BES. See: <https://bes.fiu-nederland.nl/nl/dienstverleners/kredietinstellingen-geldtransactiekantoren-ea/objectieve-indicatoren>.

In the European Netherlands, as well as money or value transfer services there are also shops, such as travel agencies, call shops and tobacco shops, which offer the possibility of performing money or value transfers. These are payment service agents operating on behalf of money or value transfer services, who must be notified to the DNB by the money or value transfer service whose agent they are (and the money or value transfer service itself must hold a DNB or EU permit). Non-notified shops offering the possibility of performing money or value transfers are illegal. Three payment service agents of money or value transfer services are operating in the Caribbean Netherlands. As far as is known, at the time the data for this study were collected one shop on the BES islands offered the possibility of performing money or value transfers. A permit from the DNB is required for this activity; the outlet is currently going through the permit application process.⁷³

Money laundering through real estate

According to many of the people interviewed in both the European and the Caribbean Netherlands, the real estate sector on Bonaire is vulnerable to money laundering. Through the purchase of private homes, resorts/holiday parks and business premises or through new construction or real estate development projects (financing building land, materials, workers, etc.), criminal money can be laundered by Caribbean-Dutch, European-Dutch and/or foreign investors. Money laundering through the real estate sector entails abuse of the services of obliged service providers, such as civil law notaries and real estate agencies. Box 4.2 describes a case in which an unusual transaction was not reported and an inadequate customer due diligence check was performed by a notary office on Bonaire.

Box 4.2 Case 2

In 2016, a civil-law notary on Bonaire was convicted under criminal law for failing to report unusual transactions. The civil law notary did not report to the unusual transactions reporting office that an amount of 100,000 dollars was deposited into so called 'derdengeldenrekening', literally third parties' account. Furthermore, the civil law notary allowed deeds to be executed in which various plots of land and a building were given by a suspect of money laundering to his underage daughter. According to the court, the civil law notary should have assumed that this transaction was 'potentially linked to money laundering'. The notary was fined 5,000 dollars in a suspended sentence.^a

^a See decision ECLI:NL:OGEABES:2016:8, available at <https://uitspraken.rechtspraak.nl>.

A range of money-laundering techniques are known to be used in the real estate sector. One such technique is known as an 'ABC transaction'. According to FIU-Netherlands, this technique involves a property being sold twice – at least – within the space of no more than six months. In practice this occurs frequently in the European Netherlands, and according to FIU-Netherlands, no money laundering is taking place in most cases; however, ABC transactions involving a big jump in value are susceptible to money laundering.⁷⁴ According to the BTW – the supervisory authority under the Wwft BES – ABC transactions are not common on the BES islands.

Another money-laundering method related to the real estate sector involves two criminal parties granting each other mortgage loans at particularly low interest. Holding participating interests in construction companies (and other types of companies) was also mentioned as a method of money laundering.

⁷³ No further details can be given due to the risk that it could be identified.

⁷⁴ See for example Soudijn and Akse (2012).

Some of the people interviewed in the European and the Caribbean Netherlands indicated that the real estate sector, particularly on Bonaire, is vulnerable to money laundering. Because of the much smaller scale of tourism and the limited possibilities for real estate development, Sint Eustatius and Saba are less attractive to domestic and foreign investors.

Table 4.1 Longlist of money-laundering threats

Money-laundering channel	Money-laundering method
Licensed credit institutions	<ul style="list-style-type: none"> – Money transactions/deposits – Exchange of cash from small denominations to large denominations (and vice versa)
Unlicensed credit institutions / underground banking	<ul style="list-style-type: none"> – Money transactions/deposits – Exchange of cash from small denominations to large denominations (and vice versa)
Licensed money or value transfer services	<ul style="list-style-type: none"> – Money transactions/deposits
Unlicensed money or value transfer services	<ul style="list-style-type: none"> – Money transactions/deposits
Real estate	<ul style="list-style-type: none"> – Purchase of private homes – Purchase of resorts/holiday parks – Purchase of business premises – Real estate development projects (financing materials, workers, etc.) – Abuse of civil-law notaries' services (including trust accounts) – Abuse of real estate agents' services (e.g. purchasing properties with cash) – ABC transactions
Trade-Based Money Laundering	<ul style="list-style-type: none"> – Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies – Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows – Legitimation of value transfers via national and international commercial transactions
Car dealers	<ul style="list-style-type: none"> – Cash purchases of cars
Jewellers	<ul style="list-style-type: none"> – Cash purchases of jewellery/precious stones
Trust offices	<ul style="list-style-type: none"> – Abuse of trust office services
Offshore companies	<ul style="list-style-type: none"> – Abuse of offshore companies
Gambling	<ul style="list-style-type: none"> – Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)
Miscellaneous money-laundering channels	<ul style="list-style-type: none"> – Money laundering via tax-driven/complex corporate structures – Money laundering via national and international investment structures for value transfer – Stacking of private companies/public companies/foundations – Loan-back schemes – Other money-laundering techniques to offset concealed value – Holding participating interests in companies (e.g. construction companies)
Not specific to a single money-laundering channel	<ul style="list-style-type: none"> – Virtual currencies – Physical movement of large amounts of cash to/from an island by sea/air – Prepaid cards/phone cards/etc.

Trade-Based Money Laundering

Trade-Based Money Laundering is a form of money laundering in which domestic and international trade and in some cases financial enterprises are used to launder criminal money. Criminals hide behind companies to launder their money through commercial transactions. Trade-Based Money Laundering occurs in a variety of forms, such as:

- *Legitimisation of value transfers through domestic and international commercial transactions.* Within domestic and international trade, commercial transactions by criminals are used to carry out value transfers. In such cases, it is unclear whether the transactions are related to a flow of goods, what the origin of the flow of goods is, and/or whether any flow of goods actually exists.
- *Over- /underbilling.* In practice, companies can work closely together to launder money. One money-laundering method where this is true is over- or underbilling: one company sends the other company an excessively high invoice for the purchase of a certain product or service. Because the total value of the transaction is higher than the actual cost of the product or service, the selling company which receives the money is trying to make it appear that the extra amount has a legal origin. The companies can also send each other multiple invoices for goods which are only delivered once, or services performed once, which enables criminal money to be laundered.
- *Turnover/price manipulation.* Another method connected with the method described above is turnover and/or price manipulation. The selling company can reduce the value of a product or service so that the purchasing company receives a financial benefit with a legal origin.

Money laundering through the purchase of luxury goods: car dealers and jewellers

In the interviews in the European and Caribbean Netherlands, it was mentioned several times that sellers of luxury goods on the BES islands, and more specifically car dealers and jewellers,⁷⁵ were vulnerable to money-laundering practices. The Wwft BES requires service providers such as credit institutions, lawyers and civil law notaries, as well as traders in high-value products such as car dealers and jewellers, to report unusual transactions to the unusual transactions reporting office. For instance, every transaction involving a cash payment of 11,000 dollars or more must be reported. In 2016, a car dealer on Bonaire was fined for failing to report unusual transactions and for conducting an inadequate customer due diligence check (see Box 4.3).

Box 4.3 Case 3

In 2016, a car dealer on Bonaire was fined 20,000 dollars for breaching the Wwft BES. The dealership had been found guilty of failing to report cash payments on several occasions in 2014, as well as of conducting a number of inadequate customer due diligence checks.^a

^a www.bearingpointcaribbean.com/20-000-dollar-boete-voor-autobedrijf/.

Money laundering through trust offices

A trust office is a legal entity, company or natural person engaged in providing trust services on a commercial/professional basis, either alone or in conjunction with other persons, legal or corporate entities. Services provided by trust offices include:

⁷⁵ The only jewellers operating on Sint Eustatius and Saba sell products which fall well below the reporting threshold of 11,000 dollars. No commercial car dealers operate on Saba.

- Serving as a director or partner of a legal or corporate entity. Where legal or corporate entities have an international structure, it may be more efficient to arrange for the governance of a legal or corporate entity based in the European or Caribbean Netherlands to be conducted (partially or solely) by a trust office.
- Providing a postal address or physical address for a legal or corporate entity, in combination with certain 'additional work', such as record keeping, preparing the annual accounts or filing tax returns (known as an 'address plus' service).
- Selling or acting as an intermediary in the sale of legal entities.
- Acting as the trustee of a trust. Under a trust deed the trust office can act as the trustee of a trust, such as one set up to manage a share portfolio.
- Providing a conduit company. This is a company that belongs to the same group as the trust office and that is used by the trust office on behalf of one or more clients. The uses of a conduit company include exploiting intellectual property, providing consultancy services, trade, and providing loans.

There is a high risk that the services of trust offices may be used for money laundering. This risk reflects the nature of the services: in many cases, services are provided to tax-driven structures of legal entities which, due in part to their complexity, are susceptible to abuse. The structures of legal entities to which a trust office provides services can be used to conceal assets or the identity of the ultimate beneficials. In addition, the structures of legal entities are often arranged via various offshore jurisdictions.

On Bonaire, there is just one administration office providing trust services. Money laundering through trust offices on Sint Eustatius and Saba is not regarded as likely since no trust offices operate on these islands. However, the possibility cannot be excluded that residents of the BES islands might be laundering money through trust offices based in other countries.

Money laundering through offshore companies

An offshore company is a company in a country where no registration of stakeholders or money flows is necessary; criminals can therefore place large amounts of money in such companies without attracting attention. Offshore companies have their own bank accounts and can therefore transfer the money back to the criminal or to a private company controlled by the criminal, in the form of a mortgage loan for example. Box 4.4 describes the case of a businessman who was suspected of laundering money through an artificial structure using offshore companies.

Box 4.4 Case 4

In 2017, a Combi Team comprising the police and the FIOD in the European Netherlands and on Bonaire searched the residences of a Dutch businessman. He was suspected of diverting millions of euros from his companies via an artificial structure using offshore companies, between 2003 and 2014. The businessman was suspected of falsifying documents and habitually engaging in money laundering.^a

^a www.bonaire.nu/2017/11/14/doorzoekingen-op-bonaire-onderzoek-naar-witwassen/.

