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Abbreviations

AML: Anti-Money Laundering

CFT: Countering the Financing of Terrorism

FATF: Financial Action Task Force

CFATF: Caribbean Financial Action Task Force

NPO: Non-Profit Organisation

DNFBP: Designated Non-Financial Businesses and Professional

JALTFAC: Joint Anti-Money Laundering and Terrorist Financing Advisory Committee

FIU: Financial Intelligence Unit

MLAT: Mutual Legal Assistance Treaty

SAR: Suspicious Activity Report

STR: Suspicious Transaction Report

TCSP: Trust and Company Services Provider

Interpol: International Police Organisation

IMF: International Monetary Fund

NRA: National Risk Assessment

NRAC: National Risk Assessment Council

NRASG: National Risk Assessment Steering Group

Our Mission

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

Our Vision

The Financial Investigation 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.

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 provide the necessary support to domestic financial Institutions and Company Service Providers.

Equally, we recognise that the Agency's success in being able to effectively perform its core functions depends heavily on the degree of knowledge and competency of its staff. To this end, the Agency allocates a large portion of its resources to ensure its staff members receive the necessary training to equip them with the skills to perform their assigned duties.

Contact us:

The Agency is located on the second floor of the LM Business Centre, (above Cable TV).

Contact Information:

Financial Investigation Agency
PO Box 4090
Fishlock Road
Road Town, Tortola
Virgin Islands VG1110
Telephone: 284 494 1335
Fax: 284 494 1435
Email: fia@bvifia.org

Director's Message

The key thing I would like readers to take away from this annual report is to have a greater understanding and appreciation of the role and functions of the FIA. While our role and functions are still evolving, our primary role is still to support our domestic and international partners by providing them with high quality financial intelligence and other information in a timely manner. The Agency also has an important role to play in ensuring that businesses such as Automobile Dealers, Real Estate Agents, Yacht Brokers, Jewelers, and NPOs are fully aware of their statutory obligations to implement measures to counter risks posed to their business and organisations by money laundering and the financing of terrorism.

During the reporting year, the Agency dedicated a great deal of time and resources meeting with representatives from the NPO and DNFBP sectors. From these meetings, it was clear that a number of these entities are still challenged by the requirements to implement their AML/CFT policies and procedures. It is essential to ensure that these entities fully understand their statutory requirements. The Agency remains steadfast in responding to the ongoing inquiries from these entities, in particular, the issues regarding preparation of their compliance procedures manuals and the role of Money Laundering Reporting Officers (MLROs).

During the coming year, we will continue to work closely with both sectors and other key stakeholders to see how best the ongoing issues and challenges can be resolved. One of the solutions the Agency will propose is an amendment to the NPO Act to address some of the issues and concerns raised by the NPO sector. The expected outcome is to make the entire process less onerous, especially for the smaller NPOs.

The Agency will also consider planning and hosting a number of follow-up workshops similar to those held in 2013. Unlike the previous workshops which focused on the legislative requirements, the follow-ups will focus specifically on the preparation and implementation of internal policies and controls, and the role and functions of Money Laundering Reporting Officers. The workshops will target both the NPO and DNFBP sectors.

This year, the Agency celebrated its tenth year as the designated Financial Intelligence Unit of the Territory. Over the past ten years, the Agency has done a lot to ensure the Territory's financial services sector is safeguarded against various threats posed by financial crimes. We have done so by working closely with our domestic and international partners. This is especially important given that effective cooperation and information exchange is one of the key aspects of our AML/CFT framework.

Our success could equally be contributed to our ongoing investment in our human and technical resources. Today, Financial Intelligence Units around the world are operating in an environment where they are being called upon to play an even greater role in helping to shape the global policy framework aimed at countering money laundering, the financing of terrorism, and proliferation. This is evidenced by ongoing efforts by the Egmont Group of Financial Intelligence Units to

strengthen its relationships with international organisations such as the FATF, World Bank, and IMF.

Recognising the important role the Agency plays in the Territory's international cooperation framework, the Agency's involvement with the Egmont Group will remain one of our key strategies to help ensure that the Territory continues to fulfill its international obligations where AML/CFT matters are concerned. This is especially important as we continue to assist our counterparts in Montserrat and Haiti to gain Egmont Group membership. Over the years, the Agency has benefitted greatly from several amendments to key pieces of AML/CFT related legislation. It also benefitted from the introduction of new pieces of legislation which has broadened our mandate. These legislative changes are expected to continue as the Territory prepares for its Fourth Round AML/CFT Mutual Evaluation which will be conducted by the CFATF in 2017. Some of these changes are likely to result in the Agency having additional tools that will make it more effective.

As we move forward into 2015, our first priority will be to build on our existing IT Infrastructure. In so doing, we will invest in two (2) new information storage systems. One will improve our data storage and analysis functions thus allowing us to improve the type of intelligence we share with our domestic and international partners. The other is a Customer Relationship Management System (CRMS) for our Compliance Unit. This system will be crucial in further developing our compliance enforcement functions. We anticipate having both of these systems operational before the end of the coming year.

My second priority will be to review our working relationships with the Royal Virgin Islands Police Force, Financial Services Commission, Attorney General Chambers, and the Governor's Office and identify areas where collaboration among our agencies could be strengthened.

A third priority is to identify alternative office space. The growing demands placed on the Agency mean we will have to invest in additional human resources in order to meet the demands. While we recognise and value the importance of information technology, we also recognise the importance of having a highly trained staff to complement our IT framework. All expansion will be done taking budgetary constraints into consideration.

Fourthly, we will work towards enhancing our strategic intelligence analysis capability. This will allow us to look more closely at money laundering trends and typologies in the Territory, so we can improve the level of support we provide to our domestic and international partners. At the same time, we will augment our Analysis Unit by increasing the number of Analysts from two (2) to three (3). Our Analysis Unit has struggled to cope with the level of SARs reporting in recent years which has brought about some challenges. This will be part of our overall plan to take a comprehensive look at our resources and make adjustments where necessary.

