Money Laundering Vulnerabilities in the Financial Arrangements of Non-Traditional DNFBPs

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The Caribbean Financial Action Task Force (CFATF) is an organisation of states and territories of the Caribbean basin which have agreed to implement common countermeasures against money laundering and terrorism financing.

For more information on the work of the CFATF, visit www.cfatf-gafic.org

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LIST OF ABBREVIATIONS

AED	Tax Authority - Registration Duties, Estates and VAT Authority
AML	Anti-Money Laundering
AMLD	Anti-Money Laundering Directives
CBA	Central Bank of Aruba
CFATF	Caribbean Financial Action Task Force
CFT	Combating the Financing of Terrorism
CPF	Combatting Proliferation Financing
CRTMG	CFATF Risk, Trends and Methods Group
DDA	Due Diligence Act
DDO	Due Diligence Ordinance
DNFBPs	Designated Non-Financial Businesses and Professions
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FIUS	Financial Intelligence Unit Suriname
FIUTT	Financial Intelligence Unit Trinidad and Tobago
FMA	Financial Market Authority
FMITI	Federal Ministry of Investment, Trade and Industry
FSRB	FATF-Style Regional Body
HVD	High-value dealers
HVGD	High-value goods dealers
MER	Mutual Evaluation Report
NRA	National Risk Assessment
RBA	Risk-Based Approach
SCUML	Special Control Unit Against Money Laundering
TF	Terrorist Financing
VASP	Virtual Asset Service Provider

EXECUTIVE SUMMARY

1. This report examines the vulnerabilities and risks of non-traditional DNFBPs within the Caribbean Financial Action Task Force (CFATF) member jurisdictions. While the Financial Action Task Force (FATF) defines traditional DNFBPs such as casinos, real estate agents, and lawyers, many jurisdictions have extended Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) obligations to sectors not explicitly covered by the FATF, including motor vehicle dealers, art dealers, and high-value goods traders. These non-traditional DNFBPs are often characterised by high-value transactions, cash-intensive operations, and informal markets, making them susceptible to money laundering (ML) and terrorist financing (TF) risks.

Key Findings

2. Some of the key findings of this project are:

Key Findings #1
Regulatory Landscape: The regulatory landscape for non-traditional DNFBPs, particularly motor vehicle dealers, reveals a significant focus on mitigating money laundering (ML) and terrorist financing (TF) risks within the CFATF region. Over 50% of CFATF member jurisdictions have classified motor vehicle dealers as DNFBPs, primarily due to the sector's inherent vulnerabilities, including high-value transactions and cash-intensive operations. This classification reflects the materiality of the sector and its susceptibility to financial crime. However, despite these measures, many jurisdictions face challenges in obtaining comprehensive data on the size and risk profiles of these sectors. This lack of detailed information often results in inconsistent supervision and enforcement, highlighting gaps in the effective implementation of AML/CFT measures. The absence of robust data collection and analysis mechanisms underscores the need for enhanced regulatory frameworks and resource allocation to address these vulnerabilities effectively.

Key Findings #2
Primary Money Laundering Vulnerabilities: Several vulnerabilities were identified in the financial arrangements of the non-traditional Designated Non-Financial Businesses and Professions (DNFBP) sector. The prominent risk factors included large cash transactions (125 or 79%), the use of anonymous buyers or intermediaries (68 or 43.3%), the use of offshore or foreign accounts (55 or 25%), and complex financing arrangements (47 or 29%). Cash transactions are inherently difficult to trace, making them a preferred method for concealing the origins of illicit funds and facilitating money laundering activities. These arrangements can obscure the true source of funds, creating opportunities for criminals to legitimise illicit proceeds. Addressing these vulnerabilities requires enhanced transparency, robust due diligence, and closer scrutiny of cross-border financial flows.

Key Findings #3
Vulnerabilities in the Sector: The common financing methods in use are familiar and well-established, with existing AML measures already addressing many potential vulnerabilities. However, non-traditional DNFBPs, which offer *hire purchase* and *dealer financing*, to acquire vehicles introduce specific risks that current CDD measures may not fully cover. These risks include insufficient checks on the source of funds, the potential for structuring payments to conceal true transaction details, inflated pricing, and less robust AML/CFT programs compared to traditional financial institutions. To effectively address these vulnerabilities, it is crucial to expand AML/CFT supervisory oversight to encompass the financing activities of these non-traditional DNFBPs.

Key Findings #4
Challenges in Applying Enhanced Due Diligence: Out of the respondents that reported having challenges with conducting enhanced diligence on customers, half of the respondents identified verifying the source of funds as the primary challenge, particularly in the context of cross-border or high-value transactions. This difficulty stems from the complexity of tracing the origin of funds, especially when transactions involve multiple jurisdictions or intricate financial arrangements. Approximately 44% of the respondents reported struggles with verifying residential addresses, a critical component of customer identification. This challenge highlights gaps in the ability to confirm the validity of customer identities, which is essential for effective AML/CFT compliance. An additional 31% of respondents encountered issues with the integrity of documents provided by customers, raising concerns about the authenticity and reliability of the information used for due diligence. Compounding these challenges, 19% of respondents who experienced challenges noted customer pushback due to privacy concerns, reflecting the tension between regulatory requirements and customer expectations for confidentiality. These findings underscore the need for improved tools, processes, and training to address these challenges, as well as clearer communication with customers to balance compliance obligations with privacy considerations.

Key Findings #5
Measures to Mitigate Risks: The measures adopted by entities to mitigate money laundering risks within the non-traditional DNFBP sector reveal a strong focus on transparency and customer verification. 41 respondents confirmed that measures were employed to reduce the vulnerability associated with their high-value goods. *Ensuring transparent payment methods* emerged as the most widely implemented step, with 78 % of respondents citing this practice. This emphasis on *traceable and non-cash payment methods* reflects a recognition

of the risks associated with cash transactions, which are harder to monitor and more susceptible to misuse.

66% of respondents reported *conducting enhanced due diligence for high-value customers*, underscoring the importance of verifying the identities and sources of funds for individuals or entities engaging in significant transactions. A smaller but still substantial portion of respondents, 54%, indicated that they had taken steps to limit the amount of cash accepted for purchases, further reducing reliance on untraceable payment methods.

However, regular auditing of financial records was less emphasised, with only 32 % of respondents reporting its use. This lower adoption rate suggests a potential gap in internal controls and monitoring mechanisms, highlighting the need for greater emphasis on ongoing oversight and risk management practices to strengthen AML/CFT frameworks.

Key Findings #6

Reporting and Compliance:

The survey results reveal a striking observation regarding the detection and reporting of suspected illicit funds within the non-traditional DNFBP sector. 97.4% of respondents indicated that they had not encountered instances of suspected illicit funds, a finding that could reflect either the effectiveness of existing AML controls or potential underreporting. This high percentage raises questions about the adequacy of risk detection mechanisms and the willingness of entities to report suspicious activities.

On the other hand, only 2.6% of respondents reported encountering suspected instances of illicit funds. In these cases, some transactions were denied, and reports were filed with the FIU, demonstrating a proactive approach to mitigating risks. However, the low incidence of reported suspicions may also indicate gaps in awareness, training, or the ability to identify red flags, suggesting a need for enhanced education and support for industry professionals to improve detection and reporting practices.

3. The findings of this report highlight the need for a risk-based approach to AML/CFT supervision of non-traditional DNFBPs such as motor vehicle dealers and high-value goods traders. While many jurisdictions have taken steps to mitigate risks, gaps in supervision, compliance, and reporting remain. By conducting an ML/TF risk assessment of this sector and implementing the recommended measures resulting from the assessment, policymakers and regulatory authorities can strengthen AML/CFT frameworks and reduce the vulnerabilities associated with these sectors.

CHAPTER 1

INTRODUCTION

Background

4. The FATF establishes global AML/CFT/CPF standards, including defining DNFBPs. Sectors dealing in high-value goods, such as luxury vehicles and other expensive items, present significant vulnerabilities for exploitation by money launderers seeking to legitimize illicit proceeds. Businesses operating within these sectors, often designated as non-traditional DNFBPs, face unique challenges in implementing effective AML/CFT measures. Within the CFATF region, the regulatory landscape for these entities varies; fourteen member states[1], including jurisdictions like Belize, Jamaica, and Trinidad and Tobago, have formally included specific non-traditional DNFBPs like car dealerships within their AML/CFT reporting and supervisory regimes. However, others have yet to extend such formal oversight. This report delves into the specific money laundering vulnerabilities inherent in the financial arrangements of these non-traditional DNFBPs, drawing insights from a survey conducted across the region. Significantly, the analysis incorporates feedback from completed questionnaires received from non-traditional DNFBPs within seven CFATF member states where they are regulated (Belize, Dominica, Guyana, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos Islands), as well as comparative perspectives from two member states (Antigua and Barbuda and The Bahamas) where these sectors are not currently subject to formal DNFBP supervision, providing a nuanced view of the risks and challenges faced across different regulatory environments.

Project Team

5. This project was formalised in November 2021 by the CFATF, and its Project Team is comprised of members from regulatory agencies located in the following jurisdictions:

Active Members

- ***Turks and Caicos Islands***, Project Co-lead (Ms. Gessie Herilien, Senior Analyst, AML Supervision Department)

[1] Aruba, Belize, Curacao, Dominica, Grenada, Guyana, Jamaica, Montserrat, Sint Maarten, St. Vincent and the Grenadines, St. Lucia, Suriname, Trinidad and Tobago, Turks and Caicos Islands

- ***Commonwealth of Dominica***, Project Co-Lead (Mr. Patrick George, Senior Financial Investigator)
- ***St. Vincent and the Grenadines***, Member (Mrs. Lateisha Sandy-Marks, Director, Financial Intelligence Unit)
- ***The Bahamas***, Member (Andrew Strachan, Inspector, Compliance Commission)
- ***Jamaica***, Member (Mrs. Susan Watson-Bonner, Technical Director |Prime Contact Secretariat | Financial Institutions Supervisory Division |Bank of Jamaica)
- ***Antigua and Barbuda***, Member (Ms. Te'davia Hector, Financial Analyst/Examiner, Financial Compliance Unit, Office of National Drug & Money Laundering Control Policy (ONDCP)

Past Members

- ***Antigua and Barbuda***, Member (Mr. Derek Benjamin, Manager (Former), Financial Compliance Unit, Office of National Drug & Money Laundering Control Policy (ONDCP)
- ***The Cayman Islands***, Member (Ms. Laura Alleyne, Senior Compliance Officer, General Registry, Ministry of Financial Services and Home Affairs)
- ***Guyana***, Member (Ms. Rajni Boodhoo-Moore, Manager, Intelligence & Risk Assessment Unit – Planning, Risk & Analysis Department, Guyana Revenue Authority)

6. Significant support was provided to the project team by the Secretariat and Co-Chairs of the CRTMG, Mrs. Berdie Dixon-Daley and Mrs. Mary Martinez-Campbell.

Purpose of the Project

7. The purpose of this project is to examine the vulnerabilities in the financial arrangements of non-traditional DNFBPs within the context of AML/CFT frameworks. The FATF recommends that countries adopt a risk-based approach to resource allocation across AML/CFT systems, ensuring that supervisory efforts extend beyond traditional Financial Institutions (FIs), DNFBPs, and Virtual Asset Service Providers (VASPs) to include all sectors presenting material risks.

8. As most Caribbean jurisdictions have flagged emerging sectors with significant money laundering risks, a comprehensive analysis of non-traditional DNFBPs becomes necessary to identify their vulnerabilities and determine appropriate risk mitigation strategies. This paper will provide insights into whether these entities should be formally incorporated into the AML/CFT framework and how countries can allocate resources effectively to address associated vulnerabilities. The findings will serve as a guide for policymakers and regulatory authorities in refining their supervisory approaches to help combat money laundering and terrorist financing risks using a risk-focused approach.

Aims and Objectives

9. This study focuses on identifying and assessing existing money laundering vulnerabilities within the financial options provided to motor vehicle purchasers by non-traditional DNFBPs in the CFATF region. It aims to examine vulnerabilities, typologies, trends, and emerging illicit activities in these sectors while providing recommendations for risk mitigation. The scope includes, but is not limited to:

- A focus on CFATF member jurisdictions while incorporating some broader comparisons.
- Motor Vehicle Sales: Analysing the sector with a particular emphasis on motor vehicle dealers.
- High-Value Dealers: Investigating this market by identifying key participants and assessing vulnerabilities associated with high-value transactions and anonymity.

10. The study of the risks associated with other non-traditional DNFBPs or outliers, such as, other forms of betting or gaming, national lotteries or reinsurance, for example, are beyond the scope of this study.

Limitations of the Report

11. The study's findings will be notably limited by the non-participation of eight out of the 15 CFATF members that have included this sector in their AML/CFT frameworks. The absence of data from Aruba, Curacao, Grenada, Jamaica, Montserrat, Sint Maarten, and Saint Lucia, which have already taken the step to regulate car dealerships, significantly restricts the scope of the analysis. This lack of input will prevent a comprehensive understanding of the diverse approaches and challenges encountered and successes achieved by the majority of the countries that have included this specific non-traditional DNFBP sector as a supervised entity within their AML/CFT framework. Consequently, the conclusions drawn from the survey will primarily reflect the experiences of the seven participating members and the two non-regulating members, potentially skewing the overall picture and limiting the generalisability of any recommendations or best practices identified.

12. This study encountered challenges that impacted its timeline and data collection process. Initially, the project experienced delays due to unforeseen circumstances, which affected the overall research schedule. One significant limitation was the low response rate to the questionnaire by the initial deadline, necessitating an extension to allow for a more comprehensive data collection process.

13. As a result, the study, originally set for completion in November 2024, was extended to May 2025 to accommodate additional data gathering and analysis. While the extension allowed for improved response rates and a more thorough assessment of the study, the delays may have influenced the timeliness of findings concerning evolving regulatory and financial environments. Despite these challenges, the research findings remain relevant and provide valuable insights into the vulnerabilities of non-traditional DNFBPs within AML/CFT frameworks.

Literature Review

Non-Traditional DNFBPs in the Global Network and the CFATF Region

Introduction

Definition of Non-Traditional DNFBPs.

14. According to the general glossary of the FATF Standards, DNFBP means: casinos, real estate agents, dealers in precious metals, dealers in precious stones, lawyers, notaries, other independent legal professionals and accountants and trust and company service providers. The Standards include that DNFBPS be subject to AML/CFT/CPF obligations to prevent criminal activity. These entities, along with FIs and VASPs, are central to the analyses of AML/CFT/CPF frameworks. Some jurisdictions extend FATF requirements to other activities beyond the traditional DNFBP definition based on their national and sectoral risk assessments.

15. Non-traditional DNFBPs can be described as activities and businesses that are subject to AML/CFT/CPF supervisory and preventative measures but are not included in the general glossary of the FATF Standards. Examples of such entities include motor vehicle dealers, art dealers, boat dealers, high-end furniture retailers, and national lotteries. Many non-traditional DNFBPs can be considered high-value dealers (HVDs). The definition can differ across jurisdictions as some adopt a threshold approach while others base the classification on the inherent ML/TF risks of a sector[2].

16. At the FATF June 2023 Plenary, the CFATF sought guidance in a Position Paper on addressing car dealerships in Mutual Evaluations, specifically Immediate Outcomes 3 and 4. More than 50 per cent of the CFATF members have included motor vehicle dealers in their AML/CFT regime, and they are required to meet supervisory and regulatory requirements applicable to DNFBPs, FIs and VASPs. This was based on the identification of higher levels of ML/TF risks and the materiality of the sector. In response, CFATF's Position Paper on Car Dealers to the GNGC resulted in the decision that these entities will not be assessed in IOs 3 and 4 and will continue to be considered in Chapter 1 and IO 1 where non-financial sectors that are not DNBFPs have been regulated in response to risk, consistent with the approach taken by the FATF.

[2] For example, the British Virgin Islands defines a high-value goods dealer as a business involved in the sale of goods of high value where the trader accepts cash payments of $15,000 or more in one transaction or a series of linked transactions. HM Revenue and Customs defines it as any business or sole trader that accepts or makes high-value cash payments of 10,000 euros or more (or equivalent in any currency) in exchange for goods. Trinidad and Tobago, the inherent high vulnerability of the sector for ML/TF abuse classifies it as an HVD

17. This literature review will analyse Mutual Evaluation Reports (MERs) from 2018 to 2023 across four FATF-Style Regional Bodies (FSRBs), including the CFATF. It will focus on non-traditional DNFBPs in the global network, reasons for their inclusion in AML/CFT regimes, regulatory approaches, and risk mitigation measures. With around 140 MERs published, the review will examine two to three countries from each FSRB and provide a summarised analysis of additional countries with non-traditional DNFBPs for comparative purposes. These examples do not represent overall trends within the FSRBs.

Luxembourg

Types of Non-Traditional DNFBPs

18. In Luxembourg, "dealers in goods" are defined by AML/CFT regulations as entities that deal with goods and accept cash payments of €10,000 or more in any currency. This category includes dealers of precious metals, watchmakers, jewelers, car dealers, art and antiques dealers, and luxury goods retailers.

Understanding of Risk and Measures for Supervision

19. Luxembourg's first NRA was conducted in 2018 and updated in 2020, providing a comprehensive understanding of risk. The 2020 NRA[3] identified dealers in high-value goods as being particularly vulnerable to ML. This vulnerability arises from several factors: these products can be easily stored, transported, and exchanged with minimal value loss due to their commoditisation. Additionally, the anonymity afforded to clients through intermediaries and the high levels of secrecy within the industry further exacerbate the sector's susceptibility to ML. According to the NRA, there have been instances where criminals purchased high-value items in cash and obtained refunds through alternative money transfer services, thereby legitimising their illicit proceeds.

20. The most vulnerable sub-sector among these dealers is that of car dealers, which is large and fragmented, with approximately 762 entities. Moreover, activities such as the restoration of antique or second-hand cars, where accurately valuing the good or service can be challenging, may also be exploited for money laundering. In 2017, the commerce sector, including the repair of cars and motorcycles, contributed 10 per cent to the country's economy.

21. In January 2025, the Luxembourg Tax Authority - Registration Duties, Estates and VAT Authority (AED) introduced stricter compliance guidelines for vehicle dealers. These measures aim to combat

[3] Brochure import - version 29.8.2022.indd

ML/TF, ensuring ethical business practices amid global economic challenges. The AED's guidelines target new and used vehicle dealers, requiring heightened vigilance and compliance.

Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) Region

22. MONEYVAL was established in 1997 as the Council of Europe's monitoring body to assess compliance with AML/CFT standards and the effectiveness of their implementation. Additionally, it was tasked with making recommendations to national authorities regarding necessary improvements to their AML/CFT systems[4] MONEYVAL consists of 35 jurisdictions, 32 of which are evaluated by MONEYVAL, while Israel is jointly evaluated by the FATF and MONEYVAL. Another two states are appointed by the FATF Presidency for two years to participate in MONEYVAL Plenaries. At present, these are Germany and the United Kingdom[5].

Liechtenstein

Types of Non-Traditional DNFBPs

23. Six categories of non-traditional DNFBPs are subject to the Due Diligence Act (DDA) and its subordinate ordinance, the Due Diligence Ordinance (DDO), which are the primary legislation that deal with AML/CFT matters, such as preventive measures, reporting, AML/CFT supervision and the international exchange of information[6]. These entities are (1) providers of online gambling; (2) members of tax consultancy professions insofar as they assist clients in the planning and execution of specified financial and real estate transactions; (3) letting activities of estate agents where monthly rent amounts to 10,000 Swiss francs or more; (4) persons trading in goods that receive payment in cash or by VA or a token and the amount involved is 10,000 Swiss francs more; (5) persons trading in works of art or acting as intermediaries in the trade of works of art, including art galleries or auction houses, provided that the value of a transaction amounts to 10,000 Swiss francs or more; and (6) persons who, on a professional basis, hold foreign assets in safe custody and rent out premises and containers for the storage of valuables[7].

24. The MER noted that as of September 2021, there was one tax consultancy and seven high-value goods dealers (HVGDs) registered in the jurisdiction. The MER noted that these sectors were considered to have inherent ML/TF risks, but there was no adequate data to support this analysis.

[4] Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
[5] Ibid
[6] Liechtenstein Fifth Round Mutual Evaluation Report, p. 30
[7] Ibid, p.34

However, it also noted difficulty in ascertaining the exact number of some DNFBPs, including tax consultants and HVGDs, due to the use of non-standardised wording for recording commercial ventures/occupations provided by applicants to the Office of Economic Affairs[8][9].