Gambling: casinos, online gambling and lotteries

Money can be laundered through casinos, online gambling and lotteries by fabricating gaming revenues. Soudijn (2017) describes a number of methods of money laundering through gambling:⁷⁶

⁷⁶ Soudijn (2017).

- Giving criminal money to the croupier in a casino in exchange for casino tokens, then – without actually placing any bets – cashing in the tokens, with a request that the money be deposited into the criminal’s own bank account.
- Buying winning lottery tickets: someone who holds a ticket which entitles them to receive a prize is approached by the criminal, who offers to buy the ticket in exchange for more cash than the prize is worth.
- Online gambling, through poker websites for example, where Party A deliberately loses money to Party B, and is thus forced to transfer money to Party B. Party B then has evidence that that money was obtained as winnings. However, the winnings must be funnelled through a legitimate gambling site, otherwise the declaration of origin is worthless.

There are two casinos operating on Bonaire. Money laundering through casinos on Sint Eustatius and Saba is not regarded as likely since no casinos operate on these islands. In theory, money could be laundered through online gambling and lotteries on any of the BES islands. Box 4.5 describes a European Netherlands case of money laundering through lotteries.

Box 4.5 Case 5

FIU-Netherlands describes on its website a European-Dutch case in which someone arranged for multiple people to spend the whole day going from shop to shop and buying lottery tickets. Receipts showing the winnings that were paid out were carefully filed away. It took the money launderer around a quarter of his money to gather evidence that he had obtained the funds from lottery winnings; in this way he tried to launder 75% of his criminal money.^a

^a www.fiu-nederland.nl/nl/nieuwe-casuistiek-mis-gegoekt.

Physical movement of large amounts of cash

It was explained in the previous section that the BES islands have cash-based economies: cash is used to pay in a significant number of transactions on the islands. A 2015 Europol study revealed that criminal money is often laundered through cash. However, according to Europol the scale of the problem is difficult to ascertain, because (due to the nature of cash) little concrete data about cash payments is available (apart from the volume and value of the banknotes that are in circulation).⁷⁷

Other money-laundering methods involving cash include exchanging small for large denominations below the reporting threshold for credit institutions or money or value transfer services, depositing large amounts of cash with credit institutions or money or value transfer services below the reporting threshold, and converting cash into valuable goods such as cars and jewellery. Physical movement of cash, such as using cash couriers (by sea or by air) or a regular postal service, is another money-laundering method mentioned by Europol (see also Box 4.6). In the NRA on Money Laundering for the European Netherlands, experts deemed that ‘money laundering by transferring cash to/from the (European) Netherlands (through underground banking or otherwise)’ was one of the ten most significant money laundering risks.

⁷⁷ Europol (2015).

Box 4.6 Case 6

In their 2014 report, Mooij and colleagues stated that Customs and the Royal Netherlands Marechaussee regularly find cash at the airport, particularly for flights originating on Bonaire. In the research period covered by the Mooij et al. report, around ten incidents occurred involving amounts varying from € 10,000 to € 56,000. Most of the cash was carried in hand luggage; in one case, it was stuffed inside the suspect's underwear, pants pockets and shoes.

4.2 Risks with the greatest potential impact

The previous section gave a brief description of the money-laundering channels and methods included in the longlist of threats. The longlist was sent out via an email survey to six representatives of expert organisations who later participated in an expert meeting. For each threat and for each of the BES islands, the experts were asked to assign an *F*, *A*, *N* or *O*:

- an *F* could be assigned if, according to the expert, one or more criminal acts/cases (*Feiten/casussen*) relating to the threat are known to his/her organisation;
- an *A* if, according to the expert, it is likely (*Aannemelijk*) that the threat is present but no actual criminal acts/cases are known to his/her organisation;
- an *N* if, according to the expert, it is unlikely (*Niet aannemelijk*) that the threat is present, based on the information available to his/her organisation;
- an *O* if the expert does not know (*Onbekend*) whether or not the threat is present because his/her organisation has no information on the matter.

In the email survey, the experts also had the opportunity to supplement the longlist drawn up by the WODC with any threats they felt were missing. This resulted in the addition of three threats:

- money laundering by creating money flows through mortgage loans;
- money laundering through new construction of real estate;
- money laundering by starting up a company using funds of dubious provenance.

The results of the email survey (see Appendix 4) formed the input for the expert meeting. After the plenary discussion of the results of the email survey, the experts were asked to select from the longlist up to ten of the most significant risks in terms of their potential impact per island. In selecting the risks, the experts were asked to take account of the context factors that have an impact on the prevalence of money laundering in the Caribbean Netherlands. They were also asked to consider the potential impact of the threats on seven criteria (see also Chapter 2).

Bonaire

Of the 33 money-laundering threats on the longlist, 29 were considered by at least one expert to be among those with the greatest potential impact.⁷⁸ Table 4.2 lists the money-laundering risks that at least three of the six experts named as being among the top ten risks for Bonaire in terms of their potential impact. There were ten such risks. The threats that were identified by only one or two experts as being among the risks with the greatest potential impact are listed in Appendix 5.

⁷⁸ In total, the six experts identified sixty risks for Bonaire. This means that the experts identified an average of ten (60/6) risks for this island.

Table 4.2 Most significant money-laundering risks on Bonaire in terms of their potential impact

Money-laundering method	Expert meeting score (n=6)
Purchase of private homes	4
Purchase of resorts/holiday parks	4
Real estate development projects	4
Purchase of business premises	3
New construction of real estate	3
Abuse of civil-law notary services	3
Money transactions/deposits through licensed credit institutions	3
Money transactions/deposits through licensed money or value transfer services	3
Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	3
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3

Of the ten money-laundering risks, it appears that a significant proportion relate to the real estate sector. For many of these risks, the experts were aware of specific criminal acts/cases. In addition to money-laundering methods in the real estate sector, several experts also identified 'money transactions/deposits through licensed credit institutions' and 'money transactions/deposits through licensed money or value transfer services' as money-laundering risks with a significant potential impact. Finally, at least three experts considered that a form of Trade-Based Money Laundering and money laundering through gambling were among the top ten money-laundering risks for Bonaire (in terms of their potential impact).

For all identified risks, the experts were either aware of criminal acts/cases involving these money-laundering methods or considered their prevalence likely, according to the email survey sent out prior to the expert meeting.

Sint Eustatius

Of the 33 threats on the longlist of money laundering threats, 26 were considered by at least one expert to be among those with the greatest potential impact for Sint Eustatius.⁷⁹ Table 4.3 lists the five money-laundering risks that at least three of the six experts named as being among those with the greatest potential impact (see Appendix 5 for the risks named by only one or two experts).

⁷⁹ In total, the six experts identified 46 money-laundering risks for Sint Eustatius. This means that the experts identified an average of 7.7 (46/6) risks for this island.

Table 4.3 Most significant money-laundering risks on Sint Eustatius in terms of their potential impact

Money-laundering method	Expert meeting score (n=6)
Money transactions/deposits through unlicensed credit institutions / underground banking	4
Exchange of cash from small denominations to large denominations (and vice versa) through unlicensed credit institutions/underground banking	4
Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	3
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Physical movement of large amounts of cash to/from an island by sea/air	3

The experts believe that there is little risk of money laundering through the real estate sector on Sint Eustatius. The two risks named most often for Sint Eustatius related to unlicensed credit institutions/underground banking. This assessment by the experts is likely to be related to the very small number of physical branches of licensed credit institutions on Sint Eustatius. The other three risks that were named by at least three experts related to Trade-Based Money Laundering, gambling and physical movement of large amounts of cash. Given that there are no casinos on Sint Eustatius, the risk of money laundering through gambling relates to online gambling and/or lotteries.

The results of the email survey sent out to the experts showed that for each of the five identified risks, the experts were either aware of criminal acts/cases involving these money-laundering methods or considered their prevalence to be likely.

Saba

Of the 33 threats on the longlist of money-laundering threats, 11 were considered by at least one expert to be among those with the greatest potential impact.⁸⁰ In the case of Saba, only one threat was identified by at least three experts as the most significant risk in terms of its potential impact, namely money laundering through gambling (see Table 4.4). Given the absence of casinos on Saba, this risk relates to online gambling and/or lotteries. The risks identified by only one or two experts are listed in Appendix 5.

Table 4.4 Most significant money-laundering risks on Saba in terms of their potential impact

Money-laundering method	Expert meeting score (n=6)
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3

The results of the email survey sent out to the experts showed that none of them were aware of any criminal acts/cases involving this identified risk; however, some experts considered the prevalence of this money-laundering method to be likely.

⁸⁰ In total, the six experts identified sixteen risks for Saba. This means that the experts identified an average of 2.7 (16/6) risks for this island.

5 Resilience of the policy instruments

This chapter begins by describing how the prevention and combating of money laundering is organised on the BES islands. It goes on to examine the existing policy instruments for combating money laundering. The results of the expert meeting are then presented – namely, the estimation of the experts as to the resilience of the existing policy instruments in a general sense.

5.1 Organisation of the prevention and combat of money laundering

Since Bonaire, Sint Eustatius and Saba are included in the system of governance of the Netherlands as 'special municipalities', the Minister of Finance and the Minister of Justice and Security⁸¹ in the European Netherlands are responsible for preventing and combating money laundering and terrorist financing in the Caribbean Netherlands.

There are three supervisory authorities under the Wwft BES: the DNB, the AFM and the BTW.⁸² Box 5.1 lists the services supervised by each body. Under the Wwft BES, service providers performing one or more of the services listed are obliged to report unusual transactions to the unusual transactions reporting office (based at FIU-Netherlands) and must also carry out due diligence on their customers (see Paragraph 5.2 for more information). FIU-Netherlands employs a contact manager in the Caribbean Netherlands to communicate between the BES islands, FIU-Netherlands and the other FIUs in the region. The unusual transactions reporting office analyses the reports of unusual transactions, which may then be declared to be suspicious (see also Box 5.2); they are then forwarded to the various investigative, intelligence and security services. These suspicious transactions form part of the evidence of money laundering, terrorist financing and predicate offences that is collected and can be used in detection and investigation.

