

6th Annual Bahamas Research Conference on Financial Crime- Speaker Invitation

**Topic: 'Challenges Encountered By Small
State Financial Intelligence Units'**

Presenter: Basil Collie.

Deputy Director

Financial Intelligence Unit, Bahamas

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Opening Remarks

Distinguished ladies and gentlemen, a pleasant good day. My name is Basil Collie, and I am the Deputy Director of the Financial Intelligence Unit of The Bahamas. On behalf of Mr. Emrick Seymour, Director, I bring you warm

greetings. It is indeed a profound pleasure and honor to join my fellow FIU colleagues in speaking with you today on the 'challenges that small state FIUs encounter'.

Mr. Murray Michell, the former Chair of the Egmont Group of Financial Intelligence Units (2013) said the following, and I quote.

"Over the years, financial intelligence units have developed expertise in carrying out their responsibility for receiving, analysing, and disseminating financial information to law enforcement authorities. As always, however, FIUs face several very tough challenges if they are to be properly meaningful and if financial intelligence is to be properly impactful in today's world".

Mr. Mitchell went on to say

"FIUs are often considered to be the cornerstone of anti-money laundering and combating the financing of terrorism systems (AML/CFT) in jurisdictions.... The environment within which FIUs are operating is dynamic and constantly changing, and FIUs have to adapt and respond in order to remain relevant."

Unquote!

When most people hear "Financial Intelligence Units," they probably picture a team of high-tech detectives using sophisticated, sci-fi tech gadgets analyzing mountains of data to stop criminals from laundering money or financing terrorism. And, while we certainly are not robots, nor are we endowed with the strength and abilities of 'Superman', what we do is just as important and more complex than it might seem at first.

In many ways, FIUs are the **linchpin** of anti-money laundering and combating the financing of terrorism in jurisdictions around the world. The Bahamas is no exception, proudly playing its part in this global effort for more than twenty-four (24) years.

But as the world around us evolves, so too must we in order to fiercely and continuously guard our respective, precious financial services industry. The challenges facing small state FIUs today are as complex as they are urgent. FIUs are not just fulfilling its traditional roles but are also expected to provide AML/CFT training to relevant stakeholders, contribute to national risk assessments, and inform the public and financial institutions of their

statutory obligations to detect, prevent and deter the commission of offences, just to name a few.

For small state FIUs it's precisely these challenges that drive us to innovate, collaborate, and strengthen our resolve. Together, we share not only a vision but a commitment to overcoming the obstacles that stand between us and a safer global financial system.

Who We Are/What We Do:

History of the FIU

On the 29th of December 2000, the Government of the Commonwealth of The Bahamas passed a compendium of financial legislation, which included the Financial Intelligence Unit Act 2000 (FIUA), establishing FIU Bahamas as a statutory, central agency responsible for receiving, analysing, obtaining and disseminating information which relates to proceeds of specified offences. The 2000 Act has since been repealed and replaced with a more effective, and functional FIU Act 2023.

In June 2001, FIU Bahamas was accepted in the Egmont Group of FIUs as the 54th member of that august body. In

recognizing the challenges faced by Egmont Group in recruiting new members for the Americas region, FIU Bahamas quickly took on a leadership role, sponsoring over sixteen (16) regional and one (1) African FIU in their quest to become Egmont members. To date the Egmont Group has a membership of 177 FIUs globally. Additionally, FIU Bahamas has entered a total of twenty-eight (28) Memorandum of Understanding (MOUs) with FIUs around the world and collaborates with over eighty (80) Foreign FIUs annually.

FIU Bahamas over the many years was elected to several working groups, including, being **Elected Chair of Egmont Implementation Committee tasked with overseeing the transition of Egmont into a permanent international organization**

- Member of the Outreach Working Group
- Elected Vice-Chair of Outreach Working Group
- Member of the Information Technology and Training Working Group
- Member of the Egmont Committee
- Vice-Chair of Egmont Committee

- Elected Co-Regional Representative for the Americas Region
- Elected member of the Finance Reference Group
- Member of the Policy and Procedure Working Group (PPWG)

Today, The Bahamas stands as a testament to the power of reform, cooperation and partnership in addressing its challenges.

