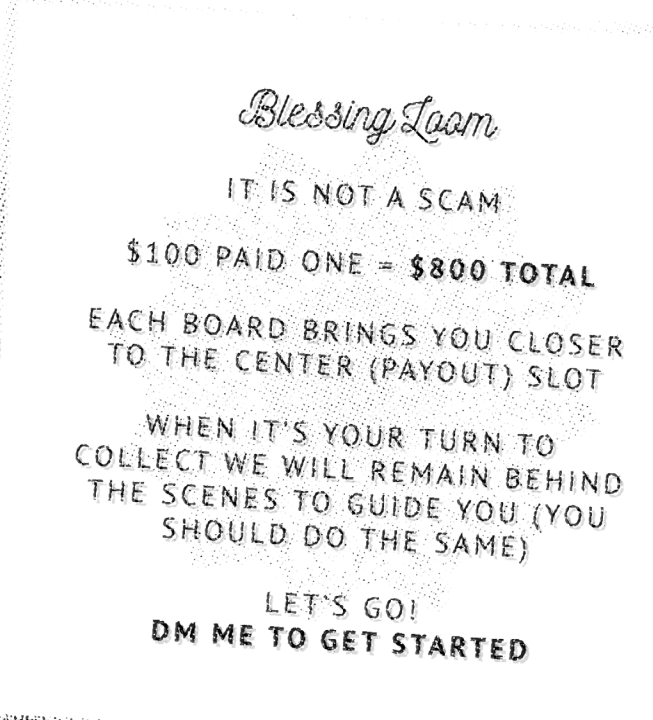
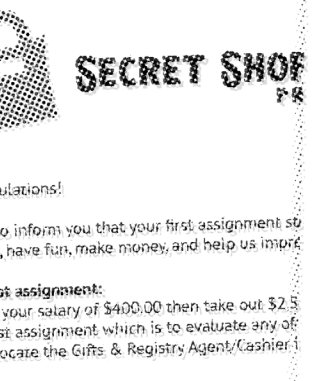
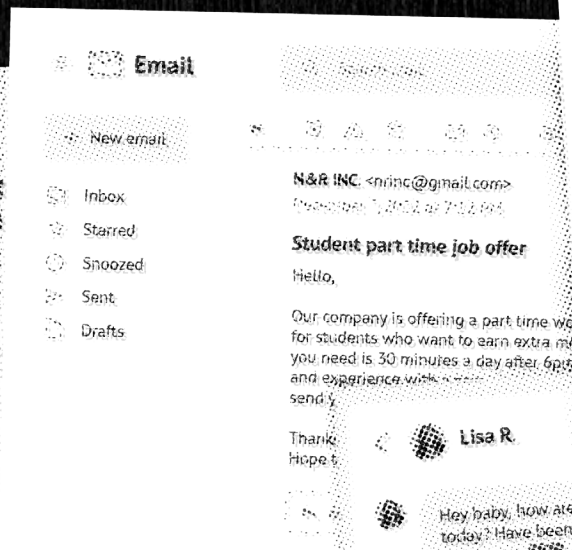
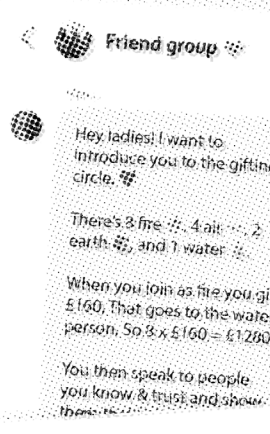


Financial Fraud in the Caribbean

Channing Mavrellis



have a total of Five (5) Walmart Gift Cards, and activate each card with denomination of \$500.00 - 5 x \$500.00 = \$2,500.00

(203) 452 - 3113
Someone who came in contact with you tested positive or has shown symptoms for COVID-19 and recommends you self-isolate and get tested immediately. More info at [covid19.cdc.gov](#)

As a precautionary measure against COVID-19 in cooperation with Medicare the government has established a new tax refund program for dealing with the coronavirus outbreak in its action plan. You are eligible to get a tax refund (rebate) of US\$128.34. Access your funds now at [www.irs.gov/efile](#)

the cards as it will be used

Mr. Charles Peter <ayomide@yahoo.com>
Dear Friend
I am so sorry for the delay, as it has been communicated last I want to inform you as soon as you requested it, is still

Lisa R.
Hey baby, how are you today? Have been thinking about you.

I can't baby, I have been so overwhelmed because my old grand-mother is in the hospital. She has brain cancer and my family can not pay the bills. We are heartbroken.

It would be amazing to send US\$160 for medical supplies. You can send it to this email baby: ou.jfond@hotmail.com. I love you endless

Due to some minor issue you fails to respond at the appropriate Time, and presently the cheque is with me here in Lagos, NIGERIA. Though I had a contact from a friend of mine who works with one security company here in Lagos that will deliver you your cheque at your door step with a cheap rate of only USD \$198.00. Contact them immediately ([09120011111](#)) to register with them and



Financial Fraud in the Caribbean

Channing Mavrellis

December 2022



GLOBAL FINANCIAL INTEGRITY

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Many thanks as well to Julia Yansura and Tom Cardamone for their technical assistance and editing. Special thanks to the rest of our GFI colleagues who collaborated on the report as well as the team at Visual Teaching Technologies.

Table of Contents

Glossary of Terms, Abbreviations and Acronyms	v
Introduction	1
Overview of Fraud Types	2
Caribbean Trends	5
<i>Overview</i>	<i>5</i>
<i>The Impact of COVID-19</i>	<i>11</i>
<i>Actors and Facilitators</i>	<i>12</i>
<i>Contact Channels</i>	<i>15</i>
<i>Financial Channels and Financial Scale</i>	<i>16</i>
<i>Current Policy Responses</i>	<i>18</i>
<i>Current Enforcement</i>	<i>19</i>
<i>Current Initiatives</i>	<i>20</i>
Country Case Studies	21
<i>Antigua and Barbuda</i>	<i>21</i>
<i>Barbados</i>	<i>24</i>
<i>Belize</i>	<i>27</i>
<i>Jamaica</i>	<i>29</i>
<i>Trinidad and Tobago</i>	<i>34</i>
Effectiveness	38
Recommendations	45
Bibliography	47

Glossary of Terms, Abbreviations, and Acronyms

Abbreviation **Term**

AIBL	Atlantic International Bank Limited (Belize)
AML/CFT	Anti-money laundering/counter financing of terrorism
BFTC	Fair Trading Commission (Barbados)
BMPE	Black market peso exchange
BO	Beneficial ownership
BVI	British Virgin Islands
CARICOM	Caribbean Community
CBI	Citizenship by investment
CBR	Correspondent banking relationship
CD	Certificate of deposit
CFATF	Caribbean Financial Action Task Force
CIJN	Caribbean Investigative Journalism Network
CPA	Consumer Protection Act (Barbados)
DNFBP	Designated non-financial business and profession
“Draw”	A sou-sou participant’s one-time payout during the set period
DSS	Drugs Sou Sou
ECSRC	Eastern Caribbean Securities Regulatory Commission
FATF	Financial Action Task Force
FID	Financial Intelligence Division (Jamaica)
FIU	Financial intelligence unit
FIUTT	Financial Intelligence Unit of Trinidad and Tobago
Forex	Foreign exchange
FSC	Financial Services Commission (various countries)
FSRC	Financial Services Regulatory Commission (Antigua and Barbuda)
FTC	Federal Trade Commission (United States)
GFI	Global Financial Integrity
“Hand”	A sou-sou participant’s regular payment to the money pool during the set period

IFF	Illicit financial flow
MER	Mutual evaluation report
MLAT	Mutual legal assistance treaty
MOCA	Major Organized Crime & Anti-Corruption Agency (Jamaica)
MOU	Memorandum of understanding
MSB	Money service business
NRA	National risk assessment
ONDCP	Office of National Drug and Money Laundering Control Policy (Antigua and Barbuda)
PEP	Politically exposed person
POCA	Proceeds of Crime Act (various countries)
Project JOLT	Project Jamaican Operations Linked to Telemarketing, a Jamaica-U.S. task force
RBPF	Royal Barbados Police Force
RDA	Registration of Deeds Act (Trinidad and Tobago)
SAR or STR	Suspicious activity report or suspicious transaction report
SEC	Securities and Exchange Commission (United States)
SIBL	Stanford International Bank Limited (Antigua and Barbuda)
SBE	Sanctuary Belize Enterprise
“Sou-sou”	Informal community savings practice
TBML	Trade-based money laundering
TTPS	Trinidad and Tobago Police Service
UN	United Nations
UK	United Kingdom
U.S.	United States
UWO	Unexplained wealth order
VA	Virtual asset
VASP	Virtual asset service provider

Introduction

Law enforcement agencies in the Caribbean have reported an uptick in financial crimes, including fraud schemes, in recent years. Fraud, like other crimes, is a continuously evolving phenomenon that reacts to local, regional, and/or international developments. It thrives during bad times—pandemics, financial crises, and natural disasters. As individuals' resources become limited, they prey on those who are desperate to find any source of income. Fraud occurs “when a person or business intentionally deceives another with promises of goods, services, or financial benefits that do not exist, were never intended to be provided, or were misrepresented.”¹ Financial fraud specifically refers to deception involving financial transactions. It is a very broad category of crime that includes a variety of scams and schemes.

In the Caribbean, the issue of drug trafficking has featured prominently due to its serious security impacts, significant illicit financial flows (IFFs) and prominence among local, regional and international policy priorities. However, financial fraud also has a widespread footprint across the region, involving hundreds of millions if not billions of dollars in illicit proceeds each year, impacting the economic security of countries and the region as a whole, and generating a certain level of associated violence.

This report focuses on the different frauds and scams that impact the Caribbean region, primarily advance fee frauds along with pyramid and Ponzi schemes. Other types of fraud, such as check fraud, credit card fraud, insurance fraud, government benefit (stimulus, unemployment, etc.) fraud, tax fraud, or the use of fraudulent documentation, among others, are not covered here besides noting their presence.

The paper examines the prevalence and dynamics of these types of fraud, including the impact of COVID-19, as well as the actors and facilitators involved. In addition, it explores the different methods of contact—how victim and fraudster connect—as well as the most common methods used for moving the associated proceeds and estimated value of these flows. Next, it discusses existing policy responses, enforcement responses such as prosecution, as well as other initiatives taken by the public and private sectors.

The report then provides five country case studies, examining the country contexts in Antigua and Barbuda, Barbados, Belize, Jamaica, and Trinidad and Tobago. This includes studying the current fraud dynamics, assessing associated IFFs and value, and analyzing the country's weaknesses and vulnerabilities as well as its response to fraud.

Using expert interviews—including with members of law enforcement, financial intelligence units (FIUs), financial services commissions (FSCs), multilateral organizations, the private sector, and journalists—as well as background research, the report i) considers the effectiveness of the region's response to fraud, specifically exploring the success of the national and/or regional efforts, ii) scrutinizes the source of those weaknesses as well as iii) evaluates performance in four key areas: investigation, detection, prevention, and prosecution. Finally, the report provides recommendations for both the public and private sectors on how to improve their fight against fraud.

Overview of Fraud Types

FRAUD TYPE	EXPLANATION
Advance fee, prepayment, or unexpected money scam	An advanced fee or prepayment scam promises something to the victim—a loan, a gift, an inheritance, etc.—but requires the payment of a fee before the item/service/funds are received. However, nothing is received after the fee is paid. These scams can involve the scammer providing the victim with “an elaborate story about large amounts of [the scammer’s] money trapped in banks during events such as civil wars or coups, often in countries currently in the news. Or they may tell [the victim] about a large inheritance that is ‘difficult to access’ because of government restrictions or taxes in their country. The scammer will then offer [the victim] a large sum of money to help them transfer their personal fortune out of the country.” ⁱ
Lottery or prize scam	In a lottery/prize scam, the scammer poses as a trusted individual or entity (e.g. government agency, well-known organization or individual, etc.) and notifies the victim (via email, phone, letter, etc.) that they have won money or a prize. After establishing contact, the scammer informs the victim they need to pay a certain amount of money to cover taxes/fees/etc. before they receiving their winnings, however after the victim remits payment they do not hear from the scammer (and don’t receive their winnings).
Mystery shopping scam	In a mystery shopping scam, scammers create fictitious jobs whereby the victim is promised a payment for evaluating a retailer/restaurant/etc. The scammer sends a check to the victim, telling them to deposit it in their account, spend some of the funds to evaluate a specific company (e.g. buy goods, meals, etc.), and wire the remaining funds back to them to cover fees/taxes/etc. The check is returned as bad—fraudulent—and the victim is out all of the money they spent to complete the “job” and sent back to the fraudsters.
Employment scam	Employment scams involve the scammer posing as an employer or recruiter. They send the victim a check to cover initial expenses, instructing the victim to deposit the check to their account, purchase the required goods, and return the remaining funds back to the scammer. However, the check is returned as bad—fraudulent—and the victim is out the money they sent back to scammer and the goods they purchased. Another variation sees the scammer telling the victim they are guaranteed employment but need to pay up-front for background checks, credit checks, recruitment fees, etc. The victims remit payment to the scammer but never hear from them again.

TABLE CONTINUED ON NEXT PAGE

ⁱ “Unexpected Money Scams,” Australian Competition & Consumer Commission, November 9, 2021, <https://www.scamwatch.gov.au/types-of-scams/unexpected-money/unexpected-money-scams>.

Overpayment scam	<p>In an overpayment scam, the victim has listed an item for sale online/newspaper/etc. and the scammer, posing as a legitimate buyer, sends the victim a check for more than the asking price. The scammer (i.e. buyer) concocts a story for the overpayment, often that the additional funds are to cover shipping or taxes, and tells the victim (i.e. seller) to deposit the check and remit the remaining funds back. The check is returned as bad—fraudulent—and the victim is out the money they sent back to scammer and possibly the item that was for sale.</p>
Property/rental scam	<p>Property/rental scams can see scammers posing as either the property owner or prospective buyer/renter. When posing as owners, the scammers falsely advertise a property (i.e. they do not actually own the property) for sale or rent.</p> <p>For rentals, the scammers tell interested renters (i.e. victims) they need to wire funds to cover an application fee/deposit/etc.; the victim wires the money but never hear from the owner/scammer again.</p> <p>For those listed for sale, scammers typically target property that is vacant, and use fake documents such as forged deeds and contracts to sell the property. The victims remit payment to the scammer for the property and only learn they have been scammed when the true owner appears at a later date.</p> <p>Conversely, when scammers pose as renters, they respond to legitimate ads, expressing interest in renting an apartment/house. They send a deposit to the owner/landlord (i.e. victim) in the form of a check, but shortly cancel the deal and ask the victim to wire the deposit back. The check is returned as bad—fraudulent—and the victim is out the money they wired the scammer.</p>
Emergency scam	<p>In an emergency scam, scammers “play off of peoples’ emotions and strong desire to help others in need.”ⁱⁱ Scammers impersonate an individual (i.e. target) and contact the target’s friends/family (i.e. victims) with an urgent situation, such as that the target has been arrested/mugged/is injured/car broke down/etc., and ask for money. The victims send funds and only to later learn that their friend/family member is fine.</p> <p>In a variation of this scam, scammers impersonate a government official, such as from the country’s revenue service, and tell the victim that they owe money to the government, intimidating them with serious consequences. The victim, caught off guard and fearful of the repercussions, agrees to make a payment, such as over the phone or via the mail.</p>
Online shopping scam	<p>In an online shopping scam, scammers set up a fake online retail site or mobile app, or place a fake add on a legitimate site. The items sold are frequently much less expensive than the actual market value, and when the victim purchases something, the scammer often instructs the victim to pay via money order, wire, or send a pre-paid money card. The victim will remit payment, but will never receive the ordered merchandise.</p>

TABLE CONTINUED ON NEXT PAGE

ii “Fraud Types,” Western Union in Barbados, accessed August 12, 2022, <https://www.westernunion.com/bb/en/fraud-types.html>.

