

# ANNUAL REPORT

# 2020





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# Words From the Director



**Errol George**

*Director*

*I am honoured to present the 2020 Annual Report of the Financial Intelligence Agency (the Agency). This is the 15<sup>th</sup> Annual Report that the Agency has published since its transition to a fully autonomous authority.*

The Agency, through its legislation, is governed by a Board appointed by statute to oversee the affairs and policies framework of the Agency. The Agency's Board has been very supportive and provides guidance to the Agency in meeting its obligations, particularly as it relates to compliance with international standards. The Board has provided guidance and direction to the Agency during this reporting period, especially as the Agency prepares for BVI's impending Mutual Evaluation Assessment by the CFATF in 2022. On behalf of the Agency, I take this opportunity to thank the Members of the Board for their invaluable assistance to the Agency during this reporting period. We look forward to the Board's continued and positive assistance in 2021 and beyond.

This reporting period provided greater challenges than in previous times as the Agency joined the world in adapting to the operational changes required due to the raging COVID-19 pandemic. Despite the emergence of these new challenges, the Agency forged ahead with tackling areas where much needed changes and procedural upgrades were needed.

A significant portion of resources were allocated to the overall analysis of virtual assets (cryptocurrencies) and other emerging trends observed from Suspicious Transaction Reports (STRs) filed with the Agency. During this year the Agency was inundated with STRs related to virtual assets, which prompted a shift in resources to implement strategic and procedural amendments to better account for and tackle the assessment of these matters.

During the reporting year, special attention was given to the Supervision and Enforcement Unit, with the hiring of a Senior Compliance Examiner as well as a Compliance Examiner. The aim was to re-examine the operations of the Unit with a particular emphasis on resumption of examinations of the supervised entities. Despite the pandemic, and lockdown restrictions, the Unit managed to stay engaged and continued working to meet its goals by quickly adapting its procedures to suit the more socially distanced working environment.

Most of the work undertaken concerned a significant data collection exercise from supervised entities, to conduct the money laundering and terrorist financing sectoral risk assessments. The work undertaken in 2020 prepared the Unit for utilising its ongoing risk-based supervision strategy and setting out the Agency's examination strategy for 2021 and beyond.

The Agency showed its resilience despite the challenges and obstacles faced during the reporting year and this Annual Report displays the accomplishments. One area of primary focus was the Agency's preparation for the upcoming Mutual Evaluation Assessment. The Agency also maintained its focus in its execution of day-to-day operational functions and adapting to Agency and staff needs due to the COVID-19 pandemic. Efforts were employed to strengthen our knowledge and abilities to tackle these new emerging trends that appear to pose significant risks worldwide. FATF Recommendation 15 (as amended) highlighted these new trends which caused the Agency to revisit its training needs with laser focus on developing strategies and procedures aimed at ensuring the new challenges brought about by Virtual Assets and related services can be confronted head on.

The Agency will continue to represent the Territory through participation in international forums held by CFATF and the Egmont Group. Continuing to build on these relationships while actively participating in relevant sub-groups will further assist in the advancement of the Agency's overall efforts to fight money laundering, terrorist financing and proliferation financing both locally and abroad.

The years, 2021 and 2022 will be pivotal years for the Agency and the work it undertakes. The work undertaken and completed in 2020 prepared the Agency and its staff to continue forging ahead.

*Errol George*

Director

# Our Mission & Vision

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## Our Mission

To provide an effective, professional and transparent international cooperation and financial investigation service that fosters public confidence and promotes the reputation of the Territory of the Virgin Islands as a centre of financial law enforcement excellence.

## Our Vision

The Agency 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 and proliferation financing.

The Agency also recognises the importance of working closely with other important stakeholders in the private sector. To this end, the Agency will make it a priority to continue to provide the necessary

support to domestic financial Institutions and Trust and Company Service Providers.

We recognise that the success of the Agency in effectively performing its core functions depends on the degree of knowledge and competency of our staff. Therefore, a large portion of the Agency's financial resources is allocated to training so as to ensure that staff members receive the necessary training to equip them with the skills needed to effectively perform their assigned duties.

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2020

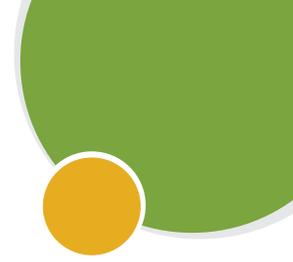
# At a Glance

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# The Financial Investigation Agency

## Virgin Islands



**Financial Intelligence Units (FIUs) are specialised government agencies created to act as an interface between persons who are legally obligated to file Suspicious Transaction Reports and law enforcement agencies, which are responsible for investigating such reports. The role of FIUs usually involves collecting, analysing and disseminating information contained in those reports. The Financial Investigation Agency is the designated Financial Intelligence Unit of the Virgin Islands.**

### Governance

The Agency is a Government Statutory Body governed by a Board which is responsible for creating the policies that guide the Agency in the performance of its functions. The Board comprises senior civil servants who occupy key positions within Central Government, including law enforcement agencies.

The Board is chaired by the Deputy Governor. The other board members include the Honourable Attorney General, Deputy Chair, Financial Secretary, Managing Director of the Financial Services Commission, Commissioner of HM Customs, Commissioner of the Royal Virgin Islands Police Force and the Director of the Agency, as an ex-officio member.

In addition to the Board, the Agency also has a Steering Committee, which is a sub-committee of the Board. The Steering Committee comprises the Attorney General as Chairman, Managing Director of the Financial Services Commission and the Director of the Agency. The Steering Committee was established to ensure that the Agency discharges its responsibilities with regards to STR regime.

### What is a Financial Intelligence Unit?

The Egmont Group definition of a Financial Intelligence Unit (FIU) was adopted from the Financial Action Task Force (FATF) Recommendation 29 and Interpretative Note on Financial Intelligence Units, which states that:-

“Countries should establish a financial intelligence unit (FIU) that serves as a national centre for the receipt and analysis of: (a) suspicious transaction reports; and (b) other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis. The FIU should be able to obtain additional information from reporting entities and should have access on a timely basis to financial, administrative and law enforcement information that is needed to undertake its functions properly”.