Fifth, we seek to be among the first Statutory Bodies to implement a Performance-Based Budget. This will tie the input of government financial resources allocated to the Agency, our output, and

our outcomes based on our core functions. As a fully funded government Agency, we remain committed to ensuring that our finances are handed in a prudent manner.

Our final priority will be to implement the last phase of our AML/CFT supervisory framework. During this process, the Agency will focus on taking regulatory actions against businesses and organisations that fail to implement the required AML/CFT policies and procedures. This will be used as a tool to ensure compliance.

In conclusion, I wish to thank the Agency's Board of Directors and the Government for their support which makes it possible for us to fulfill our mandate. I also wish to thank our domestic and international partners for their support over the years. This has enabled the Agency to play an integral role in the global fight against money laundering and terrorist financing. Finally, I also wish to take this opportunity to thank the Agency's staff for their continued support and commitment. My vision is to see the Agency grow to become a premier Financial Intelligence Unit within the Caribbean region and beyond. To do this, we will continue to work closely with all of our partner agencies as well as other key stakeholders to keep our Territory safe.

Errol GEORGE
Director

Administrative Information

The Financial Investigation Agency is a Government Statutory Body which is governed by a Board of Directors (the Board). The Board provides oversight relating to policy and good governance. The Board comprises of senior policy makers and heads of key government departments and agencies.

The Board is chaired by the Deputy Governor. Other Board members include the Attorney General, who is Deputy Chair; The Financial Secretary; The Managing Director of the Financial Services Commission; The Commissioner of HM Customs; The Commissioner of the Royal Virgin Islands Police Force; and the Director of the Agency.

In addition to the Board, the Agency also comprises of various sub-committees, including a Steering Committee, Staffing Committee, and Finance Committee. The Steering Committee is made up of the Attorney General as Chairman, the Managing Director of the Financial Services Commission, and the Director. The Staffing Committee comprises the Director as Chairman, the Managing Director of the Financial Services Commission, the Commissioner of H.M. Customs, and Chief Operating Officer. The Finance Committee comprises of the Deputy Governor, Managing Director of the Financial Services Commission, Financial Secretary, Director, and the Chief Operating Officer.

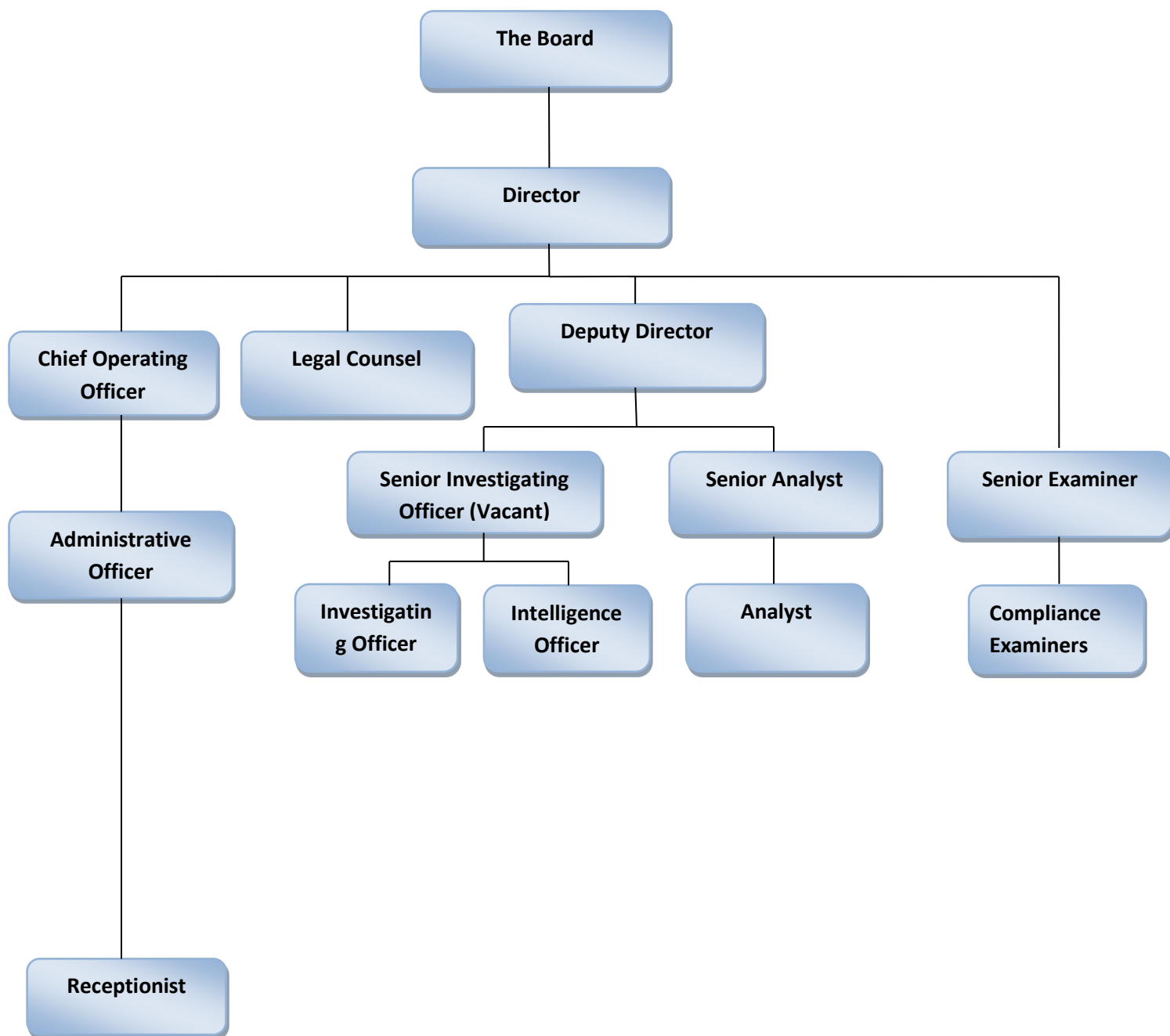
The day-to-day management of the Agency is carried out by the Director who is the Chief Executive Officer. The Director is appointed by the Board and assisted by a management team consisting of a Deputy Director, a Chief Operating Officer, and a Legal Counsel.