Romance scam	<p>Romance scams typically begin online, where the scammer creates a fake online identity, sometimes on dating sites, to connect with a potential victim. The scammer works “to gain the victim’s affection and trust... [using] the illusion of a romantic or close relationship to manipulate and/or steal from the victim.”ⁱⁱⁱ</p> <p>The relationship is carried on via email/text/phone/etc., and they may make plans to meet or even get married. Eventually the scammer begins to ask the victim to send money with various explanations, such as needing money to visit a sick relative, pay for school supplies, or cover the airfare to visit the victim. They may or may not promise to pay the victim back; either way, the victim never receives the money and the scammer ultimately disappears when the funds dry up.</p>
Ponzi scheme	<p>“A standard Ponzi scheme is a fraudulent investment scheme in which an operator pays returns on investments from capital derived from new investors, rather than from legitimate investment profits. Ponzi scheme operators entice new investors with abnormally high short-term rates of return. The fraudster profits by either charging fees on the ‘investments,’ or simply fleeing with investors’ funds. Ponzi schemes generally fall apart when there is not enough new capital to pay the ever-growing pool of existing investors.”^{iv}</p>
Pyramid scheme	<p>“A pyramid scheme... is a fraudulent business model in which new members are recruited with promises of payment tied to their ability to enroll future members in the scheme. As the membership pool expands exponentially, further recruiting becomes impossible and the ‘business’ becomes unsustainable. A pyramid scheme often appears as a legitimate multi-level marketing (MLM) practice... [however], pyramid schemes involve almost no legitimate sales. Instead, earlier investors are paid from the incoming funds of subsequent investments instead of true profits.”^v</p> <p>According to Citadel Credit Union, the biggest difference between a Ponzi and a pyramid scheme is that the latter requires people to recruit additional investors—who will recruit other investors, who will recruit other investors—in order to ‘move up’ the chain.”^{vi}</p>

Many of the scam explanations are adapted from “Fraud Types,” Western Union in Barbados, accessed August 12, 2022, <https://www.westernunion.com/bb/en/fraud-types.html>.

iii “Romance Scams,” Federal Bureau of Investigation, accessed August 15, 2022, <https://www.fbi.gov/scams-and-safety/common-scams-and-crimes/romance-scams>.

iv “Ponzi vs. Pyramid Scheme: What Is The Difference?,” Constantine Cannon, accessed August 12, 2022, <https://constantinecannon.com/practice/whistleblower/whistleblower-types/financial-investment-fraud/ponzi-schemes/>.

v Ibid.

vi “Ponzi Schemes vs. Pyramid Schemes: What Are They and How Can You Protect Yourself?,” Citadel Credit Union, April 20, 2022, <https://www.citadelbanking.com/learn-and-plan/ponzi-vs-pyramid-schemes>.

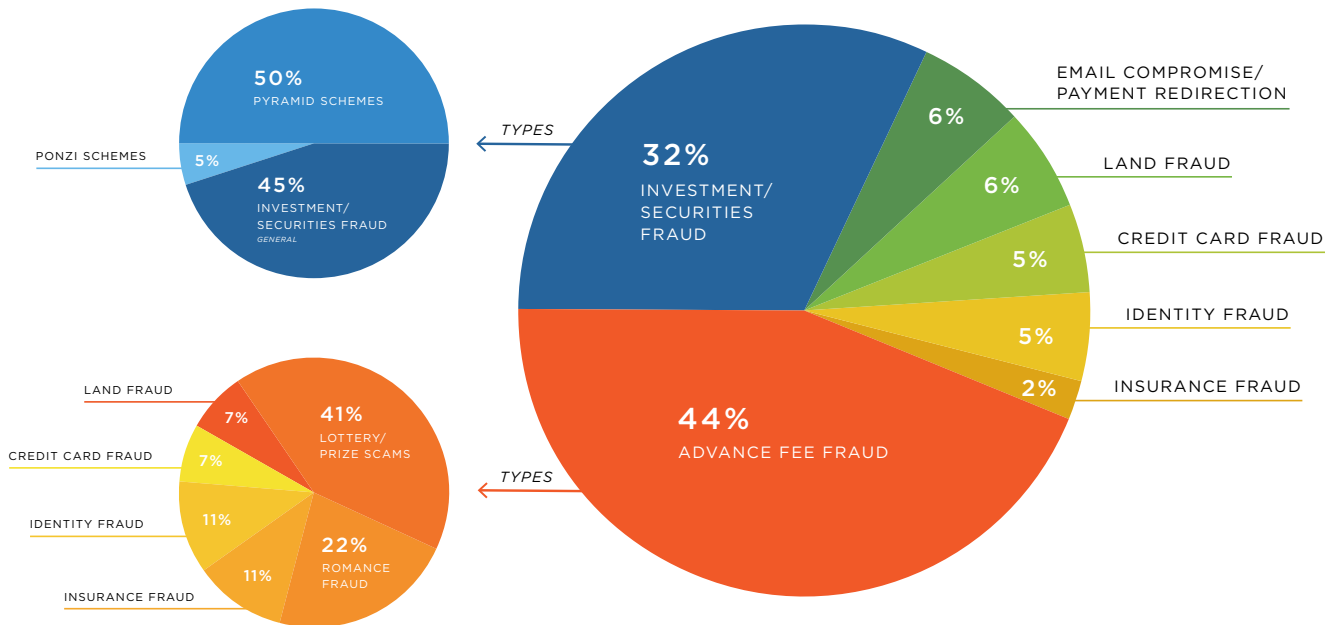
Caribbean Trends

OVERVIEW

According to interviews conducted with subject matter experts, the most common fraud types in the Caribbean include advance fee frauds, specifically lottery/prize scams, online shopping scams, and romance scams, as well pyramid and Ponzi schemes (Graphic 1).

GRAPHIC 1

Most Common Frauds in the Caribbean as Identified by Experts
BY FREQUENCY OF MENTION



As noted in the fraud typology (Table 1), advance fee fraud scams are based on the victim remitting funds to the fraudster, typically to cover supposed fees or taxes, in order to claim promised (but non-existent) goods, services, or monies. Perhaps one of the most well-known types of advance fee frauds is the 419 scam, sometimes referred to as the “Nigerian Prince” scam. The “419” refers to Article 419 of the Nigerian Criminal Code, which addresses fraud. In the scam, the sender:

requests help facilitating the illegal transfer of money... The author is typically a self-proclaimed government or military official, bank officer, or business executive, who explains they need access to a foreign account to transfer money out of Nigeria. In exchange, the sender offers the recipient a commission—sometimes up to several million dollars, depending on the perceived gullibility of the target. The scammers then request money to pay for some of the costs associated with the transfer, such as taxes, legal fees, and bribes to government officials.²

Once the victim sends payment, the scammer will either disappear or, if they perceive the victim to

be particularly gullible, they will continue to request funds for varying reasons. Experts identified the 419 scams present in the Caribbean as mainly coming from Nigerians and other persons from Sub-Saharan Africa.

MAP 1

Most Common Frauds in the Caribbean as Identified by Experts



Within the larger category of advance fee frauds, many experts reported lottery and prize scams as the most common in the region. As shown in Table 1, a lottery scam involves an unsolicited notice, often by phone or email, informing the victim that they have won a lottery, sweepstakes or prize. However, the victim first needs to send money to the awarding entity (i.e. fraudster) in order to cover processing fees or taxes. Overall, lottery scamming, as one expert described, is “just a numbers game.” Criminals target a large pool of potential victims, and know that there will be a certain number who will fall for the scam.

Another common fraud type found in the Caribbean is internet or online fraud, in which a good/service is sold online, payment is made, but the item is never sent. Two private sector experts reported that, from a global point of view, internet purchase scams were the most prevalent fraud type seen by their companies in terms of both dollars lost as well as instances of fraud.

Romance fraud, like internet fraud, is widespread both globally and in the Caribbean. Most experts

agreed that romance scams targeting the region's citizens were typically perpetrated from West Africa. There were reports of some scams becoming more localized, such as in The Bahamas, Guyana, and Trinidad and Tobago—where locals are both victims and scammers. According to law enforcement experts from the region, romance scams frequently target vulnerable females, identifying them via social media or dating websites. Some scammers may simply ask the victim for funds, providing an excuse such as needing money to pay for medical bills or a plane ticket to visit them. More recently, scammers will tell the victim that they are sending them (or their child, family, etc.) money or a care package, but that the victim needs to deposit money in a local account to cover fees, taxes, and/or in order to clear customs.

Also mentioned were emergency scams. As explained in Table 1, fraudsters will typically pose as a friend or a relative of the potential victim, placing themselves in an emergency situation—their passport was stolen and they're stuck in a foreign country, they had a car accident, they have been arrested—and reach out to the victim requesting funds to remedy their situation. Some fraudsters might rely on cold calls and luck when executing emergency scams, while others may have previously accessed the victim's contact list (such as through a phishing email) and target specific associates. One expert reported that emergency scams in Jamaica frequently target the elderly.

SOU-SOU: INFORMAL COMMUNITY SAVINGS PRACTICE

By Karen "Alex" Lopez

A "sou-sou"—also known as "susu," "asue," "partner" or "box hand," among others—is an informal community savings practice which has existed for centuries. Originating in West Africa, it was exported to other parts of the globe through the slave trade, and is "still popular among some African, Caribbean, Latino and Asian immigrant communities." ^{vii}

A sou-sou operates as a way to save money among a group of individuals, often family, close friends or church peers. For those who are unbanked or underbanked, a sou-sou offers an alternative to a traditional savings account at a bank. While there is no legal paperwork and no interest rate, the group does establish an informal agreement setting the contribution amount, time period, and the order of disbursements.

Based on trust, a sou-sou offers a rotation of credit among a group of individuals (i.e. "members") where each contributes an equal amount of money into a fund at given intervals. The group chooses one member to collect, hold, and disburse the money. The pool is paid to each member on a scheduled basis, and rotates to ensure all members receive the benefits.

^{vii} Lihle Z. Lihle, "Everything You Ever Wanted to Know About Those Sou-Sou Savings Clubs African and Caribbean Women Love," *Essence*, December 6, 2020, <https://www.essence.com/news/money-career/what-is-a-sou-sou-savings-club-facts/>.

Land or real estate fraud was identified by experts as a scam found throughout the Caribbean, but particularly in the context of Belize and Trinidad and Tobago. Land fraud in the region can involve fraudsters falsely representing the sale of land or real estate of which they do not actually have

ownership. The property generally does not serve as a primary residence of the true owner, so it frequently sits empty; the fraudsters capitalize off of the fact the property is largely unmonitored. They also commonly target foreigners who are unfamiliar with local regulations and legislation as well as fraud risks. The U.S. Embassy in the Bahamas has a website that warns U.S. citizens of potential frauds relating to real estate in the country.³

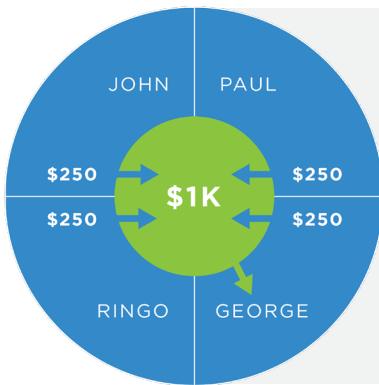
In addition, real estate fraud can also be a form of investment fraud; in this context, it can involve investment fraud schemes that feature real estate in the Caribbean. Two major real estate fraud cases are discussed in the Belize country study; both involved investment properties in Belize—a luxury development and an airport—that defrauded primarily U.S. investors.

Economic strain often pushes desperate people to invest in fraud schemes, particularly Ponzi and pyramid schemes, as they can promise much-needed financial relief. However, these individuals frequently are left worse-off than before; it is really only the people at the top of these schemes that benefit financially. While both schemes may spread by word of mouth, a major difference between Ponzi and pyramid schemes is that the latter typically requires participants to recruit other people to join the scheme. Current participants are promised greater returns for recruiting more members.

GRAPHIC 2

Sou-Sou vs. Pyramid Scheme

MONTH 1



Legitimate Sou-Sou

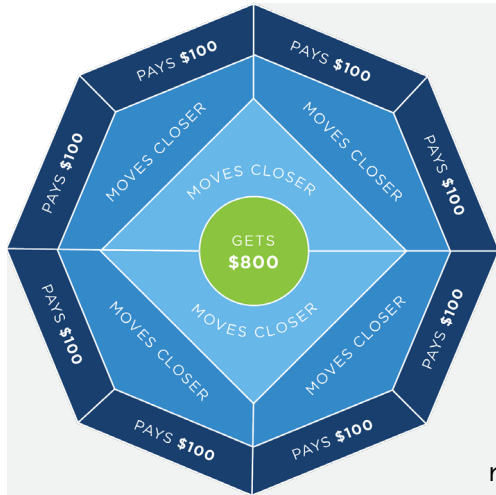
Four friends—John, Paul, Ringo, and George—chose to form a sou-sou among each other, and elect John to be responsible for the money. They decide that i) members will contribute \$250 each month (known as a “hand”) ii) for a total disbursement of \$1,000 each month (known as a “draw”) iii) over a four-month period and iv) that the order of disbursement will be George, Ringo, Paul, and John.

The first month, each member contributes \$250 to the pool (held by John), and then John gives \$1,000 to George. The second month, each member again contributes \$250 to the pool, and then John gives \$1,000 to Ringo.

This contribution-disbursement pattern continues two more times (i.e. two more months with disbursements to Paul and John, respectively) until the four-month period ends.



MONTH 2



Pyramid Scheme Leveraging Off of Sou-Sous

In the diagram below, the scheme promises an \$800 payout for an investment of \$100. The Federal Trade Commission explains:

“You see a post or get a direct message on Instagram, Facebook, or other social media. It invites you to join the Circle or Loom by sending \$100 through PayPal or another digital payment service to the person whose name is at the center of an octagon-shaped playing board.

Your payment gets you one of eight spots on the outer ring of the board and a chance to move towards the center by recruiting other people to join.

As more people join, your board changes and the number of playing boards expands. Eventually, you’re supposed to land at the center of a playing board and collect \$100 from each of eight new recruits on the outer ring. That’s when you leave the game or start all over again with another \$100 payment.”^{viii}

viii Seena Gressin, “This ‘game’ is a chain letter scam,” Federal Trade Commission, May 21, 2020, <https://consumer.ftc.gov/consumer-alerts/2020/05/game-chain-letter-scam>.

There are a lot of localized pyramid schemes in the region. Many are “piggy backing” off citizens’ comfort and familiarity with sou-sou savings plans, thus the majority stay in-country and in-community. Experts reported that each scheme uses their own language to market the scheme, such as a “blessing wheel,” “infinity loom,” “giving circle,” “mandala game,” “money board” or a combination of the different words.

In some cases, sou-sous may descend into fraud. The corruption of sou-sous into pyramid schemes often involves the introduction of a considerable number of participants, going from a small circle of close confidants to a massive cohort of hundreds of individuals. For example, one “blessing circle” participant in Barbados reported that he was involved in a circle of eight people, “but the entire cohort involved over 500;” the more people involved, the higher the risk that someone may default on their payment (“hand”) and/or take their payout (“draw”) and not continue to participate.⁴

Several experts pointed to a connection between fraudulent blessing circles and church communities. For example, at an August 2020 event hosted by the British Virgin Islands’ (BVI) Financial Services Commission (FSC), the CEO of BVI Finance pointed to the fact that the islands’ have a strong faith-based community, stating that citizens “believe in receiving our blessings” and that fraudsters will “prey on people who are susceptible to the concept of God multiplying our blessings.”⁵ This is true not just for the BVI but across the Caribbean as well.

The schemes frequently come across as too good to be true, with victims promised that they will receive more from the plan than they put it in, and within a short period of time. For example, a victim

may be promised that if they pay \$20 today, they will get \$100 next week. Usually, those individuals who contribute in the initial round(s) are able to get money back. “The people who go in early get money, but then they disappear,” explained an expert.

A challenge mentioned by several experts was that new victims join the schemes even though they have a sense that what is being offered is highly suspicious. One expert stated that, in regards to the pyramid schemes, “once you get in it, you get sucked in.” He added that, since the amounts contributed aren’t always that high— “twenty bucks here and there”— people are willing to accept that they may lose their money, but feel that “if they’re in early enough they might have a chance.” Additionally, victims may not report fraud out of embarrassment.

Some of the Ponzi schemes identified in this report were perpetrated by U.S.-based citizens and companies. Several of these individuals had previously been investigated and/or prosecuted in the U.S. for similar investment frauds or have run into bankruptcy, and have moved the focus of their operations to the Caribbean. One expert noted that fraudsters “will be in the U.S. and will run into bankruptcy, and then find themselves in the Caribbean and will... relaunch their schemes.”

According to government experts, Ponzi and investment fraud schemes operated from the U.S. touch islands across the Caribbean, typically “moving money through an entity that is on one of the islands.” This can involve using the entity as the focus of the investment or the entity being an actual financial institution.