Understanding of Risk and Supervision

25. Although Liechtenstein has conducted two National Risk Assessments (NRAs) in 2016 and 2019, the basis for the addition of the businesses and activities to the AML/CFT regime was the EU Anti-Money Laundering Directives (AMLDs) and not the NRAs. The TCSP sector was rated as the most important among the DNFBPs. Real estate brokers and dealers in precious metals and stones (DPMS) were assessed as having low levels of risk. All other DNFBPs, including the non-traditional DNFBPs, were weighted as moderately important[10].

26. The Financial Market Authority (FMA) is responsible for the prudential supervision and AML/CFT compliance by all DNFBPs, in addition to FIs and VASPs. The Authority also oversees AML/CFT supervision and compliance with the regulatory framework by FIs, VASPs, casinos and DNFBPs. The FMA enhanced its supervisory scope with the creation of the AML/CFT and DNFBP Division in 2019. This Division comprises two sections: (1) the AML/CFT Section for the supervision of all persons subject to DDA and (2) the DNFBP Section, which was tasked with the prudential supervision of DNFBPs and AML/CFT enforcement of all persons subject to the DDA[11].

27. As stated in the MER, the country's supervisory system was completely reformed from 2018 to 2019, and its risk-based approach was strengthened. This has facilitated recent supervisory efforts in respect of, inter alia, the assessment and verification by FIs, DNFBPs and VASPs of sources of wealth and sources of funds. It was found that there was a good and broad understanding of ML risk in the DNFBP sector in general.

Germany

Types of non-traditional DNFBPs

28. The 2022 MER found that Germany's AML/CFT obligations apply to a range of non-financial sectors[12] such as investment firms, securities trading, asset management companies, foreign

[8] Ibid, p. 31
[9] The Office of Economic Affairs is the competent authority responsible for licensing DNFBPs, except for TCSPs and lawyers.
[10] Ibid, p.33
[11] Ibid
[12] Germany's AML/CFT obligations apply to a broad range of non-financial institutions, beyond those covered by the FATF Recommendations. In the MER, "DNFBPs" refer only to those sectors defined as DNFBPs under the FATF standards, while "non-financial sector" refers to Germany's broader population of non-FI obliged entities.

currency dealing, leasing, factoring, payment service providers, agents and insurance undertakings. Furthermore, the country's regime also covers other non-financial sectors, such as motor vehicle traders, antiquities dealers and all traders in goods. Due to the broad scope utilised, the merchandise trade sector alone consists of approximately 800,000 obliged entities, the largest being motor vehicle dealers. The Report stated that "higher-risk high-value dealers"[13] account for an estimated 60,000 trade sector entities[14]. The country's cash-intensive economy makes it an attractive destination to launder foreign proceeds. The MER found that illicit funds may also be converted into tangible high-value assets, increasing risks in the DNFBP sector[15].

Understanding of Risk and Measures for Supervision

29. Germany adopted a broad scope for DNFBPs due to the size of the informal sector, the heavy reliance on cash, the materiality of the sector, and the assessment of ML/TF risks these sectors pose. In comparison to other countries, cash usage is significant, accounting for 48 percent of all sales these entities received and 74 percent of all transactions[16]. Despite the significance of the sector, there is no risk information on more than 700,000 traders in goods that are subject to AML/CFT obligations. One study suggested that 20 to 30 percent of the proceeds of crime in Germany are laundered in the non-financial sector[17]. Apart from the NRA, each region or *Land* conducted risk assessments of these entities, which reflected different conclusions from the NRA. For example, traders in goods (including art and antiquities) were rated medium-high risk for ML in the NRA, whereas the Bavaria risk assessment concludes that the risk in the region is low, given the size of the market, the nature of the customer base, and the type of transactions observed in the region[18].

30. Supervision of DNFBPs and the wider non-financial sector is decentralised in Germany, and each of the 16 *Länder* governments is responsible for its DNFBP supervisory framework. Moreover, there is a broad range of authorities or self-regulatory bodies (SRBs) responsible for supervision at the *Länder*-level. The estimated number of supervisory bodies was 300, although this could not be verified given the high level of decentralisation. One significant challenge the supervisors faced was coordination, given their substantial number, the varied scope of the non-financial sector and

[13] DPMS or traders in jewellery, watches, works of art and antiques, motor vehicles, ships, and motorboats.
[14] The country's NRA was published in 2019.

[15] Anti-money laundering and counter-terrorist financing measures in Germany, 2022, p.22.
[16] Anti-Money laundering and counter-terrorist financing measures in Germany, 2022, p.25.
[17] Bussmann, K.-D. and M. Vockrodt (2016), "Geldwäsche-Compliance im NichtFinanzsektor: Ergebnisse aus einer Dunkelfeldstudie", in Compliance-Berater 5, pg.138-143; referenced in the EU Supranational Risk Assessment (2019).
[18] Anti-Money laundering and counter-terrorist financing measures in Germany, 2022, p. 43

the lack of resources. Nonetheless, the MER noted that DNFBP and other financial supervisors are progressing towards a more risk-based approach to AML/CFT supervision.

31. The country's preventative measures are captured in the German Anti-Money Laundering Act (GwG). In addition to covering all FIs and DNFBPs, all traders in goods are subject to their requirements when conducting cash transactions over EUR 10,000. This is a requirement in the EU 4th AML Directive (4AMLD). The FATF Standards Nonbinding guidance on the GwG was issued, which assists supervisors' obliged entities when implementing their GwG obligations[19]. While the AML/CFT supervisors responded to some of the risks, there was generally a mixed approach, mainly at the Länder level. All relevant ML/TF risk factors and variables in fully implementing a risk-based approach and supervisory strategy were not considered.

United Kingdom (UK)

Types of non-traditional DNFBPs

32. The DNFBP sector in the UK is relatively large and comprises diverse types of entities. The 2018 MER noted that there were 737 high-value dealers[20] (HVD) registered, not all of which fall into the FATF definition of dealers in precious metals and stones. Of the 25 categories of HVDs, the three at highest risk are motor vehicles, jewellery and alcohol, which comprise 55 percent of registered businesses in the country[21]. Despite the size of the sector, the country has not prioritised it due to existing measures that mitigate ML/TF risks. The MER did not provide a clear rationale for the inclusion of these businesses and activities under the country's AML/CFT regime. However, it should be noted that the UK is a major global financial centre, a destination or transit location for criminal proceeds and continues to endure the effects of serious and organised crime.

Understanding of Risk and Measures Supervision

33. The UK has published three NRAs, in 2015, 2017 and 2020. The risk profile across the HVD sector is assessed in the 2020 NRA as medium for money laundering because of vulnerabilities created by anonymity of transactions, ability to conceal ultimate beneficial ownership, portability across borders, exposure to high-risk jurisdictions and level of cash used in the sector. Notwithstanding, the understanding of these vulnerabilities has increased since the 2018 NRA. The supervisory body for these entities is Her Majesty's Revenue and Customs (HMRC), which derives its power from

[19] Ibid, p.33
[20] The Money Laundering Regulations define an HVD as any business receiving or making high-value cash payments of € 10,000 or more, in a single or linked transaction, in exchange for goods
[21] Anti-Money laundering and counter-terrorist financing measures in the United Kingdom, 2018, p. 28

the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 MLRs). In addition to covering all FIs and DNFBPs required by the FATF Standards, they also apply to a range of HVDs that are not required under the FATF Standards.

34. Findings from the country's MER indicated that the HMRC has an appropriate understanding of the inherent ML/TF risks of the sectors it supervises. This was based on the use of various mechanisms to enhance its understanding, *inter alia*, the NRA, information from other supervisors, external Law Enforcement Authorities and information from its tax business stream[22]. However, supervisory actions show that the application of AML/CFT and sanctions controls to manage risks in the sector was not consistent. Compliance in the HVD sector was found to be improving due to a reduction in the number of businesses registering as HVDs and HMRC's pre-registration checks, which made it more difficult for businesses not set up for genuine commercial reasons to register. In doing so, there were fewer non-compliant businesses registered.

35. HVDs have a mixed understanding of their risks, which is reflected in the inconsistent implementation of preventive measures. Preventive measures were captured in the 2017 MLRs and other legislation. Despite this challenge, it was noted that there was an increase in the number of entities demonstrating an understanding of their risks and obligations. Although this mitigates some exploitation of the sector, the persisting gaps in understanding across the industry are an ongoing vulnerability[23].

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)

Ghana

Types of non-traditional DNFBPs

36. Ghana conducted its first NRA in August 2016, with the DNFBP sector assessed as having significant ML/TF risks due to its relative size, largely informal nature, and lack of supervision and regulation. The DNFBP sector contributes 10 percent to the national Gross Domestic Product (GDP), and although the subsectors are broadly known, there is no information on the absolute number of total operators in the sector[24]. Similar to other countries, this sector includes a wide range of businesses and activities, including games of chance operators, auctioneers, motor vehicles dealers and non-profit organisations (NPOs). NPOs and car dealers, as DNFBPs that fall outside of

[22] Ibid, p. 28.
[23] Ibid p. 110
[24] GIABA (2018), AML/CTF measures – Ghana, GIABA, Dakar, p. 11

the FATF scope, were identified as among the main sectors rated as having high ML/TF risks[25] and were thus brought under the DNFBP framework. The MER stated that there are roughly 6,860 NPOs registered in Ghana. These comprise local, international, secular, faith-based, membership and non-membership-based NPOs. While an estimate of the number of car dealers was not provided, this sector was classified into two categories: authorised car dealers for several international brands and those in the second-hand market, with the latter being more extensive.

Understanding of Risk and Measures for Supervision

37. In general, the NRA noted that the risks posed by DNFBPs are generally high due to the weak implementation of AML/CFT measures by DNFBPs and the lack of supervision. Furthermore, Ghana has not designated any AML/CFT regulatory body for the DNFBPs sector as a whole, even though it established some specialised supervisory bodies for compliance monitoring. Some DNFBPs were registered as companies under the Companies Act, but the capacity and resource constraints at the Registrar General's Office significantly hamper their ability to conduct proper background checks on these entities, particularly on the directors and senior management. These factors are exacerbated by the country's cash-based economy, a large informal sector, a thriving black market and an underground remittance system[26].

38. Regarding NPOs, monitoring the sector was difficult as the dual registration and licensing regime is not well integrated. There was also no organised national response in the sector to combat possible TF abuse. To further reinforce the weak AML/CFT regime in the sector, the NRA cited a recent ruling of the high court in Ghana, which questioned the lack of a specific law that criminalised the misuse of NGO funds or donations[27]. Whilst measures existed to ensure the sector's transparency, they were found to be too minimal and inadequate given the sector's high ML/TF risk. The risks for the car dealership sector revolve around the heavy use of cash for payment, especially among second-hand dealers. The NRA stated that about 90 percent of transactions within the sector are cash-based, and drug dealers and other criminals exploit the sector to channel illicit funds. Moreover, regulation is largely absent since no legislation specifically governs their operations[28].[26]

39. The implementation of preventive measures in Ghana was deemed limited in the MER. The two main legal frameworks relating to AML/CFT preventive measures, the AML Act 2008 (Act 749) and the Anti- Terrorism Act, 2008 (Act 762), were amended in 2014 to address the legal weaknesses

[25] Ibid, p. 2
[26] Ibid, p. 4
[27] Ibid, p. 5
[28] Ibid, p. 12

identified following the last Mutual Evaluation. However, the regulations were not reviewed in the context of the NRA, and there is no substantive sector-specific AML/CFT guideline for the DNFBPs[29]. The overall understanding of ML/TF risks among the entities in the DNFBP sector is inconsistent and was low when compared with the financial sector, particularly the banks. While most competent authorities are aware of the TF risks that Ghana faces, licensing and regulatory authorities for DNFBPs did not fully understand the exposure of DNFBPs to TF risk[30].

Nigeria

Types of non-traditional DNFBPs

40. Nigeria completed its NRA in May 2017. The country designated seven (7) types of entities as DNFBPs apart from the FATF Standards, (1) hotels, (2) travel agents, (3) dealers in cars and luxury goods, (4) chartering, clearing and settlement companies, (5) supermarkets, (6) dealers in mechanised farming equipment and machines and (7) practitioners of mechanised farming. Under the amended Money Laundering Prohibition Act (2011), these businesses and activities are subject to AML/CFT requirements. However, the MER noted that, except for car dealers, there was no indication of a comprehensive risk assessment as the basis for designation. While NPOs were also designated as DNFBPs, the Report found that the NRA's risk assessment was based on ML instead of those at highest risk for TF, which was not consistent with the FATF Standards. Furthermore, Nigeria's approach conflates vulnerabilities with risks and investigations, prosecutions, or assets were absent seized for ML from NPOs[31]. In terms of size, the DNFBP sector was considerably smaller in comparison to the financial sector, with registered DNFBPs accounting for 3.57 percent of aggregate real GDP in the third quarter of 2019[32].

Understanding of Risk and Measures for Supervision

41. Despite the lack of robust risk assessments for the DNFP sector, the overall ML/TF level was rated as "high". This was due to several factors, inadequate AML/CFT control measures, high use of cash and close links to the informal sector and, in many cases, a higher-risk customer base. The informal sector, which consists of a substantial proportion of DNFBPs, was identified as a conduit for 80 percent of TF activities in Nigeria as a result of minimal regulation and inefficient suspicious transaction report (STR) reporting from the sector[33]. Car dealers are seen as higher risk due to cash-

[29] Ibid, p. 13
[30] Ibid, p. 17
[31] GIABA (2021), AML/CTF measures – Federal Republic of Nigeria, GIABA, Dakar, p. 49
[32] Ibid, p. 36
[33] Ibid

intensive and untraceable transactions, difficulties in identifying the BOs of car dealerships and a large number of unregistered businesses. Car dealerships were rated as having a "medium-high" ML risk in the NRA. The number of registered dealers (3,421) is significantly lower than the estimated number of those that are not registered (25,327). According to the MER, transactions in this sub-sector are cash-intensive and untraceable; there were poor record-keeping practices, and the majority of car dealers claimed they were unaware of their reporting obligations.

42. The Special Control Unit against Money Laundering (SCUML) of the Federal Ministry of Trade and Investment, in collaboration with the NFIU and other relevant self-regulatory bodies (SRBs), is responsible for the registration, certification, and supervision of DNFBPs in Nigeria for AML/CFT purposes[34]. Car dealers were also supervised by the SCUML for AML/CFT purposes. However, due to insufficient resources and the sheer size of the DNFBP sector, the SCUML could not perform its supervisory functions effectively for this sub-sector. This was also reflected in the low number of dealers registered with the Federal Ministry of Investment, Trade and Industry (FMITI), which performed its supervisory functions of registration and monitoring the activities of DNFBPs through SCUML. Limited sanctions for non-compliance were also a challenge for the competent authority.

43. Generally, the understanding of ML/TF risks andAML/CFT obligations among DNFBPs was found to be less developed than that of FIs. The MER stated that most entities in the DNFBP sector were not aware of the NRA's findings. In addition, different DNFBPs demonstrated a low level of understanding of ML/TF risks and their AML/CFT obligations in light of the significant exposure to ML/TF risks[35].

The Latin American Financial Action Task Force (GAFILAT)

Colombia

Types of non-traditional DNFBPs

44. The MER of Colombia noted that the country adopted a broad approach to DNFBP designation. AML/CFT obligations apply to a range of non-financial sectors, such as car dealers, mining and quarrying, construction, foreign trade users, health-promoting entities, Health Care Institutions and Prepaid Medicine Companies. The MER indicated that there were 49 mining and quarrying entities, but the size of the others was not provided. While Colombia applies the AML/CFT framework to

[34] Ibid, p. 34
[35] Ibid, p. 131

these sectors that are not covered under the FATF Standards, it was not based on an assessment of the risks. Nonetheless, national authorities believed these sectors warranted the application of AML/CFT controls[36]. The challenge regarding DNFBPS in Colombia was that some sectors that fall under the FATF scope, including DPMS, lawyers and accountants, were only minimally covered by the country's AML/CFT regime.

Understanding of Risk and Measures for Supervision

45. The country's NRA, which was conducted in 2017, illustrated that the mitigation measures were in line with the most salient ML/TF risks the country was exposed to. However, there were gaps in assessing some measures, such as the misuse of certain other DNFBP activities,[37] which may also have included those outside the FATF scope. DNFBPs classified as reporting entities generally applied adequate risk-mitigating measures for some ML/TF risks, such as politically exposed persons (PEPs) and correspondent banking. However, the MER found that there was no indication that sufficient measures were established to address the ML/TF risks for those that were not reporting entities, specifically for lawyers, accountants, DPMS, and real estate agents and cash-intensive businesses[38]. These exemptions posed a serious loophole in the country's AML/CFT regime. Given the prevalence of the use of cash and the large size of the informal sector, a lack of effective supervision for cash-based businesses in particular can be a potential entry point for criminals and their illegal funds into these sectors. Some of these entities may be those that were classified as DNFBPs under national regulations, such as car dealers and mining.

46. Colombia has several supervisory authorities for different DNFBP sectors. For example, the Superintendent of Companies supervised commercial companies, the National Superintendent of Health regulated and supervised NPOs related to the health sector and the Administrative Department of Sport, Recreation, Physical Activity and the Use of Free Time registered and supervised professional sport clubs, sport leagues and federations. The effectiveness of the supervisors was not strong, partly due to the recent enactment of regulations, including the requirement to implement risk management systems for the DNFBP sector, which were not implemented when the Mutual Evaluation was completed. The regulations came into effect at the end of September 2017. Accordingly, some DNFBP supervisors were in the process of developing

[36] IMF - GAFILAT (2018) – Mutual Evaluation Report of the Fourth Round – Republic of Colombia, p. 32
[37] Ibid, p. 31
[38] Ibid, p. 32

a risk-based supervisory framework, while some were yet to commence and were unable to demonstrate effectiveness in addressing ML/TF risks[39].

47. Concerning DNFBPs, the level of awareness and understanding of ML risks and AML/CFT obligations was lower than that of FIs. Again, a major contributor to this challenge among DNFBPs was that many of the enhancements to existing AML/CFT regulations requiring risk management systems and obligations were established at the end of December 2016, and some were not in force until September 2017[40]. In addition, some entities were not informed of the results of the NRA in a timely manner. Thus, both supervisors and entities could not sufficiently adopt or implement their obligations and were not cognizant of their ML/TF risk exposure.

Dominican Republic

Types of non-traditional DNFBPs

48. The country has identified eight categories of DNFBPs or "non-financial reporting institutions" under Article 33 of Law 155-17 against Money Laundering and Terrorist Financing (2017). These entities were termed as such due to their nature, increasing the likelihood of ML/TF abuse and include factoring companies or natural persons who regularly engaged in buying and selling vehicles, firearms, vessels and aircraft, motor vehicles, pawn houses, and building companies[41]. Article 33 of Law 155- 17 The MER stated that there were approximately 14,199 non-financial reporting institutions, but there were no statistics on the number registered with the Financial Analysis Unit (UAF). No figure was given for non-traditional DNFBPs found in the country.

Understanding of Risk and Measures for Supervision

49. The NRA was done in 2014, which informed the National Risk Strategy on identified vulnerabilities and risk mitigation, which was finalised in 2017. In general, the NRA considered DNFBPs to bear higher risk and vulnerability to ML/TF misuse due to the lack of specific regulation and the absence of reliable data for risk assessments at the time of the NRA[42]. The country has taken measures since that time, such as assigning the DGII as the DNFBP supervisor and the issuance of sector-specific guidelines in January 2018. However, sectoral analyses were not done for the sub-sectors that fall outside the FATF scope. Therefore, the extent and nature of the ML/TF risks of some sectors of the DNFBPs are not fully understood.

[39] Ibid, p. 33
[40] Ibid, p. 74
[41] GAFILAT (2018) – Mutual Evaluation Report of the Fourth Round – Dominican Republic, p. 23
[42] Ibid, p. 25

50. Colombia implemented several mitigation measures through its National Strategy, including the adaptation of the legal and regulatory framework, the inclusion of DNFBPs as new reporting parties and the creation of supervisory agencies[43]. For instance, the DGII was established as the competent authority for supervising 'traditional' DNFBPs such as lawyers, notaries, accountants, the real estate sector and jewellers, as well as for factoring companies, pawn houses, and automobile dealers. Law 155- 17 against Money Laundering and Terrorist Financing, *inter alia*, defines reporting institutions, sets out AML/CFT obligations, and regulates the powers of competent authorities. However, supervisory measures were assessed to be in the nascent stages of development and/or implementation. This was mainly due to the publication of legislation and secondary regulations just before the completion of the on-site visit.

51. Except for the casinos sector, DNFBPs did not seem to have an appropriate level of understanding concerning the scope of AML/CFT preventative measures and corresponding risks[44].[42] The MER noted that these limitations in risk understanding impact the development of appropriate risk mitigation policies among the entities in the DNFBP sector.