Establishment and Composition

The Agency was established by virtue of Section 3 of the Financial Investigation Agency Act 2003 and was established under Section 3 of said Act. The creation of the Agency was in direct response to a recommendation made following an independent review of the Territory's financial services sector by an external reviewer in 2000. The Agency is designated as the national centre for receiving, analyzing, investigating, and disseminating Suspicious Transaction and Suspicious Activity Reports. In other words, the Agency is the official Financial Intelligence Unit (FIU) of the Virgin Islands.

At the end of the reporting year, the Agency had fifteen (15) employees. This included the Director, Deputy Director, Chief Operating Officer, Legal Counsel, two (2) Investigating Officers, a Senior Analyst, Analyst, an Intelligence Officer, Senior Compliance Examiner, three (3) Compliance Examiners, an Administrative Officer, and a Receptionist.

Organisational Structure



Legal Framework and Functions of the Agency

The Agency is responsible for carrying out its functions under the following 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
5. Anti-Money Laundering and Terrorist Financing Code of Practice 2008
6. Proliferation Financing (Prohibition) Act, 2009, and the
7. Non-Profit Organisations Act, 2012

The Agency's primary functions are stipulated under Section 4(1) of the Financial Investigation Agency Act 2003, as amended. As stated previously, the Agency is responsible for receiving, obtaining, investigating, analyzing, 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 Code of Practice) 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 Functions

The Agency is authorised by the FIA Act, and the AML/CFT Code of Practice to receive, analyse, investigate and disseminate Suspicious Transaction Reports. This function is clearly defined under Section 4 of the FIA Act and Section 7 (1) of the Code. At the time of this report, a Senior Analyst and one additional Analyst was assigned to this function. However, the unit (Analysis Unit) was challenged to cope with the volume of SARs reported during the year as well the previous year. As a result, additional resources will be added to the unit in the coming year to include at least one (1) Analyst.

Investigative Functions

The investigation functions of the Agency are authorised under the Proceeds of Criminal Conduct Act, 1997; Financial Investigation Agency Act, 2003; Anti-Money Laundering Regulations, 2008; Criminal Justice (International Cooperation) Act, 1993; Anti-Money Laundering and Terrorist Financing Code of Practice, 2008; and the Proliferation Financing Prohibition Act, 2009.

The Agency is responsible for investigating Suspicious Transaction Reports prior to dissemination to local and foreign authorities. This is done as part of the analytical process. The Anti-Money Laundering Code of Practice requires that a discreet investigation be conducted by the Investigating Officers attached to the Agency prior to any dissemination.

Supervisory Functions

Section 9 (2) of the Virgin Islands Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 (the Code of Practice) placed 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. This is done so that an informed and objective assessment can be made of an entity's risk profile, the adequacy or otherwise of its mitigation measures, and its compliance with the legislative requirements.

The Non-Financial Business (Designation) Notice, 2008 (which is a sub legislation of the Code of Practice) identifies a list of persons that fall to be supervised as DNFBP. They are as follows:

- Legal practitioners
- Accountants
- Realtors or real estate agents
- Automobile dealers
- Jewelers
- Yacht brokers
- Persons engaged in the buying and selling of high valued goods

The Non-Profit Organisation Act, 2012, seeks to register and monitor the operations of Non-Profit Organisations (NPOs) operating primarily within the Virgin Islands. It specifically confers the authority and mandate on the Agency for the supervision and monitoring of NPOs in the Territory. The Agency is responsible for monitoring compliance by NPOs with the registration and legislative requirements in an effort to protect them from abuse by terrorists and, by extension, money launderers.

The Act sets out a wide and comprehensive definition of a Non-Profit Organisation which allows for an extensive list of organisations that may fall under the Agency's supervision. The following is not an exhaustive list but a snapshot representation of the types of organisations in the Virgin Islands that may fall within the definition:

- Churches
- Community Organisations
- Foundations
- National Country Associations
- Performing Arts Companies or Groups
- Public Service Staff Associations or Unions
- Religious or Church Groups
- Service Clubs or Associations
- Sporting Associations
- Youth Organisations
- School Club Associations

International Cooperation

The Agency is also authorised to conduct inquiries in relation to MLAT requests under Section 4 of the FIA Act. These requests are from the Attorney General, which is the Central Authority for mutual legal assistance matters in the Territory to the Agency for processing.

Additionally, the Agency is authorised to exchange information in relation to requests received from foreign law enforcement agencies as well as FIUs of the Egmont Group. Such requests are usually sent to the Agency by secure means including the Egmont Secure Web (ESW) and through law enforcement channels including Interpol. All information exchanged on a law enforcement to law enforcement basis is to be used for intelligence purposes only.

The Egmont Group

The Agency became a member of the Egmont Group in 1999. The organisation meets twice a year to discuss various issues and challenges facing the organisation as well as to provide updates to the various Working Groups and the Heads of FIUs concerning the organisation's ongoing initiatives. Much like previous years, the Agency was actively involved in the work of the organisation during the reporting year through its ongoing participation in the Outreach Working Group. The mandate of the Outreach Working Group is to recommend and sponsor Financial Intelligence Units that are not members of the organisation to become members. The sponsors are required to work closely with the candidate FIUs to ensure they meet the Egmont definition of an FIU. This process includes making sure all legal and technical aspects of the candidate FIUs are on par with the requirements of the Egmont Group. After the sponsoring FIUs are satisfied that the candidates are ready to join the group, an onsite assessment is conducted. An assessment report

is then written and submitted to the Egmont Secretariat on behalf of the candidate FIU. The report is discussed at both the Legal and Outreach Working Groups, and a recommendation is made to the Heads of FIU forum. The Heads of FIUs then makes a decision whether or not to accept the candidate FIU as a member. All candidate FIUs are normally required to have at least two (2) FIUs to act as sponsors.