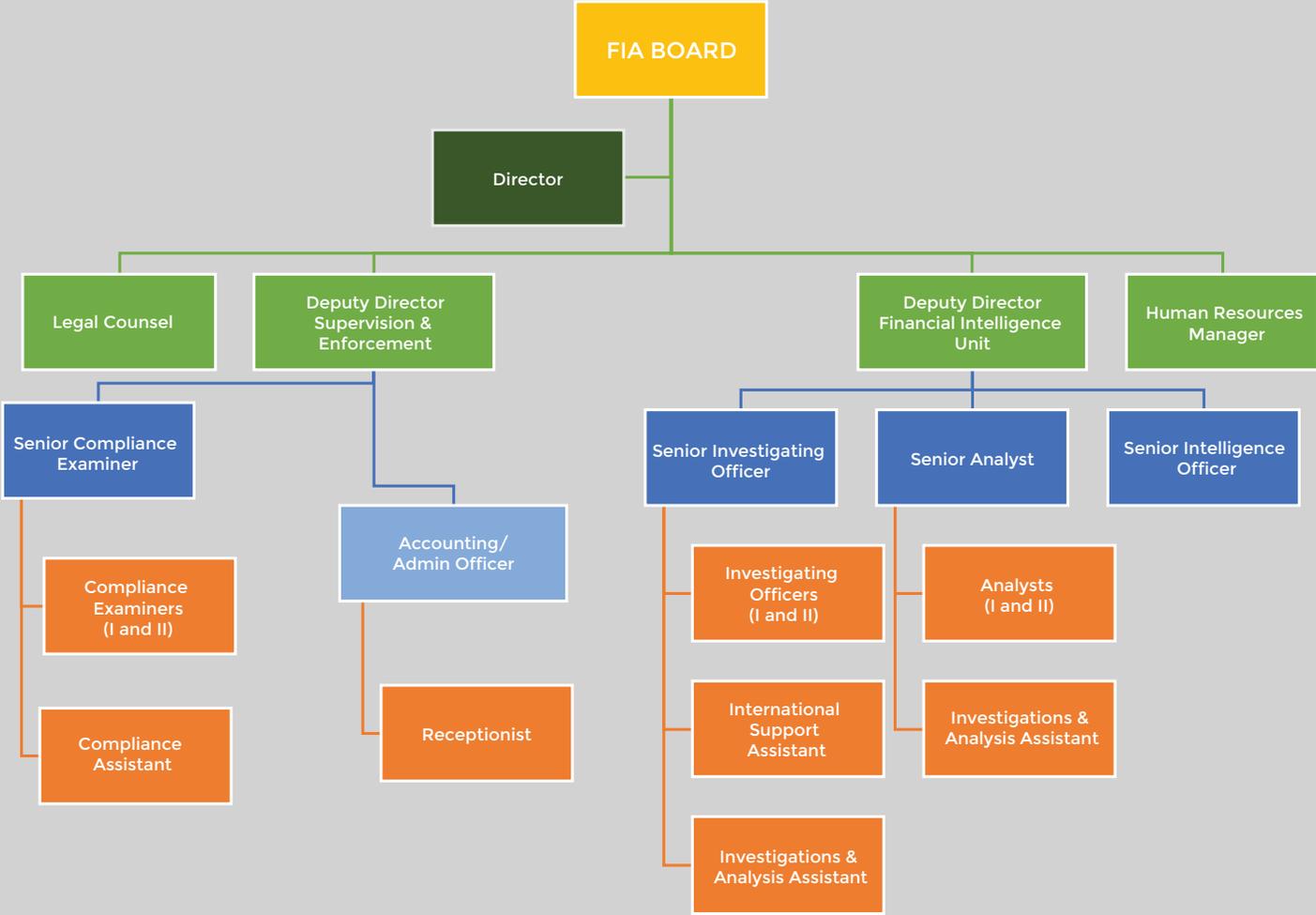
Further, Article 7.1.b of the United Nations Convention against Transnational Organised Crime (Palermo Convention) requires member states to consider the establishment of a financial intelligence unit to serve as a national centre for the collection, analysis and dissemination of information regarding potential money laundering.

Recommendation 29 of the FATF also requires countries to establish a FIU to serve as a national centre for receipt and analysis of Suspicious Transaction Reports (STRs) and other information relevant to money laundering, associated predicate offence and terrorist financing and for the dissemination of the results of that analysis. The Financial Investigation Agency was established by the BVI Government in accordance with Act No. 19 of 2003.

The Agency was established as a Hybrid FIU, which is headed by a Director who is appointed by the Board. The Agency's staff comprises persons from several disciplines including a former Senior Customs Officer who is Deputy Director, a former Police Officer and a seconded Customs Officer as well as others, including civilian support staff.

During the period covered by this report, the Agency focused its attention on building its middle management structure by filling vacancies in approved positions at the senior (supervisory) level. In 2020, the Agency took steps to further streamline leadership for its two major functions with the establishment of a dual deputy structure. The Agency concluded the year with a staff compliment of twenty one (21), including the Director, Deputy Director for the Financial Intelligence Unit, Deputy Director for Supervision and Enforcement, Legal Counsel, Human Resources Manager, Accounting & Administrative Officer, Senior Investigating Officer, Senior Analyst, Senior Compliance Examiner, two (2) Investigating Officers, two (2) Analysts, an Intelligence Officer, three (3) Compliance Examiners, a Project Assistant, two (2) Administrative Assistants and a Receptionist.

