



2012

ANNUAL REPORT

BRITISH VIRGIN ISLANDS
FINANCIAL INVESTIGATION AGENCY
EFFECTIVE PROFESSIONAL TRANSPARENT

CONTENTS

Our Mission

To provide an Effective, Professional, and Transparent International Corporation and Financial Investigation Service that fosters public confidence and promotes the reputation of the British Virgin Islands as a centre of financial law enforcement excellence.

Our Vision

The FIA acknowledges that it has a vital role to play in helping to maintain a high degree of transparency in the local Financial Services Sector.

To this end, the Agency will endeavour to build a closer working relationship with the Financial Services Commission as well as local and foreign law enforcement agencies whose common goal is to implement the strategies aimed at countering money laundering and the financing of terrorism.

The FIA also recognizes the importance of working closely with other important stakeholders in the private sector. To this end the FIA will make it a priority to provide the necessary support to local Financial Institutions and Company Service Providers.

Recognising that the success of the FIA in properly carrying out its core functions largely depends on the degree of knowledge and competencies of persons employed within, a great deal of resources will be allocated to ensure that staff members receive the necessary training to equip them with the skills needed to be able to perform effectively in their roles.

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Mr. Wade Smith **Commissioner of Customs**

Mr. David Morris **Commissioner of Police**



Abbreviations

AGC	Attorney General Chambers
AML	Anti-Money Laundering
BVIBC	British Virgin Islands Business Company
CFATF	Caribbean Financial Action Task Force
CFT	Counter Financing of Terrorism
DNFBPs	Designated Non-Financial Businesses and Professions
DPP	Director of Public Prosecutions
FATF	Financial Action Task Force
FIAA	Financial Investigation Agency Act
FIU	Financial Intelligence Unit
FSC	Financial Services Commission
JALTFAC	Joint Anti-Money Laundering and Terrorist Financing Advisory Committee
IGCAC	Inter-Governmental Committee on AML/CFT matters
INTERPOL	International Criminal Police Organisation
LOR	Letter of Request
POCCA	Proceeds of Criminal Conduct Act
MLA	Mutual Legal Assistance
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TCSP	Trust and Company Services Provider



It is my pleasure to present the Annual Report of the Financial Investigation Agency which covers its activities during the year 2012.

The Agency had a very demanding year in spite of the decline in the level of Suspicious Activity Reporting, Requests for Information, and Mutual Legal Assistance Requests which fell below the recorded data for the previous year.

While the Agency was challenged to do more with less, we have made great strides and have been able to accomplish many of our strategic objectives. These included making preparations to supervise and monitor Non-Profit Organisations (NPOs) and Designated Non-Financial Business and Professionals (DNFBPs) operating in the Territory.

During the year we also took some time to review and make the necessary changes to our Operational Procedures Manual. The expected outcome of this was to ensure the Agency's operational procedures are in full compliance with the Egmont Group Operational Standards for FIUs.

We also continued the process of upgrading our IT infrastructure as part of an ongoing project to make it more secure. We invested in additional computer hardware including the purchase of a new server to improve our information storage capabilities by storing data offsite. This would allow the Agency to restore full functionality within a relative short period of time following a natural or manmade disaster.

During the year we filled the post of Legal Counsel. This along with additional steps we plan to take in the coming year will ensure the Agency is fully resourced to take on its additional responsibilities. We will also continue our focus on developing the Agency's staff by providing opportunities for them to attend various training courses, seminars, and conferences.

Now to speak about some statistical data recorded during the year. During the year the Agency recorded a total of 135 Suspicious Activity Reports

when compared to 153 filed the previous year. This represents an 11.7% decline. This decline in reporting was most noticeable in the Trust and Company Services and Banking Sectors where the number of reports filed by entities making up these sectors decreased by 24.1% and 22.4 %, respectively. In spite of the overall decline in the level of reporting by these sectors, they still accounted for the majority of reports filed during the year. Out of the total number of reports received, 37 of these reports were referred to the Royal Virgin Islands Police Financial Investigation Unit (RVIPF) for further action. In addition to the referrals made to the RVIPF FIU, 70 spontaneous dissemination reports were forwarded to foreign Financial Intelligence Units of the Egmont Group for intelligence purposes. These disseminations were linked to BVI registered Business Companies (BVIBCs) which were allegedly involved in criminal activities that took place outside the Territory. As is customary, these entities were all linked to foreign nationals.

Close analysis of SARs received during the year revealed an overall improvement in the quality of SARs which is a positive development. This trend included a continuing decline in the level of defensive reporting, though it remains on a small scale. We believe that this trend is directly related to our efforts to engage reporting entities on their reporting obligations. Though our overall outlook regarding the level and quality of reporting remains positive, there is still room for improvement, particularly among some regulated and non-regulated businesses. This is expected to drastically improve once we implement our compliance enforcement supervisory process for NPOs and DNFBPs.

During the year we continued to focus on maintaining our domestic and international relationship through which many of these agencies, particularly members of the Egmont Group of FIUs, benefited from our information and intelligence disseminations. Though such collaboration, the Agency was able to provide valuable assistance to these FIUs and other law enforcement bodies which assisted them in profiling and investigating complex and emerging crimes such as mutual fund frauds, advance fee frauds,

and money laundering investigations tied to these and other predicate offences.

Additionally, the Agency recorded a total of 577 requests for information received during the year. Of these, 286 originated from foreign FIUs, 228 from the Royal Virgin Islands Police Force (41 of these requests originated from International Police Organisations), 61 from the Financial Services Commission, and 2 from H.M. Customs, BVI. The number of requests received for the year represents a 17.1% decline when compared to the number of requests received the previous year 2011. The Agency's average response time to domestic and international requests is usually between fourteen to twenty-one days given that the majority of the information needed to satisfy and respond to these requests is mostly held outside the Territory.

The Agency sent twenty requests for information to foreign counterparts, which was slightly lower than the previous year. These requests were connected to 17 cases. The decline in the number of requests sent to foreign counterparts when compared to the previous year figure was expected given the overall decline in the number of SARs reported.

The Agency also recorded a total of thirty-seven (37) mutual legal assistance requests when compared to sixty-two (62) received in 2011. These requests involved several criminal offences. Like the previous year, the majority of these requests originated from the Russian Federation.

As is customary, the Agency participated in the activities of the Egmont Group of Financial Intelligence Units and the Caribbean Financial Action Task Force (CFATF). Participation in these organisations remained a key priority throughout the year given the important role these organisations play in the fight against money laundering, terrorist financing, and proliferation of weapons of mass destruction.

During the year the Agency also organised the first of many planned workshops aimed at sensitising the industry about the role and functions of the Agency

under the relevant pieces of AML/CFT legislation. The workshop also focused on several key areas of the Territory's AML/CFT framework including SARs/STRs reporting, and the mutual legal assistance process.

As we go into the new year, our list of priority goals will include strengthening the intelligence used by our partner agencies, maximising the use of financial transaction data, improving our IT infrastructure, and building human resources capacity. These goals are part of our strategic objective to build a stronger and more effective Financial Intelligence Unit in line with internal standards.

In closing I wish to thank the staff for their unwavering commitment throughout the year which enabled us to overcome our various challenges. I also wish to say special thanks to the Agency's Board for its full support without which it would not have been possible to achieve the things that we did.

I look forward to the coming year which is expected to be just as challenging as our mandate expands.