During the year, the Agency continued to act as co-sponsors for the Financial Intelligence Units of Montserrat, Haiti, and the Meldpunt Ongebruikelijke Transacties (MOT), which is the FIU of St. Maarten. The Agency's co-sponsor for the FIUs of Montserrat and Haiti is the FIU of the Commonwealth of Bahamas. The co-sponsor for MOT, St. Maarten was the FIU of Aruba.

In July, the hard work of the Agency as co-sponsor of Meldpunt Ongebruikelijke Transacties, St. Maarten paid off, and it resulted in said FIU gaining Egmont Group membership. This occasion took place at the 22nd annual Egmont Group Plenary which was held in Lima, Peru.

Caribbean Financial Action Task Force

The Virgin Islands is a member of the Caribbean Financial Action Task Force which is an associate member of the Financial Action Task Force. The Agency is one of several regional FIUs that takes part in the work of the organisation. The Agency's participation includes attendance and participation in the Heads of FIU forum which is held on the margin of the Plenary which is held twice a year including in May and in November. In addition, the Agency also participates in the AML/CFT Risk and Trends Working Group, Accreditation Working Group, and the International Cooperation Review Working Group (ICRG) which also meets bi-annually.

Domestic Cooperation

The Agency is a member of the Joint Anti-Money Laundering and Terrorist Financing Advisory Committee, and the Inter-Governmental Committee (IGC) on AML/CFT matters. Both bodies were created by statute. The JALTFAC advises the Financial Services Commission (FSC) on AML/CFT matters. The IGC acts as a conduit for information exchange among the relevant government agencies on a national level.

The Agency also cooperates with other domestic competent authorities and law enforcement agencies such as the Financial Services Commission, Her Majesty's Customs, the Royal Virgin Islands Police Force (RVIPF), Attorney General's Chambers, and the Governor's Office. This cooperation includes information exchange and the processing of requests for mutual legal assistance on behalf of foreign authorities. Cooperation between domestic authorities takes place either through bilateral agreements such as the Memorandum of Understandings between the Agency, RVIPF, FSC, and H.M. Customs or through the multiagency MOU signed in April of 2014 by members of the Intern-Governmental Committee on Money Laundering and Terrorist Financing at the launching of the Territory's National Risk Assessment process.

National Risk Assessment

As previously mentioned, the BVI is scheduled to undergo its Fourth Round Mutual Evaluation by the Caribbean Financial Action Task Force in 2017. As part of the revised standards, each jurisdiction is now required to identify, assess, and understand the money laundering and terrorist financing risks for the country; to take action, including designating an authority or mechanism to coordinate actions to assess risks and apply resources aimed at ensuring the risks are mitigated effectively. In order to achieve this, the Territory developed a structured which included the following:

The National Risk Assessment Council

The National Risk Assessment Council was established as the policy making body responsible for, among other things, providing guidance on policy issues, ensuring that any significant policy issues put forward during the NRA process are implemented, and, above all, ensuring that there is a high degree of political commitment.

The National Risk Assessment Steering Group

The National Risk Assessment Steering Group was established as the coordinating body with full responsibility for the preparation, conduct and review of the National Risk Assessment. This includes preparation of the NRA framework; sensitisation of the Joint Anti-Money Laundering and Terrorist Financing Coordinating Committee and the Inter-Governmental Committee on Money Laundering and Terrorist Financing matters; training and guidance to those who were chosen as assessors; and the analysis and finalisation of the report including taking forward and executing recommendations coming out of the NRA process.

The Joint Anti-Money Laundering and Terrorist Financing Advisory Committee and the Inter-Governmental Committee on AML/CFT matters

The roles of these two bodies are pivotal in the Territory's AML/CFT framework, so they have an important role to play in the NRA process. Their roles during the NRA process will include reviewing the NRA framework and identifying one or more of their members to be trained and serve as assessors for the NRA process.

Assessors

Assessors will be responsible for the actual conduct of the NRA process which include the collection and analysis of data, drafting the sectoral reports and aggregate report, as well as carrying out threat assessments on external factors that impact the Territory. They will also be responsible for making recommendations that would lead to revisions of the Territory's AML/CFT policies for consideration by the NRASG and NRAC. In addition to the assessors which were chosen from the JALTFAC and IGC, two (2) external assessors were chosen to assist in the NRA process. Their role is to review and provide feedback on the conduct of the NRA process,

participate in key assessment areas identified by the NRASG, provide guidance on the writing of the report, review the draft report, and make whatever recommendations they feel are necessary regarding the NRA process prior to the finalisation of the report. The NRASG scheduled the NRA to last for a period of six months. However, the process is likely to go on for a bit longer given the size of the Territory's financial services sector. The Agency played an important role in this process given its role as a Competent Authority.