# Financial Investigation Agency Organisational Chart



# Functions of the Agency

## Legal Framework

The Agency is responsible for carrying out its functions under the following relevant pieces of legislation:

1. The Financial Investigation Agency Act, 2003, as amended;
2. The Proceeds of Criminal Conduct Act 1997, as amended;
3. Criminal Justice (International Cooperation) Act 1993, as amended;
4. Anti-Money Laundering Regulations 2008, as amended;
5. Anti-Money Laundering and Terrorist Financing Code of Practice 2008, as amended;
6. Proliferation Financing (Prohibition) Act, 2009;
7. Non-Profit Organisations Act, 2012;
8. Mutual Legal Assistance Act, 1990;
9. Non-Financial Business (Designation) Notice, 2008;
10. The Anti-Terrorism (Financial and Other Measures) (Overseas Territories) Order 2002;
11. Beneficial Ownership Secure Search System Act 2017, as amended;
12. The Terrorism (United Nations Measures) (Overseas Territories Order), 2001; and
13. Drug Trafficking Offences Act, 1992, as amended



The primary functions of the Agency are stipulated under Section 4(1) of the Financial Investigation Agency Act, 2003, as amended. The Agency is responsible for receiving, obtaining, investigating, analysing, and disseminating information which relates or may relate to:

- a) a financial offence or the proceeds of a financial offence; or
- b) a request for legal assistance from an authority in a foreign jurisdiction which appears to the Agency to have the function of making such requests.

Additionally, section 9(2) of the Virgin Islands Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 (the AML Code) places a statutory obligation on the Agency to supervise, for Anti-Money Laundering/Countering the Financing of Terrorism

(AML/CFT) purposes, all entities that are not regulated by the Financial Services Commission. This essentially involves a review of the entity's risk assessment on money laundering and terrorist financing through its policies, processes, procedures and internal control systems so that an informed and objective assessment can be made of its risk profile; the adequacy or otherwise of its mitigation measures and its compliance with the legislative requirements. Furthermore, section 18 of the Non-Profit Organisations Act, 2012, places certain obligatory functions within the remit of the Agency.

## Analysis

The Agency's functions as it relates to the receipt, analysis and dissemination of STRs are defined under Section 4 of the FIA Act and Section 7(1) of the AML/CFT Code of Practice. During the year under review, the Agency lost one Analyst, which left the unit with two (2) Analysts and one (1) Senior Analyst who analysed STRs.

## Information Processing (STRs)

Information coming into the Agency by way of STRs are received both electronically and in hard copy format. New information is checked against existing data to identify possible linkages between new and previous filings. Unique identifiers are then added to each new piece of information and uploaded into the Agency's database. Reports are prioritised using several key indicators. Analysis is then conducted, which often includes requesting additional information from reporting entities, as well as, from open and closed sources. Following analysis, Analysts can make the decision to disseminate or not to disseminate, based on a number of determining factors.

## STRs Reporting

Money laundering is a crime which supports criminal activities because it provides a means by which criminals could use and enjoy their ill-gotten gains. It affects society in many ways, from an individual level, where other criminal activities such as murders and kidnapping are often tied, as well as its effect on the stability of a country's financial system.

Reporting suspicious financial transactions or other related activities is a key part of a financial intelligence network, which helps law enforcement agencies and financial intelligence units to collaborate to detect, deter and prevent money laundering, terrorist financing and proliferation financing activities. Information contained in STRs help the FIA to produce financial intelligence reports, which assist our domestic and international law enforcement partners in conducting investigations into money laundering, terrorist financing, proliferation financing and regulatory issues that could pose a threat to the territory's security and financial stability. Good intelligence obtained from various sources reveal trends and patterns in money laundering and terrorist financing, which is useful for law enforcement agencies, reporting entities and the public.

One of the primary functions of the Agency is the processing of disclosures, such as Suspicious Transaction Reports (STRs).

**Total STRs**  
**1252**



**STRs Submission Increased**  
**135%**



Despite the pandemic the FIA received a total of 1252 STRs, during the reporting period. Which represents a slight decrease of 3% over the previous reporting period. Of the 1252 STRs received, the highest number of sector specific submitted STRs were from Registered Agents, BVIBCs ("Cryptocurrency related") and the Banking Industry, collectively accounting for 96% of the total STRs received.

During the reporting period, the FIA noted a 135% increase in STRs submissions from Registered Agents, and a decrease of 13% in submissions from the Bank as well as a 44% decrease in BVIBC's ("Cryptocurrency related") submissions.

It is important to note that although a STR was received in a given month, the suspicious transaction may not have occurred in the month of submission. There are several reasons for this, for example, an activity may have occurred in a particular month, which triggered the monitoring of a transaction/activity. In light of this, retrospective due diligence may have then been initiated for previous months which confirmed the suspicion. Upon confirmation, a STR would then be submitted. An average of 104 STRs per month were received in this reporting year.

## Suspicious Transaction Reports

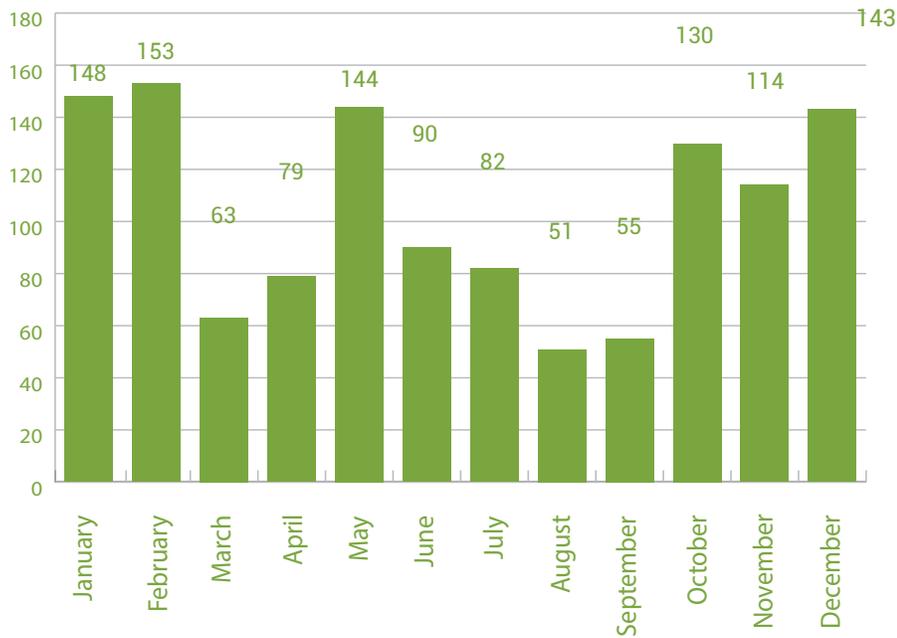
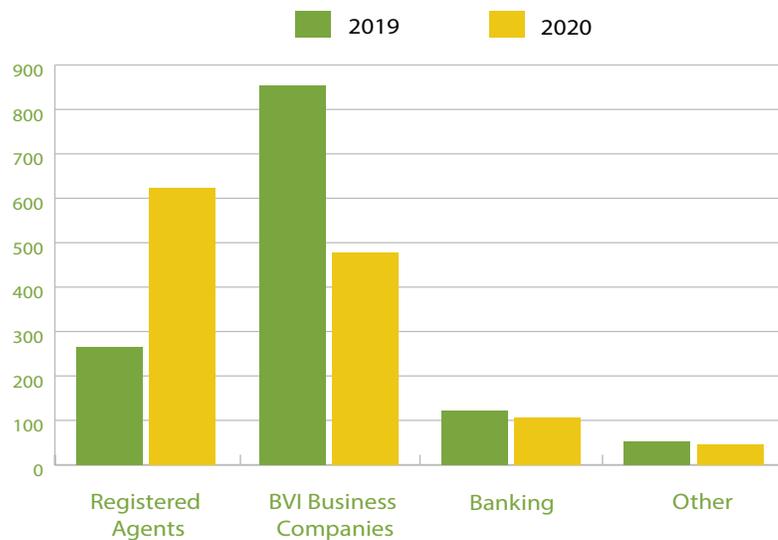