For example, the 2009 Stanford International Ponzi scheme, valued at US\$7 billion, involved U.S. citizen Allen Stanford and his U.S.-based company Stanford Financial Group selling “fraudulent high-yielding certificates of deposit through his Antigua-based Stanford International Bank.”⁶ Also in 2009, the U.S. Securities and Exchange Commission (SEC) shut down a US\$68 million Ponzi scheme run through the offshore Millennium Bank, which was located in St. Vincent and the Grenadines. According to the SEC complaint, William Wise and Kristi Hoegel, using Millennium Bank, its Geneva-based parent United Trust of Switzerland, and its U.S.-based affiliates UT of S and Millennium Financial Group, “targeted U.S. investors and misled them into believing they were putting their money in supposedly safe and secure CDs that purportedly offered returns that were up to 321 percent higher than legitimate bank-issued CDs.”⁷

The Defendants used Millennium Bank to cultivate the illusion of a true offshore investment, however the payments, frequently in the form of checks, were made payable to the California-based UT of S, LLC and were ultimately routed to the entity’s U.S. account at Washington Mutual/JP Morgan Chase Bank, where “the vast majority of the funds were misappropriated by the Defendants.”⁸ In response to the SEC’s complaint, the Prime Minister of St. Vincent and the Grenadines reported that he had attempted to revoke “[Millennium Bank’s] license in 2003 because of low capitalization and reckless management that left it unable to meet its obligations,” however the bank was able to successfully appeal the decision, receiving its license back in 2004 “although it remained in control-ership.”⁹

It is important to note, though, that Ponzi schemes can also be wholly confined to the Caribbean in terms of actors and investments. A Ponzi scheme operated in Guyana between 2020 and 2021 allegedly defrauded thousands of Guyanese investors out of more than US\$479,000 (GY\$100 million). According to reports, a married couple are “accused of soliciting millions of dollars from hundreds

of Guyanese who were enticed by extraordinary returns of approximately 40 per cent. Investors were also encouraged to enlist additional investors on a commission (10 percent) from the couple's business, Accelerated Capital Firm Inc."¹⁰ In addition to allegedly running a Ponzi scheme, the couple's firm was not licensed to operate in Guyana.¹¹

Other fraud schemes mentioned included business email compromise scams, check fraud, and document fraud. Although not a focus of this report, foreign exchange (forex) scams were mentioned by several experts as occurring throughout the region. Experts reported seeing frauds involving both virtual assets and fiat currency. The scams were perpetrated by a mixture of "straight scammers" and "professionals," the latter referring to individuals who present themselves as being licensed and registered with a financial services authority in a Caribbean jurisdiction to conduct such transactions.

Experts indicated that some of the fraud schemes were carried out through phishing and/or smishing. Phishing occurs when "a target or targets are contacted by email, telephone or text message by someone posing as a legitimate institution to lure individuals into providing sensitive data such as personally identifiable information, banking and credit card details, and passwords."¹² Similar to phishing, smishing refers to a phishing attempt "that uses mobile phones as the attack platform. The criminal executes the attack with an intent to gather personal information, including social insurance and/or credit card numbers."¹³

THE IMPACT OF COVID-19

Many of the experts interviewed noted a "boom" in fraud and scams during the COVID-19 pandemic. This surge was seen for both attempted and "successful" fraud. There are several interconnected reasons for this. First, many people lost their jobs during the pandemic, particularly so in the Caribbean due to the importance of the tourism industry. Out of work, many became desperate for any type of income, and therefore may have been more susceptible to "get rich quick" schemes or schemes that are "too good to be true." Additionally, people were spending more time online, which is one of the primary methods of connection between victim and fraudster—social media, messaging platforms, email, etc.

Regional experts reported that Ponzi schemes, pyramid schemes, and romance fraud were the most prevalent schemes observed during the pandemic. In regard to Ponzi and pyramid schemes, a regional expert stated that "the pandemic, especially in its early days, created an opportunity for fraudsters/scammers to exploit the use and name of the traditional [sou-sou] mechanism to commit fraudulent acts... Unsuspecting victims were tricked into making contributions to the scheme with the intention of receiving [a] significant amount of return (in some instances up to five times the initial contribution)." Whether or not the scheme tended toward Ponzi or pyramid depended on if the victim was required to recruit additional victims.

In addition to the increase in fraud, other experts reported changes to preexisting fraud schemes. One expert noted: "Fraud is always there, however the types of fraud have changed a bit with COVID. There is more online fraud than before, including soliciting fake donations for COVID assistance or selling fake vaccination cards. You wouldn't necessarily see [these types] before COVID, however it's not necessarily new fraud, just taking advantage of the situation. [For example, these types] could have easily been [tweaked] for a hurricane."

This was echoed by other experts, who reported an uptick in online purchase fraud that mainly involved COVID-related products, even vaccines, or emergency scams where the fraudster would pose as being stuck in a foreign country without a vaccine card, for example. Also found in different Caribbean countries during COVID-19 were fraud schemes where scammers impersonated government officials, either offering assistance or seeking donations. For example, in 2021, Grenada reported scams which involved fraudsters posing as government ministers and “[offering] COVID-19 assistance packages ranging from US\$30,000 to US\$2 million... [however] to qualify, persons are expected to pay fees ranging from US\$550 to US\$50,000.”¹⁴

There was also a change in regard to how victims remitted payments to fraudsters. As many were under lockdown, one private sector expert reported that victims were opting to sending payments online where previously they would come into a branch to send money.

In terms of the value of the pandemic’s frauds, the Caribbean Investigative Journalism Network (CIJN) estimates that “the rash of pyramid and Ponzi schemes has already cost would-be investors in the hundreds of millions of dollars in the six jurisdictions examined by the Network – Antigua and Barbuda, Barbados, British Virgin Islands (BVI), Guyana, Jamaica and Trinidad and Tobago (T&T).”¹⁵

ACTORS AND FACILITATORS

Many experts reported that scammers will operate in fraud rings. The techniques employed by the rings can run from blunt to sophisticated. Some may specialize in particular types of fraud. “With the more sophisticated fraud rings,” explained an expert, “some may specialize in actual human to human interaction. [They] can be very persuasive especially with romance scams. There are others that are just good with getting the list of names.” In regards to the former, one person may spread the initial net for victims, and another will take over the personal interaction once a victim shows interest.

The presence of call centers in Jamaica (discussed below) served as an incubator to lottery scammers and the professionalization of the “scamming industry” in the country. Some experts felt that this extended across the region, with the scams perpetrated from the Caribbean often being large, standardized, and in some instances, quite sophisticated; sometimes more so than other regions.

Several experts explained that the fraud rings use “front persons” to collect the funds; they are the most vulnerable to detection by law enforcement. They are typically young males in their twenties who spend their fraud gains on their lifestyle—luxury clothes, shoes, vehicles, and parties. On the other hand, as one expert explained, the ones who benefit the most “don’t touch the money at all... they’re at the back end of the profits. It’s harder to get those persons.”

For those transnational scams where the victim is located in the Caribbean and the scammers elsewhere, regional experts identified Eastern Europe (mainly Bulgaria and Romania) and Africa (mainly Nigeria and Ghana) as the primary “source” countries. They frequently have an accent, are “usually not fluent in English and [their] writing skill is poor... [Additionally, the] phone numbers and email addresses of fraudsters do not match their accent and nationality.”

Some scams involve the participation of employees from financial institutions, particularly money service businesses (MSBs). Experts have reported that fraud rings will threaten or bribe existing MSB

agents into facilitating their activities but will also “directly infiltrate the agencies” with their own people. This typically occurs on the receiver side of the transaction in order to maximize the likelihood that the fraud is paid out. In response, MSBs have established fraud monitoring programs for their own agents.

Victims come from a variety of backgrounds. Overall, fraudsters are willing to take money from anyone who will send it to them. In general, they are likely to target countries they perceive as wealthy, such as developed countries like the U.S. and Canada. However, some of the scam nets cast (e.g. email blasts) are indiscriminate and don’t necessarily target specific countries. While scammers outside the Caribbean are not specifically targeting the region, they’re happy to scam the region’s citizens if the opportunity presents itself.

However, the victims of certain frauds and scams do share some common characteristics. In terms of lottery scams, experts reported that they are “overwhelmingly” elderly individuals from the U.S., Canada and the UK. One expert stated that the elderly are definitely the “number one target in the Caribbean.” Another expert offered a more nuanced perspective, stating that, “advance fee loan scams are generally younger people, like early twenties, someone needing quick cash or credit. The [emergency scam or] “person in need” scam is middle of the road, skewed toward the elderly. Internet purchase scams are [also] middle of the road, less elderly and less young.”

One cross-cutting trait found across all victims is naïveté, such as not being sufficiently tech savvy or trusting information they find online. These traits can be found across the age spectrum. As one expert explained: “People in their twenties who think the internet is true, everything is great and life is wonderful, they’re just becoming conscious of being an adult, and they don’t know how things work, so [they fall for] things like advance fee scams, ‘Oh I got a grant for school, I’m not even in school but they want to give me money, so I just have to give them \$150 to get \$5000.’”

Some victims may not even be aware that they have been victimized, which presents unique challenges. In some instances, law enforcement in a scammer’s jurisdiction uncovers information about additional victims during the course of an investigation. They then will use that information to contact relevant local police departments who will then notify the victims.

Multiple experts reported some scammers turning their victims into money mules, who are “people who knowingly or, in certain cases, unknowingly help criminal organizations launder their illicit profits. They do this by providing their own accounts to help receive and transfer fraudulent funds, thereby ‘legitimizing’ it.”¹⁶ In some instances, after scammers drain a victim, they present the money mule role as a means for the victim to get some of their money back. In other instances, particularly romance scams, an expert revealed that “the victims don’t often even realize they’re still being scammed, [they think] they’re moving money for their international boyfriend or girlfriend.”

In regards to Ponzi schemes, one expert reported the role of corruption in facilitating these schemes. For perpetrators that have operated in larger jurisdictions such as the U.S., Caribbean countries offer smaller operating zones in which government ministers may be more accessible. In addition, many of these countries are looking for foreign investment, and may be more susceptible to dubious offers. The expert explained that:

...in smaller places, the fraudsters come down and seek out a government minister... [if] you

can reasonably present yourself convincingly as... an investor, you can get a meeting with the minister, and then it goes from there... [or] one of the [other] ways the scams sometimes work is that people who show up from abroad and form a connection with the government, and will then raise money from [outside] investors—the connection looks good to the investors (individuals or funds). It’s easier to come down and get the connection with the government to use as credibility to pitch yourself to investors. You don’t have to have any money to get that done, just the appearance of money.”

While corruption can obviously play a key role in enabling the fraud schemes, some of the “involvement” by government officials can also be attributed to poor due diligence and/or willful blindness on their part.

Additionally, fraudsters may rely on other trusted individuals from the community. Caribbean communities tend to be close-knit, and citizens may be more suspicious of outsiders. In relation to fraudsters in the jurisdiction, one expert from the Cayman Islands stated that a fraud scheme operated locally “would tend to be a bit more elaborate because you have to gain someone’s trust” which can involve “coming in with people of [financial] means.” They pointed to a previous investment fraud case on the islands several years ago that was successful because the fraudster “came in through a trusted source... the victims opened up [their wallets] to the fraudster because he was connected to someone respected in the community.”

Two general facilitators are firms and/or agents that help individuals apply to citizenship by investment (CBI) programs as well as corporate formation agents. For the former, a U.S. government expert noted that Caribbean CBI programs pose “a huge threat” to the U.S. financial system. The CBI programs can also pose economic and reputational risks to the countries which offer them: they open the country, and its financial system, up to potential fraud, which can ultimately pose reputational harm. The country study on Antigua and Barbuda discusses two cases where the country provided CBI to individuals accused of fraud.

The Caribbean has also been tied to fraud via the use of legal entities (i.e. anonymous shell companies) opened on various islands. A 2020 investigation by the Organized Crime and Corruption Reporting Project and the Swedish newspaper *Dagens Nyheter* found that shell companies formed in St. Vincent and the Grenadines were part of a web behind get-rich-quick investment scams. Specifically, a “Ukraine-based call center... [that] allegedly defrauded people across the world by convincing them they were making investments in stocks, bitcoins, and foreign currencies through legitimate financial firms... [was tied to] Estonian companies owned by shell companies in St. Vincent and the Grenadines, largely owned by down-on-their-luck Swedes.”¹⁷

As shown in GFI’s 2021 report *Financial Crime in Latin America and the Caribbean*, many Caribbean countries have yet to implement beneficial ownership (BO) registries.¹⁸ BO registries create greater transparency and accountability by requiring companies to report the name(s) of their ultimate beneficial owners, that is the natural person(s) who ultimately owns and/or controls the business, to the government. Even where countries may have BO reporting obligations, access to that information may be limited. The BVI are “a popular tax haven where secrecy rules have long attracted criminals [and which] has a well-documented history of being misused by drug traffickers, corrupt politicians, and tax evaders.”¹⁹ The Beneficial Ownership Secure Search System Act (BOSS Act) was enacted in the BVI in 2017, however the jurisdiction still presents challenges for cross-border investigations.²⁰

CONTACT CHANNELS

Fraudsters use a variety of channels to reach out to potential victims, which is oftentimes dependent on the type of fraud being committed, the sophistication of the schemes and the type of victims involved. The channel of communication may also shift as the fraud progresses and/or in order to stay ahead of law enforcement as well as suspicion.

Messaging platforms play a significant role in how fraud schemes are committed, that is, how fraudster and victim connect. For example, those pyramid schemes that are marketed as sou-sou savings plans frequently involve huge chat groups formed in WhatsApp. The group chats serve as a method of marketing the pyramid schemes, as fraudsters provide diagrams to potential participants to explain how the system works and early participants (honestly) share how much they won. Outreach from scammers to potential victims can be a message of “Hey, how you doing?” in order to get a conversation going. Or, with pyramid schemes, it might be as simple as adding individuals to a group chat.

Lottery scams are largely phone-based. These scams, as seen above, typically involve the use of contact lists obtained from telemarketing firms. The lottery scammers themselves, which are overwhelmingly from Jamaica, have telemarketing training, even training to change their accent.

Regional experts identified email as the primary contact method for advance fee frauds such as 419 scams. Email scams allow scammers to cast a wider net, which can result in a larger variety of victim groups. However, regardless of age, socio-economic class, etc., victims are overwhelmingly naïve and technologically un-savvy. Besides overlooking the preposterous nature of the scheme, victims also ignore the typos that scammers intentionally include in their emails. While emails do cast a wider net, it can also mean that there are more people who respond who don’t end up sending payment. As Business Insider explains, “it’s in the scammers’ best interest to minimize the number of false positives who cost them effort but never send them cash. By sending an initial email that’s obvious in its shortcomings, the scammers are isolating the most gullible targets... They want people who, faced with a ridiculous email, still don’t recognize its illegitimacy.”²¹

One expert judged that the internet was now the primary channel for contact between fraudster and victim. Given that several experts identified internet or online fraud as a major fraud type in the Caribbean as well as the largest fraud type globally, it is no surprise that the internet, specifically websites and platforms selling goods and services, serves as a common setting for scammers and victims to connect. Dating sites were also named as a primary method for scammers to contact victims. An expert shared that scammers may target certain profiles where the victim shares information or pictures that may indicate sufficient financial means, such as a luxury car.

Romance scams are also perpetrated through social media. Experts also identified forex scams as commonly being conducted via social media like Facebook. Social media allows fraudsters, in the context of romance scams, to learn a significant amount of information about potential victims as well as craft fake profiles to fit the narrative they are pursuing (e.g. a U.S. military officer deployed in Iraq). For all scams, social media allows fraudsters to reach a wide audience, with more than 40 percent of the Caribbean population on social media.²² Fraudsters can also create fake profiles in order to support investment scams, such as pyramid schemes and forex scams, by posing as investors who have reaped high rewards, thus enticing potential victims to participate.

While fraud schemes may start on various platforms, many move toward secure messaging platforms, in particular WhatsApp. These platforms not only provide end-to-end encryption of messages, they also may be more popular in certain jurisdictions than regular texting, also known as short message service or SMS. Other scams, like romance scams, may start out on social media or the internet, but then move to phone calls to make the connection more personal once the scammers “get someone to bite.”

FINANCIAL CHANNELS AND FINANCIAL SCALE

The proceeds of fraud and scams are moved through a variety of channels. These channels can depend on variables including i) who is sending the funds (victim or scammer), ii) the type of fraud involved, and iii) the jurisdiction(s) involved.

An important aspect to keep in mind is that fraudsters will use any means available to receive and/or send payment, and will switch to an alternative channel if attempts are blocked. “If a victim’s transaction gets blocked by Western Union,” detailed one expert, “they’ll try other MSBs, they won’t stop there... we [have seen instances] where they get people putting money in FedEx envelopes and sending it to the scammers.” One expert emphasized that cross-border transactions can get remarkably complicated, as the involvement of more than one jurisdiction means the involvement of different government agencies and the need for international cooperation.

For some scams, such as lottery scams, experts reported the use of cash to move payments to scammers. Some victims may send physical cash directly to scammers, sending it via a public (e.g. United States Postal Service) or private (e.g. FedEx) postal service. In other instances, a lottery scamming victim may send their payment for the “fees” or “taxes” to a scammer’s associate in the U.S. via an MSB; the associate would then collect the cash and carry it physically from the U.S. to Jamaica.