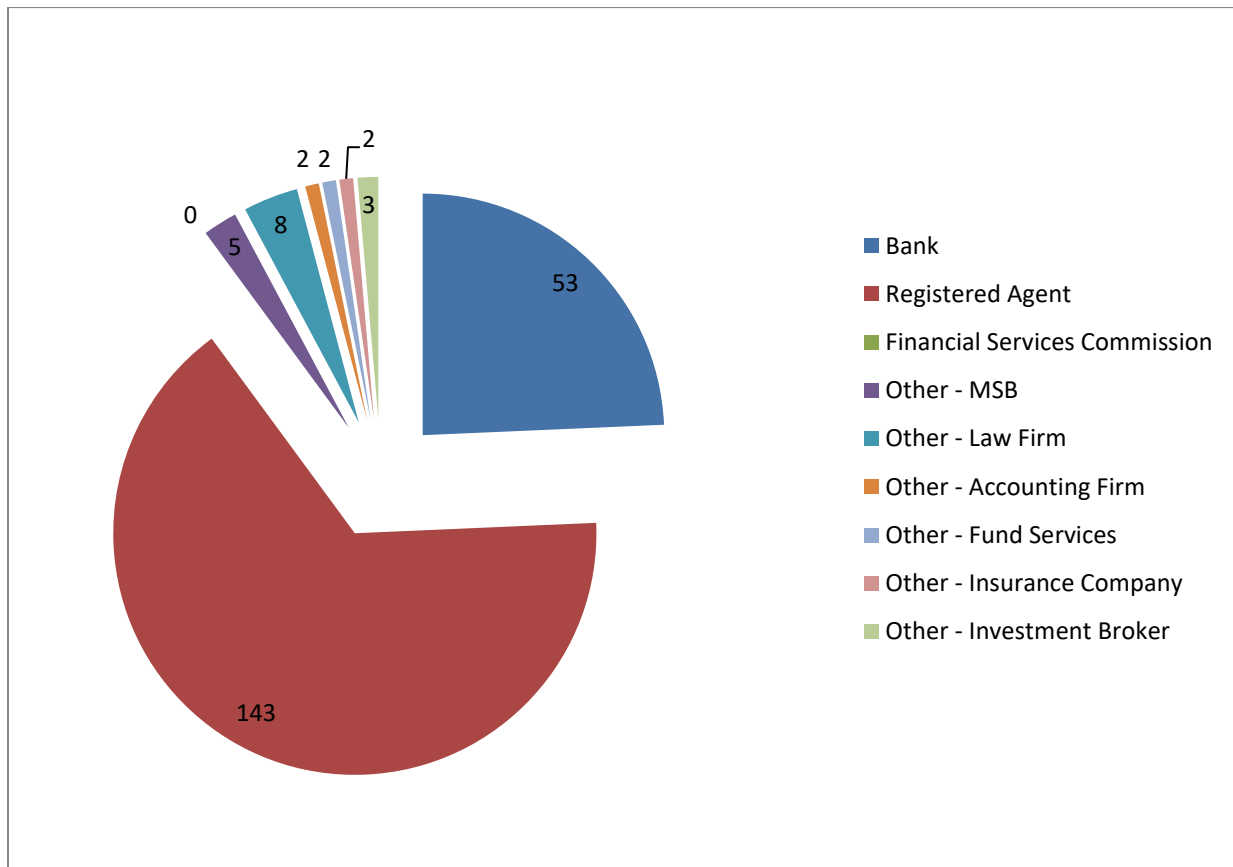
Suspicious Activity Reports

During the reporting year, the Agency received two hundred eighteen (218) SARS which represents a 7.2 % decrease when compared to the previous year. The following table shows a comparative breakdown of SARS received between the years 2011-2014.

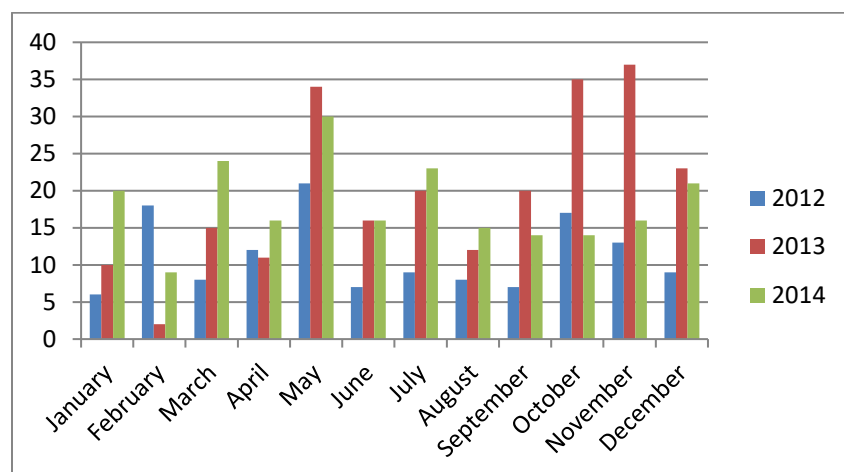
Year	2011	2012	2013	2014
Number of SARs	153	135	235	218

The following pie chart shows a breakdown of the number of SARs submitted to the Agency by the type of entities. During the year, one hundred forty-three (143) SARs were filed by Trust and Company Service Providers (Registered Agents), fifty-three (53) were filed by local Banks, five (5) from the Money Service Businesses, eight (8) from Law Firms, two (2) from Insurance Companies, two (2) from Accounting Firms, two (2) from Fund Services, and three (3) from an Investment Broker.

Suspicious Activity Reports 2014, by Sector



The following bar graph shows the number of SARs broken down by month for the reporting year. It also compares the current reporting year with the two previous reporting years.



