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1. BACKGROUND INFORMATION

1.1. Beneficiary

The partner countries for this project are the Member States of the Caribbean Basin Security Initiative

1.2. Contracting Authority

CARICOM IMPACS will be responsible for managing and overseeing the overall implementation of the project. It will also perform preliminary and final reviews of all reports submitted by the Consultant

1.3. Background

Several Caribbean territories have digital currencies. For this project, digital currencies consist of: (1) central bank digital currencies (CBDC), (2) cryptocurrencies, (3) stablecoins, and (4) other virtual currencies. Digital assets can include private sector-administered digital currencies, such as Bitcoin, but can also include non-fungible tokens (NFTs). To help capture both the central-bank backed digital fiat currencies and the private sector-administered currencies and assets, this note will use the term “digital currencies and assets” (DCAs). Despite the existence of these currencies there is insufficient information on how these currencies may be linked to and facilitate criminal activities in the region such as cybercrime, human trafficking, financial crime, corruption and other transnational organized crime.

In light of the above, it is required that this project undertake the necessary research and enquiries related to this issue and convert anecdotal evidence of digital currency and digital assets used to facilitate crime in the Caribbean. This research will be compiled into a detailed visual and analytical picture of this threat, which in turn can be shared with CARICOM Member States, including Belize and Haiti, and used to inform potential programmatic and legislative interventions in Member States as well as Caribbean Basin Security Initiative (CBSI) partner nations, including the Dominican Republic.

1.4. Current situation in sector

Central Bank Digital Currencies (CBDCs) and cryptocurrencies are hot topics as digital currencies already exist in the Caribbean region. The Eastern Caribbean Central Bank (ECCB) launched a DXCDC Caribe Pilot in March 2019, which involved a securely minted and issued digital version of the EC dollar. DCash will be issued by the ECCB, and distributed by licensed banks and financial institutions in the Eastern Caribbean Currency Union (ECCU). It will be used for financial transactions between consumers and merchants, people-to-people (P2P) transactions, all using smart devices. This is now available in seven territories of the Eastern Caribbean.

In 2020, The Bahamas was the first country to issue a CBDC. In April 2022, crypto firm FTX established headquarters in the Bahamas and hosted a large cryptocurrency conference, asserting that the Bahamas is seeking to “be the Dubai of crypto.” Barbados also has a

CBDC, and Jamaica released its JAM-DEX CBDC in March 2022. In the Dominican Republic and St. Kitts and Nevis, cryptocurrencies are accepted for the purpose of purchasing property. Further, St. Kitts and Nevis, cryptocurrencies can also be used to facilitate the purchase of citizenship by investment.

Some of the risks associated with the use of digital currencies are the risk of cyber-attacks inclusive of crypto jacking, phishing, identity theft and ransomware. Digital currencies also pose a number of financial crime risks. They offer rapid transaction settlement and a degree of anonymity more than established electronic payment methods. This provides a facilitative environment for global criminals, who are becoming more sophisticated in their use of virtual currencies to launder money. Real estate is one of the primary vehicles for money laundering in the Caribbean. Criminal justice actors and law enforcement partners have been increasingly reporting suspicions that DCAs are being used to hide illicit financial gains, but do not yet have specific information beyond observations related to civil asset forfeiture, recovery programming and other casework in the region.

1.5. Related programmes and other donor activities

CARICOM IMPACS received resources from the 11th European Development Fund (EDF) to support the fight against money laundering and financing of terrorism through the project Capacity Development for CARIFORUM Member States on Asset Recovery and Cybercrime. The Cybercrime aspect of this project is to enhance detection and investigation of cybercrimes in CARIFORUM Member States, in compliance with international standards. This includes the provision of technical assistance to Member States to facilitate anti-cybercrime and cyber security legislative and policy establishment/improvements/amendments, the design, development, and delivery of targeted trainings on cybercrime and cyber security for law enforcement and judiciary professionals in Member States to be included in the curricula of the regional universities and educational institutions. Additionally, the acquisition and implementation a Digital Forensic Management Platform at CARICOM IMPACS- RIFC under the lead of the Cybercrime Specialist will track cybercrime activities.