For pyramid schemes posing as sou-sous, payments into the scheme are often done either via cash or through online money transfer platforms. For example, an expert from the BVI reported the use of the ATH Móvil network, whereby money was loaded to accounts and sent over the phone. Among other services, the ATH network provides person-to-person mobile transfers and payments for consumers in Puerto Rico, both the U.S. and British Virgin Islands, the Dominican Republic, El Salvador, Costa Rica, and the U.S.²³ These payment platforms allow individuals to send and receive money without needing a bank account; they can buy “credit” to top up their account, which can then be used to send payments.

MSBs were named by several experts as a common channel for moving fraud-related funds, both from victim to fraudster and between one fraudster to another. However, one expert noted that MSBs are better suited to move small amounts of money over multiple transactions versus a large amount of money in a single transaction. This is likely due to typical, legitimate MSBs transactions involving the transfer of relatively small amounts of money in the hundreds of dollars. Fraudsters attempt to hide their illicit transfers among the legitimate, so will size their transactions accordingly.

One expert noted that some Jamaican lottery scammers move their operations to the U.S. so their transaction profile will change from U.S.-Jamaica transfers (i.e. the victim sends money from the U.S. to the scammer in Jamaica) to U.S.-U.S. transfers. The scammer will “either physically move the money themselves or launder it before sending it down [to the Caribbean].”

Related to the U.S. to U.S. transfers, a private sector expert shared that some fraudsters had switched to having their victims send payments to associates in the U.S. because “it became easier to convince the victim” to send money within their own jurisdiction as opposed to another country. While MSBs like MoneyGram and Western Union still remain a familiar method for victims to remit payments to fraudsters, both companies have instituted more rigorous policies to both detect victims and deter fraudsters. For the latter, this includes banning the use of phones while conducting transactions and more stringent identification policies. A government expert expressed that they felt that MSBs have been fairly successful at identifying fraud-related transactions.

Banks were also identified as a common method for cross-border fraud transactions, particularly for large transfers. Domestically, the organizers of some sou-sous, both those that are legitimate as well as those pyramid and Ponzi schemes that use them as fronts, may use their bank account or open a specific bank account to handle the scheduled deposits and withdrawals, particularly if the sou-sou participants pay in cash.

Trade-based money laundering (TBML), particularly the black market peso exchange (BMPE), was also mentioned as a method for moving funds related to lottery scamming. In connection with the Jamaican lottery scams, some fraudsters will have victims send funds to associates in the U.S., who will then purchase goods such as clothes and car parts, which they will then export to the fraudster in Jamaica.

There is spotty reporting of the use of virtual assets (VAs) in fraud schemes in the region. Regional experts shared that those countries “that have regulated VAs and virtual asset service providers (VASPs) reported an increase in suspicious transaction reports (STRs) involving VAs and VASPs fraud,” though it is unclear if the fraud is related to VAs or the fraud scheme involves the use of VAs as a form of payment.

Attempts to estimate the value of fraud in the Caribbean are often based on known cases that are reported or detected. Unfortunately, these cases can represent a very small portion of the total universe of fraud. For example, the U.S. Department of Justice reported that “only an estimated 15 percent of the nation’s fraud victims report their crimes to law enforcement.”²⁴ More importantly, any estimated value generally only demonstrates the order of magnitude of the crime.

However, the private sector also works to detect unreported or potential fraud. As explained by a private sector expert, when their company receive reports of fraud from clients, they look not just at that particular transaction but also similar patterns, for example looking to see who also sent money to the fraudster.

One expert estimated that, “based on a small number of reported cases,” the estimated value for fraud in Caribbean was US\$75 million annually. However, this figure is likely to be extremely conservative because other country estimates place the domestic value of fraud significantly higher.

Country estimates made by interviewed experts include:

- **Antigua and Barbuda:** An expert put the annual value of fraud investigations at approximately US\$800,000.

- **Grenada:** In 2019, the head of Grenada’s FIU reported that the country’s citizens are defrauded out of approximately US\$3.7 million annually from scams—including those connected to forex, advance fees (specifically the offer of a grant), and fake check deposit—with the money frequently being sent overseas.²⁵
- **Jamaica:** A U.S. government expert estimated that lottery scamming in Jamaica is worth hundreds of millions of dollars a year, stating that “it’s closer to a billion dollars a year, but to be on the conservative side in the US\$300 million to US\$400 million range.” A 2022 article from *The Gleaner* put the proceeds collected from American victims alone at US\$300 million per year.²⁶ Another expert interviewed assessed a conservative annual value of US\$500 million to US\$800 million in proceeds for Jamaican fraud.

CURRENT POLICY RESPONSES

A regional expert reported that most Caribbean countries, “if not all Caribbean Financial Action Task Force (CFATF) countries, have legislation in place to cover different types of fraud offences... due to the fact that fraud is categorised as one of the Financial Action Task Force (FATF) designated categories of predicate offenses for [money laundering].”

This legislation can include the general penal code or criminal law, a slightly more specific law on larceny, and laws focused on fraud. For many Caribbean countries, scams and fraud schemes are addressed under larceny laws. Some countries have enacted legislation targeting scams and fraud specifically. One example is Jamaica’s 2013 Law Reform (Fraudulent Transactions) (Special Provisions) Act that targets lottery scamming. St. Vincent and the Grenadines’ 2020 Consumer Protection Act focuses on pyramid schemes, and its 2021 Finance (No 2) Act again targets Ponzi and pyramid schemes.

As part of their CFATF membership and the AML/CFT requirements set out in FATF Recommendation 1, countries are required to assess the money laundering and terrorism financing risks in their jurisdiction, including fraud, and take risk-based measures to mitigate the perceived level of the threat. In addition, countries will apply financial crime legislation such as those that target money laundering, proceeds of crime, and/or asset confiscation.

Some countries have also attempted to address sectors and activities impacted by fraud. As noted above, some sou-sou operators may use their own bank account or open a specific bank account to handle the periodic deposits and withdrawals as members pay their hands and receive their draws. One expert noted that Grenada has “amended their legislation and provided guidance [to financial institutions on how to handle deposits] coming from a sou-sou.” Financial institutions are now required to ask depositors to provide evidence of the sou-sou. As another expert pointed out, though, this proof can be difficult to obtain because sou-sous are often based on verbal contracts of trust.

As noted earlier, several of the Ponzi schemes that involved the Caribbean were run by U.S. nationals who had previously been implicated or convicted in other fraud schemes. An expert attributed this relocation to the Caribbean, in part, to weak, non-existent, or unenforced anti-fraud legislation in comparison to other jurisdictions like the U.S. For example, one expert related that circa 1981, especially in the British Overseas Territories, there was “a proliferation [of schemes] in the Territories” because people were “[taking] advantage of the overlapped legislative structures.” As the UK govern-

ment began to address these deficiencies, fraudsters moved their schemes elsewhere.

A study by CIJN on the Ponzi and pyramid schemes that appeared in the Caribbean during the pandemic concluded that “regulatory responses have been largely deficient,” particularly in the cross-border context and given that the region has previously experienced other large-scale fraud cases.²⁷

Bridging the gap between legislation and enforcement in the context of cross-jurisdictional crimes are mutual legal assistance treaties (MLATs). Many countries have MLATs with other jurisdictions, which can facilitate investigative travel, evidence collection, and witness cooperation, among other aspects.

However, MLATs are not perfect tools. For example, one expert pointed out that MLATs traditionally provide for legal assistance with criminal matters, so may not cover civil enforcement. They also noted that the MLAT process may be drawn out. This can be related to differences in priority areas between jurisdictions; for example, one jurisdiction may prioritize their response to narcotics or violent crimes over other crime areas. Additionally, bureaucratic processes may slow down requests: some countries may have a central coordinating authority for MLATs, and requests from a local agency must proceed to the central authority to the other jurisdiction’s central authority and then to the relevant local agency, as well as travel back the same route.

CURRENT ENFORCEMENT

While most experts agree that Caribbean countries do have the laws in place to cover the types of fraud discussed in this report, many countries face challenges when translating these laws into effective enforcement actions. Some of these challenges are general, while others are country-specific. The prevention, detection, investigation, and prosecution of fraud schemes is typically handled by a country’s law enforcement agencies, FIU, ministry of justice, and AML/CFT regulators.

As discussed later in the report, prosecution was seen by experts as the weakest area of response by governments across the Caribbean. A large part of this is due to considerably slow judicial proceedings, which is frequently linked to inefficient processes and the lack of human and technical capacity. However, another issue pertains to the nature of some pyramid schemes. As sou-sous are informal agreements, typically among trusted family and friends, they generally do not involve any “official” documentation. As such, when pyramid schemes playing off of sou-sous fail or there are disputes, it can be difficult to prosecute offenders as the case will rely on the word of one against another.

Law enforcement is often the primary agency responsible for detection, prevention, and investigation. The FIU is also typically engaged in detection and prevention, frequently through the analysis and dissemination of STRs as well as through public awareness campaigns. They may also be involved in investigation if they are based on a law enforcement model. The ministry of justice—with the attorney general’s office as well as the judiciary—leads on prosecution, though they may also be involved in investigation depending on their mandate. Additionally, successful prosecutions (i.e. convictions) have an important impact on prevention. As an expert pointed out, AML/CFT regulators or supervisors are also involved in prevention through the issuance of alerts, advisories, and indicators to obliged entities as well as the general public.²⁸

Most experts reported good collaboration between domestic agencies, including law enforcement, the FIU, and prosecutors. Some countries have formed inter-agency task forces to specifically target fraud.

The perception of cross border collaboration, and its success or lack thereof, varied among experts. For example, U.S. and Jamaican experts pointed to the success of their joint task force, Project JOLT (Jamaican Operations Linked to Telemarketing), which was established in 2009. U.S. agencies, including Immigration and Customs Enforcement, the Department of Justice, the Federal Trade Commission (FTC), the U.S. Postal Inspection Service, and the Federal Bureau of Investigation worked alongside the Jamaica Constabulary Force as well as private sector companies like Western Union in order to “[identify, disrupt, and dismantle] organizations perpetrating Jamaican-based telemarketing fraud.”²⁹ However, some Caribbean experts pointed to an unwillingness and lack of timely assistance by international counterparts as well as lengthy delays in extradition proceedings.

CURRENT INITIATIVES

Many Caribbean countries have carried out public awareness campaigns to educate citizens, particularly to differentiate between legitimate sou-sous and those pyramid schemes that pose as them. There are mixed reviews on the efficacy of awareness campaigns; while they are educational, some citizens still become involved in schemes even knowing the risks. As one expert explained, some citizens may be resentful of the government, believing that “the government is trying to prevent them from making money.”

There have also been regional initiatives, including from the Eastern Caribbean Securities Regulatory Commission (ECSRC), to warn member countries and their citizens about fraud schemes. For example, the ECSRC issued a warning notice to member countries in the Eastern Caribbean Currency Union—Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines—regarding scams “using the COVID-19 pandemic as a cover to target unsuspecting or vulnerable individuals in times of economic stagnation and downturns.”³⁰ The ECSRC identified the presence of pyramid schemes, unauthorized forex trading, work-from-home scams, and phishing scams involving individuals posing as financial institutions seek to obtain sensitive information.

Private sector businesses such as Western Union and MoneyGram have also produced fraud awareness campaigns. A private sector expert discussed how they are taking a more proactive approach to educating consumers and fighting fraud, not “just wait[ing] for [a client] to come in and [having] the frontline associate [give] them a brochure.” This includes issuing fraud alerts and conducting outreach to certain community groups like the elderly. It also includes outreach and awareness building on social media—internet banner ads, posts on Twitter, and videos on YouTube. In addition, the private sector has deployed machine learning to help identify fraudulent activities, frequently making additions and adjustments to their transaction monitoring systems to incorporate what they learn from reported and unreported fraud.

Country Case Studies

ANTIGUA AND BARBUDA

A law enforcement expert identified pyramid schemes, prize scams, and payment redirection fraud as the primary types of fraud seen in Antigua and Barbuda. They reported that the prize schemes are mainly conducted via email, whereas the pyramid schemes (which play off of sou-sous) are typically conducted in-person because they are localized.

Payment redirection fraud occurs when a third-party intercepts email correspondence, typically between business professionals like attorneys and real estate agents and their clients, and redirects the emails, and ultimately the payments, to themselves.

During the early stages of the pandemic, an expert reported that the government identified the emergence of “the revised sou-sou,” that is pyramid or Ponzi schemes using sou-sou as a “cover” because “persons are familiar with it and people gravitate toward it.”

As noted above, the Caribbean region saw an increase in COVID-related (or modified) fraud schemes during the pandemic. In April 2020, the Office of National Drug and Money Laundering Control Policy (ONDCP), the country’s FIU, issued two fraud alerts to the financial institutions and citizens of Antigua and Barbuda, alerting them to an increase in fiscal and non-fiscal COVID-related fraud, including “imposter” scams, whereby individuals pretend to be credible organizations—law enforcement, health officials, etc.—and solicit donations for those impacted by COVID-19, and the sale of fraudulent medicines and medical supplies.³¹

The FIU’s 2015-2016 Annual Report, the most recent available, noted a “significant increase” in reports of internet-related fraud schemes, specifically grandparent/emergency scams, account takeover/phishing scams, secret shopper scams, and payment re-direction scams.³² The payment redirection and account takeover/phishing scams were primarily conducted via email and the grandparent/emergency scams by phone, whereas the secret shopper scams frequently began over social media, such as Facebook.

Perhaps Antigua’s most notable fraud case was the Stanford International Ponzi scheme, run by Alan Stanford. Allen Stanford orchestrated a 20-year investment fraud scheme in which he stole more than US\$7 billion from approximately 18,000 investors, making it the largest Ponzi scheme by value other than the scheme perpetrated by Bernie Madoff. According to prosecutors, “Stanford sold fraudulent high-yielding certificates of deposit through his Antigua-based Stanford International Bank, and used investor money to make risky investments and fund a lavish lifestyle.”³³

Associated Channels and Value

An expert reported that MSBs—specifically Western Union and MoneyGram—are the preferred money conduits for fraud-related proceeds. In line with this, the suspicious activity reports (SARs) received by ONDCP, according to an expert, are mainly from MSBs.

The payment redirection and prize scams are typically cross-jurisdictional frauds, with the former usually going to the U.S. while the latter going to Nigeria. In one case, an Antiguan citizen acted as

money mule, using their Antiguan account as a conduit to funnel fraud proceeds from other Caribbean islands on to Nigeria. While the expert stated that money mules are currently relatively uncommon, the country has found that “the ones that have been scammed end up acting as money mules.”

There have been no solid estimates published for the value of fraud-related IFFs in Antigua and Barbuda. This is related in part to low levels of reporting, however the government recognizes that the situation is more widespread than what reports show. One expert estimated that, based on the fraud reports and information they have received, the approximate annual value for fraud in the country is US\$800,000.

Vulnerabilities and Weaknesses

Looking at Antigua and Barbuda’s population, one expert stated that “they don’t have a very knowledgeable internet user society,” which places them at higher risk for falling victim. As seen in other countries, because those who enter the scheme early do tend to receive a payout, it can be difficult to impress upon citizens that these are truly fraud schemes, and therefore deter them from engaging. This challenge is compounded by the fact that the schemes often occur within faith-based communities, where they are known as “blessing circles.”

Along this vein, Antigua and Barbuda face challenges from low reporting due to embarrassment. An expert related a case where a victim was too embarrassed to report they had been scammed because, despite “[hearing] the ONDCP’s [fraud] alert on the radio, they still went ahead because the scammers had told them that ONDCP was just trying to stifle investment.”

According to Antigua and Barbuda’s 2018 Mutual Evaluation Report (MER), the country identified fraud, among other illicit activities, as a major threat to the country and a high money laundering/terrorism financing risk, the same as drug trafficking.³⁴ The national risk assessment (NRA) reported that fraud was most common “among employees and individuals in the insurance and banking sectors,” but that the level of fraud was likely underreported “so that institutional reputation could be safeguarded.”³⁵

A Caribbean expert noted that some cases of fraud in Antigua and Barbuda are related to the abuse of power. Among Stanford’s co-conspirators was Leroy King, who, beginning circa 2002, acted as the Administrator and CEO of Antigua and Barbuda’s Financial Services Regulatory Commission (FSRC), and who “was responsible for Antigua’s regulatory oversight of Stanford International Bank Limited’s (SIBL) investment portfolio, including the review of SIBL financial reports and responses to requests by foreign regulators.”³⁶ In his role at the FSRC, King blocked requests by the SEC to obtain information about SIB’s business operations; in return, King received more than US\$520,000 in cash and gifts from Stanford.³⁷

It is important to note that SIB was actually founded in 1987 as Guardian International Bank in Montserrat, however, according to an article by *The Guardian*, “Montserrat authorities revoked [Stanford’s] banking license” in 1991.³⁸ The license was revoked as part of the United Kingdom’s crackdown on questionable banking practices occurring in its offshore territories.³⁹ Stanford subsequently moved his operations to Antigua, where he rebranded the bank as SIB in 1994. This is meaningful because it shows how illicit actors will play jurisdictional arbitrage in order to find a jurisdiction with favorable conditions from which to operate. According to one expert, Stanford “turned Antigua into his own personal bank” with a massive Ponzi scheme.

