



United States Department of the Treasury  
Financial Crimes Enforcement Network

# FinCEN Advisory

Subject:  
**Transactions  
Involving  
Dominica**

Date:  
**July  
2000**

Advisory:  
**Issue 16**

Banks and other financial institutions operating in the United States are advised to give enhanced scrutiny to all financial transactions originating in or routed to or through the Commonwealth of Dominica, or involving entities organized or domiciled, or persons maintaining accounts, in Dominica. The need for such enhanced scrutiny is discussed in the remainder of this Advisory.

Dominica is an island in the Caribbean, situated between the Caribbean Sea and the North Atlantic Ocean. Approximately 65,000 people live on Dominica, and the economy is based heavily on agricultural exportation. Dominica has rapidly expanded its offshore financial services in the last few years. Dominica has chartered six offshore banks and approximately 5,800 International Business Companies.

The counter-money laundering regime embodied in the legal, supervisory, and regulatory systems of Dominica suffers from serious systemic problems.

- Money laundering is a crime in Dominica only if it is linked to narcotics-related offenses.
- Offshore banks are subject to no effective supervision.
- Offshore banks are not prohibited from issuing anonymous accounts.
- Offshore banks are not required to report suspicious transactions.
- Dominica's International Business Companies can issue bearer shares.
- Transactional information maintained by Dominica's International Business Companies is protected by strict secrecy laws. The Attorney General may request access to such information via court order, but only if the investigation relates to a criminal offense under Dominican law.



---

These deficiencies, among others, have caused Dominica to be identified by the Financial Action Task Force on Money Laundering (the “FATF”) as non-cooperative “in the fight against money laundering.” The FATF, created at the 1989 G-7 Economic Summit, is a 29 member international group that works to combat money laundering.

There are some positive aspects of the Dominican laws and regulations with respect to anti-money laundering efforts. The supervision of the domestic banking sector in Dominica is already under the control of the Eastern Caribbean Central Bank (the “ECCB”), and some responsibility for the supervision of the offshore sector is expected to be vested with the ECCB. Dominica has cooperated in sharing information obtained by its Attorney General in narcotics-trafficking cases. Financial institutions are required to retain account opening information and transaction records for a period of 7 years. A Mutual Legal Assistance Treaty between the United States and Dominica has recently gone into effect.

Nonetheless, the legal, supervisory, and regulatory systems of Dominica at present create significant opportunities and tools for the laundering and protection of the proceeds of crime, and allow criminals who make use of those systems to increase significantly their chances to evade effective investigation or punishment. Dominica’s commitment to secrecy in the regulation of banks and International Business Companies and the absence of effective Dominican supervisory or enforcement mechanisms aimed at preventing and detecting money laundering increase the possibility that transactions involving Dominican entities and accounts will be used for illegal purposes.

Thus, banks and other financial institutions operating in the United States should give enhanced scrutiny to any transaction originating in or routed to or through Dominica, or involving entities organized or domiciled, or persons maintaining accounts, in Dominica. A financial institution subject to the suspicious transaction reporting rules contained in 31 C.F.R. 103.18 (formerly 31 C.F.R. 103.21) (effective April 1, 1996), and in corresponding rules of the federal financial institution supervisory agencies, should carefully examine the available facts relating to any such transaction to determine if such transaction (of \$5,000 or more, U.S. dollar equivalent) requires reporting in accordance with those rules. Institutions subject to the Bank Secrecy Act but not yet subject to specific suspicious transaction reporting rules should consider such a transaction with relation to their reporting obligations under other applicable law.

---

It should be emphasized that the issuance of this Advisory and the need for enhanced scrutiny does not mean that U.S. financial institutions should curtail legitimate business with Dominica.

To dispel any doubt about application of the “safe harbor” to transactions within the ambit of this Advisory, the Treasury Department will consider any report relating to a transaction described in this Advisory to constitute a report of a suspicious transaction relevant to a possible violation of law or regulation, for purposes of the prohibitions against disclosure and the protection from liability for reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).

United States officials stand ready to provide appropriate technical assistance to Dominican officials as they work to remedy the deficiencies in Dominica’s counter-money laundering systems that are the subject of this Advisory.



James F. Sloan  
Director

---

*FinCEN Advisory is a product of the Financial Crimes Enforcement Network, U.S. Department of the Treasury, P.O. Box 39 Vienna VA 22183, (703) 905-3773. For more information about FinCEN's programs, visit the FinCEN web site at <http://www.fincen.gov>.*

*Questions or comments regarding the contents of the FinCEN Advisory should be addressed to the Office of Communications, FinCEN.*

*Information may also be faxed to (703) 905-3885.*