The asset recovery aspect of the project seeks to build the CARIFORUM Region's capacity in investigating and prosecuting crime and criminal activities to enable confiscation and seizure of the proceeds of crime in order to dismantle criminal networks. This is a four-year programme of activities seeks to achieve the following:

- i. Established Protocols for the sharing of assets, seizure, storage, quantification of the amount of assets to be shared and sharing of expenses to allow for collaboration.
- ii. Improved capacity of Member States to seize/recover assets through development of Asset Recovery Units (ARU's) Units
- iii. Enhanced capacity of judicial officers to prosecute/deliver judgements on criminal cases involving financial crimes.
- iv. Strengthened national/regional coordination and cooperation on asset recovery activities through the ARIN-CARIB network

The main activities to be undertaken include:

- i. Design and delivery of training to judicial officers towards enhancement of prosecution and judgments that facilitate asset recovery in the Region.
- ii. Development of dedicated Asset Recovery Units/Desks in Member States with a dedicated regional reporting structure that facilitates information sharing. Selected non-

OECS and RSS Member States will be provided with technical assistance, administrative equipment including hardware and software and skills investigative techniques such as tracing, seizing, confiscating, forfeiting of criminal assets the main areas of training will include: asset tracing, information sharing, asset management/preservation regimes (legal/administrative); confiscation/forfeiture (money laundering, terrorist financing, human trafficking, predicate offences); sharing of assets.

- iii. Conduct a workshop towards implementation of the Agreement for the Return and Sharing of Recovered Assets within Member States emphasizing the use and strategic link between Caribbean Mutual Legal Assistance Treaty to facilitate information sharing in the promotion of the sharing of recovered assets. The workshop is targeted at asset recovery practitioners and legal experts in government departments and will focus on the development of the protocol for the sharing of assets, the formal steps of seizure, storage, quantification of the amount of assets to be shared as well as sharing of expenses to allow for collaboration.
- iv. Support to the ARIN CARIB network: Support will be provided for the participation of the non-OECS/RSS Member States at three (3) steering committee meetings of the ARIN CARIB network. It will also facilitate the participation of technical experts on topics including but not limited to: asset sharing protocols, success in asset recovery and asset sharing, success stories and best practices from other ARINS, confiscation and forfeiture and unexplained wealth orders.

This Digital currency mapping project is complementary to IMPACS' programme of activities in relation to financial crimes and cybercrime. This project will assist the agency in possibly identifying transnational organised crime linkages where the use of digital/virtual currencies are utilised, which can shape future programming in the areas of cyber and financial crimes for the region.

2. OBJECTIVE, PURPOSE & EXPECTED RESULTS

2.1. Overall objective

The overall objective of the project of which this contract will be a part is as follows:

To analyze and map digital currencies and assets inclusive of cryptocurrencies to better understand how these mechanisms relate to and/or facilitate transnational organized crime, including corruption.

2.2. Purpose

The purposes of this contract are as follows:

- To gather data with respect to the providers, users and impact of digital currencies inclusive of cryptocurrencies in Caribbean Member States with an aim of understanding the legal and regulatory framework in which they operate and their connections to transnational organized crime.
- To make recommendations for legal and regulatory improvements needed to enhance the oversight, detection, regulation, and enforcement response to criminal activity

2.3. Results to be achieved by the Contractor

- Listing and Mapping of digital currencies and assets being used in the Caribbean including information on how they are being used and by whom
- Report on Digital Currency and Asset environment in the Caribbean which explores the link between DCAs and criminal activity and legislative environment
- Recommendations for the various actors in the sector to address oversight, regulation, legal and policy issues surrounding the use of digital currencies (DCAs) as well as their enforcement response to related criminal activity

3. ASSUMPTIONS & RISKS

3.1. Assumptions underlying the project

Assumptions underlying the project intervention are -

- Buy-in from Member States is demonstrated through providing the access to the required information
- Commitment to collaboration and a sustained integrated approach during the consultancy inclusive of the articulation of challenges and recommended courses of actions by national and regional stakeholders;

3.2. Risks

- Execution of the project components could be hindered by a lack of support and buy-in from key decision makers. This could result in a challenge where Member States do not participate fully in providing information during the assessment and consultation process.
- Natural Disasters are common in the Caribbean region and may hinder the availability of key persons and reduce the priority of participation in this activity
- Because of the nature of the activities in the sector, anonymity of the actors will be significant and may limit access to information.

To mitigate these risks CARICOM IMPACS will:

- sensitise key decision makers on the project prior to the commencement of the contractors' engagement with them. IMPACS will also formally advise states of the process and the benefits to be derived from the project. It will be pre-requested through the relevant Ministry or Government Department in Member States that each Member State participate in the activities.
- IMPACS in consultation with the Consultant to ensure that meetings, workshops, and travel are conducted as much as possible outside of the hurricane seasons and provide the relevant support required to encourage participation.
- IMPACS will utilise all of its network contacts to access all available information; and will treat with information with the strictest of confidence.

4. SCOPE OF THE WORK

4.1. General

4.1.1. Description of the assignment

The contractor's assignment will involve the following main activities:

- the conduct of primary and secondary research into digital currency and digital assets available in Caribbean Member States.
- Review of the legal and regulatory frameworks in place in relation to digital currency and assets in the participating countries
- Develop recommendations and a programme of activities to support work to improve the legal and regulatory framework in relation to digital currencies and assets.