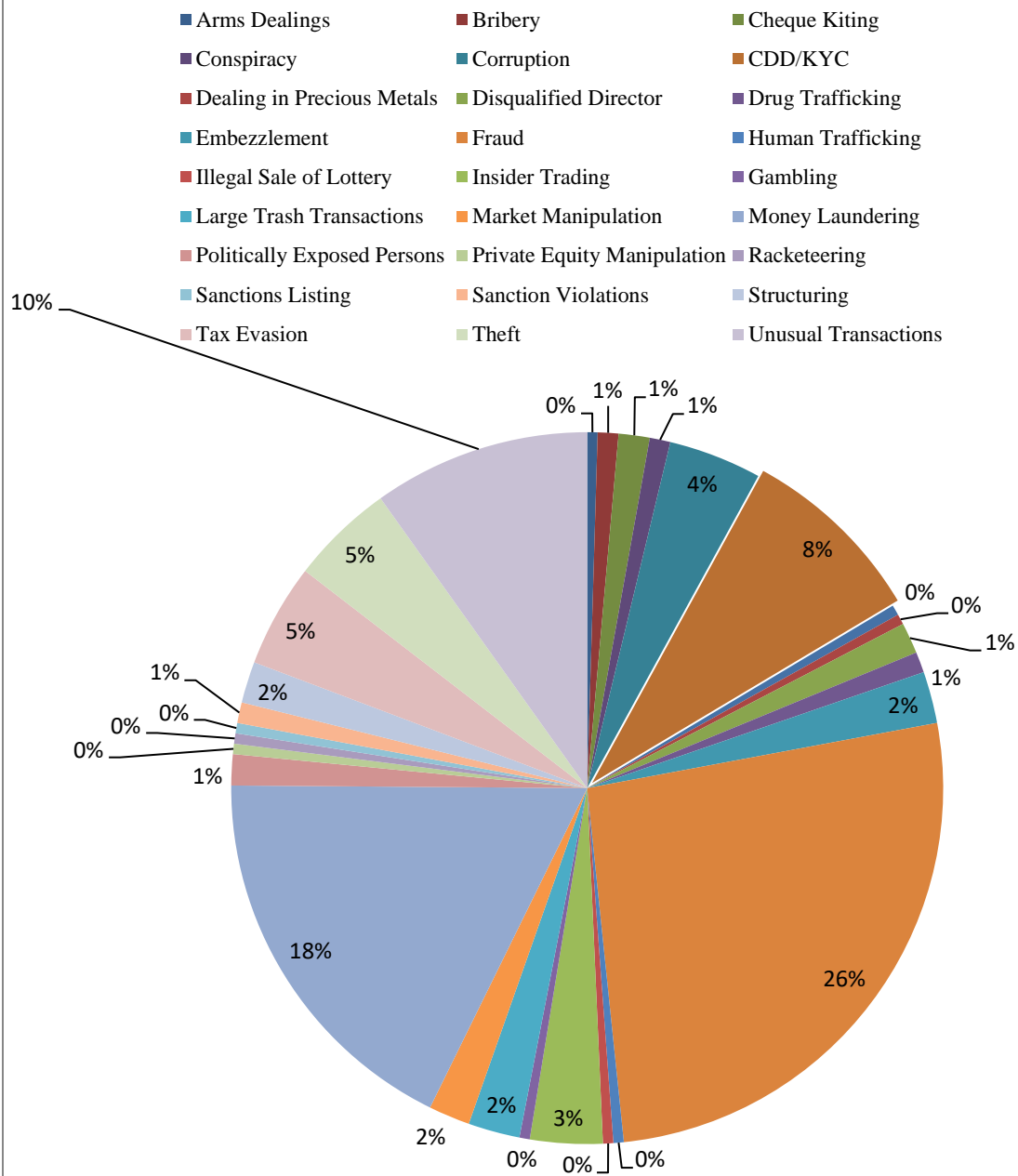
Of the number of SARs reported during the reporting year 2014, seven (7) were coded as reactive. Reactive reports are usually filed following one or more of the following reasons:

- i) a query to the reporting entity by the Agency
- ii) a query made by the Agency on behalf of a foreign law enforcement agency
- iii) the subject of the SAR is mentioned in a media report

The SARs submitted during the years covered a broad category of offences. These offences ranged from fraud to gambling. The offence of fraud accounts for the highest range of suspicious activity reported which is a continuing trend. The following table shows the types of the offences in alphabetical order.

Arms Dealings	1	Insider Trading	7
Bribery	2	Gambling	1
Cheque Kiting	3	Large Cash Transactions	5
Conspiracy	2	Market Manipulation	4
Corruption	9	Money Laundering	38
CDD/KYC	18	Politically Exposed Persons	3
Cyber Piracy	1	Private Equity Manipulation	1
Dealing in Precious Metals	1	Racketeering	1
Disqualified Director	3	Sanctions Listing	1
Drug Trafficking	2	Sanction Violations	2
Embezzlement	5	Structuring of cash deposits	4
Fraud	56	Tax Evasion	10
Human Trafficking	1	Theft	10
Illegal Sale of Lottery Tickets	1	Unusual Transactions	21

SARS by Offences



Information Exchange

As previously mentioned, the Agency's core function also includes exchanging information with a number of domestic and international law enforcement agencies including Egmont Group FIUs. This type of information sharing is for intelligence purposes only. The Agency is authorised to share information with law enforcement agencies for the purpose of preventing ML, TF, and other offences including Breaches of International Sanctions and Proliferating Financing.

Requests for Information

During the reporting year, the Agency received five hundred and seventy-five (575) requests for information. This represents a 17% increase when compared to four hundred and ninety (490) requests received the previous year 2013. These requests originated from foreign and domestic counterparts including Interpol and some UK law enforcement agencies which are channeled through the RVIPF, the Egmont Group, the BVI FSC, Royal Virgin Islands Police Force, HM Customs, Virgin Islands Shipping Registry, and the Attorney General's Chambers. The following table represents the number of requests received from foreign jurisdictions during the reporting year.