2012 Year at a Glance

Combating Money Laundering and the Financing of Terrorist Related Activities and Offences

Receipt and Collection of Information

135

Suspicious Activity
Reports (SARs)
Received

135

SARs Processed

120 SARs Cleared

15 SARs Carried into 2013

37 SARs Referred to RVIPIF FIU

70 Spontaneous Disseminations to Foreign FIUs

Working with Domestic Regulators and Law Enforcement Authorities

Interaction with FSC,
HM Customs, and
RVIPIF FIU

Number of
Requests for
Information
Received from
Agencies

61 Financial Services Commission

2 HM Customs

228 RVIPIF/Interpol

International Collaboration to Combat Money Laundering and Terrorist Financing

37 Letters of Request for ML Received

36 Letters of Request for ML Processed

577 FIU/Law Enforcement Requests for Information Received

502 FIU/Law Enforcement Requests for Information Processed

19 FIA Requests sent to Foreign FIUs

2012 Priorities

- ▶ Upgrade IT Storage System (Ongoing)
- ▶ Establish AML/CFT Compliance Framework for DNFBPs and NPOs
- ▶ Recruitment of Legal Counsel and Compliance Examiners
- ▶ Formulate Outreach Strategy to Sensitize NPOs and DNFBPs about AML/CFT Matters (Ongoing)
- ▶ Negotiate and Sign Additional MOUs with Egmont Group Members (FIUs)
- ▶ Negotiate and Sign MOUs with Domestic Authorities

Increasing AML/CFT Awareness

- ▶ The Agency organised and facilitated a workshop targeting regulated entities from the local financial services sector focusing on the SAR reporting, the role of the Agency, and the International Cooperation.
- ▶ The Agency's staff attended various training seminars and conferences relating to AML/CFT compliance.
- ▶ The Agency attended and participated in meetings organised by Egmont Group of Financial Intelligence Units and the Caribbean Financial Action Task Force (CFATF).

The FIA

An Overview

The Establishment of the FIA

The Agency is the Reporting Authority of the British Virgin Islands. Our primary function is to collect, analyse, and disseminate financial and other information to combat Money Laundering, Terrorist Financing, and the Proliferation of Weapons of Mass Destruction.

The Agency was established by the Financial Investigation Agency Act, 2003 (FIAA). It operates as an autonomous Statutory Body under a Board chaired by the Deputy Governor. As the designated FIU it was established to fulfill the requirements of FATF Recommendation 29 of the FATF Standards to combating Money Laundering, the Financing of Terrorism, and Proliferation of Weapons of Mass Destruction.

The Agency became operational in April 2004 following the passage of the FIAA in December of 2003. The FIAA sets out the roles and functions of the Agency. Section 3 (2) of the FIAA established a Board which is responsible for establishing policies to be executed by the Director who is also responsible for the day-to-day management of the Agency.

The Agency is funded by subventions received from Government and the Financial Services Commission. It controls its own budget which is approved by Cabinet. Its staff consists of a mixture of civilian support staff, public officers, and police officers seconded from H.M. Customs and Royal Virgin Islands Police Force respectively.

A key part of the Agency's mandate is to provide assistance to domestic and international law enforcement agencies to assist with their investigation and prosecution of money laundering and other serious criminal offences.

Receipt and Analysis of SARs/STRs

Transactions or activities suspected to be linked to money laundering (ML) and terrorist financing (TF) are submitted by institutions that are subject to the reporting obligations of the Proceeds of Criminal Conduct Act. Upon receipt of a SAR, a detailed analysis is conducted by the Analysts who prepare a report for submission to the Director. The report which includes a synopsis of the SAR details along with recommended course of action is then reviewed by the Director who determines whether the information should be disseminated to the Police for further action or investigation if there is a reasonable suspicion that a predicate offence or a ML or TF related offence may have been committed.

The analysis process requires the Agency to obtain information from various sources including the reporting entity who filed the report. The Agency may also request information from other entities, including government agencies in circumstances where the Agency determines such agencies may hold information that could assist it in carry out the Agency's functions.

Information Exchange/Dissemination

The Agency exchanges information with local and foreign law enforcement agencies including members of the Egmont Group of FIUs. Such information can either be exchanged spontaneously or on the basis of legitimate requests. The Agency may sometime enter into bi-lateral agreements (MOUs) to facilitate this process. These agreements are particularly important for countries that are unable to share information with having such formal agreements in place. Examples of such countries include Australia, Canada, and Japan.

AML/CFT Supervision and Monitoring

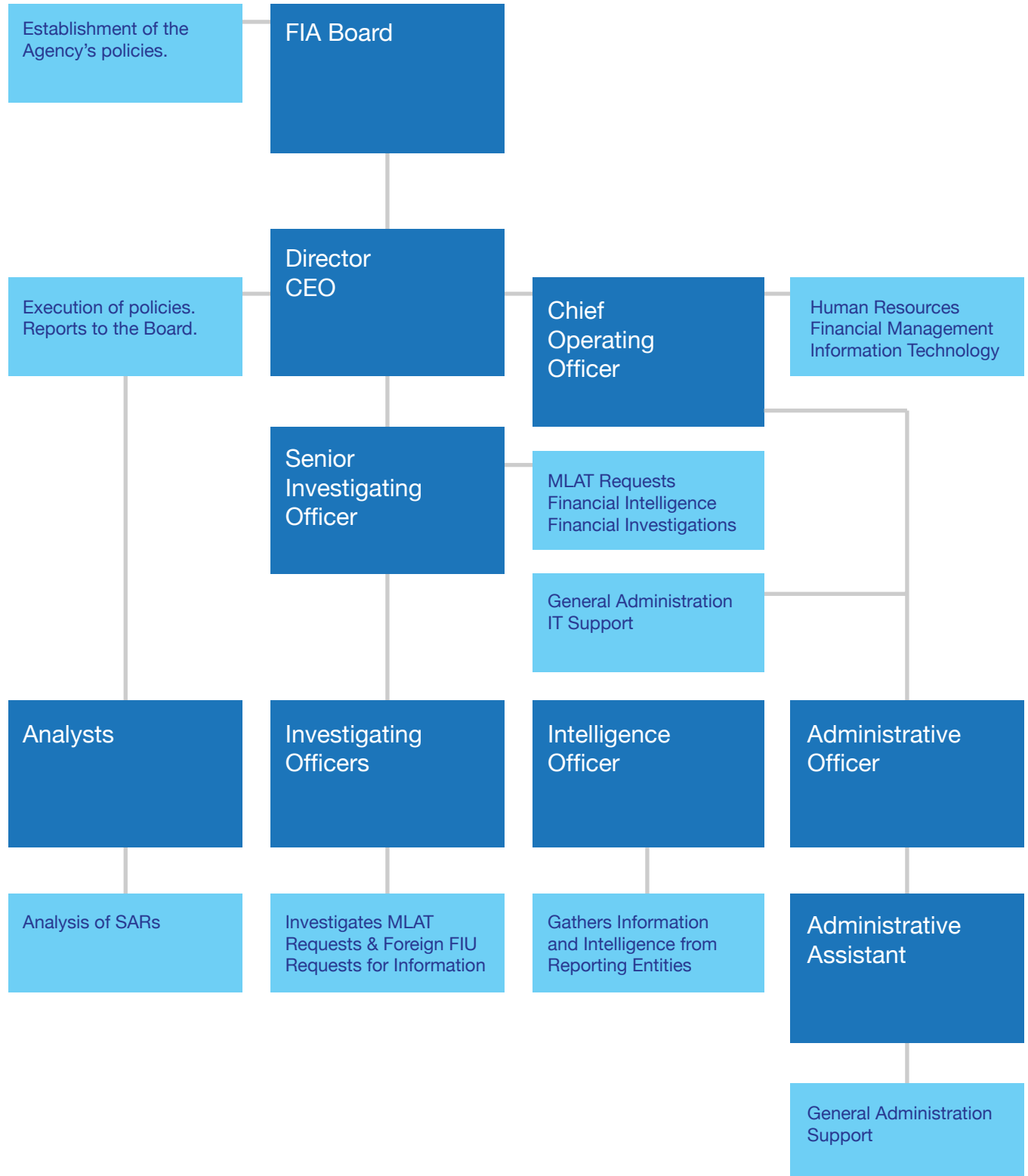
The Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 designates the Agency as the body responsible for conducting AML/CFT supervision and monitoring of DNFBPs and NPOs operating in the Territory.