Caribbean Financial Action Task Force

Types of Non-Traditional DNFBPs

52. Similar to other countries in the global network, CFATF Member countries have classified various categories of DNFBPs that are out of scope for the FATF Standards. There were generally six categories of non-traditional DNFBPs identified: (1) motor vehicle dealers, (2) arts/antiquities dealers, (3) travel and tourism agencies, (4) NPOs, (5) citizen investment program advisors, and (6) e-gaming and games of chance. CFATF's Position Paper on "Car Dealerships as Outliers to the FATF definition of DNFBPs" stated that 62 percent of CFATF jurisdictions have categorised car dealerships as DNFBPs[45]arising from the application of the risk-based approach to the sector and subsequent assessment of the sector as medium to high risk for ML/TF. Car dealers are the most prevalent type of non-traditional DNFBP in the region.

Car Dealerships

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[43] Ibid, p. 36
[44] Ibid, p. 76
[45] CFATF (2023). "Car Dealerships as Outliers to the FATF definition of DNFBPs" The paper was at the FATF Global Network Coordination Group (GNCG) for consideration by FATF members at the June 2023 FATF Plenary.

53. In **Trinidad and Tobago**'s MER (2016), the FIUTT indicated that it had adopted a risk-based approach to supervision and had identified five high-risk sectors amongst Listed Businesses[46] attorneys-at-law, Accountants, Private Members Clubs, Real Estate and Motor Vehicle Sales. The FIUTT conducted risk assessments of the sectors that fall under their purview, and motor vehicle dealers and activities were among those rated as high risk. The estimated income from motor vehicle sales agents in 2014 was TTD 5.3 billion (USD 782,785,620.00), which accounted for almost 50 percent of the annual income of all Listed Businesses for 2014. Moreover, motor vehicle sales elicited the highest number of suspicious transaction reports (STRs) among all the Listed Businesses between 2020 and 2022[47]. In 2022, the four STRs submitted amounted to TTD 507,500.00.

54. The 2021 NRA of **Aruba** stated that there were 14 registered car dealerships present in the country. However, there were indications of an informal part of the sector consisting of individuals who were not registered with the Central Bank of Aruba (CBA). The MER noted that criminals invest illicit proceeds in vehicles and that there are distinct vulnerabilities in the sector, such as limited reporting of unusual transactions, low entry control measures and limited compliance with AML regulations. Car dealerships were assessed as a medium ML threat, with a medium-high level of vulnerability and an overall ML risk rating of medium-high.

55. The MER of **Suriname** found that there were 28 car dealers registered with the Financial Intelligence Unit of Suriname (FIUS), which consisted of new as well as local and foreign used vehicles. Despite its small size, the sector was included as a DNFBP since it was seen as vulnerable to ML as funds from smuggling activities are invested into the formal economy through cash-intensive companies like casinos, cambios, car dealers and moneylenders[48]. The entities were subject to AML/CFT requirements, as covered by the Disclosure of Unusual Transactions Act (MOT) Act and the Act on the identification requirements for Service Providers (WID) Act. Although the FIUS conducted inspections and outreach sessions with the sector, the MER noted that car dealers did not participate in the NRA, and the extent and nature of the sector's risk were undetermined.

56. In **Grenada**, the NRA (2019) reflected that one of the most vulnerable sectors included was car dealers given the relatively large number of car dealerships operating in the jurisdiction (145), the

[46] In Trinidad and Tobago, DNFBPs are classified as a Listed Business. A Listed Business is any type of business that carries out activities as described in the First Schedule of the Proceeds of Crime Act. These businesses are Real Estate, Motor Vehicle Sales, Gaming houses, Pool Betting, National Lotteries online betting Games, Jewellery, A Private Members' Club, Attorney-at-law, Accountant, Art Dealer and Trust and Company Service Provider.
[47] The total number of STRs submitted for motor vehicle sales was 30, according to the FIUTT Annual Report, 2023.
[48] CFATF (2023) – AML/CFT, Mutual Evaluation Report – Suriname, p. 22

high cash-intensive nature of the businesses, the self-assessed low compliance in the sector with AML/CFT regulations, poor application of the regulatory framework[49]. Related challenges such as limited or absent regulation, no on-site examinations, supervision, and poor understanding of AML/CFT obligations, were also present in other CFATF Member jurisdictions, such as Antigua and Barbuda and Dominica.

Art Dealerships

57. The 2016 MER notes that **Trinidad and Tobago** placed art dealerships under its AML/CFT regime. At that time, there were ten such entities categorised as Listed Businesses in the country by the FIUTT. According to the Proceeds of Crime Act (POCA), an art dealer is “an individual or company that buys or sells works of any category of art”. These individuals and entities were considered high-value dealers and had increased vulnerability to ML abuse or for financing illicit proceeds due to the inherent characteristics of the sector. Art dealers were exempted from the licensing and registration requirements of other DNFBPs and were given a low ML/TF risk rating. Dealers in works of art and archaeological objects were designated as a reporting entity under **Venezuela’**s Law against Organised Crime and Terrorist Financing (LOCDOFT), but the sector is not supervised, nor are licensing and/or registration requirements defined. The lack of AML/CFT measures was not based on a risk assessment of the sector[50].

Other Types of Non-Traditional DNFBPs

58. There are diverse types of non-traditional DNFBPs present in CFATF countries, which vary in size, activities and ML/TF risk exposure. In **Antigua and Barbuda**, pawn shops, travel agencies, Citizen Investment Program (CIP) Agents and Wealth and Investment Advisors were classified as DNFBPs. Several shortcomings were demonstrated; there was no licensing or registration process for pawn shops or travel agencies, and no information on the size and materiality of CIP Agents and Wealth and Investment Advisors sectors[51]. Additionally, AML/CFT systems, controls and supervision among DNFBPs were generally inconsistent across sub-sectors.

59. In the 2020 **Turks and Caicos Islands** MER, the gaming sector, specifically slot machines and gaming parlours, was considered most significant for risk and materiality owing to their potential for being exploited to launder illicit funds and the gaps that exist in the due diligence process for owners and operators. Gaming machines account for over 90 percent of the country’s annual USD 4

[49] CFATF (2022) - AML/CFT, Mutual Evaluation Report - Grenada, p. 19
[50] CFATF (2023) - AML/CFTmeasures, Mutual Evaluation Report - The Bolivarian Republic of Venezuela, p. 41
[51] CFATF (2018) - AML/CFT measures, Mutual Evaluation Report – Antigua and Barbuda, p. 25

million gaming sector revenue. The vulnerabilities identified in the sector were the lack of AML/CFT regulation, nascent AML/CFT supervision of the sector, poor revenue auditing processes, and gaming venues that have cash-based operations or utilise cashless gaming monitored by computerised accounting, which the Gaming Inspectorate was not technologically equipped to monitor[52].

60. Bermuda's MER (2020) stated that 300 NPOs/Charities were regulated and subject to the AML/CFT obligations under the Charities Act (2014). The Registry General is the supervisory authority for charities under this legislation as well. Furthermore, the NPOs demonstrated a good understanding of the NRA, which provided an enhanced understanding of the potential risk and vulnerabilities that, in some instances, were already identified through their risk assessments[53]. Other non-traditional DNFBPs within the CFATF region were tourism providers, mobile phone providers and dealers in vessels and aircraft.

61. In conclusion, countries employed different underlying principles for classifying some businesses and activities as DNFBPs under their national framework, although they fall outside the scope of the FATF Standards. These were based on perceived inherent risks, characteristics of the economy and/or sector that increase risks, confirmed cases of ML abuse by criminals and the size or materiality of the sectors. Nonetheless, some countries have not adopted any clear method for their inclusion. There were also several regulatory and supervisory challenges recognised, such as a lack of data to inform strategies, inconsistent AML/CFT supervision, limited knowledge of risks, entities not subject to risk-based supervision and poor implementation of AML/CFT systems and controls. This review points to the need for clear, contextual and risk-based analyses for establishing DNFBPs and more robust regulation and supervision by designated authorities with the resources and knowledge to carry out their functions.

Table #1: Materiality

FSRB	**Country**	**NTDNFBPs**	**Size of Sector**	**Supervision/Regulation**

[52] CFATF (2020) – AML/CFT measures, Mutual Evaluation Report – Turks and Caicos, p. 28
[53] Ibid, ps. 24 and 29

MONEYVAL	Monaco[54]	Motor vehicle dealers Multi-family offices Antique and art dealers Sports agents Yachting professionals Auctioneers	450 million EUR (19) 8 million EUR (22) 40 million EUR (40) 23 million EUR (62) 300 million EUR (172) 75 million EUR (26	Preventative Measures: Law No. 1.362, obligations clarified by SO No. 2.318. Supervision: Monaco FIU (SICCFIN). The NRA 2021 identifies yachts, property dealers, and sports agents with a high ML risk. Traders of high-value property, which includes car dealers, were rated as medium-high risk by the country's NRA. The judicial authorities have reported money laundering cases (at the investigation or prosecution stage) concerning some sectors, such as high-value items and yachting. SICCFIN has a good understanding of risks, but the allocation of resources does not match.
	Croatia[55]	Dealers in art objects and antiquities, auctions	600,000 EUR (38)	Preventative Measures: Anti–Money Laundering and Terrorist Financing Law, its associated Rulebooks and sectoral guidelines. Supervision: Financial Inspectorate. No reason was specified for categorizing art dealers as DNFBPs. Art dealers do not need a licence for market entry. DNFBPs, like FIs, apply mitigating risks uniformly without tailoring their risk characteristics.
	Poland[56]	Postal operators Bookkeeping services	2.19 billion EUR (283) 1.1 billion EUR 71,500)	Preventative measures: Counteracting Money Laundering and Financing of Terrorism Act. Supervision: General Inspector of Financial Information (GIFI)/ National Revenue Administration (KAS).

[54] Monaco's MER, ps. 26, 31-32, 42. Other DNFBPs include warehouse keepers, bailiffs and crowdfunding advisers.
[55] Croatia's MER, ps. 33,36,42
[56] Poland's MER, ps. 29 - 30

		Foundations Associations and social organisations	2.19 billion EUR 28,488) 3.52 billion EUR (118, 389)	These DNFBPs were considered a low risk for ML/TF abuse in the MER in light of the preventative obligations in place. No reason was provided for the basis of being classified as a DNFBP in the MER.
	Cyprus[57]	Administrative Service Providers (ASPs) Advocates	2,040 3,808	Preventative measures: The Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007-2018; sectoral laws regulating the financial and DNFBP sectors, and other laws. Supervision: The Cyprus Securities and Exchange Commission (CySEC), the Cyprus Bar Association (CBA), and the Institute of Certified Public Accountants (ICPAC) supervise ASPs; the CBA for Advocates. In general, these entities use a risk-based approach to supervision to inform their supervisory practices. The AML/CFT Law does not exempt any sectors or activities from its requirements. The ASP Law of 2013 regulates persons providing administrative services and related matters, inter alia, requiring all ASPs to be subject to the AML/CFT Law. ASPs: provide administrative services under the Administrative Services Law; rated as medium-high risk by the NRA. ASPs play a critical gatekeeping role since international business is largely introduced to banks by ASPs; they can act as nominee shareholders and/or professional directors for Cyprus-registered companies owned/controlled by non-residents and administer and manage trusts. The sector was rated as the second most vulnerable to being misused for ML/FT purposes. Cyprus is also an IFC with an important company formation and administration sector.

[57] Cyprus's MER, p. 18

	Latvia[58]	Vehicle traders and service providers	1,720	Preventative: Law on the Prevention of Money Laundering and Terrorism Financing. Supervision: SRS (tax and customs authority). The size of the shadow economy in Latvia, exacerbated by the widespread use of cash, constitutes a significant ML vulnerability. However, this was not explicitly linked to include car dealers as DNFBPs.
				The Financial Police Department of the SRS (SRS FPD) and the SP have a reasonable understanding of the ML risk that the country is exposed to in their particular fields, but no direct reference was made to the risks and mitigation measures for car dealers.
GIABA	Senegal[59]	Car Dealers NPOs	20,239 16	Preventative: AML Act No. 2004-09; the Uniform CFT Act 2009-16; Directive No. 02/2015/CM/UEMOA on combating money laundering and terrorist financing. Supervision: None. The NRA identified the DNFBPs as a moderately high-risk sector. The risks are not adequately managed because of the inadequate or lack of supervision and regulation of the sectors. The implementation of risk mitigation measures was at a very early stage.
	Cabo Verde[60]	Car dealers NGOs	263 297	Preventative: All DNFBPs are subject to the terms of Articles 4 to 6 of the AML Act to AML/CFT obligations, but there are no explicit measures. Supervision: The General Inspection of Economic Activities (Regulatory Decree 1/1999 of March 29) - traders of high-value goods, namely vehicles, works of art, antiques and jewellers; The NGO Platform - Civil Society Organisations; Regarding NPOs, there is not

[58] Latvia's MER, ps. 20, 28,29 and 35
[59] Senegal MER, ps. 11,12 and25
[60] Cabo Verde's MER, ps. 19, 140

				sufficient support for adequate risk analysis due to the lack of reliable data. This also affected the implementation of risk mitigation measures. No Information was given for categorising car dealers as DNFBPs.
	Benin[61]	Car dealers	Not provided	Preventative: The AML/CFT Act and relevant directives. Supervision: None. Benin has extended the scope of DNFBPs to cover car dealers because of their higher ML risks, albeit without in-depth analysis. The NRA notes that significant amounts of proceeds from foreign jurisdictions are being laundered in Benin through this sector. It considers the cash-intensive nature of transactions and the lack of implementation of AML/CFT measures by car dealers as posing a significant external ML threat to Benin. There is no information or estimates available to determine the size of this sector and the magnitude of the proceeds laundered through this sector nor its contribution to Benin's GDP. Data is also lacking regarding the customer base of car dealers.

	Burkina Faso	Dealers in Antiquities and works of art	None given.	Preventative measures: Law No.16-2016, Supervision: None.
GAFILAT				
	Mexico[62]	Car dealers Art dealers		Supervision: SAT Mexico identified certain activities and sectors that might represent an ML risk that are not covered by the standard to AML/CFT requirements, such as car dealers and art dealers.
	Peru[63]	Mining companies Customs agents	293 296	Preventative: DNFBPs are subject to compliance monitoring systems on AML/CFT matters. Supervision: FIU

[61] Benin's MER, ps. 29, 38, 192
[62] Mexico's MER, ps. 39
[63] Peru's MER, p. 22, 25. The NTDNFBP sector includes other entities such as antique dealers, labs and companies that produce and/or trade chemical products and audited goods and traders in works of art.

		NPOs	205	DNFBPs (particularly notaries and real estate and construction agents) seem to be involved in a high volume of vulnerable transactions that have a higher risk of abuse. The vulnerability identified in the NRA related to the high informality index of the Peruvian economy implies that the impact of DNFBPs on the AML/CFT system requires special attention for AML/CFT purposes.
		Public Auctioneers	149	
		Travel and Tourism Business	88	
		Trade of machines and equipment	67	
	Paraguay[64]	Motor vehicle importers	1,642	Preventative: SEPRELAD Resolution 196/2020 (dealers). Supervision: SEPRELAD. Domestic criminal groups, NPOs to conduct activities mainly related to the raising, movement, use or storage of funds for terrorist purposes.
		NPOs	4,848	Car dealers were seen as higher risk for the country due to large cash transactions and the high percentage of informality in the economy, and placed under the AML/CFT regime.

	Ecuador [65]	Car dealers	53	Preventative: Organic Law on the Prevention, Detection and Eradication of Money Laundering and Crime Financing and its Regulations. Supervision: Financial and Economic Analysis Unit (UAFE). No clear reason was provided as to why the entities were categorised as DNFBPs since they were considered low risk for ML/TF abuse. Supervision of DNFBPs is not based on the understanding of ML/TF risks, taking into account the characteristics of DNFBPs, in
		Building Companies	368	
		Property and commercial registrars	1,146	

[64] Paraguay's MER, ps. 5,8 29. Other NTDNFBPs include money transport companies and dealers in antiquities and numismatics.

[65] Ecuador's MER, ps. 108, 253. Other DNFBPs include Vehicle dealers, national political parties and national political movements, national and international money transport, tourism agencies and tour operators, racetracks, pawnshops and pawnbrokers, antiques and works of art dealers, art promoters and raffle organisers.

				particular their diversity and number and the nascent framework.

CHAPTER 2

DEFINITION & INHERENT ML/TF/PF VULNERABILITIES

Definition and Types of Non-Traditional DNFBPs [66]

62. The FATF Standards recognise six categories of businesses as DNFBPs, ***(1) casinos, (2) real estate agents, (3) dealers in precious metals, (4) dealers in precious stones, (5) lawyers, notaries, other independent legal professionals and accountants and (6) trust and company service providers.*** These entities, along with FIs and VASPs, are the focus of the country's MERs, which analyse and assess the AML/CFT/CPF regulatory and supervisory frameworks. However, some jurisdictions within the CFATF membership and the global network have applied the FATF requirements for traditional DNFBPs to other types of activities that fall outside of the FATF definition. The inclusion of these businesses within the DNFBP sector is sometimes, but not always, based on countries' risk and context and sectoral and/or national risk assessments.

63. ***Non-traditional DNFBPs can be described as activities and businesses that are subject to AML/CFT supervisory and preventative measures but are not included in the six categories stated above.*** Examples of such entities are motor vehicle dealers, art dealers, boats, high-end furniture, and national lotteries. Many non-traditional DNFBPs can be considered HVD. The

[66] *Designated non-financial businesses and professions means:*
*a) Casinos**
b) Real estate agents.
c) Dealers in precious metals.
d) Dealers in precious stones.
e) Lawyers, notaries, other independent legal professionals and accountants – this refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to 'internal' professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to AML/CFT measures.
f) Trust and Company Service Providers refers to all persons or businesses that are not covered elsewhere under these Recommendations, and which as a business, provide any of the following services to third parties:

- *acting as a formation agent of legal persons;*
- *acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;*
- *providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;*
- *acting as (or arranging for another person to act as) a trustee of an express trust or performing the equivalent function for another form of legal arrangement;*
- *acting as (or arranging for another person to act as) a nominee shareholder for another person.*

**References to Casinos throughout the FATF Standards include internet- and ship-based casinos.*

Source: https://www.fatf-gafi.org/content/dam/fatf-gafi/methodology/FATF-Assessment-Methodology-2022.pdf.coredownload.inline.pdf definition can differ across jurisdictions as some adopt a threshold approach while others based the classification on the inherent ML/TF risks of a sector.

Non-Traditional DNFBP Sector and the Inherent Risk of ML/TF/PF

64. DNFBPs play a vital role in the global financial system, often serving as intermediaries in high-value transactions. While traditional DNFBPs such as casinos, real estate agents, and legal professionals are well-documented in AML and CFT frameworks, non-traditional DNFBPs are less explored. These sectors, which can include motor vehicle dealerships, high-value goods dealers, and emerging digital asset platforms, present unique risks related to ML and TF.

65. Non-traditional DNFBPs can have the same inherent risks as traditional DNFBPs when they offer similar services and are exposed to the same vulnerabilities. By way of an example, both traditional and non-traditional DNFBPs can engage in large cash transactions and may have dealings where the customer's identity isn't always thoroughly verified, leading to potential anonymity. If a motor vehicle dealer accepts large cash payments for vehicles, just like a precious metal dealer accepts cash for gold, they face a similar risk of being used to launder illicit proceeds.

66. Money laundering often involves moving and disguising the source of funds. The specific type of good or service being exchanged is secondary to the opportunity it provides for layering and integration of illicit funds. If a non-traditional DNFBP facilitates transactions of similar value and nature to a traditional one, the money laundering risk associated with that transaction type doesn't inherently disappear simply because of the business category.

67. It is, however, crucial to add a layer of nuance in that, while the inherent risks can be the same, the actual risk might differ based on the volume and nature of high-risk activities within each sector. For example, if a specific jurisdiction sees a significantly higher volume of large cash transactions in precious metals compared to motor vehicles, the actual risk in that context might be higher for precious metal dealers. The fact that traditional DNFBPs are supervised (in theory, leading to mitigation of risk) while non-traditional ones might not be means that the residual risk (the risk after AML/CFT controls are applied) is likely to be higher in unsupervised non-traditional DNFBPs.

68. The lack of mandatory AML/CFT supervision for non-traditional DNFBPs doesn't negate the presence of inherent money laundering risks if their business activities expose them to the same vulnerabilities as traditional DNFBPs. The nature of the services and the potential for exploitation

by criminals are key determinants of inherent risk, regardless of whether a business falls into a "traditional" DNFBP category. Therefore, it's reasonable to assume that non-traditional DNFBPs can and often do share similar inherent risks with their traditionally designated counterparts.