Anguilla	3	Indonesia	1	Philippines	1
Argentina	2	Isle of Man	1	Poland	3
Armenia	5	Israel	2	Romania	5
Australia	3	Italy	1	Russian Federation	28
Austria	13	Jamaica	2	Serbia	5
Bahrain	1	Japan	5	Sint Maarten	1
Belarus	2	Jersey	1	Seychelles	2
Belgium	25	Kazakhstan	1	Slovenia	1
Brazil	3	Korea, Republic of	3	South Africa	2
Bulgaria	2	Kyrgyz Republic	2	Spain	5
Colombia	1	Latvia	1	Sri Lanka	1
Croatia	5	Lebanon	1	St. Kitts & Nevis	1
Cyprus	14	Liechtenstein	3	Switzerland	11
Czech Republic	4	Lithuania	3	Taiwan	1
Egypt	2	Luxembourg	1	Tajikistan	1
Fiji	2	Malta	1	Thailand	1
Finland	2	Malaysia	1	The Netherlands	3
France	19	Mauritius	4	Turkey	12
Georgia	1	Montenegro	5	Turkmenistan	2
Germany	4	New Zealand	1	Ukraine	23
Hong Kong	8	Nigeria	2	United Kingdom	16
Hungary	1	Palestine	2	United States of America	30
India	3	Peru	2	Uzbekistan	1

In addition to requests received from foreign jurisdictions listed in the above table, the Agency also received and processed a number of requests from domestic authorities. The various agencies and the numbers of requests received from each agency are listed in the table below. As is customary, the majority of the requests originating from the RVIPF are submitted on behalf of members of Interpol.

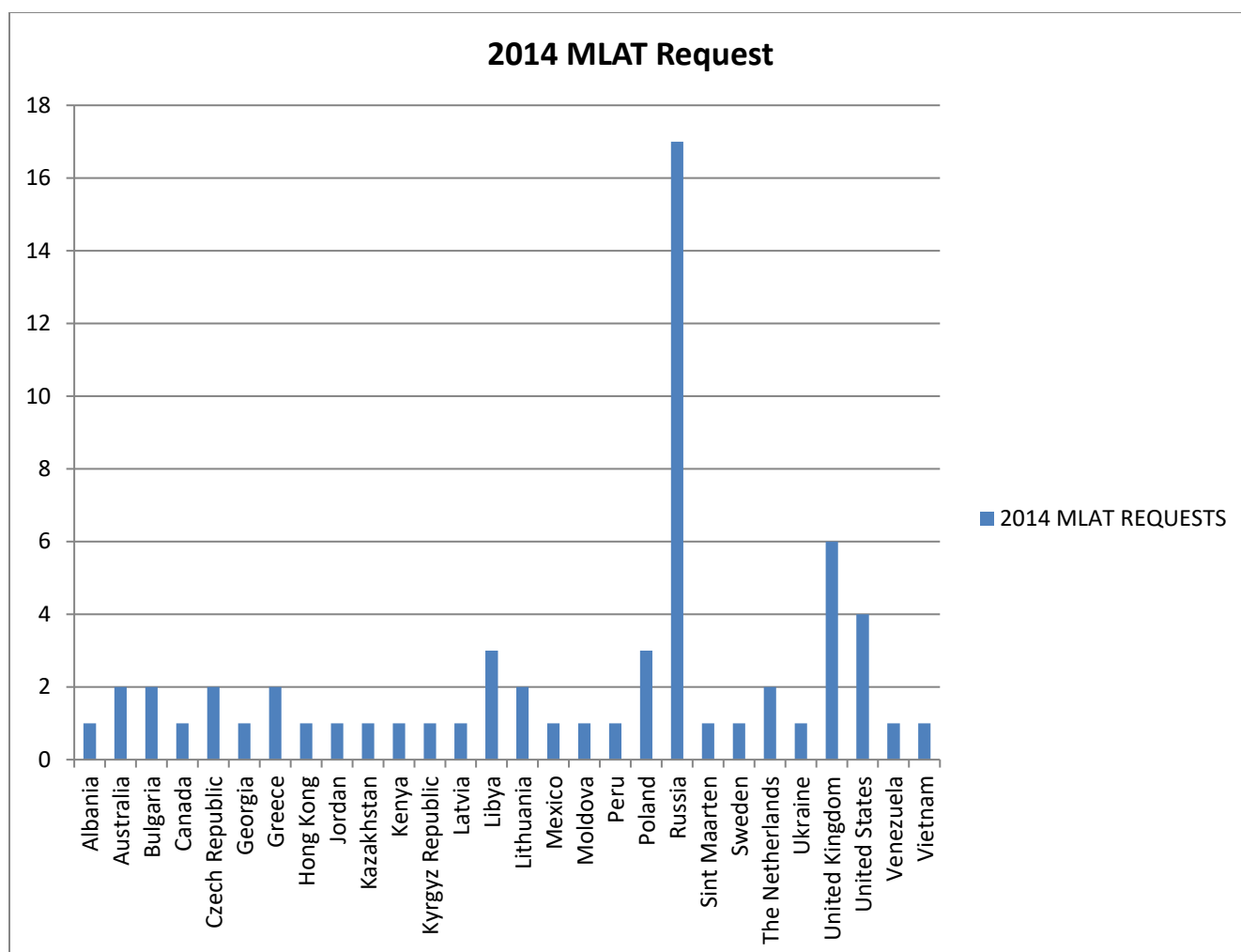
Financial Services Commission	33
HM Customs	6
Royal Virgin Islands Police Force	195
Attorney General's Chambers	7
Virgin Islands Shipping Registry	1

Mutual Legal Assistance Requests

During the year, the Agency also processed a number of Mutual Legal Assistance Requests forwarded by the Attorney General's Chambers. These requests are processed in accordance with the provisions of the Criminal Justice (International Cooperation) Act, 1993 (as amended) and the Mutual Legal Assistance (United States of America) Act, 1990.

The Agency recorded and processed sixty three (63) MLAT requests originating from various jurisdictions. The following table and bar graph shows a country-by-country breakdown of the requests processed during the year. Most of the requests originated from the Russian Federation.