During the year under review, the Agency worked closely with domestic authorities such as the Attorney General's Chambers, Deputy Governor's Office, Financial Services Commission, and the private sector to develop a legal framework to provide for registration, monitoring, and supervision of NPOs. This framework which is expected to be fully implemented in the coming year 2013 will coincide with the development of the Agency's internal framework to implement the supervisory and monitoring process for both NPOs and DNFBPs. This process would include inspection of records, approval of AML/CFT compliance manuals, and applying administrative sanctions for non-compliance in appropriate circumstances.

As indicated earlier in the report, one of the Agency's main strategic priorities for 2013 is the establishment of its Compliance Enforcement Unit that will be responsible for carrying out the compliance functions as discussed in the previous paragraph. This unit is anticipated to be fully functional by the end of the coming year. The Compliance Enforcement Unit will be staffed with persons possessing the required knowledge and experience in AML/CFT compliance.

In addition to carrying out its compliance enforcement functions, the unit will be intimately involved in outreach activities to sensitise both NPOs and DNFBPs on AML/CFT Compliance matters. Particular attention will be paid to the NPOs sector and less informed businesses that fall within the category of DNFBPs, including real estate businesses, particularly those businesses involved in buying and selling real estate property, automobile dealers, jewelers and jewelry stores, and businesses that engage in buying and selling yachts including yacht brokers.

The FIA Organisational Structure



Suspicious Transaction Reporting

FATF Recommendation 29 calls on each country to establish a Financial Intelligence Unit (FIU) which should be adequately resourced to perform its functions, including the receipt, analysis, and dissemination of information linked to reports of suspicious activity and transactions. In order to fulfill its functions, an FIU should have access to financial and other information on a timely basis and should be able to exchange such information with domestic law enforcement agencies, regulatory authorities, and foreign Financial Intelligence Units via spontaneous disseminations or upon request.

SARs are processed by the Analysts who carefully look at the information contained in the reports. The Analysts would then request whatever additional information they feel would be helpful to the analysis process. As is necessary, information can be requested from various sources including the reporting entity, domestic law enforcement agencies, government agencies, and foreign FIUs.

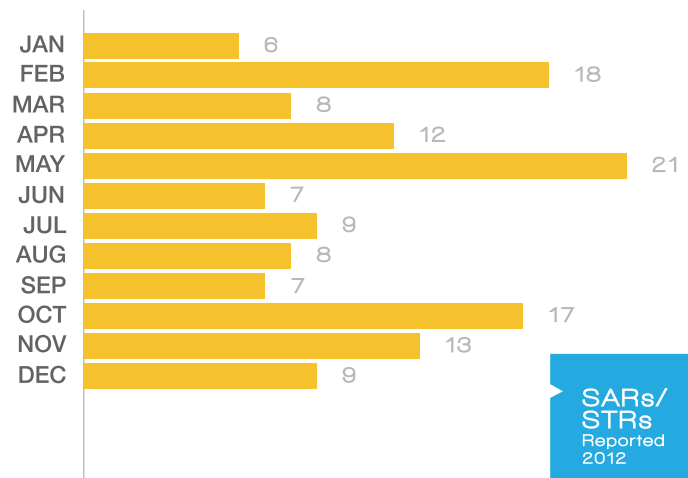
Following completion of the analysis process, the Analysts would prepare a report which is submitted to the Director for review. The Director upon completion of his review would determine whether information contained in the SAR should be disseminated to the RVIPF for further action where there is reasonable suspicion that a criminal offence may have been committed. The Director may also decide to share the information with foreign FIUs for intelligence purposes via spontaneous dissemination. If necessary, the Director may seek guidance from the Agency's Steering Committee.

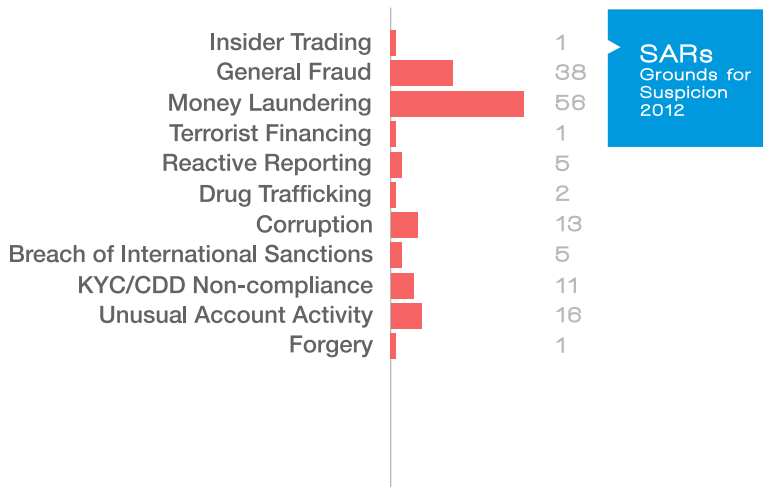
The Agency conducts periodical reviews of SARs for statistical purposes. Such reviews assist the Agency in helping to identify and document ML and TF trends and typologies. This information is shared with the FSC which uses it to assist in carrying out its regulatory functions under the FSC Act.

Statistical data maintained by the Agency in relation to SARs is extensive. This data is broken down into several categories including types of reporting entities, suspected predicate offences, and figures relating to the outcome of the analysis conducted.

SAR data compiled during the year covered by this report is contained in the following paragraph. The data is further illustrated by the tables and charts.