Box 5.1 Three supervisory authorities

The DNB supervises the following services for compliance with the Wwft BES:

- holding securities, banknotes, coins, currency notes, precious metals and other valuables;
- opening an account in which a balance in money, securities, precious metals or other valuables may be maintained;
- renting out safety deposit boxes;
- disbursing money in relation to the redemption of coupons or similar documents, bonds or similar securities;
- approving or acting as an intermediary in the approval of life insurance in exchange for a premium as referred to in the Wfm BES, insofar as it relates to the approval of life insurance in exchange for a premium as referred to in the Wfm BES;
- making a payout under a life insurance policy;

⁸¹ On 10 October 2010, this ministry was still called the 'Ministry of Justice'. On 14 October, the Directorate-General of Security was folded in to the ministry, which was renamed 'the Ministry of Security and Justice'. Since 26 October 2017 the ministry has been called 'the Ministry of Justice and Security'.

⁸² In the European Netherlands there are six supervisory authorities under the Money Laundering and Terrorist Financing Prevention Act (Wwft).

- crediting or debiting or arranging for the crediting or debiting of an account in which a balance in money, securities, precious metals or other currency may be maintained;
- entering into a payment obligation on behalf of the holder of a credit card, vis-à-vis any person who has accepted the presentation of that credit card as a means of payment, since it is understood that issuing or managing a credit card includes, at a minimum, an undertaking to perform payment transactions via that credit card;
- performing money transactions as defined by the Wfm BES;
- providing an opportunity to compete for prizes and awards in the context of operating games of chance, including casinos;
- providing trust services as referred to in the Wfm BES;
- providing credit exposures;
- extending credit in the form of finance leases;
- issuing guarantees and making financial commitments;
- trading in (1) money market instruments including cheques, bills of exchange, certificates of deposit, (2) currencies, (3) financial futures and options, (4) swaps and similar financial instruments, and (5) securities;
- Participating in securities issues and providing associated services;
- Acting as an electronic money institution.

The AFM supervises the following services for compliance with the Wwft BES:

- approving or acting as an intermediary in the approval of life insurance in exchange for a premium as referred to in the Wfm BES, insofar as it relates to acting as an intermediary in the approval of life insurance in exchange for a premium as referred to in the Wfm BES;
- acting as an investment company as defined by the Wfm BES; providing an investment service, including receiving and passing on orders from clients relating to financial instruments, and executing orders relating to financial instruments on behalf of those clients;
- managing individual assets.

The BTW is the supervisory authority for the following services:

- acting as an intermediary in relation to agreements concerning real estate and the rights to which real estate is subject;
- trading in vehicles, precious stones, precious metals, jewellery, gems or other high-value assets specified by regulation, or brokering any such asset above a certain threshold, where such threshold may be set at a different level for each type of asset;
- giving advice or providing assistance by a natural person, legal or corporate entity independently carrying on activities on a commercial/professional basis as a lawyer, civil law notary or junior civil-law notary, accountant, tax consultant, or expert in legal, tax or administrative matters, or as someone engaged in an equivalent legal profession or business, in relation to (1) the sale or purchase of real estate; (2) the management of money, securities, coins, currency notes, precious metals, precious stones or other valuables; (3) the formation or management of corporate or legal entities or similar entities; or (4) the sale, purchase or take-over of businesses;
- acting in the name of and on behalf of a client in any financial or real estate transaction by a natural person, legal or corporate entity as a lawyer, civil law notary or junior civil law notary, or as someone engaged in an equivalent legal profession.

The KPCN is tasked with the enforcement of law and order and the provision of assistance. The KPCN operates a community policing department on Bonaire, Sint Eustatius and Saba; there is also an investigation department on Bonaire that conducts criminal investigations.⁸³ The KPCN is supported in some of its tasks by the Royal Netherlands Marechaussee.⁸⁴

Since 10 October 2010, Curaçao, Sint Maarten and the BES islands have their own Public Prosecution Service with their own Chief Public Prosecutor. The Public Prosecution Service for the BES islands is responsible for criminal law enforcement as well as other tasks established by law. This primary task of the Public Prosecution Service can be broken down into the investigation of criminal offences, the prosecution of criminal offences, and monitoring of the implementation (execution) of criminal judgements.⁸⁵ Persons suspected of money laundering or terrorist financing may be prosecuted by the Public Prosecution Service for the BES islands and, in due course, brought to trial. The Public Prosecution Service is also responsible for the confiscation of assets obtained from criminal offences.

The Special Police Taskforce (RST) is a partnership within the Kingdom of the Netherlands that is responsible for combating serious and organised cross-border crime on Aruba, Bonaire, Curaçao, Saba, Sint Maarten and Sint Eustatius. This investigation team comprises both police investigators dispatched from the European Netherlands and investigators from the various police forces on the islands. Since early 2016, the Anti-Undermining Team (TBO) has formed part of the RST. The TBO, based on Curaçao, is a specialist investigation team consisting of staff from the police, the FIOD and the Public Prosecution Service. The TBO's strategic partners include the local 'Landsrecherches' (departments specialising in the investigation of offences committed by public servants), whose mandates are equivalent to that of the National Police Internal Affairs Department.

Caribbean Netherlands Customs, part of the Caribbean Netherlands Tax and Customs Administration, also plays a role in combating money laundering. Customs focuses both on individuals, with regard to passenger baggage and the importing of personal goods, and on companies on Bonaire that import commercial goods, raw materials and consumables to the Caribbean island. Customs also monitors cross-border cash transport.

5.2 The existing policy instruments

The legislation and regulations of the former Netherlands Antilles were the starting point for the drafting of the legislation and regulations which came into effect in the special municipalities of Bonaire, Sint Eustatius and Saba on 10 October 2010. The new legislation and regulations are a balance between the legislation and regulations of the former Netherlands Antilles and those of the European Netherlands, with the special position of the BES islands, the local situation, the small size of the

⁸³ Leertouwer en Zaalberg (2015).

⁸⁴ The Royal Netherlands Marechaussee performs the following policing tasks on the BES islands: (1) Fighting crime, in collaboration with the local police and the Coast Guard, (2) border security for the islands of the Caribbean Netherlands, (3) all common policing tasks at Flamingo Airport on Bonaire, and (4) performing basic community policing on Saba and Sint Eustatius (in conjunction with the police). See: www.defensie.nl/onderwerpen/taken-in-nederland/caribisch-gebied.

⁸⁵ Leertouwer en Zaalberg (2015).

market and the significant interdependence between the BES islands, Curaçao and Sint Maarten among the factors that called for customisation. The new laws and regulations were therefore familiar for the locally operating financial service providers, and they were not confronted with completely new rules. Similarly, consideration was given to the fact that most of the service providers have their head offices in Curaçao or Sint Maarten, and that the vast majority of their activities are governed by the laws and regulations of those countries. It would be virtually unworkable and expensive for them to be forced to comply with completely different rules within their traditional sphere of activity, that is the former Netherlands Antilles. It would also lead to a distortion of the level playing field. To prevent market disruption and the erosion of financial services on the BES islands, it was acknowledged that it is important that a level playing field continues to exist between these islands and the islands of Curaçao and Sint Maarten.⁸⁶

In the individual interviews and the expert meeting, the experts were asked about the existing policy instruments on the BES islands for combating money laundering. In the expert meeting, the experts were given an opportunity to supplement the list of policy instruments. The result of this exercise is the following list of laws and regulations, which are further explained below:

- Money Laundering and Terrorist Financing Prevention Act for Bonaire, Sint Eustatius and Saba (Wwft BES);
- Financial Markets Act for Bonaire, Sint Eustatius and Saba (Wfm BES);
- Dutch Penal Code for Bonaire, Sint Eustatius and Saba (WvS BES);
- Fiscal legislation.

Money Laundering and Terrorist Financing Prevention Act for Bonaire, Sint Eustatius and Saba

The Wwft BES came into effect on 1 July 2012.⁸⁷ Its purpose is to prevent the use of the financial system for the purpose of money laundering or the financing of terrorism. The Act requires obliged service providers to report unusual transactions to the unusual transactions reporting office, on the basis of objective and/or subjective indicators. Service providers must also perform customer due diligence. Part thereof involves identifying the client and verifying his/her identity, as well as identifying the client's ultimate beneficial owner (UBO) and taking reasonable measures to verify the UBO's identity. The reporting obligation and the requirement to perform customer due diligence apply to service providers, which are defined as 'anyone who performs a service on a commercial/professional basis'; the concept of 'service provider' covers both legal and natural persons. Box 5.1 above lists the services which are supervised by the three supervisory authorities under the Wwft BES. The Wwft BES calls for a risk-based approach, which entails that service providers themselves must assess the risks posed by certain clients or products. This gives them an opportunity to adjust their efforts to these risks.

One of the differences between the Wwft BES and the Wwft that is applicable in the European Netherlands is that the Wwft BES contains no references to European directives or regulations; these do not apply in the Caribbean Netherlands. For example, although the regulation of cross-border cash transport is included in the Wwft BES, in the European Netherlands this matter is governed by a European Regulation. Another difference is that the Wwft BES contains rules concerning cus-

⁸⁶ *Parliamentary Papers II*, 2010–2011, 32 784, No. 6.

⁸⁷ This Act consolidated and replaced the earlier BES Identification (Financial Services) Act, the BES Disclosure of Unusual Transactions Act and the BES Cross-Border Cash Transport Act.

tomer due diligence by trust offices, whereas in the European Netherlands these are set out in a separate law, the Trust and Company Service Providers (Supervision) Act. A third difference is that the obligation to report unusual transactions and the reporting obligation related to sanctions legislation are bundled into the Wwft BES, whereas in the European Netherlands this latter reporting obligation is stipulated separately in the Sanctions Act 1977 and underlying legislation and regulations.