Risk Indicators of ML/TF/PF Abuse

69. A country's understanding of its money laundering and terrorist financing risks is fundamental and foundational to its implementation of the FATF Recommendations. The FATF recommends that countries adopt a risk-based approach to effectively and efficiently identify and analyse money laundering and all other related or associated risks, to understand and manage these risks, and ultimately design and implement a rigorous AML/CFT framework. The very first FATF Recommendation (R.1) mandates that countries identify, assess, and understand their ML/TF risks.

70. This recommendation has led to countries conducting sectoral and NRAs to better understand the risks and vulnerabilities within their financial sectors. These assessments have taken various factors into account, including specific risks related to or posed by:

- The various business sectors (for example, geographical location/s, reporting responsibilities, transaction patterns, dealings with high-risk jurisdictions);
- Customers (for example, politically exposed persons, complex business ownership structures); and
- The product or service (for example, high-risk goods, unregulated or poorly regulated sectors).

71. These assessments also provided unique opportunities for countries to address areas with loopholes or deficiencies.

CHAPTER 3

DATA COLLECTION SOURCES & VALIDATION

72. The CFATF data collection exercise encompassed an integration of both quantitative and qualitative data collection and analysis. Information was gathered from both primary and secondary sources.

73. To obtain a first-hand appreciation of the ML/TF challenges confronting this sector, an Expert Meeting was held on June 18, 2024, with industry stakeholders from The Bahamas, Guyana, Jamaica, Saint Vincent and the Grenadines, Trinidad and Tobago and Turks and Caicos Islands. The information provided great insight into the operations on the financial arrangements of non-traditional DNFBPs and the ML vulnerabilities. During the session, experts provided valuable insights into the motor vehicle sales sector. They discussed its structure, size in comparison to other non-traditional DNFBPs, key competitors, and the products and services offered. Additionally, they covered related activities, including sources of imports, foreign markets where services are offered, types of customers, and methods of service delivery. None of the countries involved in the experts' meeting included the non-traditional DNFBP sector in their AML/CFT framework based on a sectoral or NRA.

74. The questionnaire was then prepared and circulated to the CFATF Membership as well as expert leaders in the non-traditional DNFBP sectors for completion in October 2024. Initially, only 14 responses were received, leading to the questionnaire being re-circulated. This effort then yielded 190 responses.

Data Validation

75. A data validation process was conducted on the dataset of 190 completed questionnaires to ensure the reliability of the collected information. It entailed checking for completeness and duplicates, ensuring all mandatory fields were filled and identifying any missing or duplicate responses. Next, consistency checks were performed to identify contradictory answers. Data cleaning focused on correcting major spelling and formatting errors and standardising similar entries. A subsequent check was performed to identify any identical submissions. Ethical considerations were addressed through anonymisation, removing any personally identifiable information. Finally, usability for

analysis was evaluated to determine if open-ended responses needed categorisation. The data validation process yielded 157 usable questionnaires from the 190 responses.

CHAPTER 4

DATA ANALYSIS

Methods of Financing Available

76. Analysis of Financing Methods:

- Bank Loans: Traditional loans from commercial banks.
- Credit Union Loans: Loans from member-owned financial cooperatives.
- Leasing: Paying for the use of an asset over a period without ownership.
- Self-financed: Using the customer's funds for outright purchase.
- Hire Purchase: Paying in instalments with ownership transferring after the final payment.
- Dealer Financed: Financing provided directly by the dealership.

77. *Uniqueness and Money Laundering Vulnerabilities:* Bank Loans, Credit Union Loans, Leasing, and Self-Financing are generally standard financing methods for high-value goods and are not unique to non-traditional DNFBPs. The primary AML/CFT risks associated with these methods are typically addressed through the CDD conducted by the respective financial institutions (banks and credit unions). These institutions have their own AML/CFT obligations and supervisory oversight. The methods with the most potential for uniqueness and additional money laundering vulnerabilities within the context of non-traditional DNFBPs are Hire Purchase and, particularly, Dealer Financed.

78. 1. *Hire Purchase (Offered by Dealerships):* While hire purchase as a concept isn't unique, its direct offering and management by car dealerships can present some distinct characteristics compared to financial institutions. Dealerships might have less stringent internal AML/CFT controls compared to regulated financial institutions whose core business is lending. They might also be more focused on sales targets.

79. Money Laundering Vulnerabilities Beyond Standard CDD:

- *Lower Scrutiny of Source of Funds:* Dealerships, whose primary business is sales, might not have the same level of expertise or resources as dedicated financial institutions to thoroughly scrutinise the source of funds for instalments, especially for smaller or more frequent payments. Standard CDD at the point of sale might focus more on verifying the customer's identity and less on the ongoing source of funds.

  - *Structuring of Payments:* Money launderers might attempt to structure instalments in amounts below reporting thresholds to avoid detection. While financial institutions have systems to detect such patterns across multiple accounts, a single dealership might not have the same overview if a launderer is purchasing multiple vehicles through different hire purchase agreements at various times or with multiple dealers.

  - *Early Settlement with Illicit Funds:* A customer might enter into a hire purchase agreement with a small initial payment and then unexpectedly settle the remaining balance with a large, potentially illicit cash payment. While large cash transactions should trigger scrutiny, the initial hire purchase agreement might have been established with seemingly legitimate funds and passed initial CDD.

  - *Nominee Buyers:* Individuals acting on behalf of money launderers might enter into hire purchase agreements, making it harder to trace the ultimate beneficial owner of the funds used for payments. While CDD should identify the contracting party, uncovering the true source of funds and beneficial owner(s) can be more challenging for a non-financial business.

80. 2. *Dealer Financed:* This method is more directly controlled by the dealership and can encompass a wider range of practices, including direct lending, facilitating loans with specific finance companies, or offering in-house financing packages.

- Money Laundering Vulnerabilities Beyond Standard CDD:

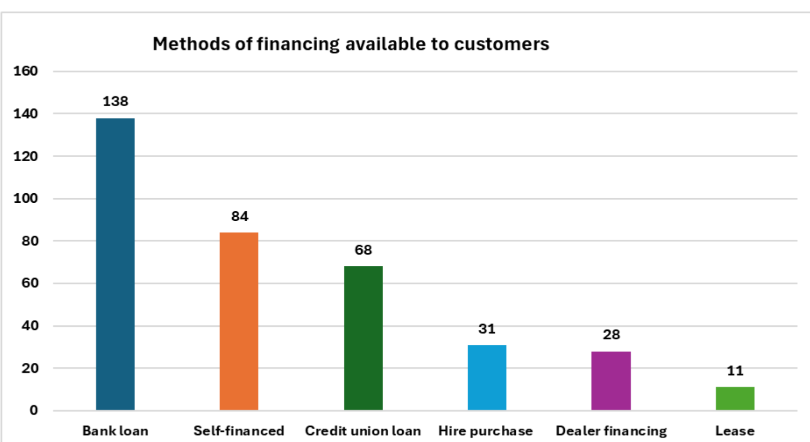
  - *Circumventing Traditional Lending Scrutiny:* Dealer financing might be used by individuals who would not qualify for loans from traditional financial institutions due to poor credit history or other red flags. This could inadvertently facilitate the laundering of illicit proceeds.

  - *Inflated Purchase Prices:* Money launderers might agree to inflated purchase prices, with the excess funds being a way to move illicit money disguised as part of the loan. The dealership might not have the same incentive or expertise to scrutinise the reasonableness of the purchase price compared to an independent lender.

- *"Straw Buyers" with Dealer Financing:* Dealerships might be more susceptible to "straw buyer" schemes where an individual with good credit obtains financing on behalf of someone with illicit funds or a compromised identity. The dealership's focus on making a sale might overshadow the rigorous scrutiny of the underlying transaction.
- *Lack of Robust AML/CFT Programs:* Non-traditional DNFBPs like car dealerships might have less developed and sophisticated AML/CFT programs compared to regulated financial institutions. Their staff might not be as well-trained in identifying and reporting suspicious transactions related to financing.
- *Complexity of Dealer Networks:* For dealerships that are part of larger networks or franchises, tracking financing activities and identifying suspicious patterns across multiple locations can be more challenging without a centralised and robust AML/CFT framework.
- *Trade-ins and Overvaluation:* Overvaluing trade-in vehicles can be another way to inject illicit funds into the transaction, reducing the amount of new financing needed and potentially escaping scrutiny. Dealerships might be more inclined to inflate trade-in values to facilitate a sale.

81. The analysis of the financing methods that non-traditional DNFBPs offer to their customers reveals that bank loans are by far the most commonly made available, often appearing independently or in combination with other methods. In contrast, financing methods such as dealer financing, leasing, and hire purchase are used less frequently, with instances of their sole usage being non-existent. Some dealers provide various financing options, including bank loans, credit union loans, dealer financing, and lease-to-own purchases, showcasing a range of choices for buyers. Self-financing is a popular option, reflecting the flexibility and diverse financial strategies available to customers when purchasing

Figure 1



vehicles. This combination of preferences emphasises a dynamic financing approach tailored to individual needs.

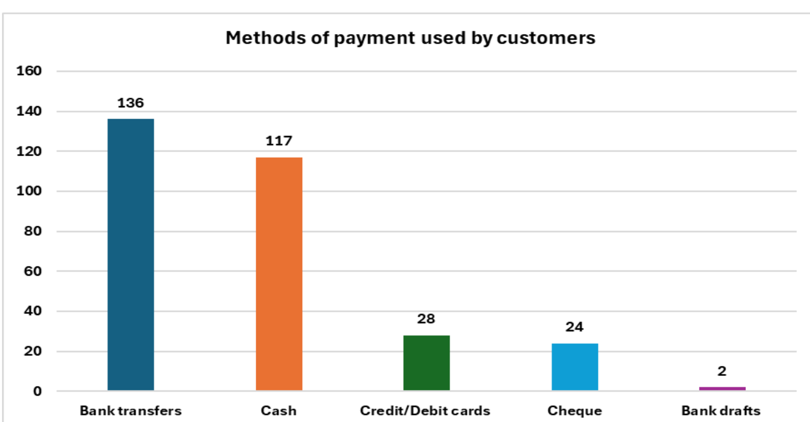
82. The diversity in financing options, such as combining bank loans with self-financing or lease-to-own arrangements, reflects market-driven responses to customer needs rather than innovative products that could introduce unforeseen vulnerabilities. Consequently, the risk associated with these methods is not due to their uniqueness but rather depends on the effectiveness of CDD and ongoing monitoring practices.

83. *Conclusion on Financing Methods:* The dominant financing methods utilised are largely conventional and familiar, and any potential money laundering vulnerabilities are likely already anticipated and mitigated by existing standard AML measures. The direct provision of hire purchase and, particularly, dealer-financed options by non-traditional DNFBPs like car dealerships can introduce money laundering vulnerabilities that might not be fully addressed by existing CDD protocols focused primarily on customer identification. These vulnerabilities stem from the potential for less stringent scrutiny of the source of funds, the possibility of structuring payments, the risk of inflated prices or trade-in values, and potentially less robust AML/CFT programs within the dealerships themselves compared to financial institutions. Therefore, extending AML/CFT supervisory regimes to include these financing activities by non-traditional DNFBPs is a necessary step to mitigate these specific risks.

Methods of Payment Commonly Used by Customers

84. *Analysis:* The analysis of the payment methods reveals that bank transfers and cash are the most frequently used options, often appearing individually or in combination with other methods like credit/debit cards and cheques. Payment methods such as bank drafts, certified cheques, and trade-ins are less common but still present in the dataset. A notable pattern is the frequent use of combinations of multiple payment methods, such as cash paired with bank transfers or credit/debit cards,

Figure 2



highlighting the flexibility in customer preferences. While some methods are consistently popular, others, like trade-ins, are used sparingly, suggesting that customers gravitate toward more direct and familiar payment options. This diversity in payment behaviours may reflect varying financial needs and transaction contexts.

85. Based on the payment methods analysis, non-traditional DNFBPs predominantly process bank transfers and cash, either as standalone options or in combination with credit/debit cards and cheques. This pattern indicates that while most customers use well-established payment channels, the frequent combination of methods introduces additional complexity.

86. The established procedures for bank transfers, cash transactions, and credit/debit card usage are generally robust. Banks typically have strict Know Your Customer (KYC) and transaction monitoring practices in place for these channels. This includes verifying customer identities, tracking transaction patterns, and flagging unusual activities, which are key to mitigating money laundering risks.

87. *Challenges Posed by Multi-Method Transactions:* The common occurrence of multiple payment methods in a single transaction (e.g., cash combined with bank transfers or credit/debit cards) might complicate the tracing of funds. While individual payment channels are well-regulated, the interplay between them can create gaps in the surveillance net, potentially allowing illicit activities to be masked across channels.

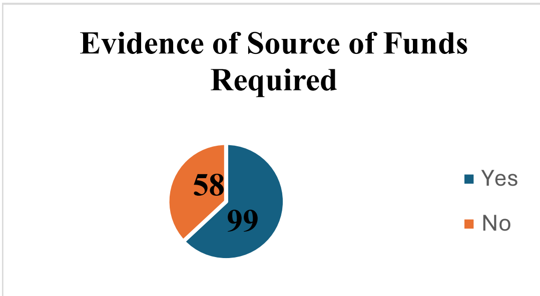
88. *Less Common Methods:* Although methods such as bank drafts, certified cheques, and trade-ins are less frequent, their presence adds to the diversity of payment behaviours. These methods often have additional layers of verification (e.g., bank drafts typically undergo rigorous authentication), which can mitigate risks if appropriately integrated into the overall CDD framework.

89. *Overall Assessment of Payment Methods:* The existing CDD methods, when strictly enforced, are largely adequate for managing money laundering vulnerabilities associated with the most common payment methods. However, the challenge lies in the effective integration and monitoring of multiple payment channels within the same transaction. Enhancing data analytics and cross-channel monitoring could further strengthen the system.

Evidence of Source of Funding Requirements & Main Supporting Documents Requested

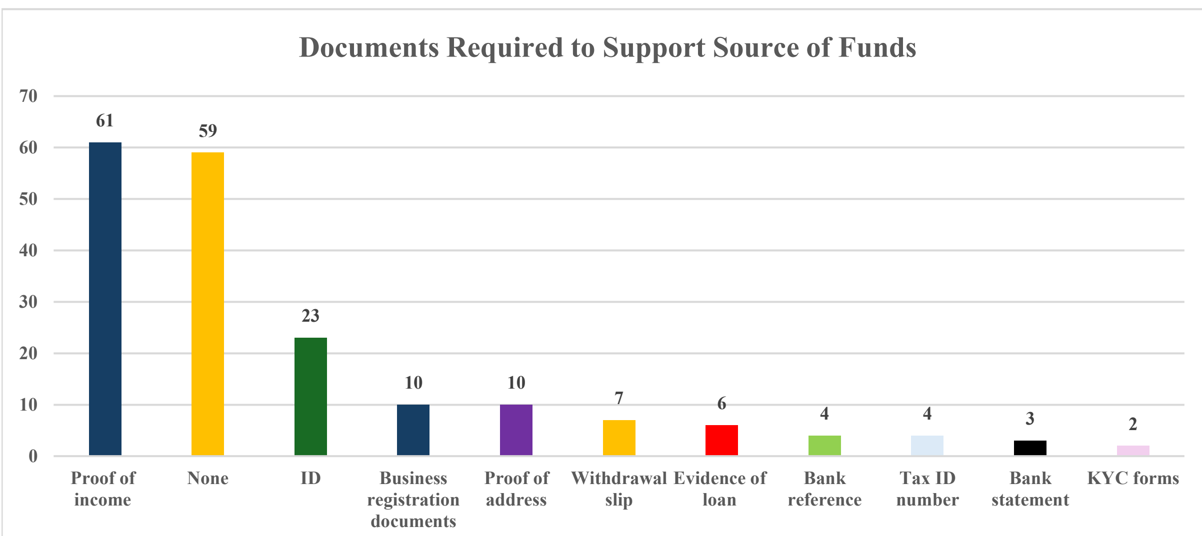
90. Out of 157 responders, 99 indicated that evidence of the source of funds is required when conducting transactions. An analysis of the supporting documents requested to verify funds shows that "proof of income" is the most commonly requested document, highlighting its critical role in verifying an individual's source of funds and financial capacity. Additionally, the frequent requests for "IDs" and "proof of address" emphasise their importance in establishing a customer's identity and residence.

Figure 3



91. In contrast, documents such as KYC forms, withdrawal slips, evidence of loans, and tax ID numbers are rarely requested, suggesting they are used in more specific situations where additional verification is necessary. The occasional requirement for unique documents like business registration certificates and bank references indicates that certain transactions may warrant closer scrutiny.

Figure 4



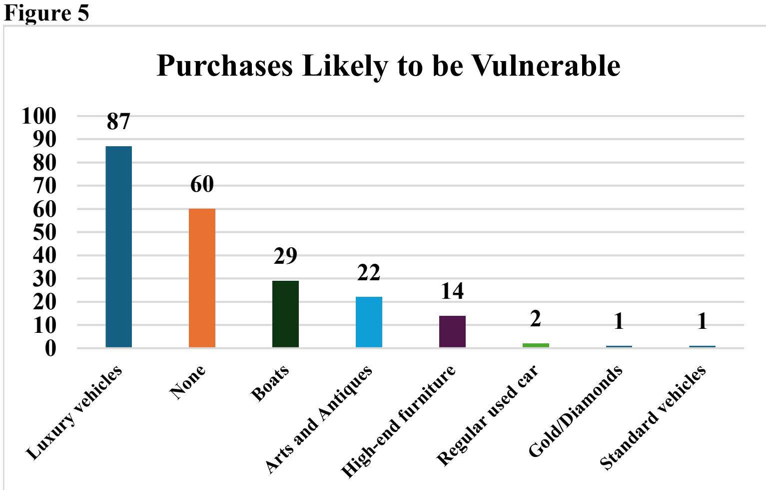
92. Moreover, the presence of multiple "None" entries suggest scenarios where no supporting documentation is required, likely due to lower risk or simpler transaction contexts, relying instead on the CDD measures of the banks through which the funds were acquired. Overall, this variety in

document requests reflects the diverse nature of transactions and the need for tailored verification processes based on different risk profiles and customer circumstances.

Purchases Likely to be Vulnerable

93. *Luxury Vehicles Dominate:* The most striking observation is that luxury vehicles are overwhelmingly considered the most vulnerable product. The figure 87 is significantly higher than any other category. This suggests a strong perception among dealers that luxury vehicles are a prime target for money laundering activities.

Figure 5



94. *None" is Significant:* The response "None" with a count of 60 is noteworthy. It indicates a substantial number of dealers either don't perceive any of these products as particularly vulnerable or perhaps believe that money laundering in their sector is not a major issue. It could also reflect a lack of awareness or understanding of money laundering risks.

95. *Durable Luxury Goods:* After luxury vehicles, other durable luxury goods like boats, arts and antiques, and high-end furniture are seen as moderately vulnerable. These items share characteristics with luxury vehicles: high value, portability (to some extent), and potential for anonymity in transactions.

96. *Lower-Value Items are Less of a Concern:* Regular used cars, standard vehicles, and gold/diamonds are seen as the least vulnerable. This could be because lower-value items may not be suitable for laundering large sums of money or because gold and diamonds, while valuable, have specific reporting requirements that make them less attractive for money laundering in this context.

97. *Overall Assessment of Purchases Likely to Be Vulnerable:* Based on this data, it's clear that luxury vehicle dealers are particularly concerned about the risk of money laundering. This is understandable given the high value of the transactions, which makes them attractive for laundering large amounts of illicit funds. The perception that "None" of these products are vulnerable among

a significant number of dealers is concerning. It suggests a potential gap in awareness or a lack of robust AML practices within the sector.

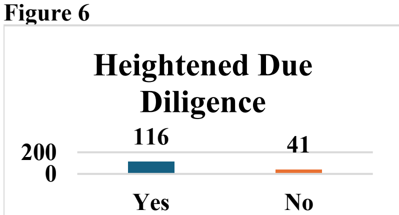
98. The focus on durable luxury goods as vulnerable products highlights a common thread in money laundering: the desire to convert illicit cash into high-value assets that hold their value and can be easily transferred or sold.

99. The involvement of a supervised financial institution, which is supervised for AML/CFT compliance in providing loans or other financial services for purchasing luxury items such as vehicles, boats, and art, can help reduce the inherent vulnerabilities to money laundering. However, it does not eliminate all risks associated with high-value asset purchases. Illicit funds may have been laundered through previous stages before reaching the financial institution bank, and sophisticated techniques can still be employed to conceal the true origin of the wealth and the beneficial ownership of the asset.