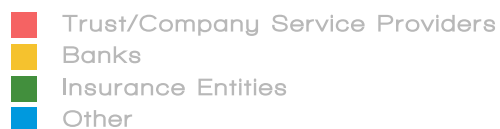
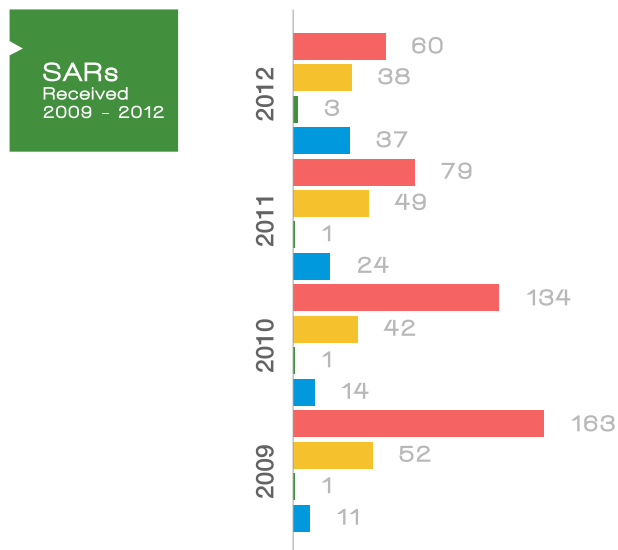
As previously indicated, a total of 135 SARs were filed during the year. This represents an 11.7% decline relative to the previous year. It's also 29% less than the average number of reports received during the years 2009, 2010, and 2011. While the incessant decline in the number of reports received since 2009 raises concern, we have no evidence to suggest that reporting entities are being negligent in their reporting obligations. This trend could either be purely statistical in nature or it could be attributed to the current business model used by the financial services industry where the majority of SARs filed by Trust and Company Services Providers are related to criminal offences occurring outside the territory. It is also important to note that this sector accounts for the highest number of SARs reports. The decline in reporting could also be heavily influenced by the decline in a substantial level of defensive reporting which peaked in 2009. The inflated number of defensive SARs during that particular year resulted in the highest number of SARs recorded every recorded by the Agency. As the Agency prepares to commence its supervision of NPOs and DNFBPs sectors which have a statutory obligation to file SARs, there is an expectation that there will be an increase in the number of SAR filings once the supervision and monitoring process is fully implemented, which is likely to reverse the current recurring trend.





SARs/STRs Received & Disposed 2012

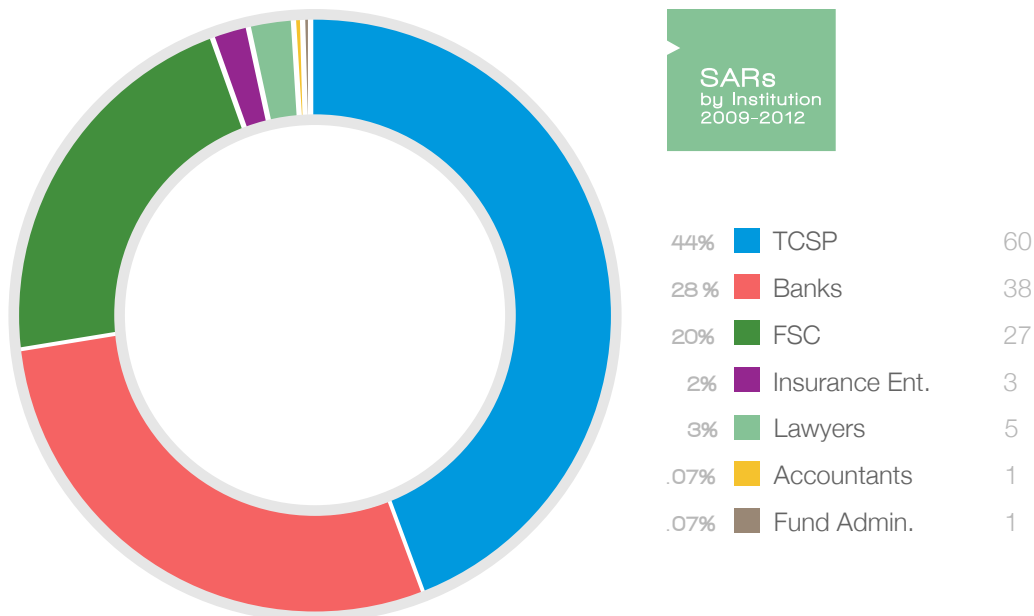
	2009	2010	2011	2012
SARs Received	227	191	152	132
SARs/STRs Analysed	227	191	152	132
SARs/STRs Disseminated Domestic Law Enforcement	2	12	13	37
SARs/STRs Disseminated to International Law Enforcement Agencies and Egmont FIUs	15	24	41	70



As previously mentioned, there was an 11.7% decrease in the overall number of SARs filed by reporting institutions during the reporting year. There were few differences in the reasons for filing these reports when compared to previous reporting years. Much like the previous years, the majority of reports were linked to fraud and money laundering related offences, mainly occurring outside of the BVI. As previously indicated, Trusts and Company Services Providers (TCSPs) accounted for the majority of reports submitted by regulated and non-regulated institutions. Domestic banks accounted for the second largest number of reports filed.

A trend particularly worth mentioning is the noticeable decline in the number of SARs linked to the KYC/CDD record keeping requirements outlined in the AML/CFT Code of Practice. These SARs were 20% fewer than those filed the previous reporting year. While this can be seen as a step in the right direction, there are some regulated entities that still appear to be somewhat negligent in applying the proper KYC/CDD requirements, especially at the initial stage of forming new business relationships under the introduced business regime.

A growing trend that is also worth mentioning is the increased use of phishing techniques utilised by scammers who attempt to gain access to personal banking data of unsuspecting consumers in the BVI. While this activity is relatively new to the BVI it is common place worldwide. The scam involves the use of malware hidden on personal or business computers. Such malware is capable of recording key strokes, copying personal data and creating links to bank accounts. Once scammers are successful in harvesting victims' personal data such as pin numbers, usernames, and passwords, this data is utilised by sending wire transfer instructions to the victims' banking institutions requesting cross-border transfer of funds from the victims' accounts to overseas bank accounts controlled by the scammers. Jurisdictions that have so far been linked to this particular activity are the USA and Malaysia. Information was shared with each of these jurisdictions on at least one occasion.



Mutual Legal Assistance

The need for effective cooperation among countries is key to tackling transnational-crime. Cooperation is not merely limited to investigation, prosecution and recovery of assets but also provides the ability to conduct joint investigations, and to transfer criminal proceeds between cooperating jurisdictions when necessary. Such cooperation is even more vital now than it was before, especially with the global focus on the recovery of stolen assets linked to countries in the Arab World such as Libya, Tunisia, and Egypt following protests linked to the Arab Spring.

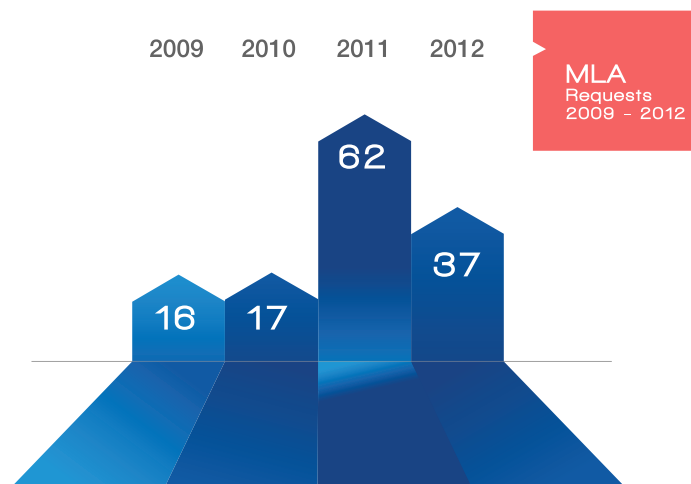
Assistance is usually provided on an informal or formal basis. Police-to-Police enquiries, known sometimes as Mutual Administrative Assistance, can be used to initiate enquiries abroad to trace assets in other jurisdictions. Such contacts, together with enquiries made via other law enforcement to law enforcement contact (through Interpol for example), enable countries to discover whether mutual legal assistance is needed to further investigations or recover tainted or stolen assets.