Table 1 details a comparative view of STRs received for the years 2019 to 2020

Reporting Entities	2019	2020
Registered Agents	265	623
BVIBC	853	477
Banking	122	106
<b>Other*</b>	<b>52</b>	<b>46</b>

\* Other includes Government Agencies, Money services, Law Firms, Accountants, Liquidator, etc.

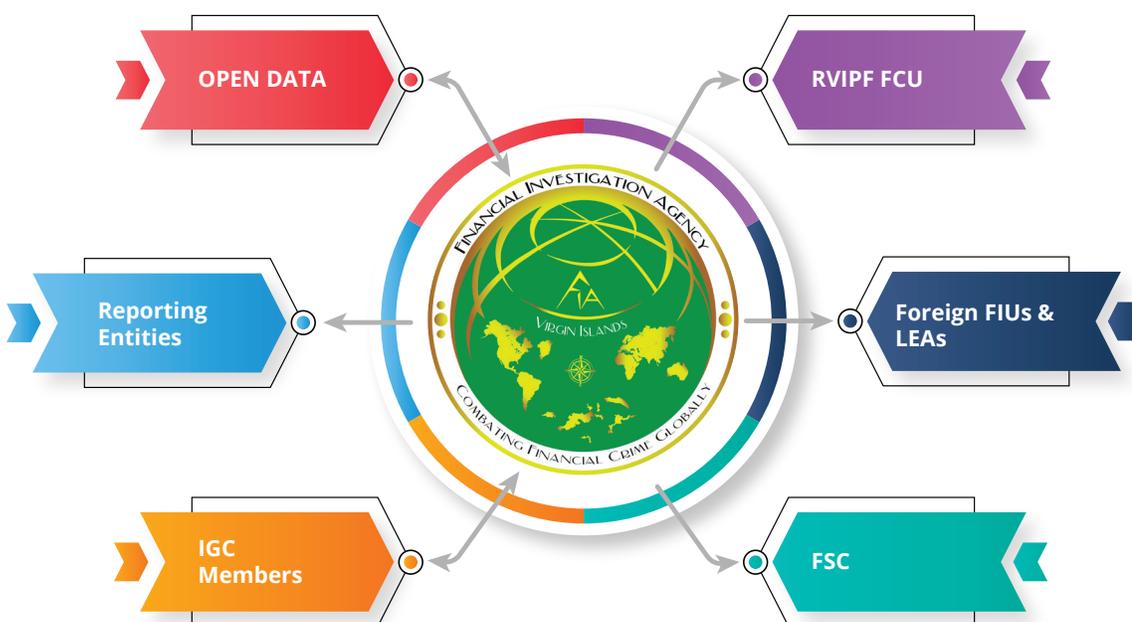


# Information Exchange

As part of its core function, the Agency exchanges information with several domestic and international partners including the BVI Financial Services Commission, foreign law enforcement agencies, foreign financial intelligence units and members of the Inter-Government Committee on AML/CFT/PF matters, as necessary. Information is normally shared for intelligence purposes and information exchange generally occurs on the basis of reciprocity. Information is also shared under the cover of Memoranda of Understanding. These MOUs facilitate the exchange of information in relation to financial offences including money laundering, the financing of terrorism and proliferation financing.

These included:

1. Domestic Requests from the Royal Virgin Islands Police Force (RVIPF), Her Majesty's Customs (HMC), Financial Services Commission (FSC), The Governor's Office, International Tax Authority and Virgin Islands Shipping Registry;
2. International Requests from Egmont Secure Web (ESW), Interpol and other Foreign Financial Intelligence Units and Law Enforcement Agencies.



The Agency is a member of the Egmont Group of Financial Intelligence Units, which comprises Financial Intelligence Units from over one hundred and fifty (150) countries. The Egmont Group promotes collaboration through exchange of information among its members. During the recording period, the Agency received and processed a total of three hundred and ninety-five (395) requests for information (RFIs).