100. Therefore, a comprehensive AML/CFT framework requires not only strong supervision of financial institutions but also a specific focus on the vulnerabilities present in the non-traditional DNFBP sectors. This includes implementing measures that promote transparency in ownership, improve valuation practices, and address large cash transactions, even if these are less common when loans are involved. A significant majority (116 out of 157 total non-Traditional DNFBPs) are taking enhanced scrutiny of luxury vehicle transactions. This indicates a strong awareness of the risks associated with these high-value items. However, a notable minority (41 non-traditional DNFBPs) are not applying enhanced scrutiny. The fact that a strong majority of dealers are paying enhanced scrutiny to luxury vehicle transactions is a positive sign. It demonstrates that many in the industry recognise the elevated risk of money laundering associated with these high-value assets. This heightened awareness is crucial for preventing illicit funds from being laundered through the purchase and sale of luxury vehicles.

101. However, the 41 non-traditional DNFBPs who are not applying enhanced scrutiny are a serious concern. There could be several reasons why 41 non-traditional DNFBPs are not applying enhanced scrutiny to luxury vehicle transactions. Perhaps some dealers are unaware of the risks, or they may lack the necessary resources or training to implement effective AML procedures.

Figure 6



Main Money Laundering Risks Associated with Motor Vehicle Sales/High-Value Items

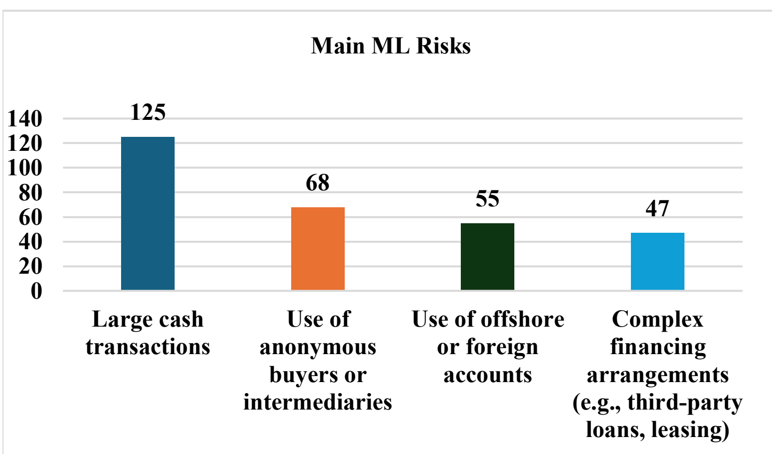
102. *Analysis - Dominance of Large Cash Transactions:* The most significant concern, by a wide margin, is the use of cash to conduct transactions. This concern is supported by the analysis of Case Study #3 below and reflects a strong awareness among non-traditional DNFBPs that substantial cash payments are a significant red flag for money laundering. The significant amounts of cash involved make tracing their origin difficult, which can be used to hide illicit funds.

103. *Anonymity and Intermediaries:* The use of anonymous buyers or intermediaries was identified as the second most significant risk. This highlights the concern that money launderers attempt to hide their identities and the true source of funds by using third parties or shell entities.

104. *Offshore/Foreign Accounts:* The use of offshore or foreign accounts can pose a significant risk. This reflects the understanding that money launderers frequently move funds across borders to hide their trails and exploit jurisdictions with less stringent regulatory oversight.

105. *Complex Financing:* Complex financing arrangements, such as third-party loans or leasing, are perceived as a risk, though to a lesser degree than other factors. This suggests that non-traditional DNFBPs recognise that these arrangements can conceal the true nature of transactions and obscure the flow of funds.

Figure 7



106. The data shows that non-traditional DNFBPs are particularly worried about direct and easily observable money laundering methods, especially large cash transactions. This concern is understandable, as these transactions are relatively straightforward to identify and often raise immediate red flags.

107. However, the significant concern about anonymous buyers, intermediaries, and offshore accounts also reflects an awareness of more sophisticated money laundering techniques. Money launderers

frequently employ these methods to create layers of obscurity and make it difficult to trace the origin of illicit funds.

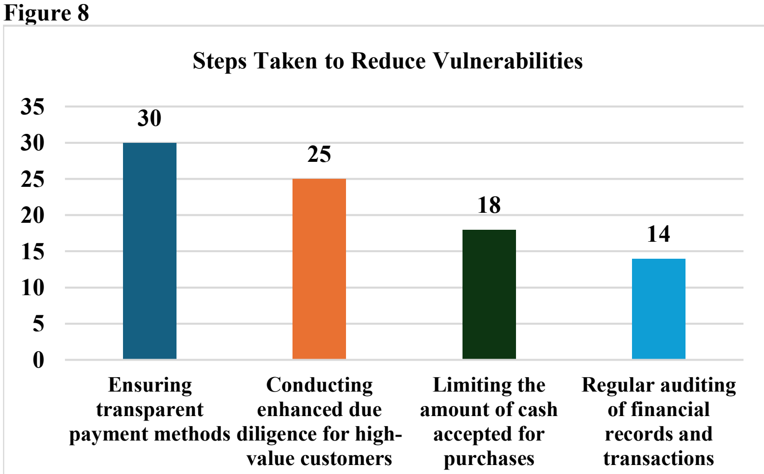
108. The fact that complex financing arrangements are also seen as a risk, albeit a lesser one, suggests that non-traditional DNFBPs are becoming increasingly aware of the various ways in which money launderers can manipulate financial transactions. While less common, some responses pointed to broader systemic issues, such as non-compliance with AML obligations or a lack of oversight in the industry.

109. The data underscores the importance of implementing strict limits on cash transactions and establishing robust reporting requirements to deter and identify large cash payments. It highlights the necessity for increased scrutiny of cross-border transactions to detect the potential use of offshore or foreign accounts in money laundering activities. Furthermore, a comprehensive review of complex financing arrangements is essential to identify potential red flags and ensure transparency. Ongoing training and education for dealers are crucial to raise awareness of money laundering risks and to promote best practices for prevention.

Steps Taken to Reduce Vulnerability

110. *Analysis: Proportion Implementing Measures:* 87 out of 157, or approximately 55.4%, reported taking *at least one* of the specific steps to mitigate money laundering risks associated with high-value goods/vehicles. Conversely, 70 respondents, or about 44.6%, did *not* report implementing any of these four specific, relatively robust measures. The most common measure was “Ensuring transparent payment methods", which might include encouraging bank transfers, certified checks, or other traceable forms of payment, whilst the least common measure used was "Regular auditing of financial records and transactions", which is a more resource-intensive measure. "Limiting the amount of cash accepted" (18 respondents or 11.5%)

Figure 8



directly targets the high-risk cash transaction but was not among the most popular measures. "Conducting enhanced due diligence for high-value customers" (25 respondents or 15.9%) is a key AML tool for understanding risk and was also implemented by a relatively small fraction.

111. These figures present a mixed and somewhat concerning picture of AML preparedness within this group of responders in the non-traditional DNFBP sector. It is positive that over half (55.4%) of the respondents acknowledged taking *some* specific steps beyond basic compliance. This indicates some level of awareness translating into action. However, the fact that nearly 45% of respondents did *not* report implementing *any* of these four relatively standard and important AML controls is worrying. It suggests a significant gap in proactive risk mitigation for high-value transactions within a substantial portion of the surveyed group.

112. The most popular measure, "Ensuring transparent payment methods," is valuable but can be passive. The relatively low adoption rates for more proactive and arguably more effective measures like EDD for high-value customers (only 16%) and strict cash limits (11.5%) are concerning. These measures directly address higher-risk scenarios but seem underutilised. The very low number performing regular audits (9%) suggests a lack of internal verification processes to ensure that whatever AML policies *are* in place are actually being followed and are effective.

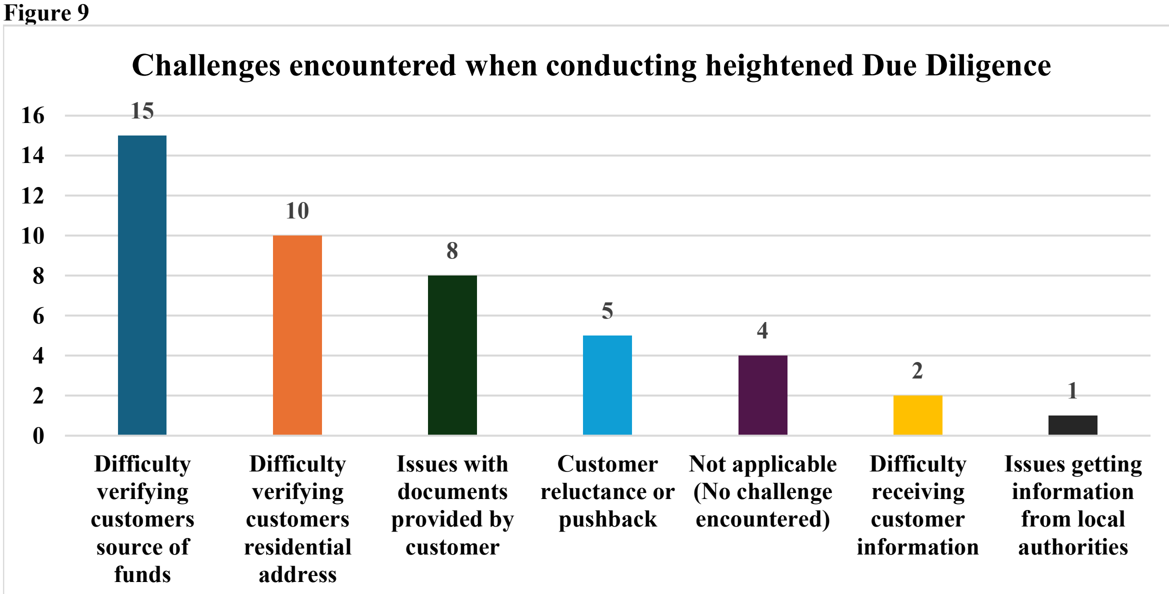
113. *Overall Assessment of the Steps Taken to Reduce Vulnerabilities:* While some non-traditional DNFBPs are taking specific actions, the data suggests that the implementation of robust, targeted AML controls for high-value goods and vehicles is far from universal among the responders. There appears to be significant room for improvement, particularly in adopting more proactive measures like EDD and cash limitation strategies and ensuring transactions are checked through audits. The reliance on less intrusive methods might leave significant vulnerabilities unaddressed. This aligns with the earlier anomaly noted, where general risk awareness (especially regarding cash) doesn't consistently translate into the widespread adoption of specific, rigorous mitigation techniques.

Challenges Encountered when Conducting Heightened Due Diligence

114. *Analysis: Low Reporting Incidence:* The most striking point is the relatively low number of respondents reporting *any* specific challenge (or lack thereof) related to HDD. Summing those who reported specific issues (15+10+8+5+2+1 = 41) and those reporting no challenge (four) gives only 45 respondents engaging substantively with this question out of the 157 total. Interpretation of Low Reporting: This low number (45 out of 157, or 28%) strongly suggests that a large majority of the surveyed non-traditional DNFBPs either:

- Do not frequently encounter transactions requiring heightened due diligence.
- Do not consistently perform heightened due diligence even when required.
- Did not answer this specific part of the survey.
- Do not perceive common difficulties as reportable "challenges."

Figure 9



115. *Primary Challenge:* Among those who *did* report challenges, "Difficulty verifying customers' source of funds" (15 respondents) is the most common issue. This is a critical component of effective AML/CFT measures, especially for high-value transactions. Difficulties with fundamental KYC elements like "verifying customers' residential address" (10 respondents) and problems with the "documents provided by customer" (eight respondents) are also significant hurdles.

116. *Customer Friction:* A smaller but notable group encountered direct "Customer reluctance or pushback" (five respondents) or general "Difficulty receiving customer information" (two respondents), indicating that the intrusive nature of heightened due diligence can itself be an obstacle.

117. *Few Reports No Issues:* Only four respondents explicitly stated they encountered no challenges. This extremely low number could imply that when heightened due diligence is conducted

rigorously on relevant transactions, encountering difficulties is more common than not, or it simply reflects the small subset reporting detailed feedback.

118. *Overall Assessment on Challenges Encountered When Conducting Heightened Due Diligence:* This data paints a concerning picture regarding the practical application of heightened due diligence by this group of non-traditional DNFBPs. The low number of respondents reporting challenges suggests that heightened due diligence may be significantly underutilised or inconsistently applied in situations where it's warranted (i.e., transactions involving rare/expensive vehicles or high-value items). If robust, heightened due diligence were being widely performed, one would expect a higher number of reporting challenges, given the inherent difficulties involved.

119. *Critical Weakness Identified:* The fact that verifying the source of funds is the top challenge for those conducting heightened due diligence is critical. This is arguably the most crucial aspect of heightened due diligence for mitigating money laundering risk in high-value transactions. If businesses struggle significantly here, it represents a major vulnerability that illicit actors can exploit.

120. *Foundational KYC Issues Persist:* Difficulties verifying addresses and validating documents, even during *heightened* checks, suggest potential weaknesses in basic KYC processes that become more apparent when deeper scrutiny is required.

121. *Need for Enhanced Capacity and Authority:* The challenges reported (verifying SoF, dealing with document issues, customer pushback) indicate a potential need for better training, more sophisticated verification tools, clearer regulatory guidance, and perhaps stronger authority for non-traditional DNFBPs to demand necessary information during heightened due diligence without excessive fear of losing business.

122. *Inconsistent Application:* The overall pattern suggests an inconsistent application of AML/CFT standards. A small fraction appears to be engaging seriously with heightened due diligence and facing the expected difficulties, while a large majority seem disengaged from this crucial compliance requirement, potentially leaving significant risks unaddressed in the high-value goods sector.

123. In summary, while the data identifies key areas of difficulty (especially source of funds verification) for those performing heightened due diligence, the more significant finding might be the implication that many within the surveyed group are not consistently applying this critical level of

scrutiny to high-risk, high-value transactions. The analysis also highlights the need for improved tools and processes for verifying sources of funds and residential addresses, enhanced training for staff to identify and address document-related issues and clear communication with customers to address privacy concerns and encourage cooperation.

Encounters With Suspicious Illicit Funds

124. Only four of 157 respondents (2.5%) reported encountering suspected instances of illicit funds. The majority (153) indicated that they had not encountered instances where they suspected the use of illicit funds in a transaction, though 125 of them identified large cash transactions as the primary risk factor in financing arrangements within the sector. This discrepancy between identifying large cash transactions as their primary risk, yet 97% reporting they've never suspected illicit funds, likely stems from a combination of factors. Non-traditional DNFBPS might possess a general awareness that large cash purchases are inherently risky according to AML guidance, but lack specific training to recognise subtle red flags beyond the cash amount itself, making it difficult to move from theoretical risk to actionable suspicion in a particular sale. Compounding this is the practical challenge of distinguishing legitimately earned cash from illicit funds without obvious indicators, especially if large cash payments are somewhat common or normalised within their specific market, leading to desensitisation. In the four encounters here, three of the respondents reported declining the transaction, while one respondent did not provide an answer as to what the outcome was. Case studies 1 and 2, presented in Chapter 5, support the conclusion that large cash transactions are a significant risk factor in financing arrangements within the sector. However, it is important to note that these case studies were not derived from the same dataset used in the analyses of this chapter, which adds further credibility to the conclusions drawn from this analysis.

CHAPTER 5

CASE STUDIES ANALYSIS

125. A request for case studies was distributed to CFATF member jurisdictions through the CFATF Secretariat. The request outlined the ongoing project on money laundering and terrorism financing vulnerabilities in the financial arrangements of Non-Traditional DNFBPs and requested CFATF member jurisdictions to provide case studies, investigations, or any relevant examples that illustrate money laundering risks and typologies within the non-traditional DNFBPs sector. It was emphasised to the responding jurisdictions how invaluable their contributions would be in strengthening the collective understanding of vulnerabilities in this sector.

126. In response to this request, three jurisdictions submitted a total of three case studies to the project team.

The case studies obtained from member jurisdictions were sanitised before being submitted to the project team for the following reasons:

- *Protecting the integrity of Car Dealers:* In many instances, reputable car dealers implicated in misconduct continue to function and deliver essential services. Identifying these dealerships, similar to recognising victims and or suspects engaged in criminal activities, may lead to unintended negative repercussions.
- *Ongoing cases:* Money laundering investigations and prosecutions are often drawn-out processes involving many agencies and cooperating witnesses. Protecting the integrity of these investigations and, by extension, the investigators and witnesses is necessary.

Case Study #1

Key findings of the case

In June 2024, the Surinamese Police Force issued a notice about two missing persons on its website. The notice included descriptions of both individuals and details about Missing Person A (MP-A), who was a friend from home picked up. Information about Missing Person B (MP-B) and their dress code was also provided. Both remain missing.

The two missing men in Suriname are believed to be linked to a failed drug delivery after 1,400 kilos of cocaine were intercepted at sea by French authorities. They allegedly worked with a Country B-Suriname associate (Person C), and families fear they may have been killed. An order to transport the cocaine on a fishing boat was accepted by MP-A in early May, but the shipment was intercepted, causing Person C's anger.

Request from Public Prosecutor's Office (PO)

In September 2024, Suriname's FIU (FIUS) received a PO request regarding a cross-border case involving nine suspects. Database checks revealed two suspects linked to six unusual transactions (UTRs). Additionally, four more UTRs were found using their addresses and surnames, related to three main suspects in the PO request.

Case overview

The match resulted in the reporting of ten UTRs by one bank. Additionally, there were two money remittances, each reporting two and one UTR, respectively. Two notaries also submitted one UTR each, and two car dealers reported one UTR each. These unusual transactions were observed between August 2016 and June 2022. The investigation involved 20 individuals and one legal entity. An overview of the number of unusual transactions reported and the associated value gives a clear view of the financial flows of the transactions.

FIU Analysis Results

1st Suspect - Information on the first suspect matched in the FIUS database:

The suspect is the spouse of MP-A. The suspect received a money remittance in Country A totalling USD 2,062.89. Additionally, the suspect received two money remittances through the bank: the first for EUR 1,450.00 and the second for an undisclosed amount. The suspect purchased real estate for SRD 2,202,000.00, which is equivalent to USD 154,093.77.

2nd Suspect - Information on the second suspect matched in the FIU Database:

The suspect is related to MP-A, based on his surname. The suspect purchased a car for USD 27,000.00 at Car Dealer A. The suspect purchased a second car for the amount of USD 60,000.00 at Car Dealer B.

Information regarding the three subjects has been linked based on their addresses and surnames, connecting them to three suspects mentioned in the request for information. In the UTR, Subject 1 is identified as one of the ultimate beneficial owners and serves as the authorised representative for six other ultimate beneficial owners, primarily foreign nationals, who are involved in a real estate sale valued at SRD 265,000, which is equivalent to USD 35,239.36. Subject 2 made two money remittances to Country C, each totalling USD 2,000.00. Additionally, Subject 3 received a money remittance of EUR 2,000.00 from Country B, which was processed through the bank.

Open-Source Investigations Conducted by FIUS

June 2024

Open-source searches conducted by FIU Suriname revealed information about two missing persons that have been posted on the Suriname Police website since June 2024. This information is also available through various media channels and social media platforms. The website includes descriptions of both individuals, and the police are actively searching for them.

Person C has been detained in Suriname since June 2024 and is suspected of being involved in the disappearance of his two business partners.

October 2024

A news article with the heading *"New twist in cross-border drug case"* was published. The Cold Case Unit of the Suriname Police arrested a suspect who is a firefighter at his home address. He is suspected of participating in a criminal organisation and violating the Narcotics Act. In the same case, two nationals of Country B were also placed on the notice list of the Suriname Police by the Prosecutor General.

Trial Process

In November 2024, a trial began against ten alleged members of a criminal organisation facing charges of drug possession, export, and firearms violations. One suspect, Person C, a Country D citizen involved in drug trafficking and money laundering, was detained. The judge detailed procedural aspects on the first day, allowing lawyers to present witnesses, including a suspect's wife who provided key police information. Early January 2025 saw the wife of MP-A and a police officer called as witnesses. The nine suspects are linked to the disappearance of 64-year-old MP-A and 48-year-old MP-B. The trial is ongoing.

Analysis of Case Study #1

127. This case study reveals several potential money laundering vulnerabilities, particularly in the context of motor vehicle sales. Here's a breakdown of the key insights:

- Use of nominees and related parties: The second suspect, related to MP-A, purchased two cars for significant amounts (USD 27,000 and USD 60,000). The family connection raises the possibility that the car purchases were made on behalf of someone else, potentially to obscure the true beneficial owner of the assets.
- High-value transactions: The purchase of two cars for USD 27,000 and USD 60,000 indicates large financial transactions, which are often used to launder money.
- Lack of information on the source of funds: The case study does not provide information on the source of funds used for the car purchases. This lack of transparency is a red flag, as it makes it difficult to determine whether the funds were derived from legitimate sources.
- Links to other suspicious activities: The individuals involved in the car purchases are also linked to other suspicious activities, such as real estate transactions and money remittances. This interconnectedness suggests a broader pattern of potential money laundering.
- Cross-border transactions: The money remittances to and from foreign countries (Country A, Country C, and Country B) add a layer of complexity and make it more challenging to trace the funds.