Another way that fraud touches Antigua and Barbuda is through its CBI program. In August 2021, Bamise and Elizabeth Ajetunmobi were accused of running a US\$55.5 million (₦22 billion) Ponzi scheme in Nigeria through their investment and micro lending company Imagine Global Solutions Ltd; in July 2022, the Lagos High Court ordered the Ajetunmobis to pay 27 Nigerian investment victims roughly US\$44 million (₦18.8 billion).⁴⁰ In April 2021, months before the collapse of the scheme and their flight from Nigeria, the couple and their children obtained citizenship (and thereby passports) through Antigua and Barbuda's CBI program, which the *People's Gazette* reported as "one of the main Caribbean nations offering passports to fleeing Nigerian fraud suspects."⁴¹

In another example, fugitive Indian businessman Mehul Choksi applied to the country's CBI program in 2017 and received his citizenship in January 2018, the same month he fled India and two months before warrants were issued against him.⁴² Choksi, along with his nephew Nirav Modi, are wanted by Indian authorities for their role in the Punjab National Bank scam for allegedly defrauding the bank of roughly US\$1.8 billion by using fake letters of undertakings between their firm and "foreign dummy companies" to obtain credit/financing which was never repaid.⁴³

Overall, there is decent collaboration between domestic and international agencies. The CFATF was identified by an expert as allowing "for a level of synergy and connections to be made between their officers and others." One expert shared that personal (i.e. informal) connections "are more effective at facilitating exchange than memorandums of understanding (MOUs). Internationally, [Antigua and Barbuda's] issues get pushed to the side with partners because the cases aren't high-value."

Response

There are several laws that are used to prosecute fraud cases. Organized fraud is prosecuted under the Larceny Act, while criminal proceeds and money laundering are pursued under the Proceeds of Crime Act (POCA) as well as the Money Laundering (Prevention) Act. Also cited was the Electronic Crimes Act, which was recently amended in 2018 to cover electronic fraud. An expert related that, prior to its enactment, "crimes committed using the internet were often difficult for law enforcement to pursue, so the law created a more specific outline of what needed to occur for charges to be laid." The country had one fraud-related case and five fraud-related money laundering cases between 2012-2016; however, no cases were prosecuted nor proceeds seized or forfeited.⁴⁴

The primary agencies responsible for responding to fraud are the police and the ONDCP. The FIU follows a hybrid model, so they have the powers to investigate cases and make arrests. According to an expert, the FSRC was restructured to a large degree after the Stanford International case.

It does not appear that the Ajetunmobis, mentioned in the case above, ever entered Antigua and Barbuda. However, their passports would allow them visa-free entry to more than 130 jurisdictions around the world. Even though Prime Minister Gaston Browne stated that "his government would ensure repatriation of wanted individuals hiding in the country," it is unclear whether the government has and/or would ever revoke the citizenship of individuals who received it through the CBI program.⁴⁵

Antigua and Barbuda's Citizenship by Investment Act allows the government to "deprive" or revoke the citizenship received by an Antigua and Barbuda citizen through the CBI program if, among other stipulations, the individual's citizenship "was obtained by false representation or fraud or willful

concealment of material facts.”⁴⁶ In addition, applicants are considered ineligible if, among other things, they are “the subject of a criminal investigation... [have] at any time previously been convicted in any country of an offence for which the maximum custodial penalty is in excess of six months imprisonment... [or are] involved in any activity likely to cause disrepute to Antigua and Barbuda.”⁴⁷ An investigation by the *Economic Times* found that, between the inception of the CIB program in 2014 and 2018, Indian nationals represented 2.5 percent of awarded citizenships; this is dwarfed by Chinese nationals, who represent 42.64 percent of successful applicants.⁴⁸

An expert reported that the FIU and the police have done quite a bit of outreach to sensitize citizens to common scams, for example “You can’t invest \$X and expect \$XXX in a short time frame.” For example, the ONDCP has previously warned Antiguan and Barbudans of pyramid schemes disguised as micro-finance initiatives, specifically the common “box investment system,” that is, sou-sou. As explained by ONDCP Senior Financial Analyst Derek Benjamin: “[the scammers are] using a term which we are familiar with to give us a level of comfort, but the truth is it’s not a box; we all know how a box operates... Sometimes, they are called ‘gifting groups’. If you are in a group where you are giving a person a gift, you cannot afterwards claim fraud.”⁴⁹

BARBADOS

Reports released by the Barbadian government as well as the CFATF have provided a good overview of the types of fraud identified in Barbados as well as their prevalence. For example, over the period 2012-2015, a SAR review conducted in the 2018 CFATF MER found that SARs were most frequently submitted in relation to a fraud offense, in particular “internet/email scams and cheque frauds.”⁵⁰

Looking at the FIU’s 2019 annual report, over the period 2017-2018, out of 674 SARs received by the FIU, 88 SARs (13 percent) were related to fraud and 82 were related to theft (12 percent).⁵¹ The country’s 2019 NRA found that the most common frauds were related to i) the creation of fraudulent checks, ii) the creation of false invoices, iii) business email compromise, iv) forging documentation to secure loans; and v) automatic teller machine skimming.⁵²

These reports indicate that Barbados experiences both domestic and international fraud schemes. The fraud victims included individuals (internet and email scams), businesses (invoice fraud, business email compromise, loan fraud, ATM skimming), and both (check fraud). Additionally, contact channels between fraudster and victim involved person-to-person or in-person, email, and online. Per an alert from the Barbados FIU, email appears to be a popular channel for conducting some of the advance fee frauds, including emergency scams.⁵³

The 2019 FIU annual report, *Anti-Money Laundering Authority Annual Reports 2013-2018*, related the following fraud typology:

The individual A met individual B on a social media network site, after developing a friendship, individual A loaned individual B a sizeable amount of money as individual B stated that he was in financial difficulty. Approximately one year after meeting individual B, individual A received a cheque purportedly from individual B requesting that she take the sum of money individual A had loaned to individual B and repatriate the balance to individual B who purportedly resided in another jurisdiction. Individual A did as instructed and forwarded a large amount of money in US

currency as refund to individual B. The financial institution discovered after the transfer of currency that the cheque was fraudulent.⁵⁴

The typology seems to pair a romance scam with check fraud; it is unclear if the scam occurred completely within Barbados or involved another jurisdiction(s).

In the early stages of the pandemic, reports from government agencies indicated an increase in fraud in the island nation. For example, in August 2020, the General Counsel of Barbados' Financial Services Commission (FSC) described the fraud during the pandemic as having "gone to exponential levels," and noted that the increased internet usage has led to "people trying to scam persons in Barbados from another region."⁵⁵ Similarly, the Director of Barbados' FIU reported an increase in fraud committed by "individuals locally, regionally and internationally," and pointed specifically to fraudulent documents, business email compromise and advance fee fraud such as online romance scams.⁵⁶

The FIU of Barbados completed a typology report in 2021 that evaluated SARs submitted between March 2019 and February 2021 to examine how the COVID-19 pandemic affected the prevalence of fraud in Barbados. Of the 547 SARs reviewed, approximately 21 percent were associated with fraud.⁵⁷ They also identified instances where financial institutions corresponded with and transferred funds to purported customers despite very clear red flags, such as differing email addresses and directions to wire funds to multiple accounts.⁵⁸

Associated Channels and Value

As noted above, Barbados' 2018 MER reported that the most common reason, or predicate activity, for filling a SAR was a fraud offense. Given that commercial banks filed more than 75 percent of SARs over the review period, it is likely that many of the fraud-related SARs were filed in relation to transactions or activities conducted at commercial banks.⁵⁹

Barbados' FIU reported that "most of the ML seen in Barbados related to self-laundering [is] largely linked to drug trafficking or fraud-related offences," however "the levels of sophistication and resources are not high."⁶⁰ The fraud cases identified in Barbados' 2019 NRA had proceeds that were valued at US\$1.6 million over the period 2017-2018.⁶¹

The study on fraud by the FIU noted above reported that during the period March 2019 to February 2020, the FIU received 65 SARs related to fraud valued at US\$2.4 million, of which 22 (US\$238,500) were related to successful attempts.⁶² In comparison, the period March 2020 to February 2021, which roughly covers the beginning of the pandemic, saw 47 fraud attempts worth an estimated US\$700,000, with only eight (US\$61,500) being successful.⁶³

As noted elsewhere, blessing circles are quite popular in church congregations as people trust common bonds and religious norms. However, according to a Barbados newspaper, a so-called "blessing circle" pyramid scheme "had made its way into a church, resulting in a major fallout after select members of the congregation were asked to contribute \$2,700 in return for an eventual payout of \$21,000."⁶⁴ With a GDP per capita of just over US\$17,000 in 2021, this can represent a sizeable loss for an individual.⁶⁵

Vulnerabilities and Weaknesses

Barbados' 2019 NRA rated fraud and drug trafficking as a “very high” money laundering risk to the country, that is, the generated proceeds were over BB\$1 million (US\$500,000).⁶⁶ However, based on the FIU typology report on fraud, the financial frauds detected in SARs are not high in value. This suggests that i) a large amount of fraud moves through informal channels (e.g. cash), ii) it frequently does not trigger suspicious activity reporting if it does move through formal channels, and/or iii) a large amount of fraud goes unreported in general.

In August 2022, the UK sentenced David Ames to 12 years in jail for conducting a £226 million Ponzi scheme between 2010 and 2015 whereby victims were convinced to invest in holiday properties across the Caribbean, including Barbados. Many of the 8,000 British victims were “elderly with little investing experience” and “parted with pensions and life savings” for a scheme that “had no external funding and never delivered what was promised. Almost no properties were ever constructed and 99 percent of those who invested made no return” while he enriched himself and his family.”⁶⁷

Indicative of challenges in detecting fraud, particularly the lack of due diligence conducted on potential investments, former Prime Minister Stuart of Barbados was one of the politicians and celebrities who endorsed the scheme. This despite Ames being “twice bankrupted through companies selling garden furniture and windows,” and his son, Matthew Ames, who was imprisoned in 2014 for a fraudulent carbon credit investment scheme, managing the company’s marketing.⁶⁸

Response

Barbados' response to fraud is primarily led by the FIU and Financial Crimes Investigation Department of the Royal Barbados Police Force (RBPF), which has developed a specific unit to address financial fraud. The FIU is responsible for receiving SARs from stakeholders, analyzing the information, and disseminating the information to the RBPF and regulatory agencies. The RBPF is responsible for investigating the fraud matters and referring cases to prosecution. The two agencies are supported by the Central Bank of Barbados and the FSC in regards to regulating bank and non-bank financial institutions as well as designated non-financial businesses and professions (DNFBPs).

Barbados' Consumer Protection Act (CPA) addresses pyramid schemes, forbidding the promotion and operation of schemes where “the financial rewards of many of the participants are dependent on the recruitment of additional participants” and “the number of additional participants that must be recruited to produce reasonable rewards to participants is either not attainable, or is not likely to be attained, by many of the participants.”⁶⁹

In October 2021, the Barbados Fair Trading Commission (BFTC) announced forthcoming amendments to the CPA in regards to pyramid schemes. The Director of Consumer Protection at the BFTC cited a loophole in the CPA that requires the scheme to involve both i) persons offering a good or service and ii) the recruitment of persons in order to make money in order for the Act to apply, however many recent pyramid schemes do not promise a good or service.⁷⁰ A November 2022 review of the Barbados Parliament’s website does not show that any amendments to the CPA have been introduced.⁷¹

The Proceeds and Instrumentalities of Crime Act (2019) allows for civil recovery of proceeds and instrumentalities of crime (Part III) as well as unexplained wealth orders (Part IV, Division II).

According to the BFTC, the agency had conducted public awareness campaigns to educate Barbadians about pyramid schemes masquerading as blessing circles, however despite the warnings, citizens had not come forward to report schemes; rather, many had “accused the [BFTC] of not wanting ‘poor people to make some money’.”⁷²

BELIZE

Fraud schemes in Belize have been primarily linked to investment fraud, including Ponzi schemes. The schemes have typically involved properties or investments in Belize as well as Belizean financial institutions. One expert also reported the presence of securities fraud, pyramid schemes, and land scams.

In its *2021 Annual Report*, Belize’s FIU reported the presence of “innovative scams” in Belize, identifying phishing scams, romance scams, advance fee frauds (particularly prize scams), ATM hacking, and the sale of fake vaccine cards.⁷³ The FIU also identified online/internet scams perpetrated over social media markets and payment redirection fraud.⁷⁴ Notably, these types of fraud are mostly perpetrated by “nonresidents and utilize local ‘money mules’ to facilitate the scams on their behalf,” this despite efforts by the public and private sectors to warn citizens against “renting their bank accounts.”⁷⁵

Cross-jurisdictional frauds that involve Belize and at least one other jurisdiction typically do not target Belizeans. Rather, the country serves as the focus of the scheme, such as where a supposed investment property is located, and the fraud victims are typically U.S. and Canadian residents.

For example, in 2019, Brent Borland pled guilty to defrauding investors out of US\$26 million. He ran the fraud scheme through his investment fund Belize Infrastructure Fund I LLC, whereby he promised investors high rates of return on their investment in the construction of an airport in Placencia, Belize, which he assured them would be secured by real property free from obligations or liens.⁷⁶ In actuality, Borland largely diverted the investments toward personal expenses over the period 2014–2018, causing all investors to lose money. Additionally, according to the U.S. Department of Justice, the real property “serving as collateral was improperly pledged to multiple investors and, in some cases, did not even exist in the manner identified and described by Borland in documents he provided to the investors.”⁷⁷

A year earlier, in 2018, the U.S. FTC shut down a US\$100 million overseas real estate scam focused on a luxury development property in Belize known as Sanctuary Belize or Sanctuary Bay. The scam was perpetrated by Andris Pukke, a U.S.-based “recidivist scammer” who marketed and sold lots at the Sanctuary Belize development property by “falsely promising that the development would include luxury amenities and be completed soon, and that the value of the lots would rapidly appreciate.”⁷⁸ Instead, the FTC announced that Pukke and other defendants used the investments to fund their lifestyle in addition to misrepresenting the length of time to build, possible resale values, and the ease of resale.⁷⁹

While many of the scams covered in this report involve a virtual method of connection between scammer and victim—phone calls, emails, WhatsApp, social media, etc.—Belize reported the incidence of face-to-face scams. In January 2022, a fraudster, posing as a representative of the Ministry

of Development and Housing, was going door-to-door, scamming citizens out of money, informing them that their “housing applications [had] been approved, but that [they needed] to make deposits to begin construction.”⁸⁰

Associated Channels and Value

The country and its financial services are used as a conduit to move fraud-related financial flows, according to documented cases. In connection to the Sanctuary Belize case, the U.S. FTC fined Belize’s Atlantic International Bank Limited (AIBL) US\$23 million and ordered that it cease operations for illegally assisting and facilitating the fraud by, in part, coaching Sanctuary Belize Enterprise’s (SBE) telemarketers “about the services the bank could provide U.S. consumers interested in Sanctuary Belize lots” and “providing Belizean banking services both for SBE itself and for U.S. consumers the scheme targeted.”⁸¹

According to the FIU, the fraud category “dominated” the type of suspicious transactions identified in STRs over the period 2017-2021.⁸² Given that domestic banks, international banks, and credit unions are responsible for almost 74 percent of fraud reporting over the period, along with the prevalence of money mule accounts, it is likely that a large amount of fraud-related proceeds moves through formal financial institutions.

Vulnerabilities and Weaknesses

In Belize’s 2019 National Risk Assessment, the government assesses fraud as a medium money laundering threat for the country, along with theft, tax evasion and forgery, with the source of the fraud proceeds come from both at home and abroad.⁸³

While fraud is considered a medium threat in terms of predicate offenses, Belize’s FIU assessed the real estate sector as being highly vulnerable to money laundering, noting that although “there have been no money laundering convictions against real estate agents, there have been fraudulent activities in the real estate industry, some of which involves land transactions by attorneys-at-law and politically exposed persons (PEPs).”⁸⁴ As Belize’s real estate sector is unregulated, this presents serious risks for both money laundering and fraud.