Mutual legal assistance is the provision of assistance on a formal legal basis, usually in gathering and transmitting evidence, by an authority of one country to an authority in another, in response to a request for assistance. "Mutual" simply denotes the fact that assistance is usually given with the expectation that it would be reciprocated in like circumstances, although reciprocity is not always a precondition to the provision of assistance.

Mutual legal assistance is a vital tool that aids in the prosecution of criminals who perpetrate criminal activities that extend beyond the borders of individual countries. The Territory's mutual legal assistance regime is an important tool in its fight against crime, both foreign and domestic, including financial crimes. It remains a vital avenue through which the domestic competent authorities can continue to share information and evidence with foreign countries to assist in the prosecution of financial and other types of crimes.

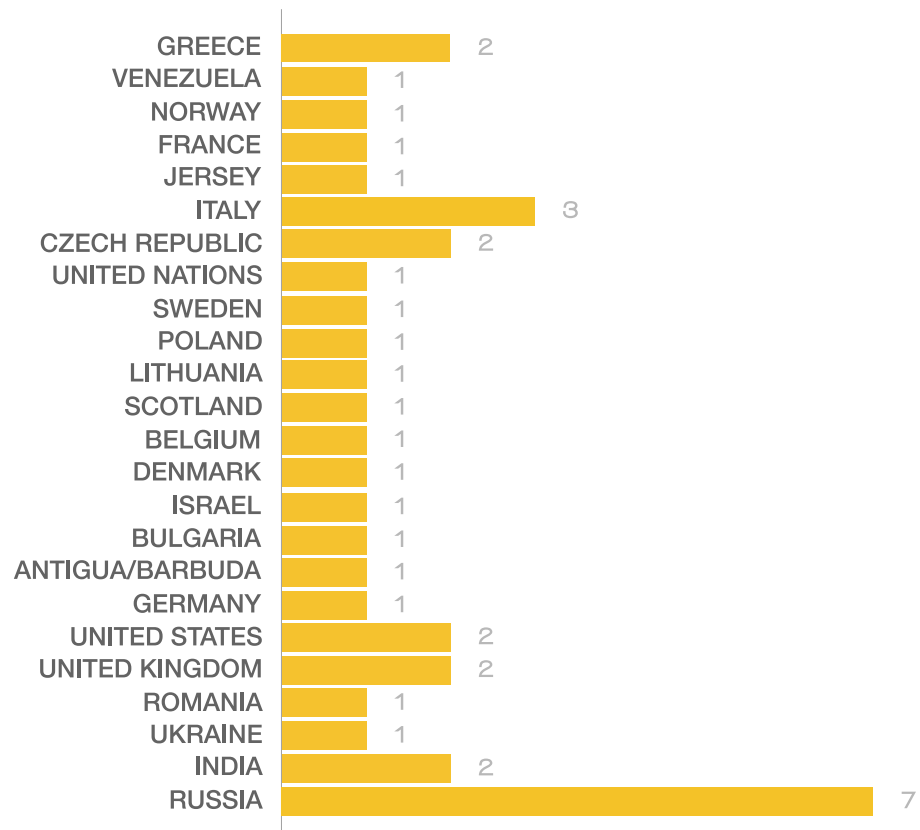
As previously mentioned, the Agency received 37 mutual legal assistance requests which represents a 40.3% increase relative to the number received the previous year. These requests originated from

23 different countries as indicated in the bar chart on the following page. Like the previous year, the majority of the requests originated from the Russian Federation followed by Italy. As indicated in Chart 4 below, these requests were mainly linked to investigations and prosecutions of fraud and money laundering related offences. As is customary, these requests involved British Virgin Islands registered entities linked to criminal activities in the requesting jurisdictions.



MLA Requests Received by Offence 2012	
Fraud	19
Corruption	2
Money Laundering	13
Theft Offences	2
Smuggling of Goods	2
Drug Trafficking	1
Tax Evasion	1

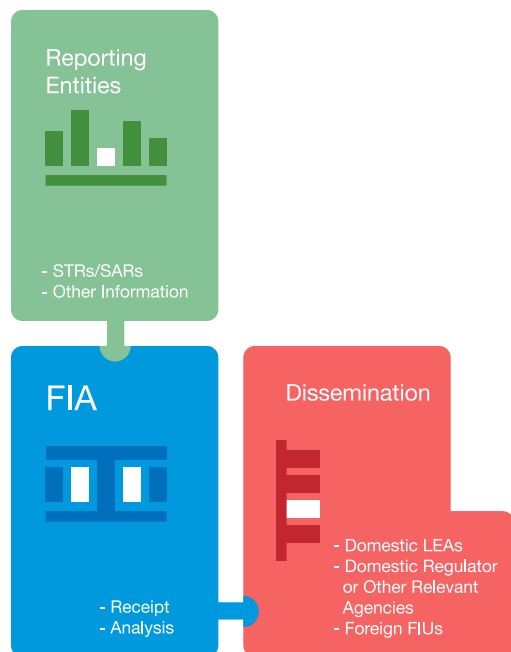
MLA
Requests
by Country
2012



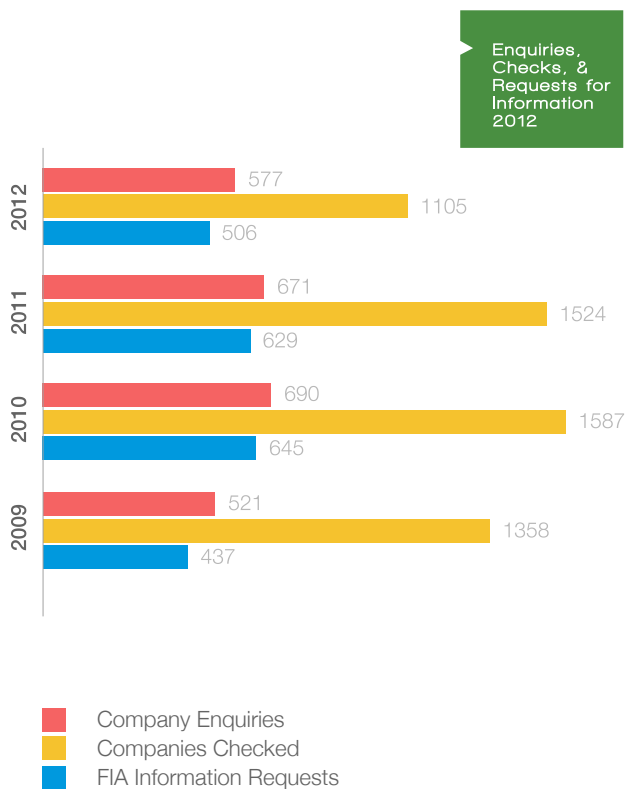
Dissemination and Exchange of Information

The ability of the Agency to share information with domestic and foreign counterparts in the shortest possible timeframe is critical to the success of its mission. Since funds move quickly in and out of financial institutions across the globe, FIUs must be able to provide financial and other data as quickly as possible to assist in criminal investigations. The ability to share this information affects not only the effectiveness of a country domestic AML/CFT framework, but also its ability to cooperate with law enforcement and other competent authorities effectively.

