

The COVID-19 Pandemic: Money Laundering Implications for Jamaica

It is said that in every crisis there is opportunity. As such, one should never waste a good crisis. In as much as this is true of those engaged in honest enterprise, it is also true for those who are involved in enterprises which society through its laws, frown upon. Jamaica as a small open economy is vulnerable to money laundering and increasingly so during this period of global pandemic.

For those who may not be aware of what Money Laundering is, simply put, it is the use of the established financial system to wash the Proceeds of Crime. Proceeds of Crime meaning monies obtained through illegal means. If we revisit the premise of those who are involved in enterprises which society through its laws frown upon, they will include *fraudsters, extortionist, drug dealers* and those engaged in acts of *corruption* to name a few.

In the Jamaican context, we are not unfamiliar with the Lottery Scam which has been illicitly enriching many within our society and influencing the level of violence and criminality, particularly in the western end of the island. This serves as a prime example of fraud, perpetrated on unsuspecting and vulnerable individuals; for example, nationals of the United States such as Edna Schmeets of North Dakota. According to a Jamaica Gleaner article published November 22, 2019 entitled, “Jamaican lottery scam victim hoping to recover her US\$400K”, “A 90-year-old North Dakota woman who was robbed of her life savings by a Jamaican lottery scam says she has been paid back only US\$287 of the US\$400,000 she's owed.”

The Financial Action Task force (FATF) in its recent publication, COVID-19-related Money Laundering and Terrorist Financing, Risk and Policy Response, May 2020¹ list “Increased Fraud” among its evolving money laundering and terrorist financing risk. Other activities associated with fraud include impersonation, fraudulent fund raising for charities and counterfeiting. Against this background, it is likely that Jamaica will continue to be impacted by the lottery scam, and since fraudsters are not confined to a jurisdiction, Jamaicans should be increasingly vigilant to protect themselves and their financial assets against pilferage through activities such as Skimming. Jamaica's Major Organised Crime and Corruption Agency in a publication on its website dated July 3, 2019 cited that in 2016, Jamaica lost J\$12 Billion to Cybercrimes. It went on to further indicate “According to the 2018 Financial Stability Report published by the Bank of Jamaica, there were 62 counts of Internet banking fraud in Jamaica totalling J\$38.2 million in losses between January and September 2018.”²

The COVID-19 Pandemic has brought into sharp focus the benefits of the digital economy and has also escalated the adoption of digital platforms for business in this age of social/physical distancing and limitations on gathering in public places. In as much as businesses must adopt their platforms to meet the needs and demands of this period in history, fraudsters are also using this opportunity to adopt and increase their efforts digitally. The FATF publication earlier referenced speaks to the increased use of Ransomware by actors to gain and lock access to victim's devices. The Jamaica National Group, one of Jamaica's leading financial institutions was affected by a Ransomware on March 14, 2020, four days after the country recorded its first case of the COVID-19. According to a publication on the company's website, “Saturday, March 14, 2020, The Jamaica National Group experienced a data security breach as a result of a cyberattack on our systems through ransomware. On investigation, we discovered that there was unauthorised access to our system which has impacted our ability to operate as usual.”³

¹ <https://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>

² <https://moca.gov.jm/cyber-thieves-run-rampant-jamaica-suffering-billions-in-losses-from-online-crime/>

³ <https://www.jngroup.com/update/data-security-incident-full/>

If we continue to explore the issue of fraud with its money laundering implications, we can explore how this could be an issue for the Government of Jamaica as it implements its Covid-19 Allocation of Resources for Employees (CARE Program). The FATF in its publication exploring the COVID-19 money laundering and terrorist financing risk, raises the issue of the exploitation of stimulus measures. According to the FATF, "FATF and FSRB members report that a small proportion of economic support directed to businesses and individuals may present potential fraud risks, and consequent ML." We could say that this reality is further underscored by an article published in the Jamaica Gleaner Friday June 5, 2020, entitled "Christie Serves Notice – Integrity Commission CEO says Oversight Body will Monitor COVID-19 Spending." Of note, the Minister of Finance appears very cognizant of the potential for exploitation of the CARE Program and has invited Jamaica's Auditor General, Pamela Munroe Ellis to audit the program.

With fraud risk associated with government stimulus being a possibility, financial institutions through which such payments are channeled should ensure that their Know Your Customer programmes are strong, to mitigate the risk of facilitating money laundering. Whilst the risk profile of a customer and the product risk will determine the extent of the due diligence performed and monitoring required, accounts opened by financial institutions with reduced due diligence requirements still carry an inherent money laundering risk, which could manifest itself if stringent controls and monitoring is not in place to ensure that customers who use the opportunity to open such accounts, as provided by institutions such as First Global Bank (FGB), to facilitate the COVID-19 benefits from the Government of Jamaica, do not change the profile of the account by way of transactions which carry a higher risk of money laundering, and for which the account originally opened was not intended to accommodate such transactions.

Money Laundering traverses a three-stage process: Placement, where the illegitimate funds enter a financial institution; Layering, the converting of funds within the financial system to different asset classes; and Integration, the stage at which the money has been washed and enters the financial ecosystem through transactions appearing legitimate. In the context of COVID-19, where there may be a downturn in financing opportunities for businesses or for businessmen and women strapped for cash, the opportunity exists for illegitimate cash within the economy to find a foothold within legitimate businesses. This point is underscored by the FATF in highlighting the vulnerabilities of economic downturn where "criminals may seek to invest in real estate or troubled businesses to generate cash and mask illicit proceeds."

In closing, we would have looked at different ways in which fraud, leading to money laundering, could manifest itself in the Jamaican context as we navigate the COVID-19 pandemic. Financial institutions must therefore remain vigilant and their money laundering and counter terrorism financing programs be robust to mitigate their risk during this period, as the lottery scam continues to be an issue locally. Further, as the society increase its reliance on digital commerce, both financial institutions and consumers must remain aware of the risk of Cybercrime and the crippling effect it can have on an organization and personal finances. In this period when government spending is significantly increased in providing stimulus to Jamaicans negatively impacted by COVID-19 through job losses, the potential for exploiting the CARE program is a real concern which could bring the program into disrepute. With financial institutions innovating to meet the demands of customers and to open low risk accounts in support of the government's CARE program, they must implement stringent and robust controls to ensure these accounts do not graduate to higher risk transactions, without the commensurate due diligence, controls and monitoring. Finally, businesses in desperate need of financing should be keen on ensuring any financing they obtain are through legitimate and verifiable sources so as to mitigate the risk of being infiltrated by criminal proceeds.