In addition to the two U.S.-based real estate investment fraud cases, the government has acknowledged they have identified “a systematic effort being orchestrated by persons of both foreign and local nationalities to obtain property by fraudulent means,” particularly those involving land titles.⁸⁵ Land fraud has also included the involvement of high-level government officials/PEPs authorizing the sale of privately-owned land.⁸⁶

The lack of due diligence around investment projects, noted earlier in the report, is also seen in the Sanctuary Belize case. Breaking Belize News reported that, during a period of the fraud’s operation, Pukke had actually “been indicted and served time in prison in connection with a separate ‘get-out-of-debt’ scheme,” continuing to run the Sanctuary Belize scheme from jail “despite assurances from his cohorts to investors that he was no longer involved.”⁸⁷

AIBL’s actions as a respondent bank could have serious repercussions for Belize’s financial sector and economy by jeopardizing correspondent banking relationships. According to *The San Pedro Sun*,

AIBL “[claimed] to be one of the few [banks in Belize] that enjoys [correspondent banking relationships] with the USA.”⁸⁸ A 2018 paper from the International Monetary Fund reported that Belize “lost 83 percent of its correspondent banking relationships (CBRs) during 2013-16,” impacting both domestic and offshore banks, though the latter particularly so.⁸⁹

The UN Economic Commission of Latin America and the Caribbean pointed to specific impacts that de-risking has had on Belize’s banking sector, including increased costs of U.S. dollar transactions, doubling of transaction and operating costs, and inability to provide U.S. dollar check clearing.⁹⁰ These conclusions were supported by a 2016 analysis from Moody’s Investors Service, which found that, while de-risking originally just impacted the offshore sector, it “has spilled over into the domestic banking sector and could have a strong negative impact on tourism, trade flows and overall economic activity.”⁹¹

Response

Fraud is addressed under Belize’s Criminal Code (Chapter 101), and its proceeds are addressed under the Money Laundering and Terrorism (Prevention) Act. Belize’s FIU is a hybrid FIU, serving both administrative and investigative roles, and is responsible for handling fraud and scams. Belize has also established two inter-governmental bodies, the Financial Crimes Working Group and the National Anti-Money Laundering Committee.

A law enforcement expert applauded Belize’s broad use of its tax laws when pursuing the financial aspects of criminal cases. Specifically, they explained that “when [the police] have drug dealers they find with cash, they [will use] the Belize tax law against [the seized] money, claiming 50 percent... they’re [essentially] conducting a civil tax audit. The Belize Police love it because at least some money is taken.” According to the expert, Belize has pursued this avenue because it can be more complicated for the FIU to do asset seizure, and the country is still working to enact civil asset forfeiture legislation.

The FIU acknowledges that it “has been restrained in its dealings with local persons who are, in effect, co-conspirators,” which would include money mules.⁹² It is important that the Belizean government begins to hold money mules accountable as they play an important role in facilitating the movement of criminal proceeds. Prosecuting them, such as Trinidad and Tobago has done, can serve as an effective deterrent.

In regards to de-risking, the Belizean Government has acknowledged the threat posed to Belize and the CARICOM region and is exploring ways to restore correspondent banking relationships with the U.S.⁹⁵

One expert stated that, for Belize, the *willingness* to investigate and provide cross-border assistance on fraud cases would be rated a 5 (i.e. completely successful), however the country (and the region) are limited by their resources.

JAMAICA

While Jamaica faces significant issues with drug trafficking, it also struggles with fraud schemes. The most commonplace and profitable fraud scheme in Jamaica are the lottery scams. Lottery scamming

in Jamaica is directly connected to the presence of call centers in the country. Call centers were introduced circa 2010, with companies looking to outsource their telemarketing from the U.S. Jamaicans hired by the call centers i) received training in successful telemarketing techniques, ii) learned how to speak with foreign accents, and iii) were able to access often detailed call or contacts lists, typically for U.S. and Canadian citizens.

In some cases, call center employees would either engage in scams or sell the contact lists to scammers. According to one expert, these contact lists are nicknamed “sucker lists.” Lists are also stolen from or obtained by frontline workers who are employed in medical practices or services in the U.S. and then the lists are sent to Jamaica. Because the call centers are frequently focused on telemarketing related to Medicare/Medicaid or similar services, the victims are often elderly.

Lottery scams are typically conducted by organized groups or cells rather than solo individuals. According to an expert, the cell often uses younger men in their twenties as “receivers” who collect victim payments. As explained by more than one expert, there are some scammers who are in the trade for the long haul, and others with a more focused end-game: “they get the money they need to buy a store, car dealership, etc. and then they’re out.” The fraud proceeds are used as investment to start a legitimate business.

A unique but unfortunate aspect of lottery scamming in Jamaica is the high level of violence associated with it. Jamaica has the highest homicide rate in Latin America and the Caribbean as well as one of the highest rates in the world.⁹⁴ While many might think this is connected to narcotics trafficking, there are equal connections to the country’s lottery scamming “industry.”

This is largely due to the fact that both activities are highly profitable, and the actors involved use whatever measures necessary to protect their earnings. One expert described the relationship between scamming, violence, and poverty:

Most of the time, [the scammers] are coming from inner city communities which are poorer and more volatile. The less they have, the more they are willing to fight for. Someone with money purchases weapons to protect themselves [and their money]; a rival gang realizes that this individual is coming up and retaliates... The more money you have, the more guns you need to protect it, and eventually it erupts into violence.

Sou-sou, known in Jamaica as “partner draw,” has been around for a long time, with one expert calling it a “traditional” or “cultural” thing. Fraudsters have “mutated” or “modified” the savings system, where an individual’s “draw down” or payout is not based on how much they themselves have contributed but by how much money they bring in, that is how many people they recruit. The expert stated that, as you “create a flow or circle by bringing people in,” at a certain point, you become responsible for your own “cell.”

In addition to lottery scamming and pyramid schemes, there have been two large Ponzi schemes in Jamaica over the last 15 years. In 2016, Jamaican national David Smith was extradited to the U.S. to serve a prison sentence for operating a US\$220 million Ponzi scheme through his company OLINT. Smith founded OLINT, which he described as “a private investment club that pooled investors’ money in foreign currency trading,” in Jamaica before it was shut down by Jamaica’s Financial Services Commission in 2006.⁹⁵ Smith then moved the scheme to the Turks and Caicos, where he was ulti-

mately sentenced by that government in 2010 for the Ponzi scheme.⁹⁶

In 2002, Jamaican Carlos Hill launched the Ponzi scheme known as Cash Plus, marketed as an investment club where Hill “[promised] lenders up to 120 per cent in annual returns for funds invested in the scheme, payable in monthly disbursements at a proposed rate of 10 per cent.”⁹⁷ The scheme ultimately went bust in 2008, with some 40,000 investors losing nearly US\$650 million, however Hill was ultimately acquitted as allegedly no complainants would testify against him.⁹⁸ An expert reported that, after Cash Plus, the dynamics of fraud in Jamaica changed from a very centralized model to a decentralized form, with “different cells to create their own schemes, [making] it harder to track.”

Associated Channels and Value

More than one expert reported that criminal proceeds generated from lottery scams are laundered into local real estate. This includes personal homes, commercial property development, and even construction of churches. This coincides with previous research conducted by GFI for its report *Financial Crime in Latin America and the Caribbean*, as real estate and property development were “overwhelmingly” identified as popular money laundering channels during expert interviews.⁹⁹

Experts explained that the proceeds would often be invested in large plots of land where the fraudster and their extended family members live in multiple buildings. However, the legal ownership will likely not be in the fraudster’s name but that of a family member or close associate in order to try to hide the source of the funds. An expert also reported that there have been instances of fraudsters further benefitting by renting the properties on Airbnb.

In a similar vein, experts detailed that some fraudsters would invest proceeds into car dealerships, pre-owned car lots, and/or car rental agencies. The investment would help a fraudster appear as a “legitimate business person” and also allow for additional laundering by buying vehicles with proceeds and reselling them to clean the money as well as earning additional income from renting vehicles.

One expert shared that in the initial days of lottery scamming, most of the fraud proceeds were sent in cash through FedEx, though eventually scammers started turning to MSBs. Cash does remain a common method of transaction. For example, an expert shared that there have been cases where fraudsters were storing “bales of money” both in their residence as well as in other properties.

MSBs are one of the most popular ways for victims to send “payments” or “taxes and fees” to fraudsters. Those individuals in Jamaica who collect the funds from the MSB are referred to as “receivers.” As noted above, lottery scamming appeared in Jamaica around 2010 and the industry quickly took off. One expert shared that, at its peak, “there used to be tables set up outside of MSB locations where scammers would have a bunch of cell phones trying to get a victim, and when they got one, they walked inside to get the money.”

They also shared that scammers had no qualms in threatening MSB agents into paying out transfers. For example, a male receiver “would go to the agents to pick up money, but the [recipient’s name] is female; [the receiver] would put a bullet on the countertop to intimidate the agent [into paying] the money.” The country was so “out of control” with scamming at one point that Western Union shut down their services for one week in 2012.

Several experts detailed that conspirators in the U.S. would use BMPE to transfer proceeds of lottery scams back to Jamaica. For example, a scammer would instruct their victim in the U.S. to send the “fees” or “payment” for their winnings via an MSB to a conspirator in the U.S. The conspirator would then collect the funds from the MSB and use them to purchase goods such as clothes and carburetors that they ship to Jamaica in a barrel; the scammer can then keep the goods for themselves or sell them. The practice of shipping goods to Jamaica, as well as other Caribbean countries, is unique but commonplace among migrants, which would be unlikely to raise red flags.¹⁰⁰ One expert reported that in the past, scammers have instructed “a victim to purchase a car from Japan, and ship it directly to Jamaica,” where the scammer will sell it for cash.

Some “investments” are forms of conspicuous consumption, including luxury goods and vehicles. “[The scammers] don’t usually move out of the community [once they make money],” reported an expert, “or if they do, they come back to show it off—such as making music videos to sing about ‘chopping,’ which is slang for scams.” Others buy guns in order to protect themselves and their investments, as noted above, seriously contributing to the country’s high level of violence. Other destinations for scamming proceeds are more “well-intentioned,” such as making donations to churches or paying for their and their families’ school expenses.

In terms of the value of scamming in Jamaica, a 2022 article from *The Gleaner* put the proceeds collected from American victims alone at US\$300 million per year.¹⁰¹ One expert interviewed assessed a conservative annual value of US\$500 million to US\$800 million in proceeds. The expert also estimated that some scammers are able to get up to US\$100,000 to US\$300,000 per victim. Another expert put the average victim loss at around US\$20,000, but reported that they had known of victims giving up to US\$1.7 million.

Scamming can also be profitable for those who provide associated services. For example, one expert reported that if you are the type of individual who, through your work, obtains “lists on elderly persons signing up for [the American Association of Retired Persons] or medical devices, and you know they fall in the targeted demographic of a scammer, you can sell them for US\$3,000 to US\$10,000 for a list 45 names, US\$10,000 to US\$20,000 for a list of a thousand names.”

Vulnerabilities and Weaknesses

One expert explained that lottery scamming “is so interwoven into Jamaican society, it’s so hard to crack down on or make any difference.” The popularity and widespread nature of lottery scamming presents a challenge: instead of a couple of groups running the lottery scamming operations in the country, there are numerous cells running their own scams, which makes stamping the activity out a game of whack-a-mole. The prevalence of these cells (and scammers in general) is due to the low entry barrier to engage in scamming: according to one expert, all one needs is a cell phone, prepaid SIM card, and a call list.

This can also contribute to an apathetic attitude to scams, since the victims are largely located abroad. One expert remarked that “sometimes jurors are sympathetic to [fraud] cases... sometimes [you] don’t see the pain and suffering like you would see for cases with murder or assault.”

Looking at the most recent CFATF MER completed in 2017, Jamaica was rated as “Compliant” and was viewed as being very successful with international cooperation, particularly with the U.S. How-

ever, one expert pointed out that, in regards to the MER, Jamaica “has so much confiscated funds that assessors felt it would not be fair to say they are not successful, but [assessors also felt] that Jamaica wasn’t dealing with the problem itself, but flipping it externally. Assessors felt better internal investigations and prosecutions would better deter it” but noted that they believed that has been happening.

Connected to dealing with more frauds “in house,” another weakness is anemic penalties, as some experts felt that sentences “tend to be light and mostly fines.” Additionally, similar to all crimes in Jamaica, even when the government files money laundering charges in conjunction with the fraud offense, oftentimes, an expert explained, prosecutors will agree to drop the money laundering charge in order to secure a conviction for the predicate offense.

Response

In the early days of lottery scamming, circa 2010, an expert related that the government detected an increase in financial flows coming into the country from the U.S., but it took a little while to understand what was actually happening. It was also difficult to handle cases and investigations with victims being in different jurisdictions. A government expert explained that even when there is jurisdictional cooperation, there still can be differences in the jurisdictions’ legal systems, complicating matters.

Since then, the Jamaican Government has worked hard to strengthen its response to fraud over time, particularly in detection, prevention, and investigation. In 2013, Jamaica passed the Law Reform (Fraudulent Transactions) (Special Provisions) Act, better known as the Fraudulent Transactions Act, which was specifically drafted to target lottery scams, advance fee fraud, and other frauds. Among other offenses, it criminalized the possession, transmittal, distribution, etc. of personal identity information (e.g. call lists). Jamaica’s legislation previously required victims to be physically present within the country to submit a complaint, which created barriers. However, the country has amended its legislation to allow for victims to appear virtually.

Fraud cases in Jamaica are handled by the country’s Financial Intelligence Division (FID), the Fraud Squad of the Jamaica Constabulary Force, and the Major Organized Crime & Anti-Corruption Agency (MOCA). An expert explained that the FID typically handles the financial side of fraud investigations—tracing, forensic accounting, etc.—while the police handle the interviews, arrests, etc. Jamaica also has established the Anti-Lottery Scam Task Force, which works alongside the Joint Anti-Gang Taskforce, however questions have been raised about its effectiveness.¹⁰²

As with many other countries, one challenge that threatens Jamaica’s response is that citizens will be drawn into pyramid schemes, despite knowing they are not safe, because they are comfortable with the underlying sou-sou structure. A government expert stated that fraud cases that have a cooperating victim are customarily sent to prosecution. However, if prosecutors do choose to take a case to court that does not have a victim available to testify or if the scammer only possessed paraphernalia (e.g. call lists), and they secure a conviction, the typical penalties will be fines.

According to experts, MOCA generally does bring money laundering charges against those accused of running scams. In regards to money laundering cases, an expert expressed that it can be easier to conduct the financial investigations in fraud cases compared to drug trafficking cases because “fraud

has a better paper trail.”

As reported in other countries, experts detailed the use of money mules to launder fraud proceeds. In response, the Jamaican government has issued pecuniary penalties, that is an order compelling an offender to pay money for the benefits derived from criminal activity, against individuals who act as money mules. The penalty is frequently for the full amount moved through the account, versus what the mule actually received for renting their account. Experts felt that the use of these penalties sent a clear message in terms of the intent to hold everyone involved responsible.

In regards to the private sector, MSBs have worked extensively on their anti-fraud programs to handle the level of lottery scams in the country. A private sector expert noted that a lot of the response “was driven through regulation and fines,” as remittance companies were hit with massive fines from the U.S. FTC and the U.S. Department of Justice.¹⁰³

TRINIDAD AND TOBAGO

The primary frauds identified in Trinidad and Tobago were pyramid schemes (specifically those that exploit sou-sous), romance scams, land fraud and card skimming. For the pyramid schemes, romance scams, and card skimming, both victim and fraudster are typically local. However, land fraud often involves local scammers and foreign victims.

Experts stated that romance scams were the most prominent fraud type during COVID. One expert stated that prior to the pandemic, the country would see one or two cases at a time that were perpetrated by someone outside Trinidad and Tobago. However, due to the pandemic, more citizens went online for the first time and were exposed to new fraud threats. Additionally, an expert reported “100 percent of what [they’re] seeing now is persons scamming persons in Trinidad and Tobago.”

In the case of romance scams, the victims are typically middle to upper income women aged late thirties and older; as such, the scammers typically present themselves as foreign men. The scammers elicit funds from their victims by asking for money using a variety of excuses, or they may additionally involve an advance fee fraud. According to Inspector Tricia Smith of the Trinidad and Tobago Police Service (TTPS), once the scammer feels that the victim has become sufficiently involved, scammers “offer to send a package containing valuables inclusive of money, cellular phones and other goodies...but the victim is required to pay for the alleged clearance of this package, and as a result they send money.”¹⁰⁴

Pyramid schemes in Trinidad and Tobago are loosely based on the informal savings clubs known sou-sous, relying on locals’ familiarity and cultural affinity with the practice. In September 2020, the Trinidad and Tobago government issued a warning to citizens telling them to avoid “get rich quick” schemes or schemes that are “too good to be true.” The announcement followed in the wake of a US\$3.5 million cash seizure allegedly connected to a pyramid scheme known as “Drugs Sou Sou” or DSS.