	Received	Completed
Total RFI	395	390
<b>LOCAL</b>		
Number per entity		
Financial Crime Unit- RVIPF	1	1
Financial Investigation Agency (Analysis Unit)	5	4
Financial Services Commission	66	66
Governor's Office	5	5
H.M. Customs	1	1
International Tax Authority	1	1
Royal Virgin Islands Police Force	3	3
<b>International</b>		
Egmont	224	222
INTERPOL	88	86
Other law Enforcement Agencies	1	1

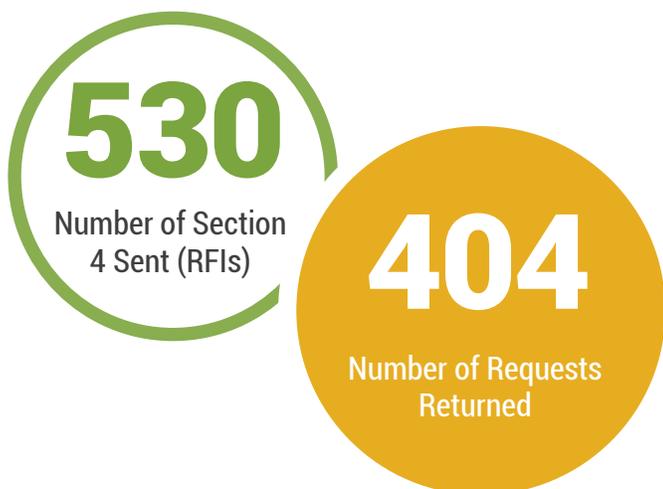
One of the Agency's core functions is to process requests for Mutual Legal Assistance (MLA) submitted to the Attorney General Chambers by foreign judicial authorities. The Agency received and processed thirty-three (33) MLA requests compared to thirty-one (31) received and processed the previous year.

	Received	Completed
Total MLA Requests (LORs)	33	33
<b>COUNTRIES</b>		
Argentine Republic	3	3
Armenia	1	1
Australia	1	1
Belarus	1	1
France	1	1
Greece	1	1
India	1	1
Mongolia	1	1
Republic of Korea	1	1
Saint Maarten	1	1
Switzerland	1	1
Ukraine	6	6
United Kingdom	1	1
USA	13	13

As of 2017, the Agency has been tasked to effectively carry out the duties associated with requirements of the Beneficial Ownership Secure Search System Act, 2017 (BOSSS Act). The use of the BOSSS has been primarily geared towards United Kingdom (UK) law enforcement agencies through the National Crime Agency (NCA). During the reporting period, the Agency received and processed one hundred and twenty-six (126) BOSSS MLA requests compared to one hundred and thirty-three (133) requests received and processed the previous year.

### Requests for Information during Analysis and Investigation Processes

During the Analysis and Investigation process, the Analysts and Investigating Officers are required to collect additional information from external sources. These sources can either be domestic or international. The initial information received during the analysis and investigation of the matter at hand predetermines the need for additional information and the relevant source(s). Domestic sources can range from Registered Agents or Trusts and Company Service Providers (TCSPs), DNFBPs, Insurance Agents, etc., to local competent and law enforcement agencies, and various departments of local government. International sources include foreign financial intelligence units and law enforcement agencies.



Bank	105
DNFBP	1
Government Departments	48
Money Services	5
Registered Agent	370
Regulator	1
<b>Total</b>	<b>530</b>

### Supervisory and Enforcement Framework

The Agency's AML/CFT supervisory framework, despite coming into force in 2008, was officially launched in 2014, tasked with ensuring that supervised entities comply with their obligations under domestic AML/CFT laws. This is essentially supervising and monitoring the activities of Designated Non-Financial Businesses and Professions (DNFBPs) and Non-Profit Organisations (NPOs) for AML/CFT purposes. DNFBPs include legal practitioners, notaries public, accountants, real estate agents and persons involved in the buying and selling of high valued goods (involving cash transactions of \$15,000 or more). NPOs include all bodies of persons engaged in activities promoting charitable, religious, cultural, educational, social, or fraternal purposes for the benefit of communities within the Territory. The Agency's supervisory approach utilises a proactive risk-based approach, with the aim of creating a high-level compliance culture within the DNFBP and NPO sectors.



## Enforcing Compliance

The Agency uses a range of compliance activities to ensure supervised entities fulfill their AML/CFT obligations, including feedback letters, AML/CFT compliance procedure manual review and approvals, compliance pre-inspection meetings, compliance examinations, compliance assessment reports and follow-up onsite examinations. Unfortunately, there are gaps in the legislation which temporarily affects the Agency's ability to administer monetary penalties for non-compliance.

The Agency is tasked with ensuring that supervised entities comply with their obligations under domestic AML/CFT laws. This is essentially supervising and monitoring the activities of Designated Non-Financial Businesses and Professions ("DNFBPs") and Non-Profit Organisations ("NPOs") for AML/CFT purposes.

## Supervision of NPOs and DNFBPs



## 2020

At the start of 2020, a strategy was set to increase the Agency's outreach to its supervised entities as well as undertake compliance examinations to gauge the level of compliance within the sector. Unfortunately, at the start of these preparations, Covid-19 caused the Territory to go into a one month 24-hour lockdown, following which there was a period of curfews and business restrictions.

The effects of the pandemic were felt across the Territory, including the entities supervised by the Agency. Many NPOs within the Territory were called to provide urgent assistance to those impacted by the pandemic, whilst also facing an inability to raise funds. Many DNFBPs were unable to operate fully during this time, and those that operated, were significantly impacted. As a result, the Agency had to re-focus its strategy and reconsider how it would continue to supervise the relevant entities.

An additional outcome of Covid-19 was increased global news reports about NPOs being targeted by criminals and scammers. To ensure that ML/TF controls remained in place, the Agency published a guidance document to NPOs operating within the Territory, which was published on the Agency's website.

## Supervision and Social Distancing

Prior to the pandemic, the Agency undertook face to face meetings with all its supervised entities. Given the social distancing concerns, and to ensure staff safety, meetings were temporarily suspended.

In order to continue with ongoing supervision, the Agency updated its risk assessment questionnaires so that the said questionnaires could be sent to supervised entities electronically and completed digitally.

## Sectoral Risk Assessment – Data Collection

As part of the 2020 Sectoral Risk Assessments (money laundering and terrorist financing), the Agency undertook a significant data collection exercise. Data was collected, reviewed and analysed from over one hundred twenty five (125) supervised entities.

The Agency's Money Laundering Sectoral Risk Assessment report, which looked at money laundering risks within the NPO and DNFBP sectors, was finalised and compiled in 2020 and is scheduled to be published in early 2021.