4.1.2. Geographical area to be covered

The project will cover the following beneficiary states: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago¹. Additionally, consultants may be required to liaise with stakeholders from the U.S Department of Homeland Security and the International Bureau for Narcotics and Law Enforcement (INL).

4.1.3. Target groups

- National and Regional Central Banks,
- Banking Associations,
- Virtual Asset Service Providers (VASPs)
- Law Enforcement Agencies inclusive of Anti-corruption Units and Fraud Investigative Departments
- Financial Investigations Units
- Senior Government Officials and actors throughout the Region
- Regional Security System (RSS)
- Caribbean Financial Action Task Force (CFATF)
- ARIN CARIB
- Security Exchange Commissions
- Other related groups and organizations.

4.2. Specific work

a. Primary and Secondary Research

This will be divided into:

- i. Scope of DCAs
- ii. Market dynamics including criminal organizations/activities using DCAs; mapped cross border flows of DCAs; estimated value of profits from these transactions and assets; and mapped flow of profits from crimes utilizing DCAs

¹ Other CARICOM Member States which are not Caribbean Basin Security Initiatives (CBSI) countries may benefit from activities of the project. Any costs associated with these benefits will be borne by these states.

- iii. Which populations are using DCAs and how are they using them (consideration for ethnicity, socioeconomic classes, geographic locations, and abilities).
- iv. the link between DCAs and transnational crime.
- v. Key laws and regulations governing DCAs with an assessment of the biggest obstacles to proper enforcement of these laws and regulations including capacities and accessibility for government presence, and corruption

Key to the above is the engagement of key stakeholders in the law enforcement, legal and financial sectors

- b. Produce a database of DCAs used in the Caribbean
- c. Draft a report outlining the following
 - the findings of primary and secondary research conducted into the mapping of DCAs in the Caribbean

The report should include pictorial/depictions representation of the results of the mapping of the DCAs

- **An analysis of the** legal and regulatory frameworks with respect to DCAs in the Caribbean including strengths and challenges and key recommendation which can use used by beneficiary Member States to develop action plans for future development and use
- d. **Analysis of Interventions and Recommendations**
 - Conduct stakeholder consultations on DCA, to develop programming recommendations to help guide program teams in the field to address identified issues. This will evolve into action plans and recommendations to improve regulation of DCA in Beneficiary States.
 - Develop a document which outlines recommendations and a programme of activities to implement these recommendations which are intended to address gaps in the Digital Currency and Assets

4.3. Project management

4.3.1. Responsible body

The contracting department for this project with responsibility for managing the project is the Projects Department of the CARICOM Implementation Agency for Crime and Security (IMPACS).

4.3.2. Management structure

The overall authority will be the Executive Director of CARICOM IMPACS or delegate. The Consultant contracted will have a direct reporting relationship with the Programme Coordinator of CARICOM IMPACS.

4.3.3. Facilities to be provided by the Contracting Authority and/or other parties

The Contracting Authority shall provide the relevant support documentation and provide assistance in sensitising and making contacts with the relevant stakeholders to assist with the scheduling meetings by the consultant.

IMPACS will assist the consultant with administrative and supporting services that may be required and can be accommodated.

5. LOGISTICS AND TIMING

5.1. Location

The consultant will report to the CARICOM IMPACS Head Office, #19 Keate Street, Port-of-Spain or via virtual communication technology.

The Consultant's location is determined by the Consultant and would not be based at IMPACS' Head Office.

Given the impact of COVID-19 on travel, the consultant must be able to execute the project activities virtually if required.

5.2. Start date & Period of implementation of tasks

The intended start date is 01 March 2023 and the period of implementation of the contract will be **nine (9) months** from this date.

6. REQUIREMENTS

6.1. Staff

6.1.1. Key experts

Key experts are defined below, and they must submit CVs and signed statements of exclusivity and availability.

All experts who have a crucial role in implementing the contract are referred to as key experts. The profiles of the key experts for this contract are as follows:

The Contract will be executed by a group of experts primarily responsible for the implementation of the activities. The education/ qualification, skills and experience required are as follows:-

Composition/Profile of Experts

The consulting team shall comprise a Team Lead who is expected to demonstrate strong, coordination, communication and leadership skills.