128. This case study indicates a potential money laundering scheme involving motor vehicle purchases, where the use of nominees, high-value transactions, lack of transparency regarding the source of funds, links to other suspicious activities, and cross-border transactions are key vulnerabilities.

Case Study #2

Introduction

Person X, a known drug trafficker, visited a car dealership to purchase a motor vehicle. During the finalisation of the transaction, valued at XCD 97,000.00, Person X provided the dealership's Sales Officer with a cash payment that covered the total value of the motor vehicle in question. The cash payment was in a foreign currency but was fully accepted by the car dealership.

Post acceptance of the cash payment, the car dealership deposited to their account at their bank. The bank, recognising that the foreign currency was inconsistent with the historical deposits made by the car dealership, requested additional information from the dealership on the nature of the transaction. Unfortunately, the information provided was not satisfactory to the bank since it did not include any information on the provenance of the cash.

In light of this, a suspicious transaction report was filed against the car dealership. No suspicious transaction report was filed by the car dealership against Person X.

The case underscored the ineffective nature of the compliance programme implemented within the car dealership and the extent to which the vulnerabilities were exploited to facilitate money laundering.

Case Result

A full parallel criminal and financial investigation was initiated by the Financial Intelligence Unit and the Police. Two additional persons, along with Person X, were charged with a money laundering offence, and various property types were frozen to include real property, bank accounts, vehicles and several additional personal items. An additional *in rem* civil asset recovery proceeding has also been filed against the subjects.

Analysis of Case Study #2

129. This case study highlights the significant money laundering vulnerability posed by a large cash transaction conducted by a non-traditional DNFBP. The dealership's actions (or lack thereof) facilitated a high-risk transaction that could have been a step in the money laundering process.

130. Several clear vulnerabilities were demonstrated:

i. Large Cash Transaction: The most obvious vulnerability is accepting a substantial cash payment (XCD 97,000.00 is a significant sum) for a high-value asset. Cash transactions inherently offer greater anonymity and make it harder to trace the origin of funds.
ii. Foreign Currency Acceptance: Accepting a large cash payment in a foreign currency further complicates tracing the funds and raises red flags. It is less common for legitimate vehicle purchases to be conducted entirely in foreign cash, making it a potential indicator of an attempt to obscure the origin of illicit proceeds.
iii. Lack of CDD by the Dealership: The most concerning aspect is the car dealership's apparent failure to conduct any CDD on Person X, a known drug trafficker. This is a significant lapse in AML/CFT controls. Knowing the customer's background should have immediately triggered suspicion and a refusal of the large cash payment, or at the very least, the filing of a STR.
iv. Failure to file an STR: The dealership's failure to file an STR against Person X, despite accepting a large, suspicious cash payment from a known criminal, indicates a lack of awareness, training, or compliance with AML/CFT obligations. This inaction allowed a potentially illicit transaction to proceed unchecked.
v. Reliance on the Bank's Controls: The fact that the bank only flagged the suspicious activity upon deposit highlights the risks of relying solely on supervised financial institutions to detect

illegal flows coming from non-traditional DNFBPs. The dealership provided a gateway for potentially illicit funds to enter the financial system.

vi. Inadequate Information Provided to the Bank: The dealership's inability to provide satisfactory information about the provenance of the cash further strengthened the suspicion that the funds were illicit. Their lack of information suggests they either did not carry out CDD to determine the source of funds or were complicit in accepting funds without proper verification.

131. This case study provides a compelling illustration of how easily the motor vehicle sector can be exploited for money laundering through large cash transactions. The lack of due diligence and AML awareness at the dealership level created a significant vulnerability. The acceptance of a large sum in foreign cash from a known drug trafficker should have been an immediate red flag. The fact that the bank, and not the dealership, identified the suspicious activity highlights the critical need for robust AML/CFT measures and effective supervision extending to non-traditional DNFBPs like car dealerships. Without proper training, procedures, and a commitment to AML compliance, such businesses can unwittingly (or wittingly) become conduits for laundering the proceeds of crime. This case strongly suggests the necessity for:

- Clear AML/CFT obligations for non-traditional DNFBPs, including motor vehicle dealers, to conduct CDD and file STRs.
- Effective AML/CFT supervision and enforcement of the non-traditional DNFBP sector.
- Increased awareness and training for staff in non-traditional DNFBPs on identifying and reporting suspicious transactions.
- Limitations or prohibitions on large cash transactions for high-value goods.

Case Study #3

Introduction

As part of ongoing investigations, police arrested and charged a 36-year-old businessman on November 29, 2024, with the offence of Deception, as he obtained XCD 52,400.00 from a 31-year-old professional athlete. The offence occurred in Kingstown between July 1, 2024, and July 31, 2024. The businessman agreed to purchase a used Japanese vehicle from BE FORWARD with the money obtained; however, no funds were transferred to the sale platform for the purchase of the vehicle.

Case Result

The defendant appeared before the Kingstown Magistrate Court on December 2, 2024, pleaded not guilty, and was granted bail of $10,000.00 with one surety. He was subject to strict restrictions, including stop notices at all ports of entry and had to surrender all travel documents. The trial is set for March 11, 2025.

Analysis of Case Study #3

132. Case Study #3, while centred on deception, offers insights into potential money laundering vulnerabilities associated with motor vehicle sales, particularly when viewed through the possibility of how illicit funds might be moved or disguised. Several potential vulnerabilities are highlighted as follows:

133. 1. Use of Intermediaries and Third-Party Transactions:

- The businessman acted as an intermediary, ostensibly to purchase a vehicle on behalf of the athlete. This creates a layer between the funds and the final asset. Money launderers often use intermediaries to obscure the true beneficial owner of funds or assets.[67]
- While the case focuses on deception, in a money laundering scenario, the businessman could have received illicit funds from a third party and used the athlete's name or a similar deceptive tactic to make the purchase appear legitimate. The lack of actual transfer to BE FORWARD in this case is due to the deception, but in a laundering scheme, the funds could have been transferred, making it seem like a genuine transaction initiated by the athlete.

134. 2. Exploitation of Trust and Professional Relationships:

- The businessman exploited a professional relationship with the athlete. Money launderers often leverage trust-based relationships to facilitate the movement of illicit funds. This could involve family members, friends, or business associates.
- In a laundering context, the athlete might have been wittingly or unwittingly involved. For instance, they could have allowed their name to be used for the purchase with funds provided by the businessman (the launderer), perhaps with a future benefit promised.

135. 3. Cross-Border Transactions and Online Platforms:

- The intention to purchase a vehicle from "BE FORWARD," a known platform for importing used Japanese vehicles, introduces a cross-border element. International transactions can be more complex to track and monitor for illicit activities.

[67] https://www.lawsociety.org.uk/topics/anti-money-laundering/money-laundering-warning-signs

- Online platforms facilitate transactions across borders, potentially offering more anonymity and making it harder for authorities in one jurisdiction to trace or fully scrutinise the origin of funds or the identity of the ultimate beneficiary.

136. 4. Potential for Misappropriation of Funds:

- While the offence committed was deception, the scenario illustrates how funds intended for a specific purchase (a vehicle) could be diverted. In a money laundering context, this could involve using illicit funds under the guise of a legitimate purchase but then diverting a portion back to the launderer or using the transaction as a cover for other illicit activities.

137. This specific case study does not directly describe a completed money laundering act related to vehicle sales. The focus is on the deception involved in obtaining the funds. However, it does highlight vulnerabilities that money launderers could potentially exploit within the context of vehicle purchases:

- Using intermediaries to distance themselves from the transaction.
- Leveraging trusted relationships to facilitate transactions.
- Utilising cross-border transactions and online platforms for added complexity and potential anonymity.

138. The case studies provide valuable insights into how the process of purchasing vehicles, especially through intermediaries and international platforms, could be misused for money laundering purposes. It underscores the need for due diligence not only by financial institutions but also by non-traditional DNFBPs involved in high-value transactions and a general awareness of how such transactions can be exploited.

139. After analysing the three case studies, a clear pattern of money laundering vulnerabilities within and related to the motor vehicle sales sector emerges, albeit through different perspectives. Case Study #1 provided insights into how motor vehicle purchases, often involving significant sums and potentially conducted by nominees or related parties, can be intertwined with other suspicious financial activities, including real estate transactions and international money transfers, suggesting a broader money laundering scheme where vehicles serve as one component. Case Study #2 starkly illustrated the direct vulnerability of dealerships to large, suspicious cash transactions, particularly involving foreign currency and known high-risk individuals, compounded by a lack of CDD and

suspicious transactions reporting. Finally, Case Study #3, while centred on the criminal offence of deception, indirectly highlighted how the motor vehicle sales process, especially through intermediaries and cross-border online platforms, could be exploited to obscure the movement of illicit funds and the identities of those involved.

140. Collectively, these scenarios underscore that the motor vehicle sales sector, encompassing both direct dealer interactions and broader acquisition processes, presents several key money laundering vulnerabilities[68]. These include the attractiveness of high-value assets for integrating illicit funds, the potential for anonymity in cash transactions or through the use of intermediaries, the complexities introduced by cross-border transactions and online platforms, and the risk of insufficient CDD or a lack of AML/CFT compliance by the non-traditional DNFBPs providing vehicle sales services. The interconnectedness of suspicious activities across different sectors, as seen in Case Study #1, further emphasises the need for a holistic and multi-faceted approach to AML/CFT efforts that extends beyond traditional financial institutions to encompass non-traditional DNFBPs.

[68] https://blog.kycafrica.ncino.com/motor-vehicle-dealers-and-their-inherent-money-laundering-risks

CHAPTER 6

CONSIDERATIONS FOR A NON-TRADITIONAL DNFBP STRATEGY

141. The Secretariat held a stakeholder consultation meeting on April 11, 2025, to discuss the Executive Summary and Key Findings of the draft report on money laundering vulnerabilities within the financial arrangements of non-traditional DNFBPs. The meeting was attended by 47 participants, including experts from the June 2024 panel, a subset of non-traditional DNFBPs from the motor vehicle sales sector that completed the questionnaires, as well as supervisors and representatives from the FIUs.

142. During the meeting, participants collaboratively reviewed and refined potential strategic directions. Through their discussions, four key considerations emerged as crucial for developing an effective strategy to mitigate the identified risks. These strategies, reflecting a consensus among diverse stakeholders, are outlined below and provide a comprehensive framework for enhancing AML/CFT measures within this sector.

a) To effectively supervise non-traditional DNFBPs using a risk-based approach, it is essential to conduct thorough risk assessments of these sectors. This assessment will help justify the allocation of supervisory resources and efforts toward sectors and individual entities identified as having higher vulnerabilities to money laundering. Following this, tailored supervisory plans that specifically address the vulnerabilities uncovered during the assessment process could be developed.

b) Enhanced oversight and tailored regulatory frameworks for non-traditional DNFBPs can address their unique vulnerabilities and operational characteristics. Supervisory bodies could issue specific guidance on CDD measures for non-traditional DNFBPs, addressing dealer financing, hire-purchase transactions, and multiple payment channels and transactions involving anonymous buyers or intermediaries and those utilising offshore or foreign accounts. This guidance would clarify due diligence requirements based on risk assessments, ensuring effective implementation of CDD obligations.

c) Ongoing training and awareness programs for professionals in the non-traditional DNFBPs sector, along with regular sector reviews to identify emerging vulnerabilities, can improve their understanding of potential risks, their obligations under AML/CFT legislation, and best practices for identifying and reporting suspicious activities. This effort may involve collaboration with relevant professional organisations and could include specialised training modules.

d) Jurisdictions could formalise and strengthen mechanisms for information sharing and collaboration between non-traditional DNFBPs, supervisors, and law enforcement agencies, such as the FIU, other competent authorities and relevant public authorities. This could involve conducting joint awareness campaigns and facilitating regular dialogues to enhance mutual understanding of vulnerabilities, risks and typologies.

CHAPTER 7

Conclusion

143. In conclusion, the financial arrangements of non-traditional DNFBPs exhibit significant money laundering vulnerabilities arising from a combination of factors. The predominance of naturally high-value transactions (>10,000), especially when combined with multiple payment methods, such as bank transfers, cash, and credit/debit cards, can create complex, layered transactions that can obscure the true origin of funds. Although existing standard customer due diligence procedures are in place, gaps remain in detecting and reporting suspicious activity, as evidenced by auto dealers acknowledging the risk of large cash transactions while never filing STRs. Finally, while conventional AML/CFT measures are effective against known vulnerabilities, they may not fully address the nuances of multi-channel transactions and sector-specific risks.

APPENDICES

APPENDIX A - Survey

In this questionnaire, non-traditional DNFBPs are described as activities and businesses subject to AML/CFT supervisory and preventative measures but not included in the Financial Action Task Force's six (6) categories of DNFBPs.

*Indicates a required question

1. **Email***

____

Section 2

2. **Jurisdiction***

   Please select one

   - Anguilla
   - Antigua and Barbuda
   - Aruba
   - The Bahamas
   - Barbados
   - Belize
   - Bermuda
   - Cayman Islands
   - Curacao
   - Dominica
   - Grenada
   - Guyana
   - Haiti
   - Jamaica
   - Montserrat

- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Sint Maarten
- Suriname
- Trinidad and Tobago
- Turks and Caicos Islands
- Venezuela
- Virgin Islands

3. **Business type and financing terms: ***

Please select one

☐ New car sales

☐ Imported used car sales

☐ Art sales

☐ Boat sales

☐ High-end furniture

☐ Other, please state ____

4. **Business size ***

Please select one

☐ Micro (less than 10 employees)

☐ Small (10 – 50 employees)

☐ Medium (51-250 employees

☐ Large (251+ employees)

5. **Geographic scope of operations** *(check all that apply)* *

☐ Local

☐ Regional

☐ International

6. **Methods of financing available to customers** *(check all that apply)* *

☐ Bank loan

☐ Credit union loan

☐ Dealer financing

☐ Leasing

☐ Hire purchase

☐ Self-financed

7. **What methods of payment are commonly used by your customers?** *(check all that apply)* *

☐ Cash

☐ Credit/Debit cards

☐ Bank transfers

☐ Virtual assets (cryptocurrency)

☐ Other

8. **Do you require evidence of source of funding from your clients? ***

Please select one

Yes ☐

No ☐

9. **If yes, what are the MAIN supporting documents you request?**

____

____

Section 3

10. **Are there any methods of financing that could be exploited for money laundering in your entity? (e.g. unusually short loan duration or frequent refinancing) ***

Please select one

☐ Yes

☐ No

11. **How often do customers vary their terms of repayment including making early repayments or paying off loans significantly ahead of schedule, without clear financial reasons? ***

Please select one

☐ Not applicable

☐ Frequently

☐ Occasionally

☐ Rarely

☐ Never

12. **How are red flags for money laundering, such as rapid loan repayment or early settlement of loans detected?** *(check all that apply)**

☐ Not applicable

☐ Automated system

☐ Real-time monitoring of payment activity

☐ Regular Reconciliation of Account

☐ Credit bureau updates

☐ Pre-payment penalty monitoring

☐ Manual auditing

13. **Have customers ever requested methods of financing that don't align with their financial profile or business operations? ***

Please select one

☐ Yes

☐ No

Section 4

14. **Is your entity subject to the anti-money laundering legislation of your country? ***

Please select one

Yes ☐

No ☐

15. **Is your entity required to be licensed or registered with the supervisory authority in your jurisdiction? ***

Please select one

Yes ☐

No ☐

16. **What specific vehicle types/high-value goods that are more frequently financed that you believe are most vulnerable to money laundering?** *(check all that apply)**

☐ None

☐ Luxury vehicles

☐ Arts and Antiques

☐ Boats

☐ High-end furniture

☐ Other (please specify) ____________________

17. **In your view, what are the primary money laundering risks associated with motor vehicle sales/high-value items in your industry?** *(check all that apply)**

☐ Large cash transactions

☐ Complex financing arrangements (e.g., third-party loans, leasing)

☐ Use of offshore or foreign accounts

☐ Use of anonymous buyers or intermediaries

☐ Other (please specify) ____

18. **Have you encountered instances where you suspected the use of illicit funds in a transaction?***

Please select one

☐ Yes

☐ No

19. **If yes, please describe the situation and how it was addressed**

____

20. **If you encountered instances where you suspected the use of illicit funds in a transaction, what steps did you take to reduce vulnerabilities associated with high-value goods and vehicles?** *(check all that apply)*

☐ Conducting enhanced due diligence for high-value customers

☐ Limiting the amount of cash accepted for purchases

☐ Ensuring transparent payment methods

☐ Regular auditing of financial records and transactions

☐ Others (please describe) ________________________________

21. **Are transactions involving rare or expensive vehicles/high-value items subject to heightened due diligence? ***

Please select one

☐ Yes

☐ No

22. **Do you face any challenges conducting heightened due diligence? ***

Please select one

☐ Yes

☐ No

23. **If yes, what challenges have you encountered?** *(check all that apply)*

☐ Difficulty verifying customers' source of funds

☐ Difficulty verifying customers' residential address

☐ Issues with documents provided by the customer

☐ (Please add as required)

☐ (Please add as required)

Section 5

24. **Have you observed any patterns that indicate criminals might be exploiting vulnerabilities in your sector? ***

Please select one

☐ Yes

☐ No

25. **If yes, were any of the following involved?** *(check all that apply)*

☐ A high volume of cash transactions from individuals or entities

☐ Complex financing arrangements (e.g., third-party loans, leasing)

☐ Use of offshore or foreign accounts

☐ Use of anonymous buyers or intermediaries

☐ Sudden, large, and uncharacteristic purchases by new clients

☐ Other (please specify) ___________________________________

26. **Have you had to take any measures to reduce your vulnerability associated with high-value goods and vehicles? ***

Please select one

☐ Yes

☐ No

27. **If yes, what steps did you take to reduce vulnerabilities associated with high-value goods and vehicles?** *(check all that apply)*

☐ Conducting enhanced due diligence for high-value customers

☐ Limiting the amount of cash accepted for purchases

☐ Ensuring transparent payment methods

☐ Regular auditing of financial records and transactions

☐ Others, please describe________________________________

28. **Have you observed any trends in the types of customers or transactions that seem more prone to exploitation for illicit purposes? ***

Please select one

☐ Yes

☐ No

29. **If yes, what types of trends (e.g., geographic locations, client profiles)?**

____

____

30. **How do criminals typically attempt to conceal the source of illicit funds in your industry?**

*(check all that apply)**

☐ Not applicable

☐ Use of third-party payments

☐ Complex financing arrangements (e.g., third-party loans, leasing)

☐ Use of offshore or foreign accounts

☐ Use of anonymous buyers or intermediaries

☐ Structuring transactions just below reporting thresholds

Other (please specify) _______________________________+

31. **What procedures do you have in place to detect and prevent money laundering in your business? *** *(check all that apply)*

☐ None

☐ Customer due diligence (CDD) or Know Your Customer (KYC) processes

☐ Limits on cash transactions

☐ Regular staff training on AML/CFT regulations

☐ Limits on cash transactions

Other (please specify) ____

32. **What additional tools or measures would help you mitigate money laundering risks more effectively?** *(check all that apply)**

☐ Better access to customer due diligence software

☐ Improved guidance from regulators

☐ Industry-specific training on AML

☐ Enhanced collaboration with financial institutions

☐ Enhanced collaboration between law enforcement and businesses

☐ Other, please specify__________________

33. **Are there any other issues, trends, or concerns related to money laundering in your sector that have not been addressed in this questionnaire? ***