There are three aspects to the dissemination function of an FIU. The first two are related to the exchange of information domestically where the FIU transmit information to local law enforcement agencies or prosecutorial authorities for further investigation or prosecution. The third is related to international exchange either from FIU to FIU or in some cases FIU to international law enforcement agencies, though FIU to FIU exchange is more akin to Egmont Group international best practice standards. (The following diagram depicts the standard information flow process between local SARs reporting entities, the Agency, domestic law enforcement agencies or domestic regulator, and foreign law enforcement agencies including Egmont Group FIUs)



As stated earlier in the report, a total of 577 requests for information were received from domestic and foreign agencies combined during the year. Of these 286 requests were received from foreign FIUs, 228 from the Royal Virgin Islands Police Force (41 of these requests originated from Interpol member states), 61 from the BVI Financial Services Commission, and 2 from H.M. Customs. Requests from the Financial Services Commission mainly comprises of criminal records checks conducted. These checks are carried out as part of the Commission's fit and proper assessments in accordance with the provisions of the FSC Act. The data contained in the following chart is broken down into three separate categories. These categories include the number of requests received over the last four years, the number of company checks conducted, and the number of FIA requests for information sent to regulated and non-regulated institutions. The data reveals an overall decline in each of the three categories mentioned when compared to data recorded during the previous reporting year.



Enhancing International Cooperation

One of the Agency's key priority goals in 2013 is to forge greater strategic alliances with domestic agencies including members of the Inter-Governmental Committee on AML/CFT matters. In this regard, consideration will be given to entering into several MOUs with members of the committee to facilitate the process of information exchange.

The Agency will also work to forge new relationships with regional and international counterparts in the CFATF and the Egmont Group of FIUs. While no MOUs were signed during the reporting year, the Agency commenced negotiations with the FIUs of Panama (UAF) and Japan (JAFIC) who are both members of Egmont Group. It is anticipated that both of these MOUs will be signed in the coming

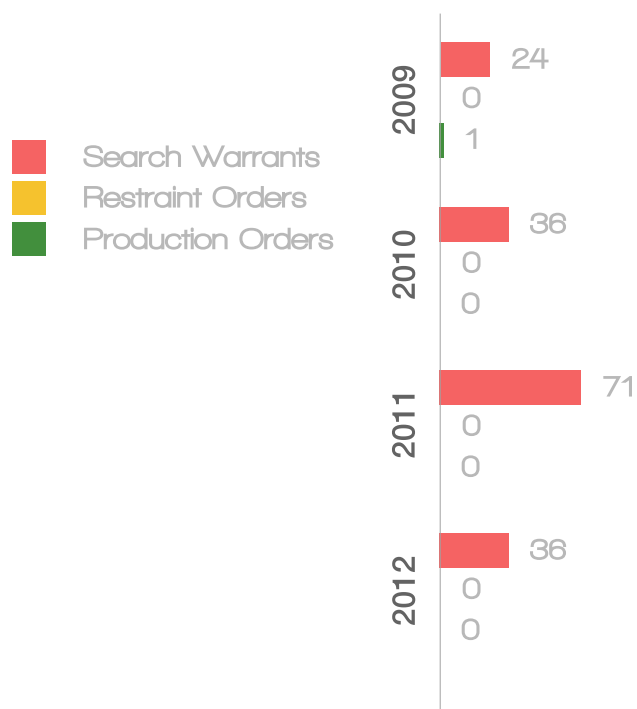
year either within the margin of the Egmont Working Group Meeting scheduled to take place in January or the Egmont Group Plenary scheduled to take place in July, 2013.

These MOUs which will facilitate information exchange for intelligence purposes will add to the numerous agreements already in place with a number of our Egmont Group counterparts. The ability to exchange information with its domestic and foreign counterparts is one of the most important elements of the territory's domestic AML/CFT framework. It is also an international requirement based on the FATF standards (Recommendation 40 of the Revised FATF Standards).

Information Received from Local & Int'l Partners 2012	BVI FSC	61	Argentina	4	Israel	1	San Marino	1
	RVIPF/Interpol	228	Australia	2	Italy	1	Serbia	2
	HM Customs	2	Barbados	4	Jersey	17	Seychelles	2
			Belgium	13	Jordan	2	Slovakia	1
			Brazil	2	Kazakhstan	4	South Korea	1
			Bulgaria	8	Lithuania	2	Spain	8
			Cayman Islands	2	Macedonia	3	Sri Lanka	1
			Chile	2	Malta	6	St. Kitts	1
			Croatia	7	Mauritius	5	Switzerland	2
			Dominican Republic	1	Moldova	2	Taiwan	1
			Egypt	2	Montenegro	18	Tanzania	1
			Estonia	1	Netherlands	1	Trinidad and Tobago	1
			Finland	1	Norway	2	Tunisia	3
			France	18	Paraguay	2	Turkey	3
			Georgia	1	Peru	1	Turkmenistan	12
			Germany	6	Philippines	1	Ukraine	9
			Greece	1	Poland	2	United Kingdom	12
			Grenada	2	Portugal	2	United States	25
			Hong Kong	7	Romania	4	US Virgin Islands	1
			India	11	Russia	16	Total	577

Search Warrants/Restraint Orders/ Production Orders

Search warrants, restraint orders, and productions orders are usually generated as part of the mutual legal assistance process. These orders are obtained ex parte from either the Magistrate Court or the Supreme Court of the Virgin Islands (BVI). Search warrants and production orders are used to facilitate the lawfully seizure of documents and other useful material from persons and entities for use as evidence to facilitate a criminal prosecution. Restraint orders are used to prevent disposal or removal of proceeds suspected to be linked to criminal activities such as drug trafficking and final related crimes. While no restraint or production orders were obtained by the Agency during the year, there was a 97.2% increase in the number of search warrants recorded during the current reporting year relative to the previous year. This increase coincides with the unprecedented increase in the number of mutual legal assistance requests recorded and executed by the Agency during the reporting year.



Training Activities (Seminars and Workshops)

The Agency recognises the importance of industry outreach. As part of this ongoing process the Agency met with industry members on at least two occasions to discuss issues mainly related to their reporting obligations. This type of interaction not only helps them to be able to better identify unusual financial activity but will also help them to improve the overall quality of their SARs reporting. These face to face meetings are part of the Agency's ongoing outreach strategy aimed at fostering greater AML/CFT compliance among both regulated and non-regulated institutions throughout the financial services industry. The following table contains data on training/outreach activities undertaken by the Agency over the past four years (2009 to 2012).

Training/Outreach	2009	2010	2011	2012
Domestic Outreach	2	1	2	2
International Training	4	7	10	12

Strengthening our IT Infrastructure

The Agency's ongoing work to strengthen its information technology infrastructure as part of our strategic goal to build a modern and secure IT System continued throughout the reporting year. We worked closely with our independent IT Contractors to identify operational issues and potential security weaknesses with a view to making the necessary corrections. This included replacement of our in-house server with a new server and the installation of an offsite back-up server required as part of our Disaster Recovery Plan.

In addition, we also took the necessary steps to install needed IT protection software including malware protection, and install a system to securely host our own email exchange. In spite of the progress made, there is still work to be done. As previously mentioned, these upgrades are part of our long-term strategic goal to build a robust IT network. This work will continue in the coming year. Future upgrades are expected to continue on an ongoing basis and our expected outcome is to substantially enhance the security of the Agency's electronic data management systems.

Challenges

In spite of what was achieved during the year, there were some priority goals that we were unable to achieve which included:

Establishment of our AML/CFT Compliance Enforcement Programme

Challenges in locating the additional office space to house our Compliance Enforcement Unit resulted in some initial delays in establishing the necessary framework for our compliance enforcement programme. This meant that we had to postpone our search for additional personnel to staff the Compliance Enforcement Unit (CEU).