Financial Markets Act for Bonaire, Sint Eustatius and Saba

The Wfm BES forms the basis for the prudential supervision (of which the aim is to ensure robust financial institutions and a stable financial system), integrity supervision (of which the aim is to ensure a clean and honourable financial sector) and business conduct supervision of credit institutions on the BES islands. There are three supervisory authorities under the Wfm BES: the AFM, the DNB and the Central Bank of Curaçao and Sint Maarten (CBCS). Credit institutions on the BES islands and major branch offices of credit institutions that have their head offices on Curaçao and Sint Maarten fall under the prudential and integrity supervision of the DNB. For small branch offices, the DNB only exercises integrity supervision; if the head office is on Curaçao or Sint Maarten, prudential supervision is exercised by the CBCS.

Dutch Penal Code for Bonaire, Sint Eustatius and Saba

The BES islands have their own Penal Code. Articles 435a–d of the WvS BES describe the circumstances in which someone is guilty of money laundering. Money laundering is when somebody *hides or conceals the true nature, origin, place where it was found, disposal or relocation of an object*, or hides or conceals who the legal owner is or who is in possession of the object, despite knowing (intentional money laundering) or being in a position in which they should reasonably suspect (culpable money laundering) that the object in question was either directly or indirectly obtained as a result of any crime. For the purpose of this definition, 'object' includes any good and any property rights. Money laundering also includes *obtaining, possessing, transferring or converting an object* despite knowing or being in a position in which it should reasonably be suspected that the object in question was either directly or indirectly obtained as a result of any crime.⁸⁸ Habitual money laundering is also criminalised.

Fiscal legislation

The fiscal rules are mainly contained in the Customs and Excise Act for Bonaire, Sint Eustatius and Saba and the Tax Act for Bonaire, Sint Eustatius and Saba.⁸⁹ The tax legislation gives the Tax and Customs Administration the power to check for unexplained assets, among other powers; this legislation thus contributes to combating money laundering. Fiscal legislation can also be important in combating money laundering through trust offices that carry out a lot of tax-driven work. Finally, Caribbean Netherlands Customs supervises imports, exports and goods in transit on the basis of fiscal rules (among other regulations). When goods are imported into the Caribbean Netherlands in order to be used or consumed, import duties must be paid unless an exemption from the payment of import duties is granted. Caribbean Netherlands Customs checks at the time of import whether the required customs declaration has been completed, the correct amount of import duties has been paid, there are legitimate grounds for an exemption from import duties, and whether the conditions attached to the exemption have been met. When goods are brought into

⁸⁸ Dutch Penal Code BES, Articles 435a–d; see the Bibliography for the formal titles and references of the legislation and regulations.

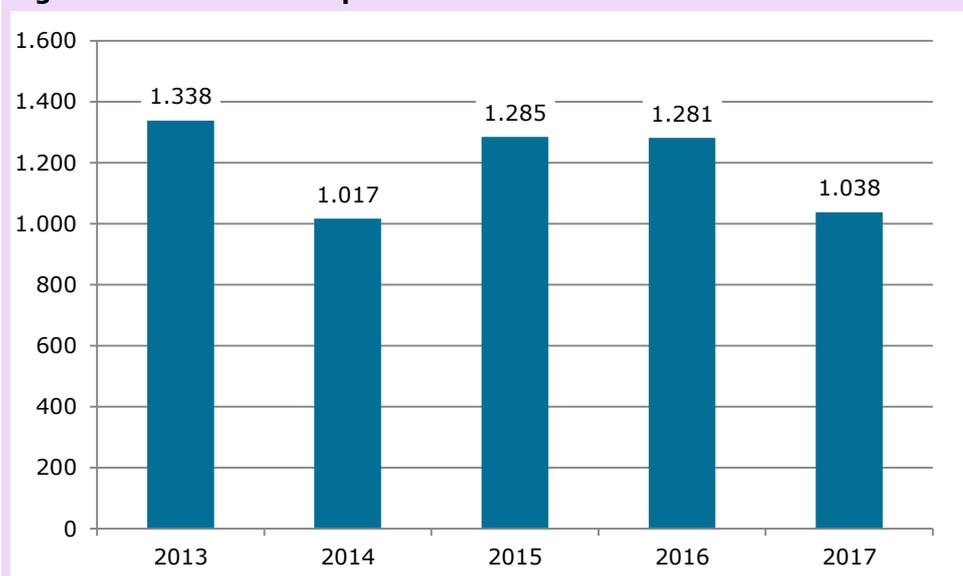
⁸⁹ www.belastingdienst-cn.nl/bcn/nl/organisatie/taken-van-de-douane.

the Caribbean Netherlands but are not intended to be used or consumed there, Caribbean Netherlands Customs checks that the storage and transit procedures have been correctly followed.

Box 5.2 Unusual and suspicious transactions in the Caribbean Netherlands^a

In the period 2013–2017, obliged service providers reported between 1,000 and 1,400 unusual transactions each year (see Figure 5.1). The annual reviews by FIU-Netherlands give all figures for the Caribbean Netherlands as a whole (not broken down by island).

Figure 5.1 Number of reports of unusual transactions to FIU-Netherlands



Source: FIU-Netherlands (2014, 2015, 2016, 2017, 2018)

Table 5.1 gives an overview of the number of reports of unusual transactions in 2017 for each type of obliged service provider. The vast majority of reports (93.8% of the total) were made by banks; around 4% were made by Caribbean Netherlands Customs. In previous years, too, most of the unusual transactions were reported by banks.

The FIU-Netherlands annual review shows that in 2017 in the Caribbean Netherlands, 337 transactions were declared suspicious; these were bundled into 35 case files and represented a total value of nearly 192 million euros. The number of transactions declared suspicious in 2015 and 2016 was lower (293 and 231 transactions respectively), but in 2014 more transactions (349 in total) were declared suspicious than in 2017.

In 2016, the total value of the suspicious transactions was 8 million euros. This is much less than the total value for 2017 stated above (192 million euros). This huge difference is due to the fact that a number of transactions declared suspicious in 2017 involved very large amounts.^b

Table 5.1 Number of unusual transactions in the Caribbean Netherlands in 2017, by type of obliged service provider

Type of service provider	Number	% total unusual transactions
Accountant	2	0.2
Bank	974	93.8
Payment service provider	1	0.1
Caribbean Netherlands Customs	41	3.9
Dealer – precious stones	4	0.4
Dealer – vehicles	7	0.7
Real estate agent	1	0.1
Civil law notary	8	0.8
Total	1,038	100.0

Source: FIU (2018)

^a FIU-Netherlands (2014, 2015, 2016, 2017, 2018).

^b FIU-Netherlands (2018).

5.3 Resilience of the policy instruments

Since 10 October 2010, the BES islands have had the status of ‘special municipalities’ and the legislation and regulations of the former Netherlands Antilles have been adapted to align more closely with those of the European Netherlands. Although a crucial starting point for the changes was that the existing level playing field in the Caribbean region must be maintained, for several of the obliged service providers, and for the law enforcement authorities, this transition meant switching to a new law enforcement regime. Many of these organisations also needed time to adjust to the new law enforcement regime. For instance, some obliged service providers had not previously kept records. The law enforcement authorities, too, needed time to build up their knowledge and to collect data, so as to be able to meet the new requirements contained in the new laws and regulations. This transition affected the mitigating effect of the policy instruments and thus the ‘resilience’ of those instruments. Resilience concerns the effectiveness of the policy instruments that exist on the BES islands for combating money laundering and mitigating the individual money-laundering risks. This concerns both the scope and the implementation of the policy instruments. The principle is that the greater the resilience, the better the risks can be countered.

To gain an insight into the resilience of the policy instruments relevant reports were studied, interviews were held with experts in both the European and Caribbean Netherlands, and an expert meeting was organised in the European Netherlands. These activities indicated that the resilience of the policy instruments and the execution of supervision, investigation and law enforcement on the BES islands could be improved. Based on the literature consulted, the interviews with experts and the expert meeting, a number of key issues were identified.

One issue relates to a number of the contextual factors listed in Chapter 3 that make the BES islands vulnerable to money laundering. The small scale of the islands and their closed communities, and the related culture in which everyone knows each other, and a culture of fear, silence and interests, can lead to a limited willingness to report criminal activities. These factors may also limit the willingness of service providers to report unusual transactions. This leads to reduced availability of information for investigation, enforcement and supervision. The aforementioned

informal economy of the BES islands (mainly cash-based, with an informal loan culture and often informal trade flows) also means that record-keeping is not always complete, making law enforcement and supervision more difficult. A further issue is a lack of capacity among the investigative authorities and other law enforcement authorities on the BES islands. Investigative authorities and other law enforcement authorities perform a relatively large amount of work to combat socioeconomic and security problems on the BES islands. The unemployment and poverty of the population on the islands play a role in this. As a result, there is less capacity available for dealing with financial-economic crime, as well as for the (systematic) collection of crime data.

Another issue, which is related to the previous points, is the lack of knowledge and data on financial-economic crime among investigative authorities and other law enforcers on the BES islands. An extra point of attention in this respect is that the data that supervisory authorities, investigative authorities and other law enforcers *do* have may not always be shared with each other.

Factors that make supervision in the context of the Wwft BES more difficult were also discussed in the expert meeting. The importance of supervisory authorities being able to carry out unannounced inspections of obliged service providers was raised. This is difficult to achieve in practice, since the supervisory authorities are based in the European Netherlands.

The experts also indicated that the Wwft BES currently does not give supervisory authorities sufficient powers to adequately supervise notaries and lawyers on Bonaire.⁹⁰ These independent professionals are not affiliated with the professional associations in the European Netherlands, i.e. the Royal Dutch Association of Civil Law Notaries (KNCB) and the Netherlands Bar Association (NOVA). For this reason, these professionals are also not subject to rules concerning conduct or professional ethics, or to the disciplinary rules of the KNCB and NOVA. Lawyers on Bonaire do not cooperate with the BTW, invoking legal professional privilege. The BTW engages in annual discussions with the notaries on Bonaire about remarkable property transactions in public notarial deeds. However, the notaries do not provide access to their financial records or their transaction files.