Please select one

☐ Yes

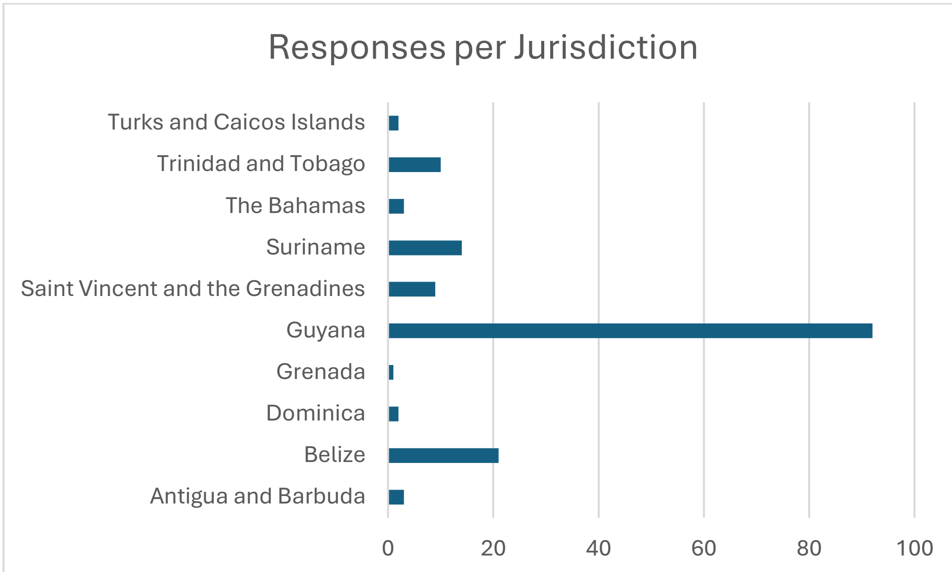
☐ No

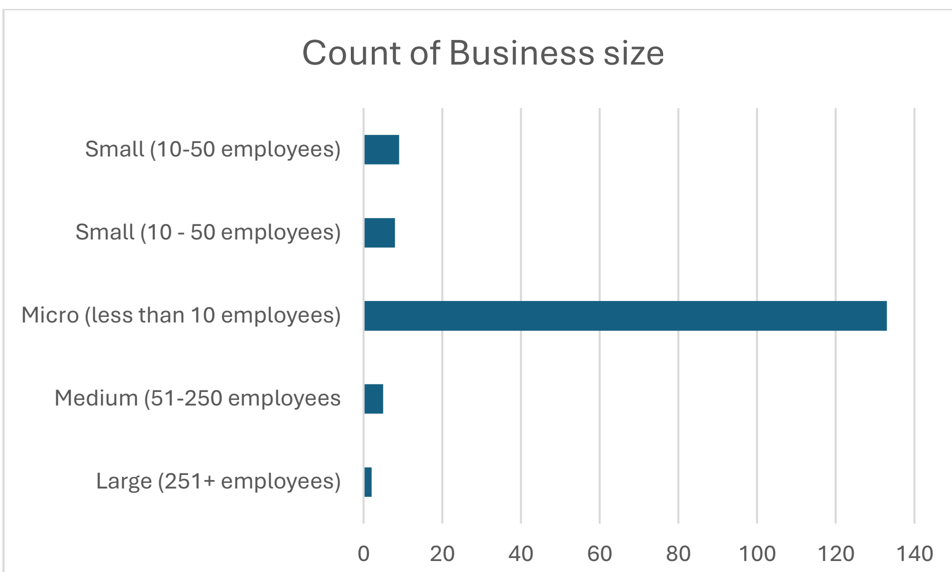
34. **If yes, (please specify)**

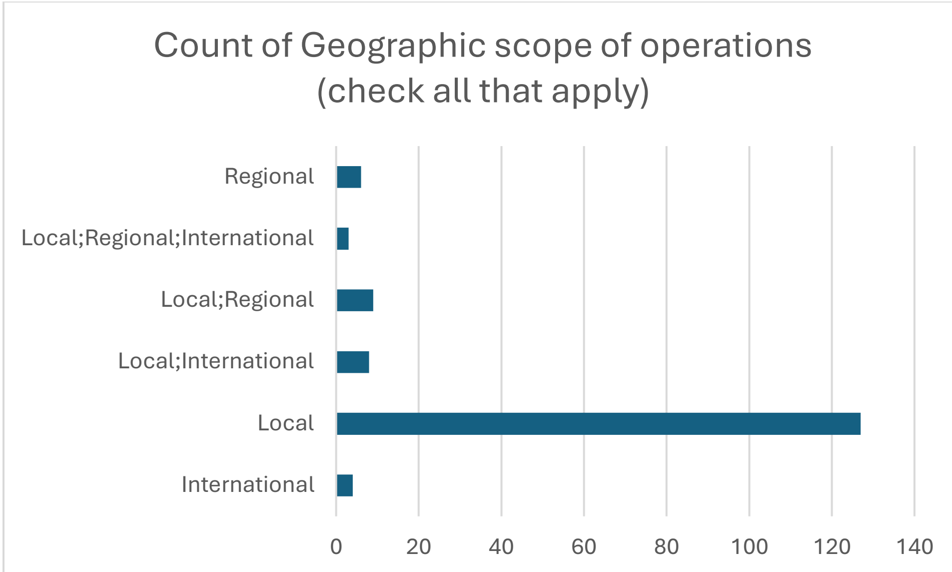
____

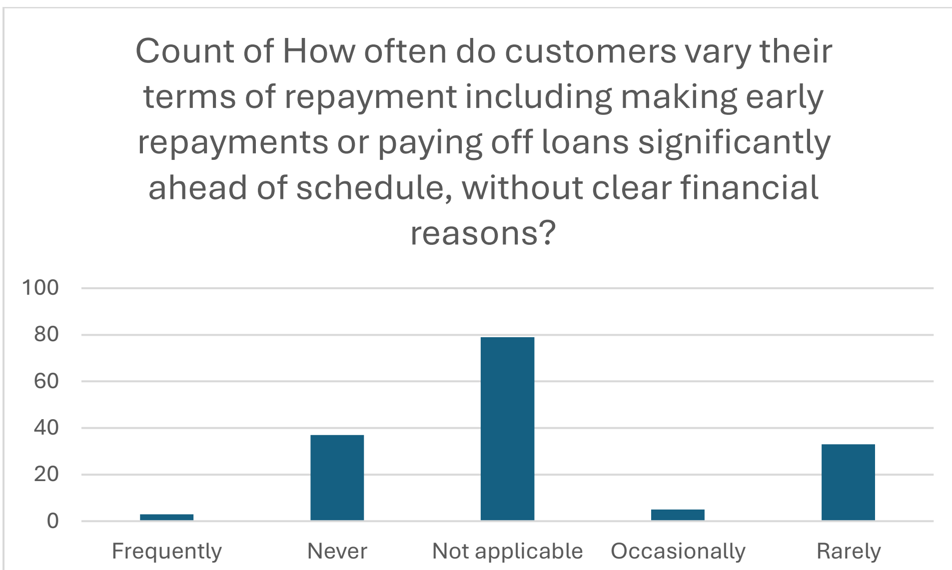
____

APPENDIX B - Results of the Analysis

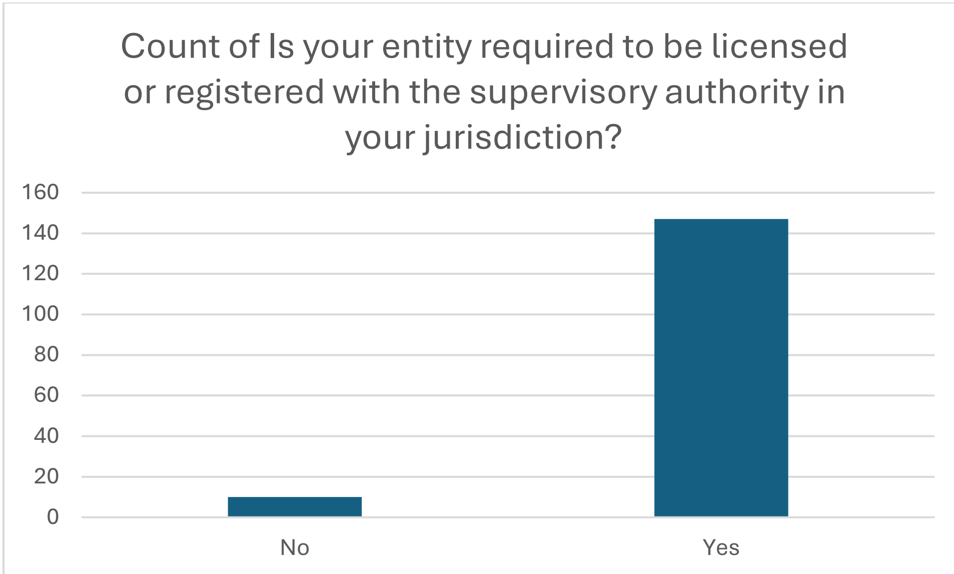


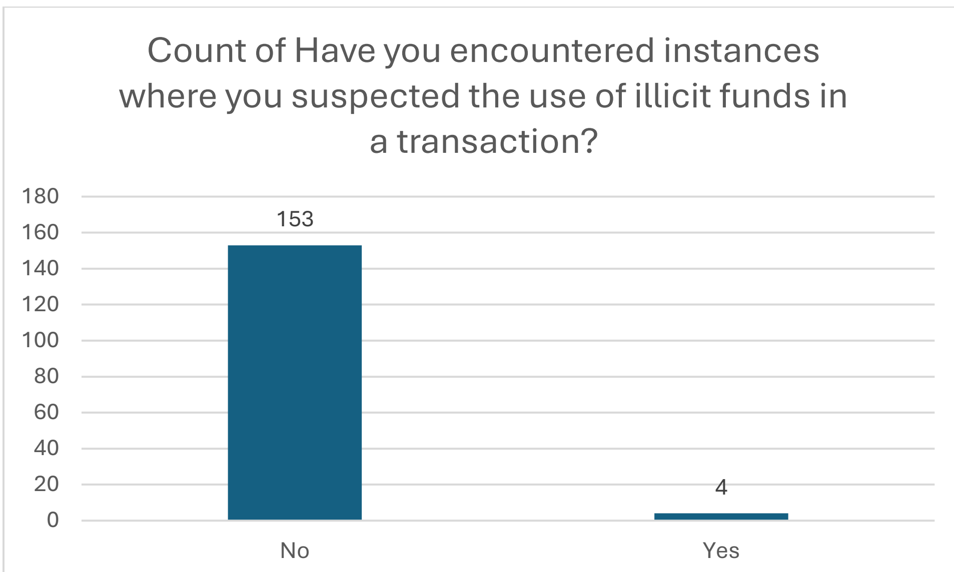


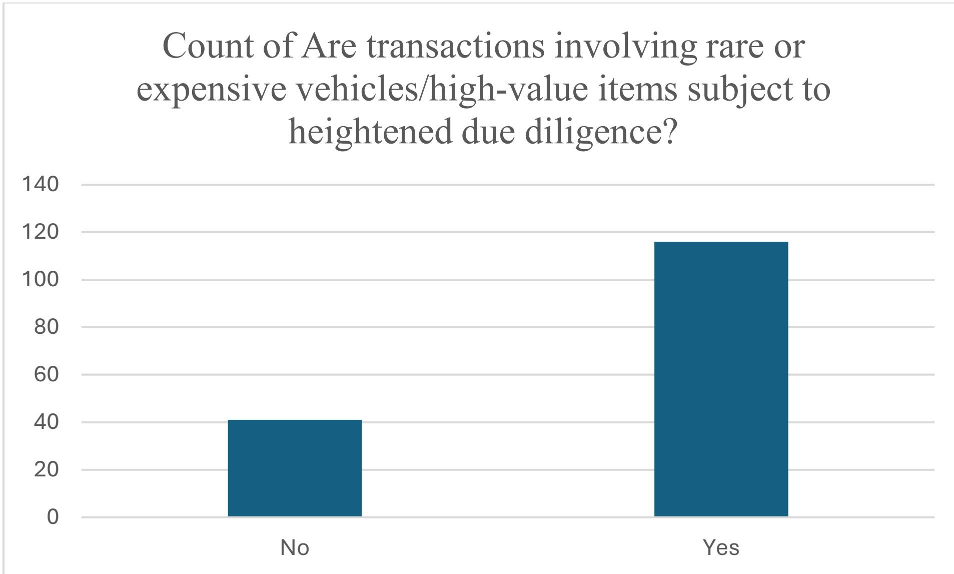


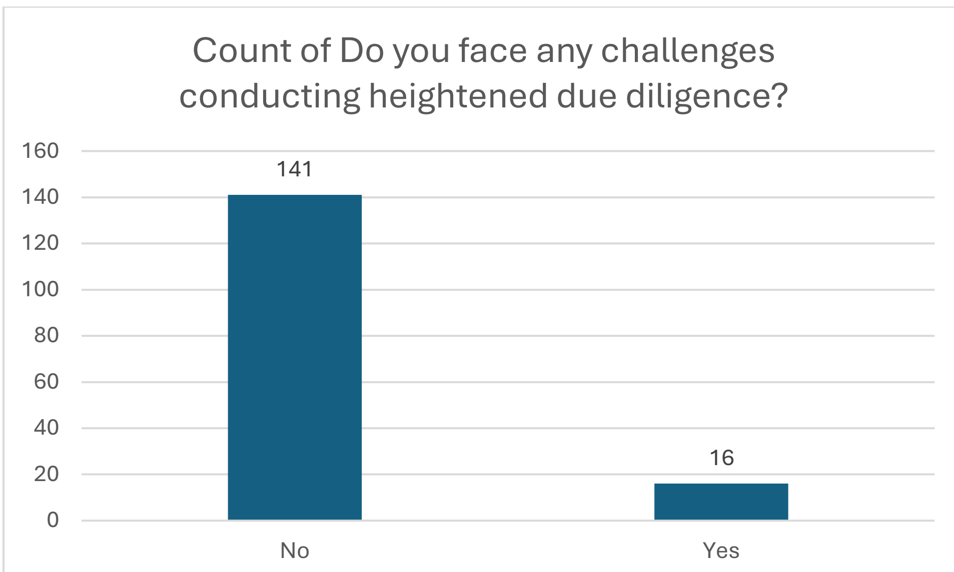


The boy jumped over the fence.

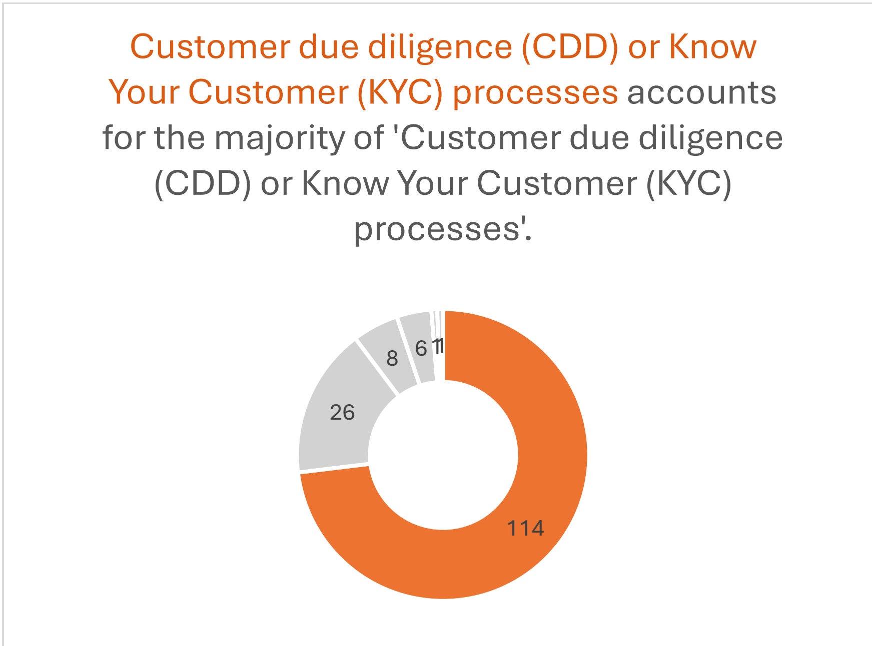

Count of Is your entity required to be licensed or registered with the supervisory authority in your jurisdiction?
160
140
120
100
80
60
40
20
0
No
Yes

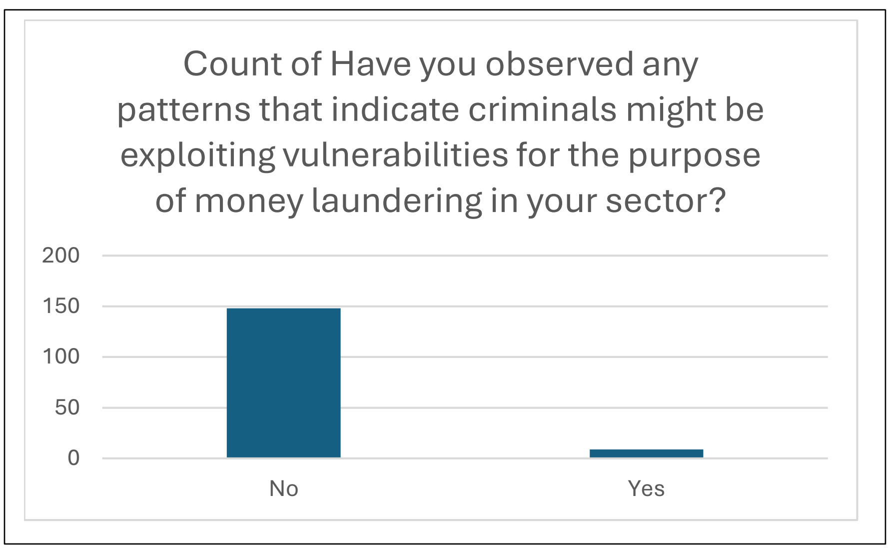

Count of Have you encountered instances where you suspected the use of illicit funds in a transaction?
180
160
140
120
100
80
60
40
20
0
153
4
No
Yes

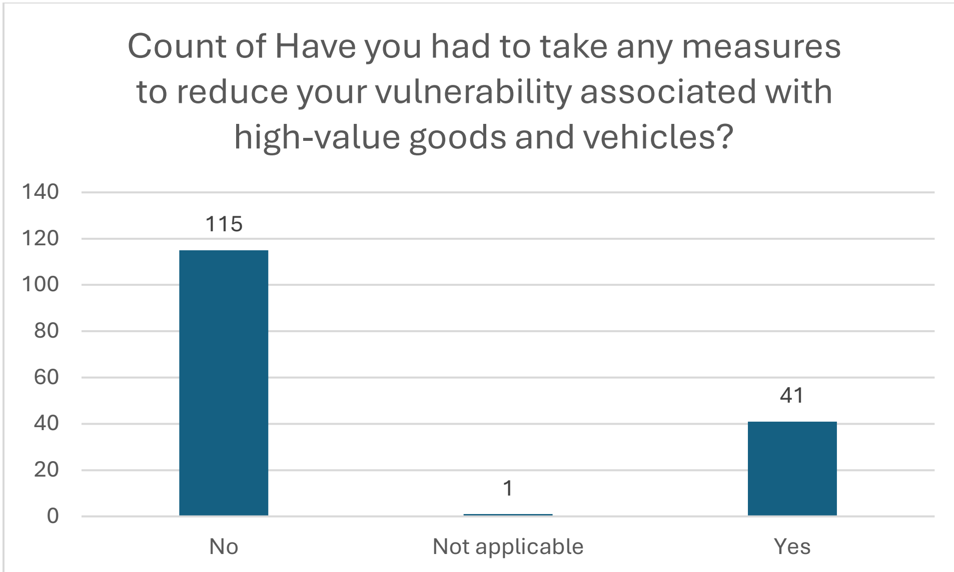

Count of Are transactions involving rare or expensive vehicles/high-value items subject to heightened due diligence?
140
120
100
80
60
40
20
0
No
Yes

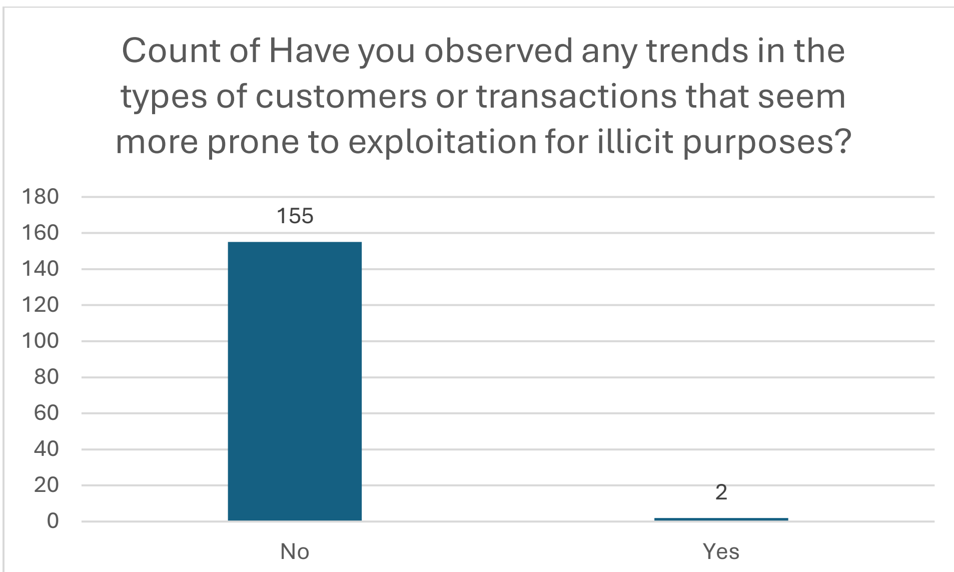

Count of Do you face any challenges conducting heightened due diligence?
160
140
120
100
80
60
40
20
0
141
16
No
Yes