With the DSS scheme, despite such a large amount of cash being seized at a private residence, the money was returned hours later to the suspects without the knowledge of senior TTPS staff, triggering an internal investigation within the police department. The police then conducted a subsequent raid, seizing and retaining US\$1.2 million and ultimately charging the scheme operator with two

counts of money laundering. Interestingly, the scheme first came to the attention of law enforcement not due to a complaint, but rather the fact that officials observed “scores of people breaching... COVID health protocols, assembling outside a home [and] when the police investigated they found that... [the people] were waiting to collect large sums of money from a pyramid scheme’.”¹⁰⁵

Land fraud in Trinidad and Tobago was identified by several experts as a serious issue. The fraud typically involves scammers using fake deeds to sell property of which they do not have ownership. They often target properties which are not the true owners’ primary residences—an example shared was a property that is owned by foreigners (e.g. U.S. citizens) who only visit once or twice a year, leaving the property largely unoccupied. Scammers will identify such properties and simply put up ‘for sale’ signs and sell them.

Several experts noted that social media, particularly Facebook and WhatsApp, are the primary channels used by scammers to contact victims.

Associated Channels and Value

Recent romance scams have seen scammers instructing victims to deposit funds into local bank accounts, where the funds are quickly withdrawn by ATM. Experts realized that many of these scams are using money mule accounts, with the scammer offering an individual a commission to have access to their account. An expert reported that the money moves quickly in and out of the mule’s account, including the commission:

If someone is scammed, and \$9700 is put into the account, that full amount is withdrawn, they don’t withdraw \$9500 and leave \$200. It appears that the [mules] aren’t usually well-off, it means that the person needs the money, for instance to buy groceries or goods or whatever.

While money mules may attempt to claim willful blindness, and in some instances report the transaction(s) to the police in an effort to protect themselves, an expert explained that the government uses their account history to charge them as part of the conspiracy.

According to one expert, members of the TTPS’s Fraud Squad reported that real estate is “a major tool for money laundering.” Also identified as popular money laundering methodologies were cash-intensive businesses, particularly those requiring little to no government oversight, as well as straw accounts, whereby fraud proceeds are deposited into third-party accounts held by “respectable” individuals.

One interesting methodology mentioned was the possible use of religious organizations. About two years ago, the country went through a currency changeover, switching from paper to polymer notes. In the process, a pastor and his church were found in the possession of TT\$30.7 million (US\$4.5 million) and he was subsequently charged with money laundering.¹⁰⁶

A romance scam alert issued by the Financial Intelligence Unit of Trinidad and Tobago (FIUTT) in September 2021 stated that approximately 100 STRs had been filed in relation to romance scams in the 18 months following the start of the pandemic (March 2020), which represented a loss of nearly US\$339,000.¹⁰⁷ As of July 2022, an expert reported more than 90 reports of romance scams during the year valued at over US\$440,000.

Vulnerabilities and Weaknesses

As seen across the Caribbean, both in regards to fraud as well as other financial crimes, weaknesses in the judicial system, specifically lengthy judicial processes, threaten the efficacy of the country's response. As one expert explained:

What is needed is swift justice and for an example to be set that major fraud is not to be tolerated. One of largest fraud cases ever in the country has been dragging on for over two decades. There is no impetus really to getting people to stay away from criminality save for their own conscience. The laws are there. The arrests are there. The enforcing and reminding of the laws being in place is there. The conviction is not. Therein lies our biggest problem.

One expert pointed to insufficient personnel, specifically magistrates, as well as the court system being significantly clogged with traffic cases, as major factors affecting the length of judicial proceedings. They reported that the government is trying to improve the case management system, and additionally recommended assigning specific magistrates to only hearing financial crimes.

While one expert rated the country as being largely successful at fraud detection, they related that detection, "may not translate to a report of any kind. Some people notice the wrongdoings and ignore it because of fear of reprisal or just not wanting to get involved in what can be a lengthy legal battle." It is also likely that the low rate of reporting is connected to individuals' perceived personal and public shame at being victimized. Experts also expressed frustration with the number of citizens falling victim to scams despite awareness campaigns.

Response

The primary agencies responsible for dealing with fraud are the FIUTT, the Central Bank, and the TTPS, which has a dedicated Fraud Squad. All three agencies have issued and/or circulated alerts, particularly for romance scams. An alert from the TTPS provides a sample text message from a scammer, while one from the FIUTT provides romance scam indicators and instructs potential victims on how to respond.¹⁰⁸

The government enacted the Finance (No. 2) Act of 2021, which seeks to address Ponzi, pyramid, and other schemes in the country. Clause 13b amends the Securities Act by defining a prohibited scheme as any scheme that bases an investor's amount of return on the number of persons the investor recruits to join the scheme or that promises returns "which far exceeds the returns offered in the securities market," among other stipulations.¹⁰⁹ The Minister of Finance emphasized that the Act would not affect traditional sou-sous.¹¹⁰

Also used are the Proceeds of Crime Act (POCA), the Foreign Account Tax Compliance Act, the Civil Asset Recovery and Management and Unexplained Wealth Act, the Anti-Gang Act, and the Larceny Act. As noted above, romance scams have often involved the use of money mule accounts. The government has charged mules as an accessory to fraud and/or facilitating fraud.

In the context of land fraud, another relevant piece of legislation is the Registration of Deeds Act (RDA). The 2020 RDA has several important amendments, including a mandate requiring "a contract of sale to be registered by an attorney who prepared it within 14 days and for an application to be

made to the Registrar General for late registration;” however, the RDA has yet to be enacted.¹¹¹ In the meantime, an expert explained that the Registrar General’s Department, which oversees land registration, has computerized its land deeds and conveyance system in an effort to stop that type of fraud.

As noted, weaknesses in both regulation and oversight of land/property sales have allowed fraudsters to sell properties to which they have no legal claim. The issue of land fraud is so serious that, in December 2021, the Law Association of Trinidad and Tobago announced the creation of “a database of suspicious land deeds and questionable sale transactions” that they suspect “to have been ‘fraudulently’ made by people who are not the true owners of property or those impersonating attorneys.”¹¹²

The government, like many in the region, has conducted fraud awareness campaigns for its citizens. The Acting Senior Superintendent of Trinidad and Tobago’s Financial Investigations Branch warned citizens in January 2022 to exercise due diligence against frauds, specifically purchasing investments that offer big returns, participating in phony government auctions that require participants to deposit money, or accepting payment for providing identification and bank account information to a third party so that it can be used to transfer money out of the country.¹¹³

Experts also reported a collaboration between FIUTT and TTPS’ Fraud Squad and Communications Department. This involved designing flyers that appealed to local sentiments and a series of at least eight social media and TV messages. They reported that a second phase is currently underway, producing “a short film based on... the potential to be scammed” and are they anticipating “one further project... through the Caribbean Basin Initiative to determine why there are so many romance scams.”

Effectiveness

SUCCESS RATING

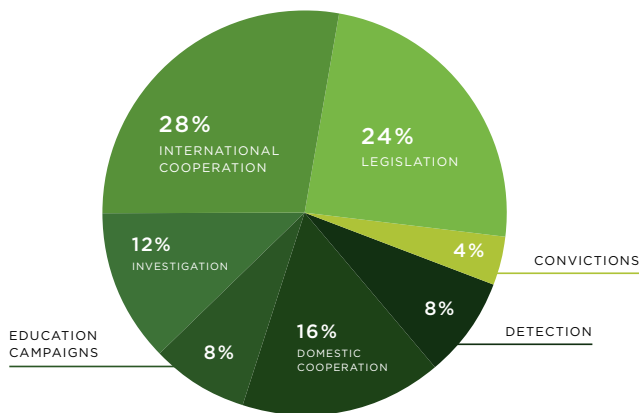
GFI asked experts to evaluate how effective they thought the region and/or a specific Caribbean country was at responding to fraud, with one being not successful and five being completely successful. Overall, the region had an average success rating of 2.93, suggesting that experts overall viewed the region as moderately successful. The top-rated jurisdictions were The Bahamas and the Cayman Islands (rated at 4), followed by Trinidad and Tobago (3.75), and Antigua and Barbuda and the British Virgin Islands (both rated 3). The lowest rated country was Jamaica (2.5). Several experts reported an overall improvement in the region over the past few years; for example, one expert stated that previously they would have rated the region 1/5, but now they would rate them 3/5.

WHAT IS WORKING (AND IS NOT WORKING) IN THE FIGHT AGAINST FRAUD?

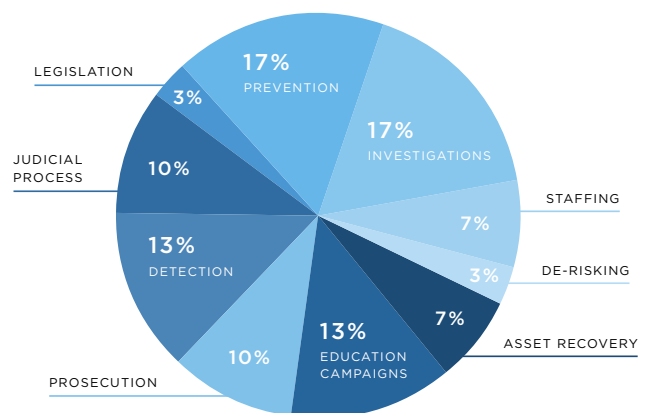
GRAPHIC 3

When thinking about the fight against scams and fraud...

What are the **strengths**?
BY FREQUENCY OF MENTION



What are the **weaknesses**?
BY FREQUENCY OF MENTION



STRENGTHS

The most frequent response as to what is working in the region’s and/or country’s fight against scams and fraud was international cooperation. Many of the lottery scam victims are American, therefore American law enforcement agencies and regulators have strengthened their partnerships and working relationships with Caribbean countries. The U.S. has a greater capacity—technical, financial, human—to investigate these crimes, so Caribbean law enforcement is typically willing to share the responsibility. However, it is important to note that more than one expert reported the perception

that partner jurisdictions such as the U.S. may not prioritize information requests from the smaller Caribbean jurisdictions because the requests are not high-value enough.

Connected to international cooperation is the use of extradition. One expert reported that the fear of extradition to the U.S. serves as a relatively reasonable deterrent to fraudsters, as it both ensures a potentially serious punishment as well as potentially bars entry into the U.S. after completing the sentence.

The majority of experts interviewed also believed that Caribbean countries have the requisite legislation needed to effectively combat fraud. One notable example was the use of legislation against money mules. Other areas of strength included investigation (particularly the willingness to investigate), detection (including SARs reporting), and the rate of conviction when cases made it to prosecution.

Awareness campaigns were considered successful to a certain degree. Most countries use multiple formats—TV, radio, print, online—to inform citizens about the fraud schemes detected on the island. Some of the outreach programs, such as in Jamaica, specifically targeted children as young as elementary school age. However, as evidenced throughout this report, ingrained attitudes continue to challenge government efforts. These attitudes include attributing ulterior motives to the government’s anti-fraud efforts (i.e. that the government wants to prevent them from making money) and refraining from reporting fraud victimization due to embarrassment.

Experts also identified domestic cooperation, in particular the use of fraud task forces, as an effective tool in fighting fraud. Most countries have multiple agencies responsible for responding to fraud—law enforcement, the FIU, the attorney’s general office, etc. It is important that these agencies work together collaboratively and in real time to build effective, efficient cases. For example, many countries’ FIUs follow an administrative model; therefore, their role is largely for data collection, analysis, and dissemination. The national police agency, or potentially a specialized unit, are responsible for investigations; however, more than one expert noted that the police may lack the technical capacity to lead financial crime investigations. Thus, collaboration between FIU and police is critical.

WEAKNESSES

One of the most frequently identified areas where countries are failing is at prevention. Regionally, experts felt that penalties for fraud were quite weak. One expert stated that there is a lack of “any effective deterrence” when it came to frauds and scams in Jamaica.

Another frequently identified weakness pertains to investigations. This included challenges in conducting cross-border investigations, the length of time it can take to receive subpoenaed information, and overall lack of technological resources. With regards to the last, one challenge is specifically that there may not be a central system to house case information and that some processes are still paper-based. The paper-based systems were also a challenge that contributed to ineffective, lengthy judicial processes.

When looking at detection, one of the biggest challenges identified by experts was the lack of self-reporting, which is strongly tied to the cultural tendency to not report fraud victimization due to em-

barrassment. Experts also pointed to weak or nonexistent due diligence efforts by the public and private sectors as another detection challenge. Specifically, experts noted that government officials do not exercise sufficient due diligence when making connections with foreign investors and/or establishing contracts. For example, as outlined above, more than a few Ponzi schemes carried out in the Caribbean involved foreign nationals that had previously been in legal trouble for similar schemes in other jurisdictions.

Limited access to official information can exacerbate many of the previously mentioned challenges. There is often good pre-prosecution coverage; however, information dries up as the case proceeds, so it is difficult to follow a case from beginning to end. Some of this can be attributed to the fact that criminal cases can take years to make it through the judicial system. However, one expert stated this is also connected to governments not publicly releasing conviction information or that local media outlets do not conduct much post-conviction reporting.

This lack of reporting on case proceedings, as one expert explained, “means that due diligence databases aren’t as strong, which can hurt [database users such as financial institutions] because they don’t know whether someone should be allowed to open accounts [or conduct business].” Financial institutions and other entities are not fully apprised of the risks that current or potential clients may pose in regards to fraud and other financial crimes.

For some countries, reported weaknesses included handling cases that involved asset recovery and unexplained wealth. Many Caribbean countries have legislation that covers the confiscation of criminal proceeds, such as Proceeds of Crime Acts, which allows for the criminal and/or civil confiscation of assets. However, the countries in the region typically do not have legislation allowing for unexplained wealth orders (UWOs), and an expert shared that relevant agencies may “stumble when they get unexplained wealth cases.”¹¹⁴

De-risking, that is “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk,” was named by a few experts as an ineffective response to fraud that affects the region.¹¹⁵ As pointed out by the Council of Europe’s Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, de-risking “can introduce further risk and opacity into the global financial system, as the termination of account relationships has the potential to force entities and persons into less regulated or unregulated channels.”¹¹⁶

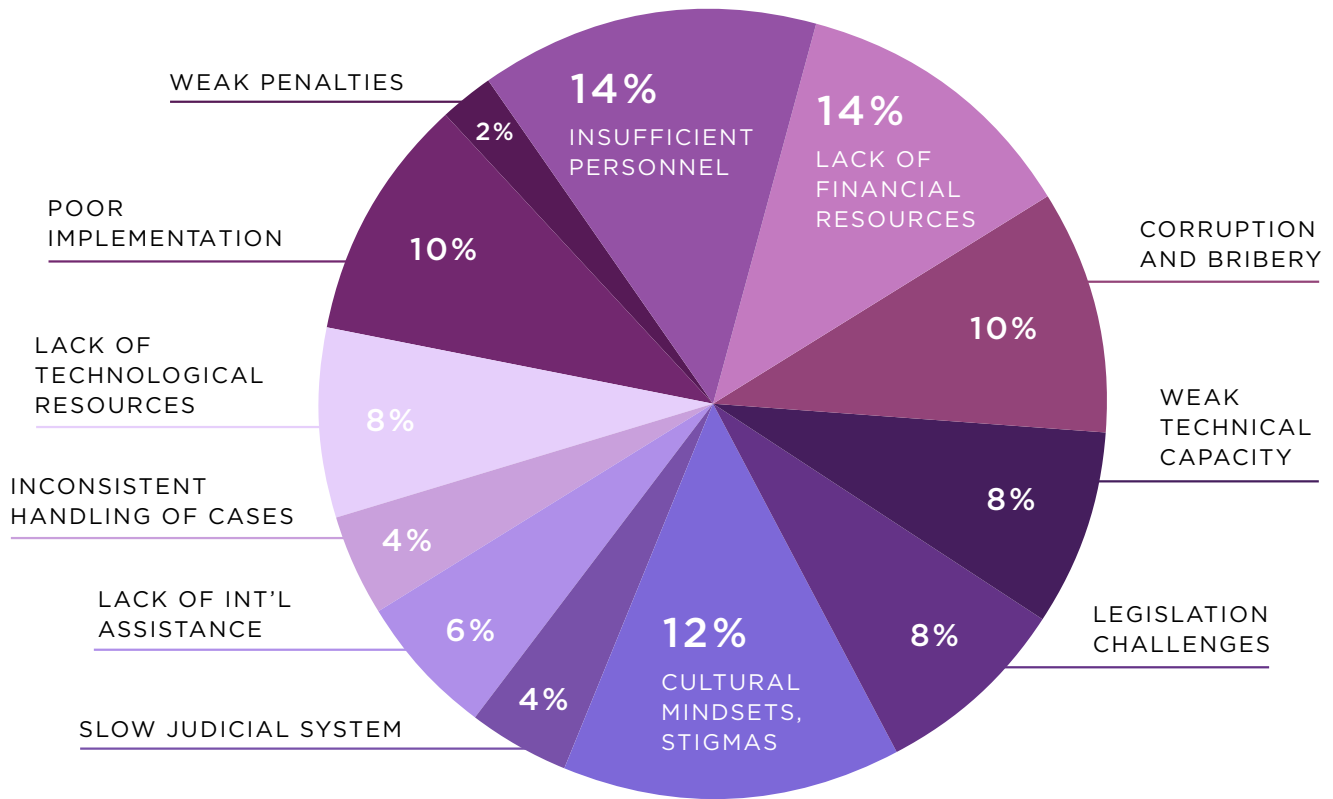
In the Caribbean context, Prime Minister Mia Amor Mottley of Barbados supported this in her testimony before the U.S. House Financial Services Committee in September 2022 when she stated:

Over the past decade, Caribbean countries... have been experiencing the scourge of de-risking by their correspondent banks. Several regional financial institutions have experienced restrictions on or lost access to entire [CBRs]... The adverse effects on individuals, businesses and financial institutions threaten the stability of regional economies and, by extension, the region, which, according to the World Bank, has been the most severely affected region globally.”