Finally, it was mentioned in the expert meeting that the DNB is dependent on supervision by and cooperation with the Central Bank of Curaçao and Sint Maarten, because in almost all cases, the head offices of the licensed credit institutions on the BES islands are located on Curaçao or Sint Maarten.

With regard to the policy instruments, experts in the interviews and the expert meeting recommended to expand the number of types of obliged service providers in the Wwft BES. For instance, the Wwft BES could also apply to contractors, project developers and the building materials trade, making them subject to supervision by the supervisory authority (the BTW). This could help to get a better grip on the risks associated with the real estate sector that have been identified for Bonaire. With regard to policy instruments, the experts also indicated that a policy instrument such as the Public Administration Probity Screening Act (Wet Bibob) in the European

⁹⁰ According to the Bonaire Bar Association, there are ten law firms with offices on Bonaire (see www.ordebonaire.org). There are no law firms with offices on Sint Eustatius or Saba. Nor do these islands have any notary offices. For property transactions on these islands the parties engage the services of notaries from neighbouring Sint Maarten, and the deeds of sale are executed on Sint Maarten. Because Sint Maarten is a separate country within the Kingdom of the Netherlands and is not one of the BES islands, any risks arising from property transactions on Sint Eustatius and Saba are not included in this NRA.

Netherlands is currently lacking on the BES islands. This instrument can allow for the testing of the integrity of holders and/or applicants for permits and subsidies. This can be particularly useful on Bonaire, more specifically as an examination of (foreign) entrepreneurs/investors in the Bonaire real estate market.

6 Conclusions

This NRA BES was conducted to examine the risks relating to money laundering and terrorist financing on Bonaire, Sint Eustatius and Saba. However, since the study did not uncover any clear signs of terrorist financing threats, it was decided that the present report should focus on money laundering. For this reason, this final chapter will also focus on money laundering.

This final chapter begins by describing the key results of the NRA relating to money laundering in the Caribbean Netherlands. The NRA is then evaluated, with both the strengths and the areas for improvement in the research methodology applied being highlighted. Finally, the chapter lists some of the lessons learned, which may be useful in designing the next NRA.

6.1 Answers to the research questions

In this paragraph, the research questions are answered using the elements of which the NRA for the BES islands is composed: the context analysis, the risk identification and the risk analysis.

Context analysis

The context analysis provided insight into the characteristics of the BES islands which either repress or facilitate money laundering. The analysis took into account the geographic, demographic, economic and sociocultural characteristics of the BES islands, as well as the criminological landscape.

Geographic characteristics

Geographic factors associated with the prevalence of money laundering include the proximity of Central and South American countries and other Caribbean islands (because of drug trafficking and/or illegal immigration) and the significant distance from the European Netherlands, which has consequences for the way the three supervisory authorities based in the European Netherlands (the AFM, BTW and DNB) organise their supervisory activities.

Sociocultural characteristics

The small scale and isolation of the BES islands are reflected in a number of socio-cultural characteristics, including a culture in which everyone knows each other, a culture of silence, fear, and interests in which patronage and clientelism are present, based on the principle of 'give a little, take a little'. Because of this, the boundaries between private and professional relationships are often blurred. These mechanisms can result in a reduced willingness to report criminal activities, and in conflicts of interest and integrity concerns when supervision, investigation and enforcement are performed locally. The effect of this has been strengthened by low minimum wages and benefits on the BES islands and by an increased cost of living since the constitutional reform on 10 October 2010. To make financial ends meet, many residents are compelled to work several jobs with different employers. Some residents also commit petty crime as a survival strategy.

Economic characteristics

Since 10 October 2010, there has been an increase in the number of wealthy people from the European Netherlands and in the number of European-Dutch and foreign expats residing on the BES islands. The income inequality between the local population and the aforementioned group has caused dissatisfaction among the local population, which can lead to the integrity problems mentioned above as well as conflicts of interest. The fact that each of the BES islands can be characterised as cash-based economies is another economic characteristic that may be associated with the occurrence of money laundering. This focus on cash is part of the informal character of these economies and of the informal trade flows with neighbouring islands and other countries. The increase in tourism has contributed to the development of the property market on Bonaire and made the island attractive for the settlement of European-Dutch and foreign real estate entrepreneurs. There have been some past instances of investments using criminal money.

Predicate offences for money laundering

Most cases of property crime are recorded on Bonaire (more than 700), compared to a much lower number on the much smaller islands of Sint Eustatius and Saba (33 and 12 offences recorded in 2017 respectively). It must be borne in mind that crime is a 'dark number' phenomenon. Not all crime is known to the police and registered. The actual extent of crime is probably higher than the official figures.

Bonaire is mainly used as a transit hub for international trafficking in narcotics, but local trafficking also occurs. Saba and Sint Eustatius are mainly final destinations. According to the Public Prosecution Service of Bonaire, Sint Eustatius and Saba, most drugs come from South America.

The BES islands can form an occasional transit area and destination for involuntary sex work and forced labour in households, agriculture and construction. Migrants who are in debt are sometimes subjected to forced labour in restaurants and other companies. This often concerns Colombians, Venezuelans and Dominicans. There have been no criminal investigations or prosecutions for human trafficking on the BES islands in the past few years.

There are stories about corruption on the BES islands, but no hard evidence has been found. There have been no criminal cases relating to corruption in the past few years.

Risk identification

The context analysis made it clear that there were significant differences in the characteristics of the individual BES islands, meaning that the risks could not be determined in a single overall analysis, and that the exercise of identifying the money laundering risks had to be completed for each island separately.

In the case of Bonaire, a total of ten money-laundering risks with the greatest potential impact were identified (by at least half of the participants in the expert meeting). Most of these risks relate to the real estate sector. In addition, money transactions/deposits through licensed credit institutions and licensed money or value transfer services, a form of Trade-Based Money Laundering and money laundering through gambling were among the top ten money-laundering risks (in terms of potential impact). For all identified risks, the experts were either aware of criminal acts/cases involving these money-laundering methods or considered their prevalence likely, according to the email survey sent out prior to the expert meeting.

For Sint Eustatius, five money-laundering risks with the greatest potential impact were identified (by at least half of the participants in the expert meeting). The two

most frequently-mentioned risks related to unlicensed credit institutions / underground banking, followed by risks related to Trade-Based Money Laundering, gambling and physical movement of large amounts of cash (see Table 6.1). The results of the email survey sent out to the experts showed that for each of the five identified risks, the experts were either aware of criminal acts/cases involving these money-laundering methods or considered their prevalence to be likely.

In the case of Saba, only one threat was identified by at least three experts as the most significant risk in terms of its potential impact, namely money laundering through gambling. Given the absence of casinos on Saba, this risk is expected to relate to online gambling and/or lotteries. The results of the email survey sent out to the experts showed that none of them were aware of any criminal acts/cases involving this identified risk; however, some experts considered the prevalence of this money-laundering method to be likely.

Table 6.1 Most significant money-laundering risks in the Caribbean Netherlands in terms of their potential impact

	Expert meeting score (n=6)
Bonaire	
Purchase of private homes	4
Purchase of resorts/holiday parks	4
Real estate project development	4
Purchase of business premises	3
New construction of real estate	3
Abuse of notary services	3
Money transactions/deposits through licensed credit institutions	3
Money transactions/deposits through licensed money or value transfer services	3
Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	3
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Sint Eustatius	
Money transactions/deposits through unlicensed credit institutions/underground banking	4
Exchange of cash from small denominations to large denominations (and vice versa) through unlicensed credit institutions/underground banking	4
Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	3
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Physical transfers movement of large amounts of cash to/from an island by sea/air	3
Saba	
Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3

One of the research questions was about money-laundering risks on the BES islands that had not yet been identified, but could become relevant in the future. In the interviews and expert meeting for this NRA, the primary focus was on risks relating to money laundering *at the present time*. The topic of 'future risks' yielded little information. In the in-depth interviews the experts referred to the continuing instability in Venezuela, which in the future could lead to an increasing influx of illegally-obtained money into the economies of the Caribbean Netherlands; particularly Bonaire, which is in close proximity to Venezuela. Although the BES islands can be

regarded as cash-based economies, the experts suggested that virtual currencies could become a money-laundering risk in the future.

Another research question was about the quantitative data that could be used in subsequent NRAs to identify money-laundering risks. There is currently a lack of data on financial-economic crime on the BES islands. This does not mean that no data whatsoever is available on the prevalence of the identified risks. However, due to privacy legislation, the data that is available is not always shared by supervisory authorities, investigative authorities and other law enforcement authorities.

Risk analysis

The policy aimed at combating money laundering in the Caribbean Netherlands is based on the policy of the European Netherlands, which in turn is derived from the recommendations of the FATF and European anti-money laundering directives. According to the experts and written sources consulted, the existing policy instruments designed to combat money laundering are:

- Money Laundering and Terrorist Financing Prevention Act BES (Wwft BES);
- Financial Markets Act BES (Wfm BES);
- Dutch Penal Code BES (WvS BES);
- Fiscal legislation.

Resilience concerns the effectiveness of the policy instruments that exist on the BES islands for combating money laundering and mitigating the individual money-laundering risks. This concerns both the scope and the implementation of the policy instruments. The principle is that the greater the resilience, the better the risks can be countered.

To gain an insight into the resilience of the policy instruments relevant reports were studied, interviews were held with experts in both the European and Caribbean Netherlands, and an expert meeting was organised in the European Netherlands. These activities indicated that the resilience of the policy instruments and the execution of supervision, investigation and law enforcement on the BES islands could be improved. Based on the literature consulted, the interviews with experts and the expert meeting, a number of key issues were identified.

One issue relates to a number of the contextual factors listed in Chapter 3 that make the BES islands vulnerable to money laundering. The small scale and enclosure of the island communities, the related culture in which everyone knows each other, and the culture of fear, silence and interests, can lead to a limited willingness to report criminal activities. These factors may also limit the willingness of service providers to report unusual transactions. This leads to a reduced availability of information for investigation, enforcement and supervision. The aforementioned informal economy of the BES islands (mainly cash-based, with an informal loan culture and often informal trade flows) also ensures that administration systems are not always complete, making implementation of law enforcement and supervision more difficult.