Mutual Legal Assistance Matters

As indicated earlier in the report, the Agency processed an unusually high number of mutual legal assistance requests which placed quite a strain on the Agency's investigative resources. This was further compounded by the high volume of enquiries conducted as part of the process to satisfy requests for information on BVI registered Business Companies such as beneficial ownership information and information on directors and shareholders. These requests are likely to remain relatively high during the coming year due to the size and model of the Territory's financial services sector.

Looking Ahead Strategic Priorities for 2013/2014

The Agency's focus over the next two years will mainly be on achieving the strategic goals listed in our work plan for 2013/2014. Though several of these goals would be implemented over a short to medium term basis, some are long term and form part of our broader strategic vision to ensure that the Agency remains in a strong position and is able to fulfill its mandate in accordance with international best practice standards.

Capacity Building

The Agency firmly believes that building its capacity on an ongoing basis will be key to overcome future operational challenges. As a result, a great deal of resources will be utilized to develop the following key areas which are all tied in to our broader strategic vision:

Building Our Human Resources

The cornerstone of the Agency's ability to fulfill its mandate is a capable and committed staff. Over the next year emphasis will be placed on identifying and recruiting the best candidates to fill the Compliance Examiners' vacancies. Once recruited, these persons will be provided with the necessary training that would enable them to perform their job related functions. This training will focus on areas such as general AML/CFT compliance, compliance examinations, and compliance examination report writing.

Focus will also be placed on identifying the best available training for each area of expertise within the Agency, though particular emphasis will be placed on building the expertise of its technical staff in areas of financial investigations and analysis which are all priority training needs. These training activities will take place on an ongoing basis.

Outreach/Public Awareness

The significance of private sector (regulated and non-regulated institutions) engagement and participation in the prevention of ML and TF will continue to play an important role in helping to ensure the survival of the Territory's financial services sector. To this end, the Agency will seek to develop and implement a number of outreach initiatives aimed at raising awareness through training and information seminars and workshops. These initiatives will be undertaken on an ongoing basis with assistance and input of the FSC. Workshops organised by the Agency will be specifically tailored to sensitise NPOs and other categories of businesses that fall within the DNFBPs sector including real estate agents, automobile dealers, yacht brokers, and jewelers which all fall under the Agency's supervision and monitoring processes.

Strengthening Domestic Partnerships

The Agency has a good working relationship with other domestic authorities who are also engaged in the fight against money laundering and countering the financing of terrorism. These include members

of the Joint Anti-Money Laundering and Terrorist Financing Advisory Committee (JALTFAC) and the Inter-Governmental Committee on AML/CFT matters (IGCAC). Another of the Agency's priority goals in the coming year is to strengthen these domestic relationships by initiating greater information exchange as part of the Territory's national cooperation framework. This process will be facilitated by a multi-lateral Memoranda of Understanding (MOU) that will be initiated and signed by members of IGCAC sometime during the coming year.

International Cooperation (Strengthening International Relationships)

As indicated earlier, the Agency has a close working relationship with its partners in the Egmont Group. In the coming year work to strengthen these relationships will be intensified, the expected outcome of which is enhanced cooperation with Egmont Group members. This cooperation is likely to be facilitated by direct negotiations with some Egmont group members who are likely to express an interest in signing MOUs with the Agency. This will form an important part of our global outreach strategy going forward.

Improving Our IT Infrastructure

Work to enhance our IT infrastructure will continue in the coming year. This will build on what was already achieved during the current reporting year. These achievements were discussed at length in an earlier section of this report. One of our priority IT development goals is the installation of a secure encrypted online reporting system to facilitate electronic filing of SARs. Phase one of this project is anticipated to begin in the later part of the coming year 2013. If not, it will commence very early in 2014. Parts of our IT development goals are also tied to the NPOs and DNFBPs supervision and monitoring process which include plans to acquire a separate data management system to manage information in relation to these entities. We are hopeful that this system can be identified and acquired before the end of the fourth quarter of the coming year 2013.

FIA 2012 Annual Report
Appendix

Money Laundering

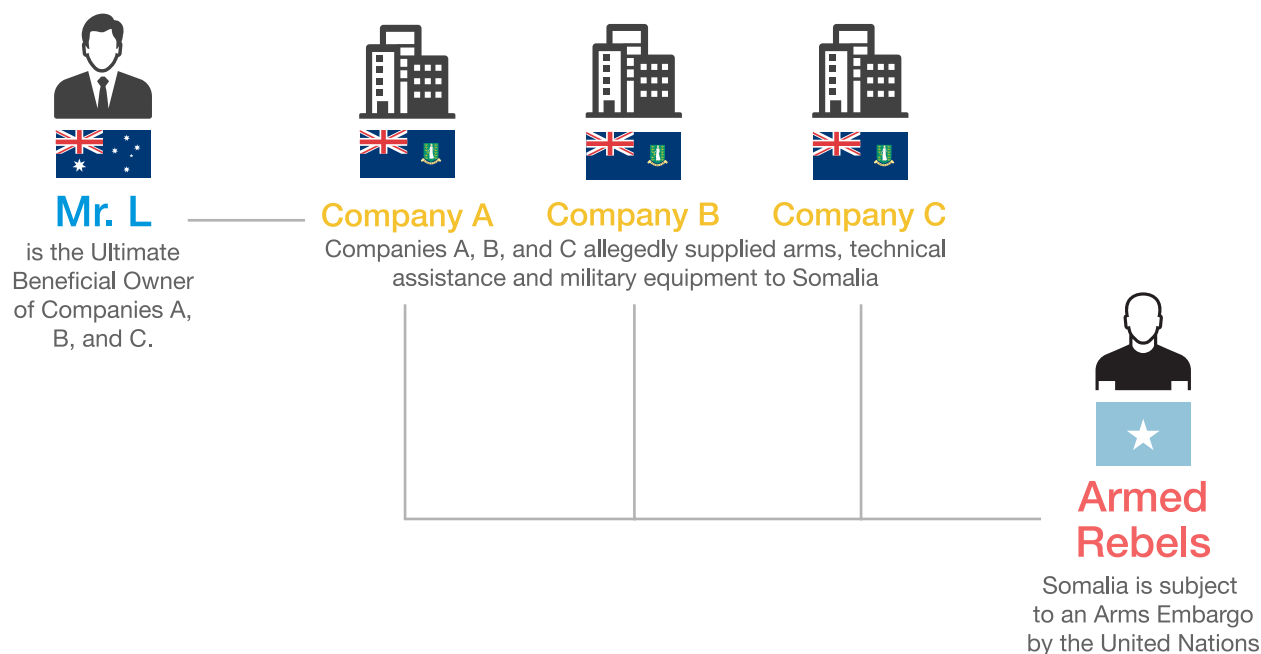
Typologies

The FATF requires FIUs to periodically publish typologies related to money laundering and the financing of terrorist activities. In recent times a great deal of emphasis has been placed on corruption of public officials (PEPs) due to the ML risk they posed by virtue of their position. The following cases are extracts of SARs and other types of cases handled by the Agency during the year 2012.