## Ongoing Supervision



## Risk Assessments

135  
NPOs

## Risk Assessments

59  
DNFBPs

## Compliance Manual Reviews

	Manuals Received	Manuals Reviewed
NPOs	30	28
DNFPs	5	2
<b>Other*</b>	<b>52</b>	<b>46</b>

## AML/CFT Webinars conducted

	No. of Webinars	Attendees
NPOs	2	78
DNFPs	2	71

## Domestic Cooperation

The Agency is a member of the Joint Anti-Money Laundering and Terrorist Financing Advisory Committee (JALTFAC) and the Inter-Governmental Committee on AML/CFT matters (IGC). Both bodies were created by statute. The role of JALTFAC is to advise the Financial Services Commission on matters relative to AML/CFT while the role of the IGC is to promote and facilitate cooperation amongst its members where AML/CFT matters are concerned.

The Agency is also a member of the Council of Competent Authorities (CCA). The CCA is the body which was established by the Cabinet to facilitate coordination of domestic and international cooperation matters and other relevant AML/CFT issues relating to or affecting the Territory.

The Agency also cooperates with other members of the Inter-Governmental Committee on AML/CFT matters such as the Financial Services Commission (FSC), Her Majesty's Customs (HMC), the Royal Virgin Islands Police Force (RVIPF), the Virgin Islands Shipping Registry, and the Attorney General's Chambers, which are signatories of a multi-lateral MOU signed in April 2014. The MOU facilitates information exchange among the members of the committee on matters relating to financial offences, including money laundering and the financing of terrorism. Apart from the multi-lateral MOU, the Agency is also party to bilateral MOUs signed with FSC, RVIPF and HMC under which the Agency agreed to carry out certain functions on behalf of the three (3) agencies.

## During 2020, the following MOUs were executed domestically:

On 10 July 2020, the FIA entered into a MOU with the Royal Virgin Islands Police Force to facilitate the expeditious processing of matters involving breaches of section 4(2A) of the Financial Investigation Agency Act, 2003 as amended by the Financial Investigation Agency (Amendment) Act, 2013; and

On 7 August 2020, the FIA entered into a revised MOU with Her Majesty Customs to facilitate the exchange of information and intelligence in the investigation of persons suspected of money laundering, the financing of terrorism and other serious organised crimes.

## International Cooperation

Organised crime knows no borders. There are various transnational crimes being committed under the influence of criminal organisations. Drug trafficking, money laundering, trafficking of human beings, (especially women and children for sexual exploitation), illicit manufacturing and trafficking of firearms, acts of corruption, use of violence, extortion, illegal trafficking and transportation of migrants are the main transnational crimes with which countries are confronted.

Interpretative note 7 of the FATF Recommendation 40 which deals with international cooperation states that "FIUs should exchange information with foreign FIUs, regardless of their respective status; be it of an administrative, law enforcement, judicial or other nature. To this end FIUs should have an adequate legal basis for providing cooperation on money laundering, associated predicate offences and terrorist financing".

The Agency's cooperation with regional and international counterparts goes far beyond the exchange of financial intelligence. It also works closely with counterparts to take forward initiatives aimed at combatting money laundering and the financing of terrorism. This is done mainly through cooperation, collaboration, coordination and sharing of experiences which helps to foster growth and development within financial intelligence units.

## *The following MOUs were submitted to the FIA in 2020 for review but currently pending execution:*

MOU between the FIA and the participants of the International Anti-Corruption Coordination Centre (IACCC) to facilitate enhanced cooperation and coordination of the global law enforcement response against Grand Corruption.

MOU between the FIA and Guernsey to facilitate information and financial intelligence exchange cooperation related to money laundering, terrorism financing and proliferation financing.

MOU between the FIA and Madagascar to facilitate cooperation in the exchange of information related to combating money laundering, terrorist financing, proliferation of weapons of mass destruction and related criminal activity.

## The Egmont Group

The Agency has been a member of the Egmont Group of Financial Intelligence Units since 1999. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve cooperation in the fight against money laundering, the financing of terrorism and proliferation financing and to foster the implementation of domestic programs in this field. This support includes:

- Expanding and systematising international cooperation in the reciprocal exchange of information;
- Increasing the effectiveness of FIUs by offering training and promoting personnel exchanges to improve the expertise and capabilities of personnel employed by FIUs;
- Fostering better and secure communication among FIUs through the application of technology, such as the Egmont Secure Web (ESW);
- Fostering increased coordination and support among the operational divisions of member FIUs;
- Promoting the operational autonomy of FIUs; and
- Promoting the establishment of FIUs in conjunction with jurisdictions with an AML/CFT/PF program in place, or in areas with a program in the early stages of development.

Members of the organisation meet twice a year to discuss issues relative to the organisation and its work. Discussions would normally include updates on ongoing projects, working group projects, issues affecting membership as well as matters affecting the organisation's role in the global fight against ML/TF/PF which is often done through close cooperation with other international organisations such as the FATF, World Bank, International Monetary Fund and the United Nations Drug Control Programme (UNDCP). The Agency's active participation in the Egmont Group started in 1999 when the then Royal Virgin Islands Police Force Financial Investigation Unit, now the Agency, became a member of the organisation.

Senior officers from the Agency actively participated in the Membership Support and Compliance Working Group (MSCWG), which recommends and sponsors financial intelligence units (FIUs) that are not members of the Egmont

Group to become members. Sponsors worked closely with the candidate FIU(s) to ensure that they meet the Egmont definition of an FIU. This process includes ensuring that all legal and technical aspects of the candidate FIU are on par with the requirements of the Egmont Group standards. After the sponsoring FIUs are convinced that the candidates are ready to join the group, an onsite assessment is conducted. An assessment report is written and submitted to the Egmont Secretariat on behalf of the candidate FIU. The report is subsequently discussed by the MSCWG prior to making a recommendation to the Heads of FIU forum. At the Heads of FIU forum, a decision is made on whether to accept the candidate FIU as a member of the Egmont Group. Best practices indicate that at least two (2) FIUs should act as sponsors for candidate FIUs.