A further issue is a lack of capacity at investigative authorities and other law enforcers on the BES islands. Investigative authorities and other law enforcers perform a relatively large amount of work to combat socioeconomic and security problems on the BES islands. The unemployment and poverty of the population on the islands play a role in this. As a result, there is less capacity available for dealing with financial-economic crime, as well as for the (systematic) collection of crime data.

Another issue, which is related to the previous points, is the lack of knowledge and data on financial-economic crime among investigative authorities and other law enforcers on the BES islands. A related issue is that supervisory authorities, investigative authorities and other law enforcers *do* have may not always be shared with each other.

Factors that make supervision in the context of the Wwft BES more difficult were also discussed in the expert meeting. The importance of supervisory authorities being able to carry out unannounced inspections of obliged service providers was raised. This is difficult to achieve in practice, since the supervisory authorities are based in the European Netherlands.

The experts also indicated that the Wwft BES currently does not give supervisory authorities sufficient powers to adequately supervise civil law notaries and lawyers on Bonaire.⁹¹ These independent professionals are not affiliated with the professional associations in the European Netherlands, that is the Royal Dutch Association of Civil Law Notaries (KNB) and the Netherlands Bar Association (NOvA). For this reason, these professionals are also not subject to rules concerning conduct or professional ethics, or to the disciplinary rules of the KNB and NOvA. Lawyers on Bonaire do not cooperate with the BTW by invoking the right of legal professional privilege. The BTW engages in annual discussions with the civil law notaries on Bonaire about remarkable property transactions in public notarial deeds. However, the civil law notaries do not provide access to their financial administration and their transaction files.

Finally, it was mentioned in the expert meeting that the DNB is dependent on the supervision by and cooperation with the Central Bank of Curaçao and Sint Maarten, because in almost all cases, the head offices of the licensed credit institutions on the BES islands are located in Curaçao or Sint Maarten.

With regard to the policy instruments, experts in the interviews and the expert meeting recommended to expand the number of types of service providers stated in the Wwft BES. For instance, the Wwft BES could also apply to contractors, project developers and the building materials trade, making them subject to supervision by the BTW. This could help to get a better grip on the risks associated with the real estate sector that have been identified for Bonaire. With regard to policy instruments, the experts also indicated that a policy instrument such as the Public Administration Probiity Screening Act (Wet Bibob) in the European Netherlands is currently lacking on the BES islands. This instrument can be used to test the integrity of holders of and/or applicants for permits and subsidies. This could be particularly useful on Bonaire, more specifically as an examination of foreign and domestic entrepreneurs/investors in the Bonaire real estate market.

6.2 Evaluation of the NRA BES

Chapter 2 describes how this NRA BES was performed. The research methodology used was qualitative in nature and predominantly based on experts' opinions and estimations. In short, the research methodology involved the following:

- A context analysis outlining specific characteristics of the Caribbean Netherlands that are considered to have an impact on the prevalence of money laundering.

⁹¹ No civil-law notaries or lawyers have offices on Sint Eustatius or Saba.

For the purposes of this context analysis, a literature review was conducted and various interviews were held with parties including supervisory authorities, investigation services, other enforcement authorities and FIU-Netherlands, in both the European and Caribbean Netherlands.

- For the purpose of identifying money laundering threats on the BES islands a literature review was performed, interviews were held with supervisory authorities, investigative authorities, other law enforcement authorities and FIU-Netherlands in the European and Caribbean Netherlands, and interviews were also conducted with representatives of obliged service providers in the Caribbean Netherlands.
- Prior to the expert meeting, the experts were sent an email survey in which they were asked to indicate, for each island, to what extent they were aware of criminal acts/cases involving the threats on the longlist or, if not, whether the prevalence of the threats was likely, unlikely or unknown to them. The experts had the opportunity to use the email survey to add money-laundering methods that, according to them, were missing from the longlist.
- Based on the literature review, interviews with experts and an expert meeting with representatives of the supervisory authorities, investigative authorities and other law enforcement authorities, no clear signs emerged of terrorist financing threats. In the expert meeting, it was first ascertained whether the participants were familiar with threats relating to terrorist financing in the Caribbean Netherlands. When this turned out not to be the case, the experts identified the most significant money-laundering risks in terms of their potential impact, taking into account the contextual vulnerabilities of the Caribbean Netherlands. They also assessed, in general terms, the resilience of the existing policy instruments designed to prevent and combat the identified money-laundering risks.
- In the final stage of the research, a validation interview was conducted with a representative of the Public Prosecution Service of Bonaire, Sint Eustatius and Saba with the primary purpose of examining to what extent this person recognised the identified risks, and whether any significant risks had been overlooked. A draft version of this report was also submitted to the three supervisory authorities under the Wwft BES (the AFM, BTW and DNB).

Strengths of this NRA

A number of strengths can be cited with regard to the performance of this NRA.

- *Close involvement of the sector.* A general strength of this NRA is that all of the organisations that play a role in one way or another in preventing and combating money laundering on the BES islands and/or that are in a position to make a judgement about the prevalence of money laundering and terrorist financing on the BES islands, were involved at some point in conducting the study.
- *Transparent data collection methods.* The qualitative data for this NRA were collected using transparent methods. These transparent data collection methods increased the reproducibility of the study.
- *Substantiation for the risk identification.* Using the email survey of the experts who would later participate in the expert meeting, a greater insight was obtained into the criminal facts/cases involving money-laundering threats of which they were aware, and of the money-laundering threats they considered to be likely or unlikely, as indicated using the FANO classification system. The plenary discussion of the results of the email survey in the expert meeting helped to synchronise the experts' frames of reference to some extent before the risk identification phase.
- *Expanded longlist of threats.* The various research activities in the initial phase of the study resulted in an expanded longlist of threats relating to money laundering. The email survey prior to the expert meeting made it clear that the longlist

presented to the experts was virtually complete; the experts had only a few threats to add to the list.

- *Validation of NRA results.* In the final phase of the NRA a key expert (from the Public Prosecution Service of Bonaire, Sint Eustatius and Saba) was interviewed; the main question asked was to what extent this expert recognised the identified money-laundering risks. A draft version of this report was also submitted to the three supervisory authorities under the Wwft BES (the AFM, BTW and DNB).

Key issues of this NRA

A number of key issues with regard to the conduct of this NRA can also be raised. These largely relate to the primarily qualitative nature of the research methodology.

- One issue, referred to in Chapter 1, is that due to the limited availability of data concerning money laundering and terrorist financing on the BES islands, the NRA is primarily based on the opinions of experts, particularly representatives of supervisory authorities, investigative authorities and other law enforcement authorities. Identification of the key risks therefore involves a subjective element, and it is possible that it may be partially based on perceptions/personal estimations.
- Another issue was raised in Chapter 1, namely the small number of experts involved in identifying the risks with the greatest potential impact. There are relatively few representatives in either the European or Caribbean Netherlands of supervisory authorities, investigative authorities and other law enforcement authorities or other types of organisations with the necessary knowledge regarding money laundering on the BES islands. This is explained by the small scale of the islands. For this reason, interviews were also conducted with representatives of service providers who are obliged under the Wwft BES to report unusual transactions and perform customer due diligence. No substantial indications were found concerning the prevalence of terrorist financing on these islands, either in the interviews with experts and service providers or in the written and online sources consulted.
- In contrast to the NRA for the European Netherlands, no use was made of Group Decision Room facilities in the expert meetings, and no *quantitative* assessment was performed of the potential impact of the risks based on a multi-criteria analysis (MCA). The number of experts who attended the expert meeting for the NRA for the BES islands was significantly smaller than for the NRAs for the European Netherlands. The aggregation of a dataset based on such a small number of experts would have less added value, because it would result in a very rough quantitative measurement. For the same reason, the experts involved in the NRA for the BES islands – unlike the experts in the NRAs for the European Netherlands – also did not perform a *quantitative* assessment of the resilience of the existing policy instruments.

6.3 Lessons for the next NRA

This section sets out a number of lessons that should be taken into account during the conduct of subsequent NRAs.

Greater role for quantitative research results in the next NRA

Subsequent NRAs must be more and more data-orientated. This means they will be less dependent on potentially subjective expert assessments, and it will reduce the risks associated with such assessments. The aim will be to produce research results with a higher degree of reliability. If another expert meeting is held, quantitative

data should be incorporated as much as possible to help synchronise the experts' frames of reference. The longlist of threats should – as much as possible – be based on available data that indicates the prevalence and potential impact of the threats. Finally, it would be desirable for the experts to provide greater substantiation for their selection of the risks, preferably backed up with data. However, an important observation should be made here. There is quite simply a lack of data indicating the prevalence and potential impact of risks on the BES islands. There is also the possibility that such data might be available to certain organisations, but that due to privacy legislation or for confidentiality reasons, it cannot be made available for the NRA.

More attention to substantiation and in-depth data and more fieldwork in the Caribbean region

The expert meeting had a full agenda and tight timeframe, meaning there was not always enough time to focus on the substantiation of all expert opinions or the elaboration of case studies. Along with the fact that some experts were not always fully share their knowledge, and the fact that some experts lacked knowledge of some elements, the result is that parts of this NRA are general in nature, in spite of the introduction of the FANO classification system (see Chapter 2).

For this NRA, 25 interviews with a total of 49 people were conducted in both the European and the Caribbean Netherlands. Of these, 14 interviews were conducted in the Caribbean Netherlands, and 4 interviews were conducted via video conference with people in the Caribbean Netherlands (including Curaçao). In a subsequent NRA, it would be desirable for more relevant parties to be interviewed on Bonaire, Sint Eustatius and Saba, particularly (obliged) service providers. For example, based on the money laundering risks identified in this study, it would seem to be appropriate to speak to more parties who are involved in the Bonaire real estate market in one way or another such as real estate agents, project developers and contractors. In addition, the expert meeting for the next NRA could be held in the Caribbean Netherlands instead of in the European Netherlands; this would allow investigative authorities and other law enforcement authorities (who were interviewed for this study) to participate in the expert meeting.