CHALLENGES FACING IT AND SMALL JURISDICTIONS:

Some of the notable challenges facing small State Financial Intelligence Units are as follows.

1. Cost Pressures in IT Landscape:

- **Rising Costs:** The increasing complexity of the IT landscape, along with evolving demands, has led to a steady rise in costs. This means facing rising operational costs across infrastructure, security, and compliance technologies. Hosting solutions, whether on-premises, in the cloud, or hybrid—can contribute to additional costs. Cloud-based solutions often

provide cost savings in terms of scalability and flexibility but come with increased subscription fees for services like Software-as-a-Service (SaaS). With an annual 3-5% percent increase in IT expenses, it's crucial for small state FIUs to regularly evaluate the most cost-efficient solutions for their operations.

POSSIBLE SOLUTION/S:

- A hybrid cloud infrastructure may be an option. It offers a cost-effective solution by balancing on-premises systems for sensitive data and cloud services for scalability and flexibility (*already in effect?*). It allows for greater control over critical operations while utilizing the cloud for tasks like data storage and analytics, which can be scaled up or down based on demand. Adopting cloud cost management tools can help monitor usage, identify inefficiencies, and implement cost-saving strategies such as rightsizing resources and eliminating unused services.
- Small state FIUs may wish to seek government/regulatory and institutional funding (Central Bank): Explore grants or funding programs

from government agencies or international organizations focused on strengthening financial intelligence and security.

- Joint ventures or consortiums can also provide cost-sharing opportunities.

2. Lack of IT Expertise:

- **Challenges in Recruitment:** In a specialized field, recruiting IT professionals with the right competencies (e.g., cybersecurity, data analytics, regulatory compliance) is indeed a significant challenge. Attracting experts with competitive pay packages can strain FIU budgets. Retaining such talent is another challenge, with professionals often changing jobs within 1-3 years, leading to a continuous cycle of recruitment and training.

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POSSIBLE SOLUTION/S:

** Small State FIUs may wish to adopt recruitment strategies like offering hybrid work models with the use of encryption, multifactor authentication (MFA), and Virtual

Private Network Technology (VPN), providing career growth opportunities, and culture of flexibility. To further retain talent, Small State FIUs may also offer non-financial incentives like professional development, work-life balance, and mission-driven work to help reduce costly turnover. **

3. Decision Maker Buy-In:

Who are the decision makers?

- **Aligning IT with Organizational Goals:** For Small State FIUs, gaining approval from key decision-makers for IT investments can be particularly challenging, especially when balancing budget constraints with the need for technological advancement. Decision-makers might prioritize cost-cutting measures over IT infrastructure improvements.

POSSIBLE SOLUTION/S:

- To secure buy-in, it's important for Small State FIUs to demonstrate how IT investments align with the core objectives of the FIU, such as enhancing data analysis capabilities, improving regulatory compliance, or

increasing the speed and accuracy of financial intelligence to assist in financial crime detection.

- The use of data analytics to showcase the return on investment and cost savings from improved technology can be beneficial. Additionally, presenting a clear risk assessment of not adopting new technologies to show missed opportunities can help to understand the importance of prioritizing IT investments.

Other challenges that may be faced by Small State FIUs are,

- Maintaining operational independence and autonomy.
- Hiring and retaining the services of young, qualified, dynamic professional Analysts, and support staff.
- Identifying state of the art, secure facility for the office of FIUs.
- Receiving timely feedback from Foreign FIUs on successfully prosecuted ML/CFT cases in which

intelligence was provided by Small State FIUs, especially if asset recovery is involved.

- small-state FIU's may face specific challenges related to complex and evolving fraud techniques and cryptocurrency-related offenses.

These specific threats can impact small state FIU's which may now have to allocate additional funding for expert training, and new software.

In Closing

With continuous, strong, dynamic and progressive leadership, Government buy-in and full support, expanded cooperation and collaboration with regional FIUs, greater assistance from the more advanced FIUs globally, increase financial and other resources, coupled with a dedicated and motivated team of FIU professionals, **no challenge faced by small state FIUs are insurmountable that they cannot overcome.**

Thank you for your attention!