The consultant's team should include persons with experience in the financial sector and with digital currencies, a person with legal/policy expertise and research capabilities

Collectively, the team should have individuals who possess the following minimum qualifications:

- Minimum undergraduate Degree in Law, ICT or Finance Technology or related fields.
- Certified Cryptocurrency Expert (CCE) Certification or equivalent
- Training, certification in Financial Crimes

Specific professional experience

- At least seven (5) years' experience working with digital currencies including cryptocurrencies.
- Demonstrated understanding of web3, NFTs, and other emerging technologies
- Background in finance/decentralized finance
- Experience in conducting research and conducting comparative legislative and policy analysis

General professional experience

- Knowledge and/or experience working in Caribbean region
- Experience in managing consultancy projects with multiple stakeholders
- Experience in the security sector would be an asset

Skills

- Strong analytical and problem-solving skills;
- Ability to conduct Stakeholder engagements with a wide variety of persons and collate large amounts of information from these engagements
- Strong skills in preparing and undertaking presentations
- Strong Computer Skills including MS Word and Power Point;
- Ability to work with strict deadlines and follow stringent reporting standards;
- Excellent interpersonal and communication skills and the ability to work as part of a project team;
- Ability to work independently;
- Excellent organisational skills

All experts must be independent and free from conflicts of interest in the responsibilities they take on.

Consultants will be required to undergo security vetting as a prerequisite to being contracted. This will be in line with Leahy requirements and the no trafficking self-certification form and IMPACS' procedures.

6.1.2. Other experts, support staff & backstopping

CVs for experts other than the key experts should not be submitted in the tender but the tenderer will have to demonstrate in their offer that they have access to experts with the required profiles. The Contractor shall select and hire other experts as required according to the needs. The selection procedures used by the Contractor to select these other experts shall be transparent, and shall be based on pre-defined criteria, including professional qualifications, language skills and work experience.

The costs for backstopping and support staff, as needed, are considered to be included in the tenderer's financial offer.

6.2. Office accommodation

Office accommodation for each expert working on the contract is to be provided by the contractor.

6.3. Facilities to be provided by the Contractor

The Contractor shall ensure that experts are adequately supported and equipped. In particular it must ensure that there is sufficient administrative, secretarial and interpreting provision to enable experts to concentrate on their primary responsibilities. It must also transfer funds as necessary to support their work under the contract and to ensure that its employees are paid regularly and in a timely fashion. The contractor is expected to be responsible for all arrangements, for onsite (optional) visits and

interviews, along with the preparation (typing, printing, binding) of all draft and final reports within the fee rates of its experts.

6.4. Equipment

No equipment is to be purchased on behalf of the Contracting Authority / partner country as part of this service contract or transferred to the Contracting Authority / partner country at the end of this contract. Any equipment related to this contract which is to be acquired by the partner country must be purchased by means of a separate supply tender procedure.

7. REPORTS

7.1. Reporting requirements

The Contractor will submit the following reports in english:

- **Inception Report** of maximum 12 pages to be produced after two weeks, from the start of implementation. In the report the Contractor shall describe e.g. initial findings, progress in collecting data, any difficulties encountered or expected in addition to the work programme and staff travel. The Contractor should proceed with his/her work unless the Contracting Authority sends comments on the inception report.
- **Interim Reports** shall be produced by the Consultant each month from the commencement of the project. This Report shall provide details on the status of achievements, shortcomings and recommendations of project implementation and will be used for adjustments based on the nature and scope of the contract.
- **Draft final report** of maximum 40 pages (main text, excluding annexes) in the format given in annex A. This report shall be submitted no later than one month before the end of the period of implementation of tasks.
- **Final report** with the same specifications as the draft final report, incorporating any comments received from the parties on the draft report. The deadline for sending the final report is 14 days after receipt of comments on the draft final report. The report shall contain a sufficiently detailed description of the different options to support an informed decision on The design of future programming to address **legal and regulatory frameworks with respect to DCAs in the Caribbean**. The detailed analyses underpinning the recommendations will be presented in annexes to the main report. The final report must be provided along with the corresponding invoice.

7.2. Submission and approval of reports

The report referred to above must be submitted to the Project Manager identified in the contract. The Project Manager is responsible for approving the reports.

8. ANNEX A

Standard requirements for the content and format of Interim Reports are as follows:

- Cover letter submitting the interim reports
- Summary document containing:-
 - (a) the status of achievements
 - (b) obstacles/problems
 - (c) risks
 - (d) recommendations or any request for assistance

Standard requirements for the content and format of the Final Report is as follows:

1. Executive Summary

2. Purpose of Final Report

2.1 Introduction

2.2 Purpose of report

2.3 Project beneficiaries

3. Project Achievements, Challenges & Risks

3.1 Achievements – Specific to indicators described above in Section 8.1

3.2 Challenges and limitations

3.3 Risks

4. Recommendations & Conclusions

4.1 Recommendations

4.2 Conclusions