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References for legislation and regulations

Title	Abbreviation	References	Website
Money Laundering and Terrorist Financing Prevention Act BES	Wwft BES	Original source: <i>Bulletin of Acts and Decrees</i> 2011, 613 Effective date: <i>Bulletin of Acts and Decrees</i> 2012, 240 Last amendment: <i>Bulletin of Acts and Decrees</i> 2015, 504	http://wetten.overheid.nl/BWBR0030824/ 2016-04-01
Money Laundering and Terrorist Financing Prevention Act	Wwft	Original source: <i>Bulletin of Acts and Decrees</i> 2008, 303 Effective date: <i>Bulletin of Acts and Decrees</i> 2008, 304 Last amended by an Act dated 11 August 2016, <i>Bulletin of Acts and Decrees</i> 2016, 297	http://wetten.overheid.nl/BWBR0024282/ 2016-08-11
Financial Markets Act BES	Wfm BES	Original source: <i>Bulletin of Acts and Decrees</i> 2012, 7 Effective date: <i>Bulletin of Acts and Decrees</i> 2012, 240 Last amendment: <i>Bulletin of Acts and Decrees</i> 2017, 342	http://wetten.overheid.nl/BWBR0030883/ 2017-09-23
Dutch Penal Code BES	WvS BES	Original source: <i>Bulletin of Acts and Decrees</i> 2010, 350 Effective date: <i>Bulletin of Acts and Decrees</i> 2010, 389 Last amendment: <i>Bulletin of Acts and Decrees</i> 2017, 65	http://wetten.overheid.nl/BWBR0028570/ 2017-03-01
Tax Act BES	-	Original source: <i>Bulletin of Acts and Decrees</i> 2010, 847 Effective date: <i>Bulletin of Acts and Decrees</i> 2010, 848 Last amendment: <i>Bulletin of Acts and Decrees</i> 2017, 517	http://wetten.overheid.nl/BWBR0029244/ 2018-01-01
Customs and Excise Act BES	-	Original source: <i>Bulletin of Acts and Decrees</i> 2010, 846 Effective date: <i>Bulletin of Acts and Decrees</i> 2010, 848 Last amendment: <i>Bulletin of Acts and Decrees</i> 2016, 545	http://wetten.overheid.nl/BWBR0029236/ 2017-01-01
Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.	Fourth EU Anti-Money Laundering Directive	PbEU 2015, L 141/73	http://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32015L0849&from=EN

Appendix 1 The Advisory Committee

Chair

Prof. W.F.M. Bams

Maastricht University, School of Business and Economics

Members

Z. Zuidema, LL.M, MA

Ministry of Justice and Security, Directorate for Law Enforcement and Crime Fighting

Dr J. van der Knoop

Dr J. van der Knoop, Decision Support

Dr W.P. Veenendaal

Leiden University, Faculty of Social Sciences, Institute of Political Science

Appendix 2 List of interviewed experts

To preserve the anonymity of the respondents, this list gives only the names of the organisations in which the respondents were employed. For each organisation there is an indication of how many employees were interviewed.

Expert organisation interviews	Number of staff
– Dutch Authority for the Financial Markets	2
– Wwft Supervision Office	1
– Dutch Central Bank	2
– Dutch Customs	1
– Dutch Fiscal Intelligence and Investigation Service	2
– Financial Intelligence Unit – the Netherlands	4
– Caribbean Netherlands Tax and Customs Administration/Caribbean Netherlands Customs	1
– Chamber of Commerce and Industry – Bonaire	1
– Caribbean Netherlands Police Force – Bonaire	1
– Caribbean Netherlands Police Force – Sint Eustatius	1
– Central Bank of Curaçao and Sint Maarten	5
– Royal Netherlands Marechaussee	2
– Public Prosecution Service of Bonaire, Sint Eustatius and Saba	1
– Public Prosecution Service of Curaçao	1
– Rotterdam Police Detective Force	1
– Special Police Taskforce, Bonaire	1
– Special Police Taskforce, Curaçao	1
Service provider interviews	
– Two credit institutions	10
– Three firms of civil-law notaries	7
– An accountancy firm	1
– An administration office providing trust services	1
– A company performing compliance activities for a money/value transfer service on the BES islands	2

Appendix 3 List of participants in the expert meeting

To preserve the anonymity of the participants, this list gives only the names of the organisations where the participants were employed.

Organisation
Dutch Authority for the Financial Markets
Wwft Supervision Office
Dutch Central Bank
Dutch Customs
Financial Intelligence Unit – the Netherlands
Public Prosecution Service (European Netherlands)

Appendix 4 Results of the email survey

Prior to the expert meeting, the experts were asked to complete an email survey. In the survey they were asked to indicate, for each island, whether any of the thirty threats on the longlist were present. They could also add threats to this list. For each threat and for each of the BES islands, the experts had to assign one of the following letters:

- an *F* if, according to the expert, one or more criminal acts/cases (*F: Feiten/casussen*) relating to the threat are known to his/her organisation;
- an *A* if, according to the expert, it is likely (*A: Aannemelijk*) that the threat is present but no actual criminal acts/cases are known to his/her organisation;
- an *N* if, according to the expert, it is unlikely (*N: Niet aannemelijk*) that the threat is present, based on the information available to his/her organisation;
- an *O* if the expert does not know (*O: Onbekend*) whether or not the threat is present because his/her organisation has no information on the matter.

Results of the email survey for Bonaire

Money-laundering channel	Money-laundering method	1	2	3	4	5	6
Licensed credit institutions	– Money transactions/deposits	F	F	O	O	F	O
	– Exchange of cash from small denominations to large denominations (and vice versa)	F	A	O	O	F	O
Unlicensed credit institutions / underground banking	– Money transactions/deposits	F	O	A	O	A	O
	– Exchange of cash from small denominations to large denominations (and vice versa)	O	O	A	O	A	O
Licensed money or value transfer services	– Money transactions/deposits	A	A	O	O	F/A	O
Unlicensed money or value transfer services	– Money transactions/deposits	F	O	O	O	A	O
Real estate	– Purchase of private homes	F	A	A	O	A	F
	– Purchase of resorts/holiday parks	F	A	N	O	A	F
	– Purchase of business premises	F	A	O	O	A	F
	– Real estate development projects (financing materials, workers, etc.)	F	A	O	O	A	F
	– Abuse of civil-law notaries' services (including trust accounts)	F	O	O	O	-	F
	– Abuse of real estate agents' services (e.g. purchasing properties with cash)	F	O	A	O	-	F
	– ABC transactions	F	O	A	O	-	F
Trade-Based Money Laundering	– Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	F	N	O	A	-	O
	– Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	F	N	O	A	-	O
	– Legitimation of value transfers via national and international commercial transactions	F	N	O	A	-	O
Car dealers	– Cash purchases of cars	F	O	A	A	A/F	F
Jewellers	– Cash purchases of jewellery/precious stones	F	O	A	A	A/F	F
Trust offices	– Abuse of trust office services	F	A	A	O	A	O
Offshore companies	– Abuse of offshore companies	F	O	A	O	A	O
Gambling	– Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	F	A	O	A	A	O

Results of the email survey for Bonaire (continued)

Money-laundering channel	Money-laundering method	1	2	3	4	5	6
Miscellaneous money-laundering channels	– Money laundering via tax-driven/complex corporate structures	F	A	A	O	-	F
	– Money laundering via national and international investment structures for value transfer	O	A	A	O	-	O
	– Stacking of private companies/public companies/foundations	F	A	O	O	-	F
	– Loan-back schemes	F	A	O	O	-	O
	– Other money-laundering techniques to offset concealed value	F	O	O	O	-	O
	– Holding participating interests in companies (e.g. construction companies)	F	O	O	O	-	O
Not specific to a single money-laundering channel	– Virtual currencies	O	O	A	A	O	O
	– Physical movement of large amounts of cash to/from an island by sea/air	F	O	O	F	A	O
	– Prepaid cards/phone cards/etc.	N	O	O	F	O	O
Added threats	– Creating money flows through mortgage loans	F	-	-	-	-	-
	– New construction of real estate	-	-	-	-	-	-
	– Starting up a company using funds of dubious provenance	-	-	-	-	-	F

Results of the email survey for Sint Eustatius

Money-laundering channel	Money-laundering method	1	2	3	4	5	6
Licensed credit institutions	– Money transactions/deposits	F	N	O	O	A	O
	– Exchange of cash from small denominations to large denominations (and vice versa)	F	N	O	O	A	O
Unlicensed credit institutions / underground banking	– Money transactions/deposits	A	O	A	O	A	O
	– Exchange of cash from small denominations to large denominations (and vice versa)	O	O	A	O	A	O
Licensed money or value transfer services	– Money transactions/deposits	N	A	O	O	A	O
Unlicensed money or value transfer services	– Money transactions/deposits	O	O	O	O	A	O
Real estate	– Purchase of private homes	O	A	A	O	A	A
	– Purchase of resorts/holiday parks	O	O	N	O	A	N
	– Purchase of business premises	F	N	O	O	A	N
	– Real estate development projects (financing materials, workers, etc.)	O	N	O	O	A	O
	– Abuse of civil-law notaries' services (including trust accounts)	O	O	O	O	-	A
	– Abuse of real estate agents' services (e.g. purchasing properties with cash)	O	O	A	O	-	A
	– ABC transactions	O	O	A	O	-	A
Trade-Based Money Laundering	– Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	F	N	O	A	-	O
	– Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	F	N	O	A	-	O
	– Legitimation of value transfers via national and international commercial transactions	O	N	O	A	-	O
Car dealers	– Cash purchases of cars	O	O	A	A	A	A
Jewellers	– Cash purchases of jewellery/precious stones	N	O	A	A	A	N
Trust offices	– Abuse of trust office services	N	N	A	O	A	O
Offshore companies	– Abuse of offshore companies	O	O	A	O	O	O
Gambling	– Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	F	N	O	A	A	O

Results of the email survey for Sint Eustatius (continued)