The Agency has also participated in the Information Exchange Working Group (IEWG) during the year 2020. The mandate of the IEWG mainly focuses on the information exchange process and ways to ensure the quality of information is maintained when using the Egmont Secure Web.

The Agency participated in both Egmont Working Group meetings and Plenary in Mauritius.

The Agency continues to act as a sponsor for the Financial Intelligence Units of Montserrat, Guyana, and the UCREF of Haiti during the year.

## Caribbean Financial Action Task Force (CFATF)

The Virgin Islands is a member of the Caribbean Financial Action Task Force (CFATF), which is a Financial Action Task Force style regional body (FSRB) and associate member of the Financial Action Task Force (FATF). The Agency represents the Territory at CFATF meetings, which are held two (2) times a year, by its participation in various working groups including the Heads of FIU forums, International Cooperation Review Group, Accreditation Working Group and the Risk, Methods, and Trends Working Group.

The Agency also provides an assessor to the CFATF International Cooperation Review Working Group (CFATF ICRG). The role of the assessor is to monitor the timelines of an agreed action plan regarding the resolution of outstanding deficiencies identified during the Mutual Evaluation Process. Countries that have not sufficiently achieved a Largely Compliant or higher rating with the Core and Key Recommendations are considered non-compliant and are referred to the CFATF ICRG. The CFATF ICRG's assessors are to complete timely reports on the assessed country's progress and report to the CFATF ICRG at every CFATF plenary. Failure to adhere to the CFATF

ICRG's processes, including a failure to address vulnerabilities identified, may result in the country being referred to the Financial Action Task Force.

## Training & Professional Development

During the year 2020, travel was restricted due to health and safety constraints imposed due to the COVID-19 pandemic. Nonetheless, during the first quarter of 2020 a lone employee of the Agency was able to attend the CFATF Assessor's Training held in Trinidad and Tobago and successfully attained the designation as a CFATF Mutual Evaluation Assessor. Additionally, the Agency shifted its focus on supporting members of staff to achieve professional AML/CFT/PF certifications through the local Financial Services Institute. As a result, three (3) members of staff successfully obtained their Advanced Certification in Anti Money Laundering through the International Compliance Association. Furthermore, seven (7) members of staff received training on financial investigations and combatting and forestalling the financing of terrorism, training administered by Agencia, a UK based training and consultancy organisation. Lastly, one (1) senior officer took part in an asset recovery workshop administered by CFATF in collaboration with the Regional Security System Asset Recovery Unit (RSS ARU) and funded by the US Department of State.

## New Developments

The Agency recruited and appointed a Senior Compliance Examiner to its Supervision and Enforcement Unit (SEU). The Senior officer holds significant AML/CFT supervision and compliance experience gained in two international jurisdictions, particularly in the areas of risk-based supervision and undertaking entity examinations. The recruitment demonstrates the Agency's commitment to becoming a more effective risk-based supervisor and strengthening its examinations program. Further, it allows the Agency to offer more technical support and guidance to supervised entities in the areas of AML/CFT/PF.

Additionally, the Agency also hired an additional Compliance Examiner to the SEU, which allowed the Unit to dedicate more resources to its supervision.

## 2021 Outlook

### *Projecting Forward*

Great expectations are projected for the year 2021, as the Agency forges ahead and continues its preparation for the upcoming CFATF Mutual Evaluation:

1. Continue outreach sessions on new STR reporting guidance;
2. Continue outreach sessions to the DNFBP and NPO sectors on their AML/CFT/PF obligations;
3. Conduct a Sectoral Risk Assessment of the inherent AML/TF risk of the supervised entities;
4. Undertake focused outreach/training with the NPO and DNFBP sectors on specific areas of weaknesses identified from the 2020 Sectoral Risk Assessments and concentrated thematic inspections;
5. Implementation of legislative amendments to the FIA Act and other relevant legislation;
6. Increase resources for the handling of STRs and the supervision of the DNFBP and NPO sectors;
7. Completion of Guidance notes for supervised entities, which includes DNFBPs and NPOs and completion of Guidance notes on Counter-Proliferation Financing;
8. Development and Implementation of a DNFBP register, undertaking background checks on directors, beneficial owners and managers, in line with FATF requirements; and
9. Implement new database and supporting IT systems which will improve and enhance the work undertaken by the Supervision Unit.

## Strategic Analysis

### *Introduction*

Recommendation 29 of the FATF Recommendations encourages FIUs to conduct strategic analysis based on available information, including data that could assist in identifying ML and TF trends and typologies. Strategic analysis is a useful tool for FIUs and the results from such analysis could also assist FIUs and their stakeholders to better understand the patterns and trends on money laundering and related concerns. Outcomes of strategic analysis can also be utilised to assist FIUs in developing operational policies. Strategic analysis also allows FIUs to draw conclusions to aid in the strategic prevention of money laundering and the financing of terrorism. During the reporting year, the Agency conducted a strategic analysis project focusing on the significant increase in STR filings as indicated in the graph below:

## Strategic Analysis of SAR Over The Years



### Analysis

The purpose of the strategic analysis project, first and foremost, was to identify the reason behind the increase in STR filings, particularly during the years, 2019 and 2020, and to assess the level of possible exposure to the Territory's financial services sector if the results of the analysis shows there is a high volume of BVIBCs involved in cryptocurrency related business. This was deemed important to assess given that there are some risks involved due to the technical nature of the business.

It is worth pointing out that the number of STRs reported in 2020 were slightly lower than those reported in 2019. On reviewing the STRs filed during the periods mentioned, it was revealed that the increase that was seen in both of these years was directly attributed to suspicious activities taking place online relative to virtual assets/cryptocurrencies, the new trending phenomenon.

The analysis pointed to a small group of inter-related BVIBCs involved in cryptocurrency business and an even smaller number of TCSPs providing registered agent/registered office services to these BVIBCs. The low number of BVIBCs that appeared to be involved made it relatively easy to gather the information necessary to conduct the analysis.