A private sector expert agreed, stating that de-risking “hurts more people than it helps. [Financial institutions] need to put more money into identifying bad activity, whether its fraud or whatever. Not just a wholesale decision to not bank certain people and businesses.”

GRAPHIC 4

What are the sources of the weaknesses related to the fight against scams/fraud?
BY FREQUENCY OF MENTION



WHAT ARE THE SOURCES OF THE WEAKNESSES?

As noted above, all of the Caribbean countries have the legislation needed to prosecute scams and fraud, whether they are targeted specifically to scams, are covered by general larceny laws, or can also be charged under online crime laws. However, several experts reported that regulators, law enforcement, and prosecutors in some countries feel like “they don’t have everything in place” to successfully go after fraudsters. This could be because they do not have legislation specifically focused on fraud/scams, they need more legislation for civil forfeiture or unexplained wealth orders, and/or they are missing other legal frameworks. However, one expert countered that “there’s an unwillingness to try something new. The knee-jerk reaction is to not charge someone and get parliament to create the law.”

This sentiment could be connected to political pressure to avoid such cases due to a perceived lack of directed legislation and therefore a perception that prosecution would be unsuccessful. As one expert explained, with targeted legislation, if there is political opposition, law enforcement or prosecutors “have a law in place they can point to in order to push back against the pressure.” Similar to the perceived lack of fraud-specific legislation, some countries are also hesitant to pursue asset confiscation without UWOs. One expert who collaborates with law enforcement in the Caribbean stated that they encourage countries without UWOs to use tax laws and tax information to prove

unexplained wealth. While many Caribbean countries do not have income taxes, law enforcement can look toward the defendant's employer (payroll information) or bank (if they have applied for a loan) to gain information.

According to some experts, another aspect to consider is the attitude of officials. Some Caribbean officials have expressed an attitude that, when the scams involve U.S. victims, "it's a U.S. problem, [and] that it should be stopped up there" and they are "expecting more on the U.S. side to stop [the fraud] than on feeling like it's their responsibility."

Ingrained public attitudes in the source countries can also affect efficacy. For example, the prevention, detection and investigation of fraud in the region is undermined by a somewhat commonplace attitude that governments' efforts to combat fraud is rooted in an attempt to prevent them from making money. As one expert explained, for those schemes that pose as sou-sous, because "some people make money... if the regulator cracks down after identifying it as a pyramid scheme, people get upset and blame the regulator for losing the money because they cracked down."

A cultural stigma against admitting to being defrauded also plays a large role. "There is also an issue with desperation, losing jobs, people in bad circumstances," explained one expert. "Because of the desperation, when they fail, they are embarrassed, so you don't hear as much outcry as you should: no one wants to be the person that is fleeced." An expert from Trinidad and Tobago stated that there is a tendency to look down on victims "for being stupid enough to get caught." Several experts mentioned another attitude, seen particularly in Jamaica, that scammers are "cool," they are young and made a lot of money; some are even celebrated in song.

Another weakness involves the progression from policy to enforcement. One expert expressed that "the laws are in place... they have the right mindset, the right people... but the structure—that's a problem." In particular, the expert noted deficiencies with prosecution, the judiciary and the judicial process. In fact, many experts identified prosecution as the weakest component of countries' responses to fraud. This is linked in part to frequent, lengthy delays experienced in the judicial process. This coincides with the conclusions of GFI's 2021 report, *Financial Crime in Latin America and the Caribbean*.

One of the challenges with prosecuting pyramid schemes is the fact that victims can also become perpetrators: the nature of the scheme requires participants to recruit more people, so they themselves become complicit. Experts have reported hesitancy by some countries' law enforcement and prosecutors in pursuing cases against certain pyramid scheme participants as their actions may fall into a "gray area."

In regards to weaknesses in prevention, one issue is lenient sentencing. Many of the countries in the region already face significant challenges in seeing cases through the judiciary process. To achieve a successful conviction can be long process, however current penalties may not be effective deterrents. An expert pointed to the penalties for fraud in Jamaica being anemic: "For some sentences, they just have to pay a fine, and can go back home and continue the fraud; not many times do they spend time in prison."

Regional experts also identified asset recovery as an area with a particularly weak response. The recovery of fraud-related proceeds can be challenging in both single-jurisdiction and cross-jurisdic-

tional cases. One expert stated that “recovering the proceeds of fraud and [ensuring] restitution is paid to victims represents one of the greatest challenges to [law enforcement agencies] and prosecutorial authorities.”

The MLAT process can pose challenges to the timely and effective investigation and resolution of cases, including asset tracing and seizure, due to potential differences in legal systems. As discussed above, some fraudsters spend their illegal earnings through conspicuous consumption and lavish lifestyles, meaning that there may not be anything left to confiscate. “In cases where assets are identified and possibly confiscated,” an expert explained, “the amount recovered is not sufficient to allow for adequate compensation or restitution to victims.”

Multiple experts pointed to limited technical capacity as a major source of weakness in the region’s response to fraud. One aspect to this is the level of financial literacy among law enforcement outside of the country’s FIU. As one expert explained:

The average law enforcement employee is still focused on the tangibles—murder, theft, speeding tickets—not necessarily forensic accounting. They aren’t really that aware, so naturally they are going to shy away from too many numbers, accounting, etc. But if more people had that basic skill in law enforcement in terms of identifying these red flags [associated with fraud], it’d go a long way.

This can be particularly true as some FIUs may only hold an administrative function, or even if they have investigative responsibilities, there may be insufficient staffing to support the effective pursuit of financial crimes.

Additionally, even when countries—both in the Caribbean and in other jurisdictions—have the technical and staffing capacity to respond to fraud, experts pointed to staff turnover as a weakness. For example, when discussing cases between the U.S. and Jamaica, one expert shared that there’s “turnover on both sides, so every time you have a new case you have to start all over again; you don’t have continuity of connections, knowledge.”

The lack of financial resources also plays an important role limiting the capacity of countries in the region. “Anything that could be effective costs money,” an expert pointed out, “and these are very small countries... Barbados has a population of less than 300,000, the government is equivalent to a small city government and we expect them to do great things.”

As is the case with most crimes, bribery and corruption are important enablers of fraud. In the Caribbean context, there are particular challenges with politically exposed persons due to the size of the countries. “Being corrupt is easier in smaller countries,” one expert stated, “as one person can be on the board of many different state-owned enterprises so their power reaches far.”

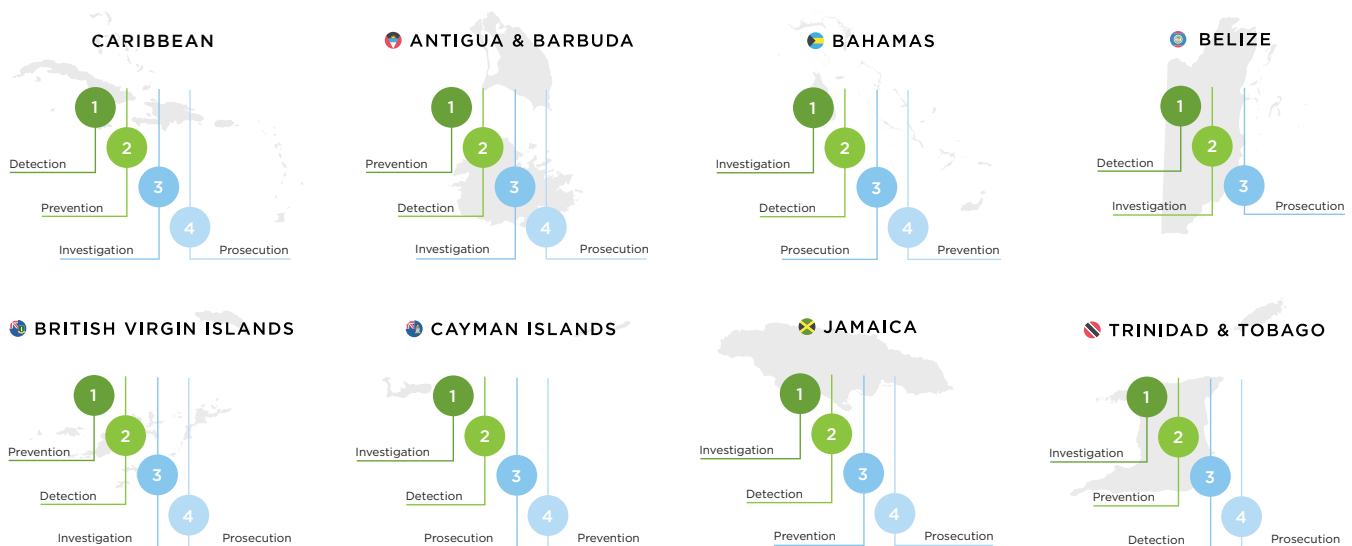
Another expert pointed out that one of the underlying problems tied to corruption is the lack of “adequate pay at all levels of government.” They continued: “...With corruption, there’s always a price, and the price for corruption in these counties is pretty low. With higher salaries, you don’t have the need to accept a bribe. You can train judges, attorneys, etc., but if they’re only making beans, they’re still going [to be tempted].”

In Jamaica, those individuals who participate in scamming can be quite visible due to spending beyond their means; one expert suggested that “there’s some sort of police payoff to look the other way.” They added that some scamming cells will bribe the police to target rival cells, a tactic that is also seen with drug trafficking.

Connected to the size of the countries—both in terms of geography as well as population—is that it can be much easier to “access” high-level government officials, such as ministers, in comparison to larger countries. As explained earlier in the report, some fraudsters have taken efforts to cultivate relationships and establish their (false) bona fides with the relevant government ministers prior to launching fraud schemes in order to provide greater legitimacy to their claims.

GRAPHIC 5

Strongest to Weakest Areas in Fraud Response



RANKING KEY RESPONSE AREAS TO FRAUD

Many experts viewed detection as the strongest response area for the Caribbean, closely followed by prevention and investigation. Experts overwhelmingly pointed to prosecution as the weakest component of a government’s or the region’s response to fraud, which can impact the other key areas. In regards to prosecution, one expert expounded: “It’s just hard to get through the [prosecution] process and get [the case] to the finish line, and [that hinders] the investigation because there’s not a lot of confidence that once the investigation is done, that it will cross the finish line.” Conversely, another expert rated prosecution as the strongest “when it gets to that level, [as] it is more than likely they will have a successful outcome.”

All four areas are impacted by how prompt governments are in addressing their country’s financial crime challenges. Responding to fraud can be difficult when fraudsters and victims are located in different jurisdictions as it can impact all four key areas, particularly when there is poor international cooperation.

Recommendations

- **Work to improve the effectiveness of awareness campaigns:** This should include i) interviews with previous victims detailing their stories to make victimization more relatable; ii) information on the risks of acting as a money mule; and iii) social media outreach —Facebook, WhatsApp, etc.—in the campaigns. Perhaps most importantly, countries need to make these campaigns ongoing. While many countries do use public awareness campaigns to inform their citizens of fraud risks, some experts felt that the campaigns could be better targeted and needed to be more frequent. One expert related: “Constant public awareness campaigns work. Key word being constant. You have to bombard us with the info in bitesize bits.”
- **Publicize an entire fraud case from pre- to post-conviction:** Governments should ensure effective coordination between the national prosecutorial agency (e.g. Office of the Attorney General) and the relevant government information service (either within the Ministry of Justice or for the entire government). Publicizing the entire case, especially conviction and penalty, can serve as a good deterrent. In addition, by publicizing the names of convicted fraudsters, due diligence firms are able to incorporate this intelligence into their databases, which puts their clients in a better position to conduct know-your-customer and customer due diligence processes.
- **Make it easy for potential investors to verify those individuals and companies registered to conduct business:** Jurisdictions should publish the names of the individuals and entities licensed to provide investments and other services in an easily accessible place, such as the financial services authority website. This will allow potential investors, or potential victims, to conduct their own due diligence before engaging in economic activities, legitimate or otherwise. Jurisdictions should also consider publishing alerts identifying the names of those individuals and entities that are not registered to conduct business but have falsely claimed to be able to do so. Experts pointed to the work done by St. Vincent and the Grenadines as an example of a public database. As investment frauds, like forex scams, often run through social media, FIUs and financial services commissions should alert citizens on social media platforms, something that the Anguilla FIU has done.
- **Form an anti-fraud taskforce:** Countries should ensure that they have inter-agency fraud taskforces that bring together key agencies such as the police, the FIU, the prosecutor’s office, and more. They should also consider creating international task forces and projects, such as Project JOLT between Jamaica and the U.S. As one expert explained, it is important to have cross-jurisdictional cooperation when victims are located in one jurisdiction but much of the criminal activities are on the scammer or “receiver” side. In addition, victim jurisdictions like the U.S., UK, and Canada have greater resources to apply to such cases compared to most Caribbean countries.
- **Enact legislation to ensure a speedy trial:** Many countries across the Caribbean have slow judicial processes in general, let alone for financial crime cases. When judicial processes are inefficient, cases can be unnecessarily dragged out over years to the point that the defendant(s) ends up being remanded in custody longer than the actual possible penalty. When the case is finally adjudicated, even if found guilty, the individual will be released with time served.
- **Explore using cybercrime laws to bolster charges against fraudsters:** Much of the fraud that is committed in the Caribbean could also be considered cybercrime as the crimes are carried out using a computer, phone, or other networked device. As such, countries can explore using laws

and regulations on cybercrime to prosecute, or to bolster additional charges, for relevant fraud cases.

- **Explore potential policy avenues for improving responses to fraud, including international cooperation:** Cross-border crimes, including fraud, can be particularly challenging for countries to tackle. And while many countries have MLATs, there are shortcomings to the process as noted above.
- **Evaluate current consumer protection legislation for potential improvements:** One expert pointed to the Organization for Economic Cooperation and Development’s Consumer Policy Toolkit as a resource that jurisdictions can use to “identify and evaluate consumer problems and to develop, implement and review effective consumer policies so that consumers can play their role in ensuring a dynamic economy,” which includes unfair commercial practices and fraud.¹¹⁷ The tool kit includes recommendations on improving cooperation between enforcers, both criminal and civil.
- **Explore platforms for international cooperation and information sharing:** For example, the U.S. FTC created Consumer Sentinel, an online platform that gives network members—federal, state, local, and foreign agencies and offices—access to “reports submitted directly to the [FTC] by consumers, as well as to reports shared by data contributors,” which includes different scams and frauds.¹¹⁸ Currently, no CFATF member countries are also Sentinel members.¹¹⁹ Caribbean countries should explore applying for access to Consumer Sentinel as well as examining if any other relevant jurisdictions have similar platforms/programs.
- **Explore using tax legislation when prosecuting cases when civil asset forfeiture is not available:** As seen in the case of Belize, the use of tax legislation can serve as an alternative to an UWO, requiring defendants to prove the source of seized assets. This can serve as an additional penalty against the defendant as well as an effective deterrent.
- **Create courts that only address financial crime cases:** Many countries face significant delays in the judicial system. Countries should explore creating courts that only address financial crimes, such as fraud and money laundering, and staffing them with judiciary that have specialized training.
- **Don’t de-risk:** The FATF has long underscored that de-risking “should never be an excuse for a bank to avoid implementing a risk-based approach.”¹²⁰ The private sector should work through public-private partnerships and other avenues to find alternatives to de-risking when faced with higher-risk sectors or jurisdictions.
- **Strengthen citizenship by investment policy:** Governments should revoke the CBI citizenship if the individual is convicted of a serious crime in another jurisdiction. Countries should also routinely, at a minimum during passport renewal, conduct due diligence on the beneficiaries of the CBI program for any adverse information that would make them ineligible.

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