Money-laundering channel	Money-laundering method	1	2	3	4	5	6
Miscellaneous money-laundering channels	– Money laundering via tax-driven/complex corporate structures	0	N	A	0	-	0
	– Money laundering via national and international investment structures for value transfer	0	N	A	0	-	0
	– Stacking of private companies/public companies/foundations	0	N	0	0	-	0
	– Loan-back schemes	0	N	0	0	-	0
	– Other money-laundering techniques to offset concealed value	0	0	0	0	-	0
	– Holding participating interests in companies (e.g. construction companies)	0	0	0	0	-	0
Not specific to a single money-laundering channel	– Virtual currencies	2					
	– Physical movement of large amounts of cash to/from an island by sea/air	3					
	– Prepaid cards/phone cards/etc.	1					
Added threats	– Creating money flows through mortgage loans	0					
	– New construction of real estate	0					
	– Starting up a company using funds of dubious provenance	1					

Results of the email survey for Saba

Money-laundering channel	Money-laundering method	1	2	3	4	5	6
Licensed credit institutions	– Money transactions/deposits	F	N	O	O	A	O
	– Exchange of cash from small denominations to large denominations (and vice versa)	O	N	O	O	A	O
Unlicensed credit institutions / underground banking	– Money transactions/deposits	O	O	A	O	A	O
	– Exchange of cash from small denominations to large denominations (and vice versa)	O	O	A	O	A	O
Licensed money or value transfer services	– Money transactions/deposits	N	N	O	O	A	O
Unlicensed money or value transfer services	– Money transactions/deposits	O	O	O	O	A	O
Real estate	– Purchase of private homes	O	A	A	O	O	A
	– Purchase of resorts/holiday parks	O	O	N	O	O	N
	– Purchase of business premises	O	N	O	O	O	N
	– Real estate development projects (financing materials, workers, etc.)	O	N	O	O	O	O
	– Abuse of civil-law notaries' services (including trust accounts)	O	O	O	O	-	A
	– Abuse of real estate agents' services (e.g. purchasing properties with cash)	O	O	A	O	-	A
	– ABC transactions	O	O	A	O	-	A
Trade-Based Money Laundering	– Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	O	N	O	A	-	O
	– Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	O	N	O	A	-	O
	– Legitimation of value transfers via national and international commercial transactions	O	N	O	A	-	O
Car dealers	– Cash purchases of cars	O	O	A	A	A	N
Jewellers	– Cash purchases of jewellery/precious stones	N	O	A	A	A	N
Trust offices	– Abuse of trust office services	N	N	A	O	O	O
Offshore companies	– Abuse of offshore companies	N	O	A	O	O	O

Results of the email survey for Saba (continued)

Money-laundering channel	Money-laundering method	1	2	3	4	5	6
Gambling	- Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	O	N	O	A	A	O
	- Money laundering via national and international investment structures for value transfer	O	N	A	O	-	O
	- Stacking of private companies/public companies/foundations	O	N	O	O	-	O
	- Loan-back schemes	O	N	O	O	-	O
	- Other money-laundering techniques to offset concealed value	O	O	O	O	-	O
	- Holding participating interests in companies (e.g. construction companies)	O	O	O	O	-	O
Not specific to a single money-laundering channel	- Virtual currencies	O	O	A	A	O	O
	- Physical movement of large amounts of cash to/from an island by sea/air	O	O	O	F	A	O
	- Prepaid cards/phone cards/etc.	N	O	O	F	O	O
Added threats	- Creating money flows through mortgage loans	-	-	-	-	-	-
	- New construction of real estate	-	-	-	-	-	N
	- Starting up a company using funds of dubious provenance	-	-	-	-	-	N

Appendix 5 Results of the expert meeting

After a discussion of the results the experts were asked to select, for each island, up to ten of the most significant risks in terms of their potential impact from the long-list of threats. The following tables show, for each island, how often the various money-laundering methods were selected as risks with the greatest potential impact.

Results of the expert meeting for Bonaire

Money-laundering channel	Money-laundering method	Number of times mentioned (n=6)
Licensed credit institutions	– Money transactions/deposits	3
	– Exchange of cash from small denominations to large denominations (and vice versa)	1
Unlicensed credit institutions / underground banking	– Money transactions/deposits	1
	– Exchange of cash from small denominations to large denominations (and vice versa)	1
Licensed money or value transfer services	– Money transactions/deposits	3
Unlicensed money or value transfer services	– Money transactions/deposits	1
Real estate	– Purchase of private homes	4
	– Purchase of resorts/holiday parks	4
	– Purchase of business premises	3
	– Real estate development projects (financing materials, workers, etc.)	4
	– Abuse of notaries' services (including trust accounts)	3
	– Abuse of real estate agents' services (e.g. purchasing properties with cash)	2
	– ABC transactions	0
Trade-Based Money Laundering	– Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	2
	– Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	3
	– Legitimation of value transfers via national and international commercial transactions	2
Car dealers	– Cash purchases of cars	2
Jewellers	– Cash purchases of jewellery/precious stones	2
Trust offices	– Abuse of trust office services	2
Offshore companies	– Abuse of offshore companies	1
Gambling	– Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Miscellaneous money-laundering channels	– Money laundering via tax-driven/complex corporate structures	1
	– Money laundering via national and international investment structures for value transfer	1
	– Stacking of private companies/public companies/foundations	0
	– Loan-back schemes	1
	– Other money-laundering techniques to offset concealed value	1
	– Holding participating interests in companies (e.g. construction companies)	0

Results of the expert meeting for Bonaire (continued)

Money-laundering channel	Money-laundering method	Number of times mentioned (n=6)
Not specific to a single money-laundering channel	– Virtual currencies	1
	– Physical movement of large amounts of cash to/from an island by sea/air	2
	– Prepaid cards/phone cards/etc.	1
Added threats	– Creating money flows through mortgage loans	0
	– New construction of real estate	3
	– Starting up a company using funds of dubious provenance	2

Results of the expert meeting for Sint Eustatius

Money-laundering channel	Money-laundering method	Number of times mentioned (n=6)
Licensed credit institutions	– Money transactions/deposits	2
	– Exchange of cash from small denominations to large denominations (and vice versa)	1
Unlicensed credit institutions / underground banking	– Money transactions/deposits	4
	– Exchange of cash from small denominations to large denominations (and vice versa)	4
Licensed money or value transfer services	– Money transactions/deposits	0
Unlicensed money or value transfer services	– Money transactions/deposits	2
Real estate	– Purchase of private homes	2
	– Purchase of resorts/holiday parks	1
	– Purchase of business premises	1
	– Property development projects (financing materials, workers, etc.)	1
	– Abuse of civil-law notaries' services (including trust accounts)	1
	– Abuse of real estate agents' services (e.g. purchasing properties with cash)	1
	– ABC transactions	0
Trade-Based Money Laundering	– Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	3
	– Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	2
	– Legitimation of value transfers via national and international commercial transactions	1
Car dealers	– Cash purchases of cars	2
Jewellers	– Cash purchases of jewellery/precious stones	1
Trust offices	– Abuse of trust office services	1
Offshore companies	– Abuse of offshore companies	1
Gambling	– Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Miscellaneous money-laundering channels	– Money laundering via tax-driven/complex corporate structures	1
	– Money laundering via national and international investment structures for value transfer	2
	– Stacking of private companies/public companies/foundations	0
	– Loan-back schemes	0
	– Other money-laundering techniques to offset concealed value	2
	– Holding participating interests in companies (e.g. construction companies)	0

Results of the expert meeting for Sint Eustatius (continued)

Money-laundering channel	Money-laundering method	Number of times mentioned (n=6)
Not specific to a single money-laundering channel	– Virtual currencies	2
	– Physical movement of large amounts of cash to/from an island by sea/air	3
	– Prepaid cards/phone cards/etc.	1
Added threats	– Creating money flows through mortgage loans	0
	– New construction of real estate	0
	– Starting up a company using funds of dubious provenance	1

Results of the expert meeting for Saba

Money-laundering channel	Money-laundering method	Number of times mentioned (n=6)
Licensed credit institutions	– Money transactions/deposits	1
	– Exchange of cash from small denominations to large denominations (and vice versa)	0
Unlicensed credit institutions / underground banking	– Money transactions/deposits	2
	– Exchange of cash from small denominations to large denominations (and vice versa)	2
Licensed money or value transfer services	– Money transactions/deposits	0
Unlicensed money or value transfer services	– Money transactions/deposits	0
Real estate	– Purchase of private homes	1
	– Purchase of resorts/holiday parks	0
	– Purchase of business premises	0
	– Real estate development projects (financing materials, workers, etc.)	1
	– Abuse of civil-law notaries' services (including trust accounts)	0
	– Abuse of real estate agents' services (e.g. purchasing properties with cash)	0
Trade-Based Money Laundering	– ABC transactions	0
	– Turnover manipulation, price manipulation and/or over- and underbilling through own company/companies	0
	– Turnover manipulation, price manipulation and/or over- and underbilling in national and international trade flows	0
	– Legitimation of value transfers via national and international commercial transactions	0
Car dealers	– Cash purchases of cars	1
Jewellers	– Cash purchases of jewellery/precious stones	1
Trust offices	– Abuse of trust office services	0
Offshore companies	– Abuse of offshore companies	0
Gambling	– Funds obtained through crime introduced into the financial system through gambling (casinos, online gambling, lotteries)	3
Miscellaneous money-laundering channels	– Money laundering via tax-driven/complex corporate structures	0
	– Money laundering via national and international investment structures for value transfer	0
	– Stacking of private companies/public companies/foundations	0
	– Loan-back schemes	0
	– Other money-laundering techniques to offset concealed value	0
	– Holding participating interests in companies (e.g. construction companies)	0

Results of the expert meeting for Saba (continued)

Money-laundering channel	Money-laundering method	Number of times mentioned (n=6)
Not specific to a single money-laundering channel	– Virtual currencies	1
	– Physical movement of large amounts of cash to/from an island by sea/air	2
	– Prepaid cards/phone cards/etc.	1
Added threats	– Creating money flows through mortgage loans	0
	– New construction of real estate	0
	– Starting up a company using funds of dubious provenance	0