During a further analysis of the crypto related STRs, it was also revealed that a number of those STRs were reported due to the transactions taking place on the Dark Web<sup>1</sup> where the use of virtual assets was first discovered and there was a belief that cryptocurrency transactions occurring on the dark web were likely connected to illegal activities. Analysis also revealed that those cryptocurrency transactions were posing a significant

challenge for those BVIBCs engaged in cryptocurrency business to complete their KYC/CDD verification process, which was also a factor that led to the increase in STR filings.

To better understand the relevant business activity, including the various types of virtual assets that exist and how blockchain wallets work, significant open-sourced research was conducted alongside an in-depth review of documentation explaining the intricacies of how cryptocurrency trading or related activities are carried out. Outcomes of our analysis revealed that the element of verified and unverified customers was another aspect of cryptocurrency business that required some level of understanding to be able to determine next steps. It was noted that the primary difference for the creation of the business relationship with verified versus unverified customers was the latter's full compliance with CDD requirements.

Finally, the analysis of the cryptocurrency related STRs, considering all factors presented, revealed that most of the STRs related to unverified customers. This is where the reporting entity indicated that the customers failed to provide the requested information, which resulted in the reporting entity being unable to verify the customers' identities and thus unable to complete their CDD process as required by the applicable laws of the Territory. This makes analysing cryptocurrency STRs more complex when compared with other STRs which contain the full details of the subject of the STRs. This is an important point given the potential involvement by unverified customers in illicit activities using this new payment method.

In light of the above, consideration will be given by the FIA to expanding its resources to meet the challenges brought about by this new phenomenon. Expansion of resources will include procuring investigative tools such as Blockchain Analysis software to enable the analysis unit to effectively analyse suspicious cryptocurrency transactions occurring on the Dark web. One way is by identifying and ensuring highly specialised training is available to analysts. Equally, it will be just as important for the Royal Virgin Islands Police Force to take similar steps, where appropriate, to acquire the necessary investigative tools as well as provide specialised training to its own investigators in its Financial Crime Unit to equip them so that they can effectively conduct these highly specialised investigations. From a territorial perspective, consideration must be given to developing a comprehensive regulatory framework to regulate cryptocurrency business since there is likely to be an increase in the number of BVIBCs involved in the cryptocurrency business, which is likely to bring about a greater level of risk to customers who will no doubt be vulnerable to hacks and misappropriation of funds, etc.

<sup>1</sup> The dark web is the hidden collective of internet sites only accessible by a specialised web browser. It is used for keeping internet activity anonymous and private, which can be helpful in both legal and illegal applications.

# Glossary

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<b>AGC</b>	Attorney General Chambers
<b>AML</b>	Anti-Money Laundering
<b>BVIBC</b>	British Virgin Islands Business Company
<b>BOSSS</b>	Beneficial Ownership Secure Search System
<b>CFT</b>	Counter Financing of Terrorism
<b>CFATF</b>	Caribbean Financial Action Task Force
<b>DNFBP</b>	Designated Non-Financial Businesses and Professionals
<b>FATF</b>	Financial Action Task Force
<b>FIA</b>	Financial Investigation Agency
<b>FIU</b>	Financial Intelligence Unit
<b>FSC</b>	Financial Services Commission
<b>INTERPOL</b>	International Criminal Police Organisation
<b>ICRG</b>	International Cooperation Review Group
<b>MLA</b>	Mutual Legal Assistance
<b>NPO</b>	Non-profit Organisation
<b>NRA</b>	National Risk Assessment
<b>PCCA</b>	Proceeds of Criminal Conduct Act
<b>PF</b>	Proliferation Financing
<b>RFI</b>	Request for Information
<b>STR</b>	Suspicious Transactions Report

# TYPOLOGIES

## Resurgence in Ponzi Schemes

During the reporting period, cases of suspected Ponzi Schemes resurfaced under the guise of names such as “partner hands” and Gifting/Blessing Circles schemes. This not so new trend appeared to be a blend of Ponzi schemes based on the mechanisms used, target groups, and individuals. It involved the pooling or stacking of funds by a community/circle which circulates or ‘gifts/blessings’ money to a designated participant as a quick way to gain funds with a return on initial cash-in requirement. It was mandatory in some schemes that participants recruit two or more new members, who in turn would need to recruit two other members and so on, who were lured with a promise of large cash pay-outs with a small buy-in.

The timing of these schemes garnered much attention and gained significant momentum and interest as persons were hoping to cash in early. The greatest concentration of involvement was seen in the religious, employment and family circles, which was driven by human greed and saw persons willing to benefit no matter the next victim. Such schemes are not new to the Territory, but swift action of community outreach and education by the relevant agencies yielded an almost instant decline of the scheme being perpetrated.

## Large and Unusual Deposits Post Pandemic Lockdown

In the midst of the COVID-19 pandemic and on the heels of the country being subjected to 24-hour lockdown, a large influx of STRs were submitted to the Agency. This pattern continued for several months while many businesses were still closed or operating on limited hours due to imposed curfew mandates. Despite all this, Financial Institutions were still receiving large and unusual deposits from businesses and individuals, despite business operations in the Territory being at a minimum.

The nature of the suspicion highlighted in these STRs were linked to possible money laundering activities and other predicate offences. It’s not unusual to see legitimate large and unusual transactions that match or mimic the accounts’ established deposit parameters. However, taking into consideration the timing of such large and unusual deposits, it brings to question the existence of excess quantities of cash in circulation and the source.

## Wire Transfer

Following the tax levied on Money Service Business to transmit money abroad, the Agency observed an increase in wire transfer transactions within the Banking Sector. These transactions, according to the STRs, were deemed suspicious as they did not meet the usual transactional patterns of the account holders. In conjunction with this new trend, the Banking Sector has seen an influx in cash deposits to which customers are almost immediately wiring funds outside the territory. Transactional comparison shows a significant increase in the dollar amount related to wire transfers, when compared with the Money Service Business transfers. This would suggest that individuals are pooling monies to conduct these transactions and splitting the reduced cost.

This also raises concerns related to informal or hawala style money remitters operating in the Territory. These pose an even greater risk of money laundering as detection of such operations are most times highly unlikely as the operations are conducted within nationality circles weary of avoiding detection by law enforcement.