Case Examples 2012

Case 1

Contravention of UN Arms Embargo against Somalia



Case Summary

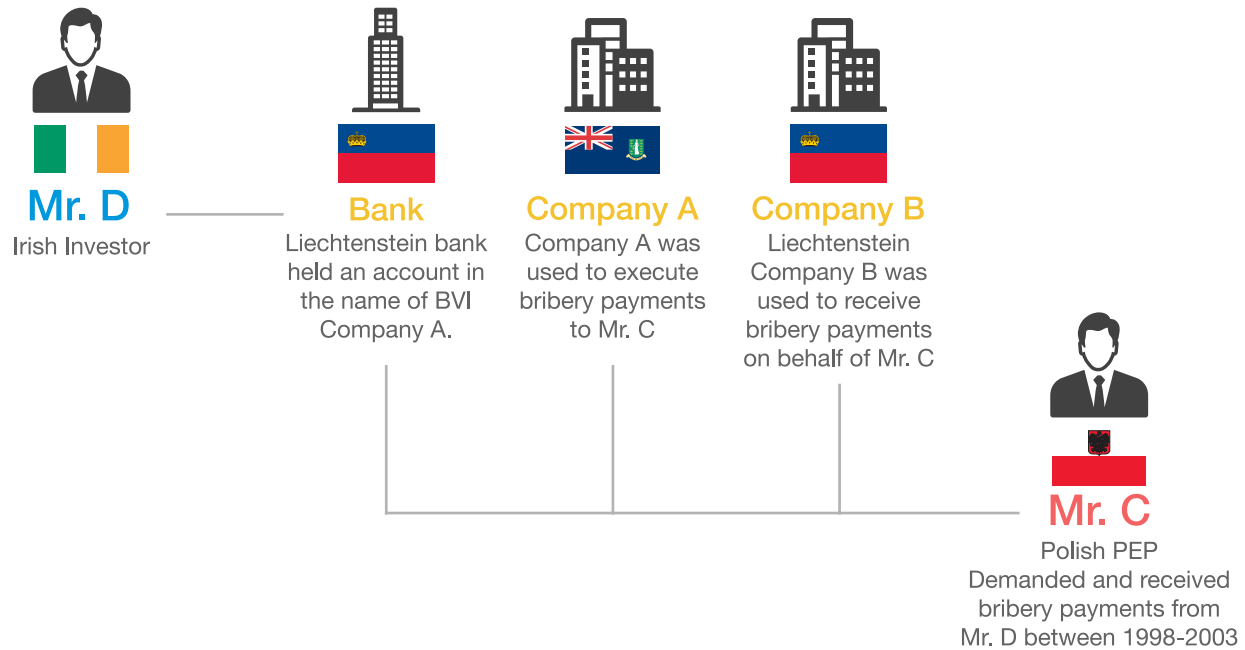
Mr. L., an Australian National is the ultimate beneficial owner of three (3) BVI registered entities suspected of supplying arms, technical assistance, and military assistance to Somalia in contravention of UN Security Council Resolutions including 2002 of 2011.

Outcome

Valuable documentary evidence was provided by the BVI to the UN Somalia and Eritrea Monitoring Group via the mutual legal assistance process to assist in the monitoring group's investigation. To date no feedback was provided to BVI Authorities in reference to this matter. However, as far as we are aware investigations into this matter are ongoing.

Case 2

Abuse of Office by Corrupt Public Official



Case Summary

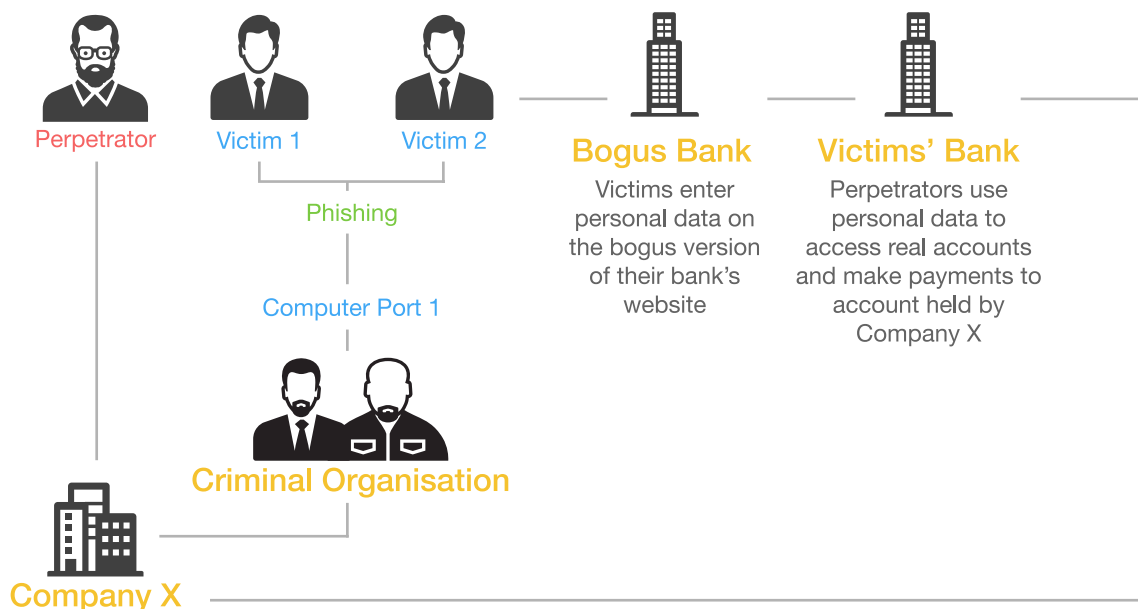
Mr. C. served as Director-General in the Ministry of Ownership Transformation in Poland between the periods 1993-1995. Whilst serving in that post he demanded and subsequently extracted bribes from Mr. D, an Irish Investor who wanted to purchase shares in a Cement Plant in Poland. The said plant was listed as a Joint Stock Company. Investigations also revealed that he abused similar positions of power and influence including during the period 1996 to 2001 while serving as Director of the Management Board of a telecommunications company, another Joint Stock Company in Poland which was one of three (3) cellular phone service providers operating in the said country. Total payments received in bribes over the years he held his positions were estimated to be in the amount of US\$ 11,345 817.90.

Outcome

The spontaneous disclosure provided by the FIA to the FIU in Poland resulted in the submission of a mutual legal assistance request from the authorities in Poland. As far as the FIA is aware the court case is still pending.

Case 3

Phishing (A Case of Stolen Secret Access Data)



Case Summary

Mr. B, the victim received an email offering a lucrative opportunity to earn a living while working from his home. The victim liked the job offer and proceeded to fill out the necessary application form online in which he provided banking and other personal information to the potential employee. The victim was told that his salary would be credited to his bank account via electronic transfer. The email he received apparently included a Trojan Horse. The victim later attempted to log into his bank account electronically but was diverted to a bogus website mirroring that of his bank. Upon entering the site he entered his secret access data to access his bank account believing it to be his bank's website. Unfortunately, his access data was then transmitted to the perpetrators who used it to access his account and ordered an electronic transfer of funds from his account to an account controlled by the hacker and his criminal gang. The funds were transferred to an account held in a financial institution outside the victim's home country.

Outcome

Spontaneous disclosure was sent to the FIU in the jurisdiction where the suspect's bank account was located for them to take the necessary action.

The Agency's Finances

	2009	2010	2011	2012
Salaries and Wages	358,176	419,366	496,193	592,853
Employee Benefits	47,250	51,978	61,477	76,637
Operations and Maintenance	393,150	509,494	843,686	712,122
Grants and Contributions	1,261,416	1,191,528	1,500,000	2,000,000*
Total Approved Expenditure Budget	1,712,431	1,721,266	1,477,081	2,002,251
Total Actual Expenditure	751,326	928,860	1,340,061	1,304,975

*Includes IPOC Funds