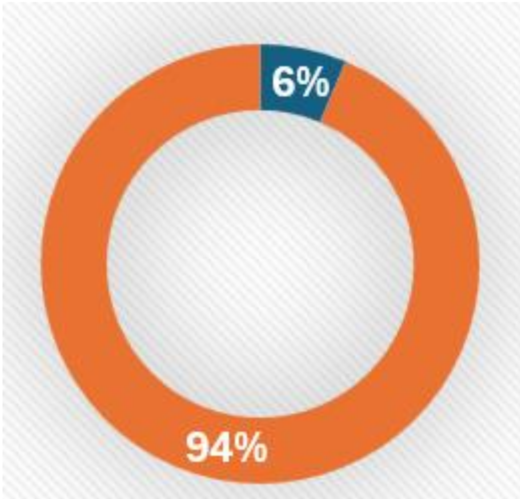
What procedures do you have in place to detect and prevent money laundering in your business? (check all that apply)

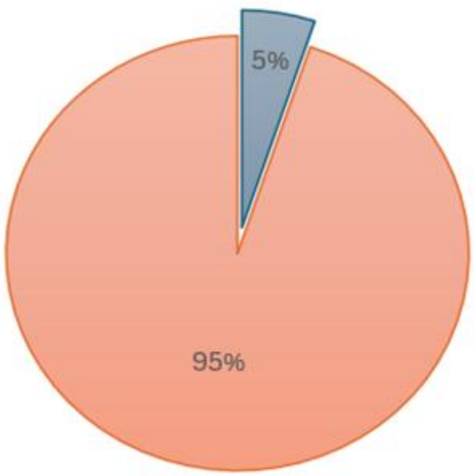




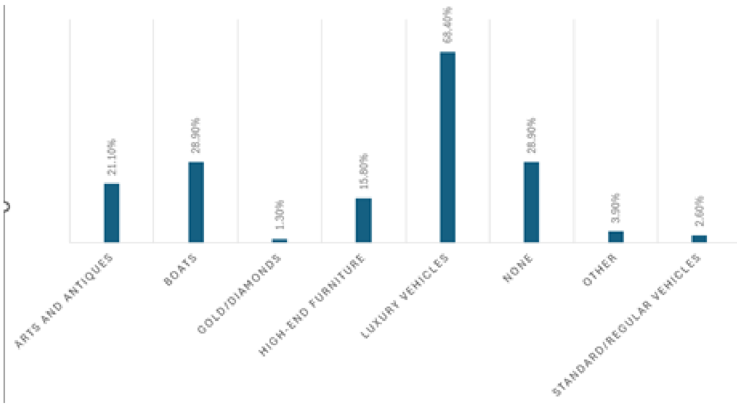

Count of Have you had to take any measures to reduce your vulnerability associated with high-value goods and vehicles?
140
120
100
80
60
40
20
0
115
1
41
No
Not applicable
Yes


Count of Have you observed any trends in the types of customers or transactions that seem more prone to exploitation for illicit purposes?
180
160
140
120
100
80
60
40
20
0
155
2
No
Yes

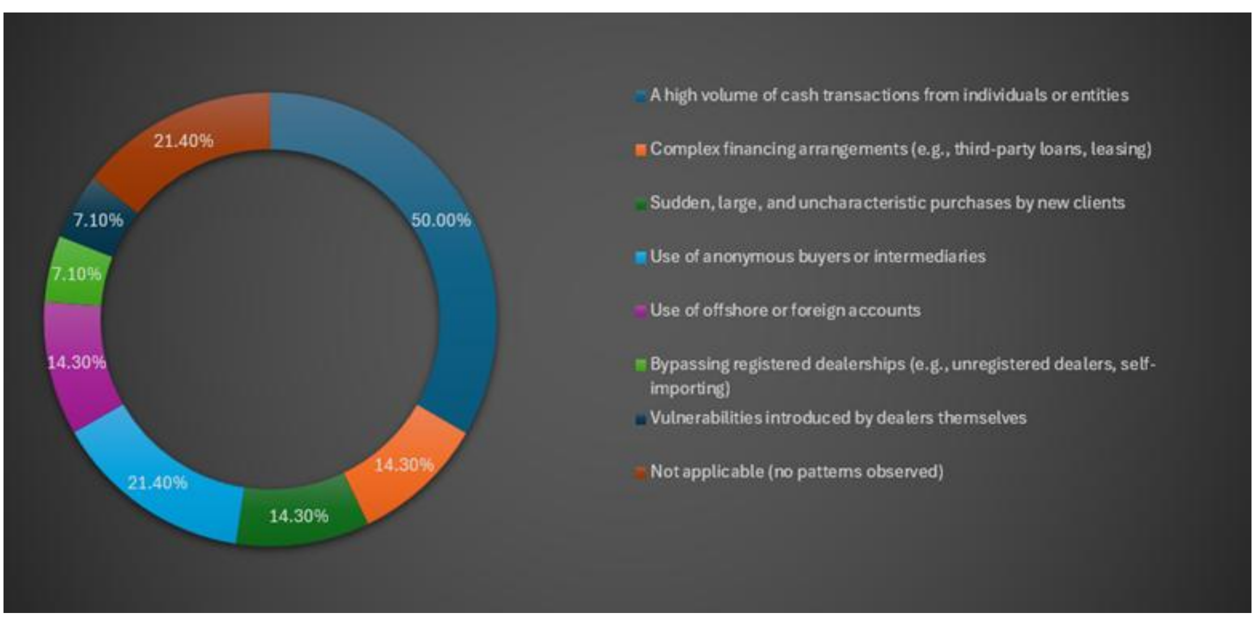


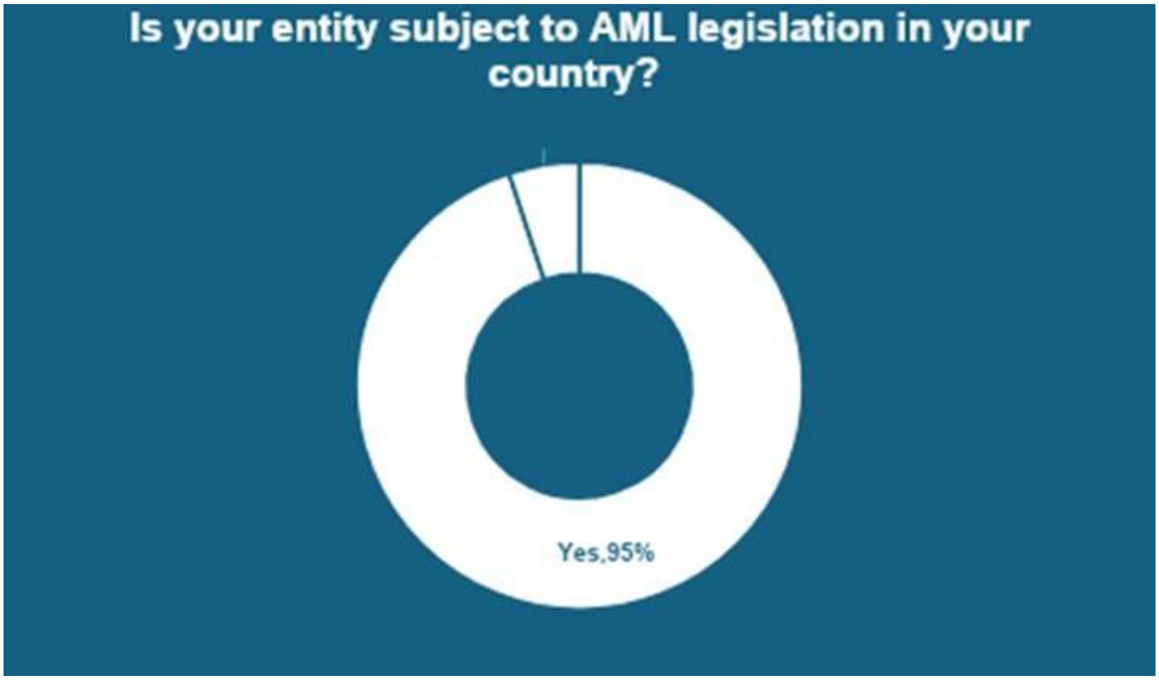


Risk Factors	Frequency	Percentage
Large cash transactions	**92**	**90.20%**
Use of anonymous buyers or intermediaries	**64**	**62.70%**
Use of offshore or foreign accounts	**60**	**58.80%**
Complex financing arrangements	**56**	**54.90%**
Other (e.g., non-compliance, not sure, none)	**6**	**5.90%**

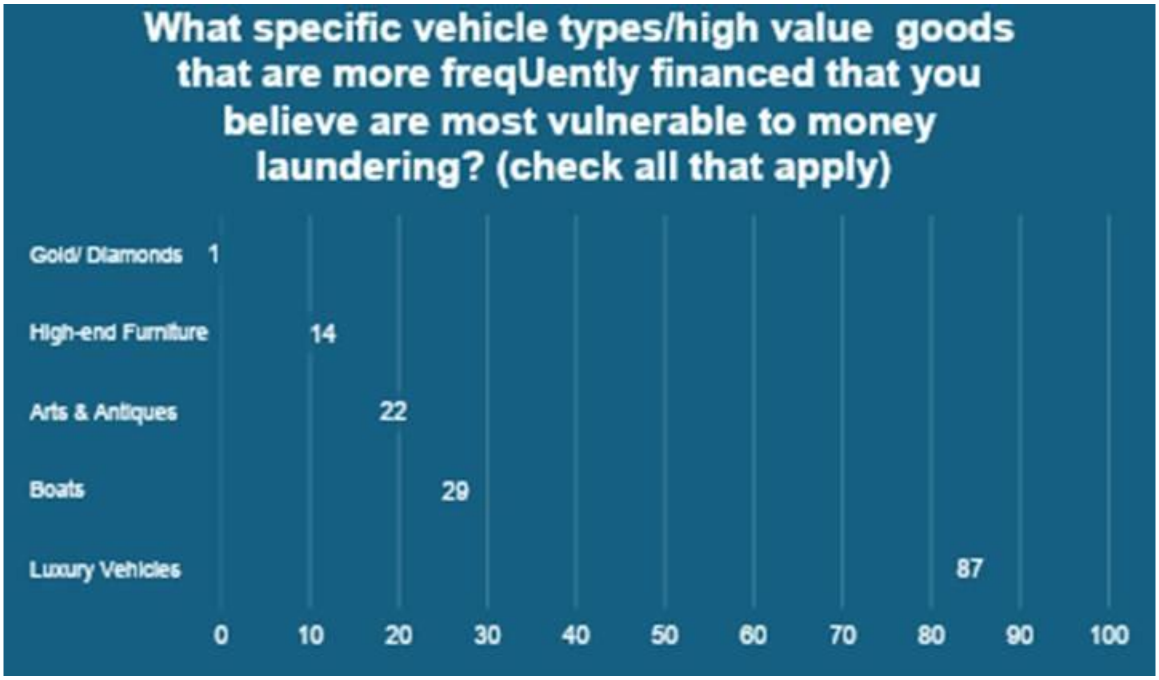


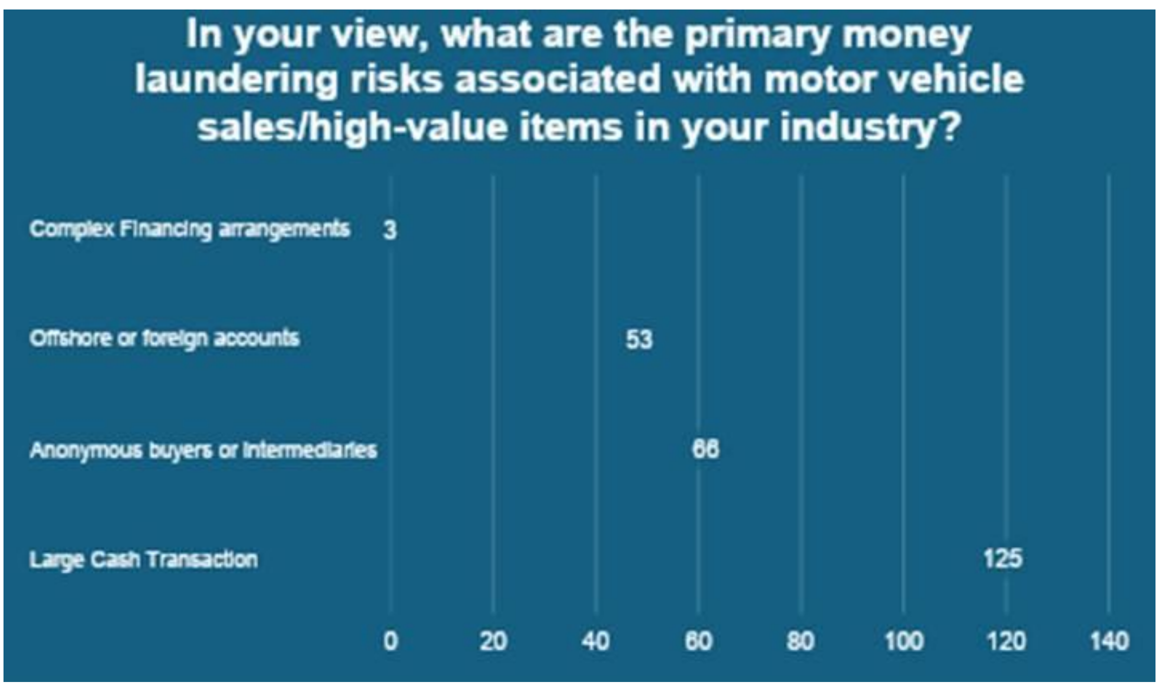
Challenge	Frequency	Percentage
Difficulty verifying customers' source of funds	15	50.00%
Difficulty verifying customers' residential address	10	33.30%
Issues with documents provided by the customer	8	26.70%
Customer reluctance or pushback	5	16.70%
Difficulty receiving customer information	2	6.70%
Issues getting information from local authorities	1	3.30%
Not applicable (no challenges encountered)	4	13.30%

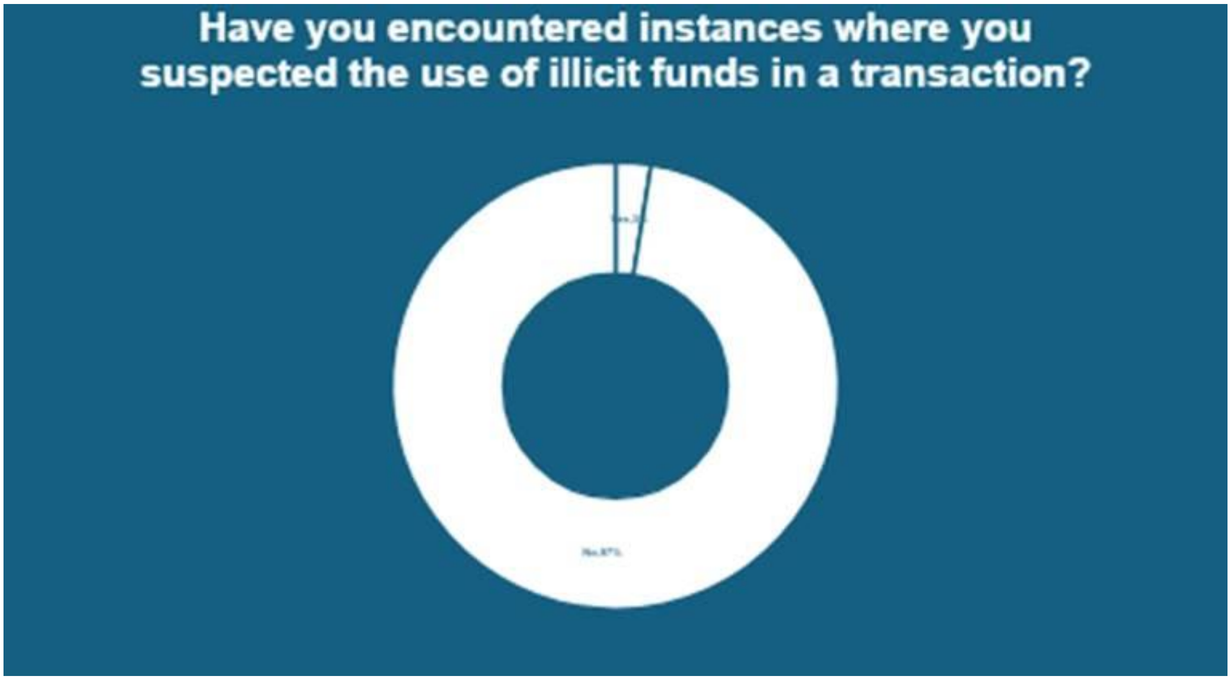



Is your entity subject to AML legislation in your country?
Yes,95%

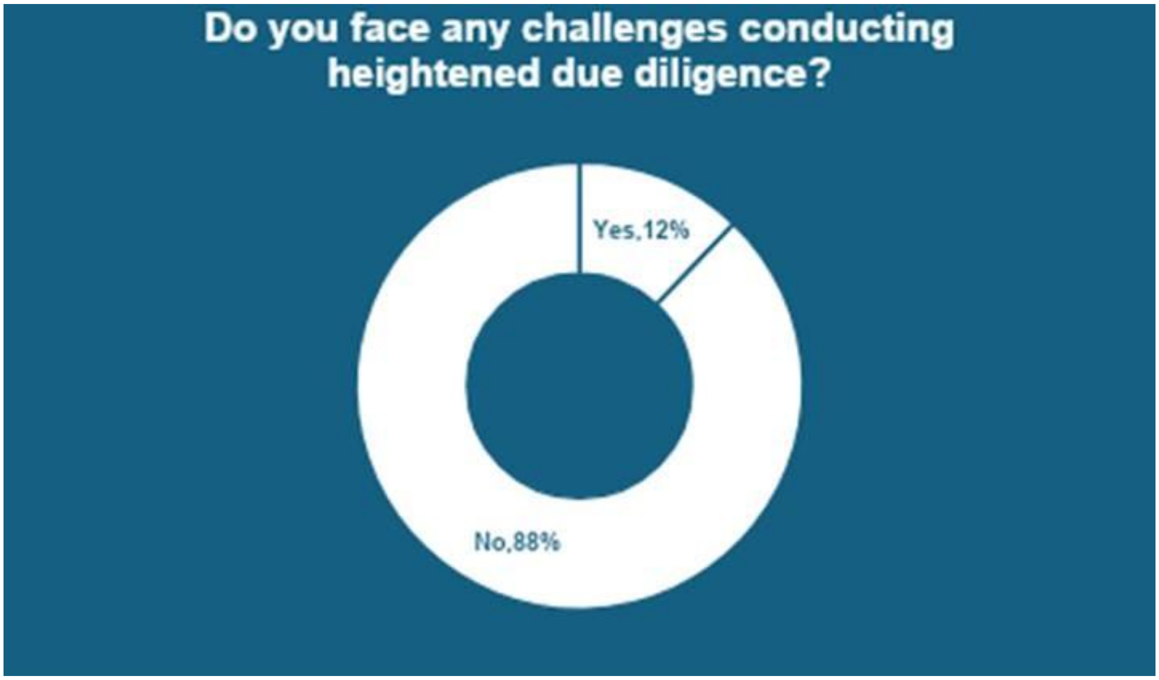

Is your entity required to be licensed or registered with the supervisory authority in your jurisdiction?
No,6%
Yes,94%


What specific vehicle types/high value goods that are more freqUently financed that you believe are most vulnerable to money laundering? (check all that apply)
Gold/ Diamonds
1
High-end Furniture
14
Arts & Antiques
22
Boats
29
Luxury Vehicles
87
0
10
20
30
40
50
60
70
80
90
100


In your view, what are the primary money laundering risks associated with motor vehicle sales/high-value items in your industry?
Complex Financing arrangements
3
Offshore or foreign accounts
53
Anonymous buyers or intermediaries
66
Large Cash Transaction
125
0
20
40
60
80
100
120
140


Have you encountered instances where you suspected the use of illicit funds in a transaction?


Are transactions involving rare or expensive vehicles/high-value items subject to heightened due diligence?
No,26%
Yes,74%


Do you face any challenges conducting heightened due diligence?
Yes,12%
No,88%


What challenges have you encountered?
Issues with documents provided by the customer
Difficulty verifying customers' residential address
Difficulty verifying customers' source of funds
0
1
2
3
4
5
6
7
8
9