Albania	1	Jordan	1	Russia	17
Australia	2	Kazakhstan	1	Sint Maarten	1
Bulgaria	2	Kenya	1	Sweden	1
Canada	1	Kyrgyz Republic	1	The Netherlands	2
Czech Republic	2	Latvia	1	Ukraine	1
Georgia	1	Libya	3	United Kingdom	6
Greece	2	Lithuania	2	United States	4
Hong Kong	1	Mexico	1	Venezuela	1
Ireland	1	Moldova	1	Vietnam	1
Italy	1	Peru	1		
Jersey	1	Poland	3		



AML/CFT Compliance Supervision and Monitoring

The Agency has a Compliance Enforcement Unit (CEU) which is responsible for enforcing compliance by taking corrective action in cases of non-compliance. It is absolutely necessary for NPOs and DNFBPs to understand the requirements of the relevant pieces of legislation under which they are supervised. In order to fulfill its mandate to supervise and monitor these entities, the Agency engaged in an ongoing process to meet face-to-face with them during what are referred to as pre-examination meetings. During these meetings, information is elicited from officers of the executive body of the NPOs and authorised personnel from DNFBPs. This is done to enable examiners to get a thorough understanding of the entities' operations. Examiners also use the opportunity to outline the entities' obligations as stipulated by the relevant legislation. They also outline the Agency's role and functions in the supervisory processes.

The entities are supervised and monitored to ensure that they abide with the statutory requirements which are summarised below:

- Develop and submit their compliance procedures manuals for review and approval by the Agency
- Implementation of a compliance regime as outlined in their compliance procedures manuals
- Conduct Customer Due Diligence and Know Your Clients procedures when accepting clients and engaging in certain types of transactions
- Appointment of a Money Laundering Reporting Officer (MLRO)
- Maintenance and retention of proper records
- Ensuring staff members are properly trained in AML/CFT related matters

Supervision also includes conducting both desk-based and on-site examination of the supervised entities to determine the effectiveness of their AML/CFT programmes. Action, including criminal proceedings, could be taken against entities which are in breach of AML/CFT requirements. However, the Agency is committed to working closely with supervised entities to ensure they fully understand and implement the required standard.

Effectiveness of AML/CFT Programmes

All DNFBP's and NPO's are required to submit their written Compliance Programme to the Agency for review and approval. Manuals are reviewed to ensure that they include policies, procedures, and controls to counter money laundering and terrorist financing. The following table shows the number of compliance manuals submitted to and reviewed by the Compliance Enforcement Unit during the year:

Type of Manual	Submitted	Reviewed	Approved
NPO	106	106	24
DNFBP	44	44	35

AML/CFT Compliance Examinations

Compliance examinations are an effective tool that ensures compliance by the supervised entities. A critical component of these examinations is verifying whether or not the entities implement the processes set out in their compliance procedures manuals. During the reporting year, the CEU was challenged to conduct at least one (1) full examination exercise. This was done with a randomly chosen NPO. During the examination process, it became clear that the particular NPO had encountered a number of challenges implementing its AML/CFT processes and procedures.

As the Agency moves forward into the coming year, it will continue to collaborate with the NPO and DNFBP sectors to monitor the progress of their overall compliance with the statutory requirements. An important part of our supervisory and monitoring process will be the continuation of pre-examination meetings which commenced during the previous reporting year, 2013. During the reporting year, the CEU conducted sixty-seven (68) pre-examinations meetings

with individual NPOs. An additional forty-nine (49) were conducted with individual businesses within the DNFBP sector. The types and the number of entities which were subject to the pre-examination meeting are documented in the following tables.

Type of NPO	Number of Pre-Examinations Conducted
Community Organisers	10
Foundations	2
National Country Association	3
Other	2
Performance Arts Entities	3
Religious Organisations	24
Service Organisations/Clubs	8
Sporting Associations	12
Youth Organisations	4
Total	68

Type of DNFBP	Number of Pre-Examinations Conducted
Car Dealers	15
Jewelers	5
Real Estate	19
Yacht Brokers	10
Total	49

Challenges

The Agency faced a number of challenges during the year, many of which were ongoing from the previous year. Among these was the failure of a very small number of Trust and Company Services Providers to provide the Agency with requested information in a timely manner. This is an obvious risk to the Territory's reputation from an international cooperation perspective. A possible solution would be to mandate that information, including Beneficial Ownership information, be obtained and held by the service providers within the Territory. This would make such information more accessible to law enforcement and regulatory authorities in a much shorter period of time when the need arises.

Another challenge encountered during the reporting year was linked to our compliance enforcement processes. During the year, the full implementation of our processes, including our desk-based reviews and onsite inspections, had to be postponed due to the challenges encountered by a large number of NPOs and DNFBPs in implementing their internal controls. As previously indicated, the Agency will continue to work closely with these entities as well as other key stakeholders to assist them with the implementation of their AML/CFT controls.

Another Challenge encountered during the year was with our data management and storage systems. To address these challenges, the Agency has already identified an alternative data management system. We will work diligently to install and implement the new system together with the Customer Relations Management System for our Compliance Enforcement Unit early in the coming year 2015. The new systems will allow the Agency to increase and maintain the type of data necessary to enable it to provide our domestic and international partners with high quality intelligence on a timely basis. It will also allow the CEU to maintain and keep proper records of the entities it supervises.

Conclusion

Financial Intelligence Units plays an important role in helping to safeguard a country's economy from the risks posed by money laundering, terrorist financing, and other financial crimes. However, the challenges they face will no doubt continue. Especially as the techniques used to launder the proceeds of criminal conduct become more and more sophisticated. To overcome these challenges, FIUs and other key stakeholders must continue to work in close collaboration to identify, disrupt, and deprive criminal elements of their proceeds of crime. The FIA will continue to do its part in ensuring that the Territory is safeguarded against these threats.

Addendum

Case Studies on Typologies

Case 1 (Abuse of Power by PEP to commit fraud and money laundering)

Mr. Z is a PEP who was a former head of a state-owned enterprise in Country X. He, along with several of his colleagues who also held senior positions in said state, owned an enterprise which was accused of misappropriating USD\$55,000,000.00 in the enterprise's assets. The misappropriation and laundering of the assets took place with the help of a number of foreign-registered corporate structures which were established in two (2) financial services jurisdictions including Guernsey in the Channel Islands and the BVI. The man, accused together with his colleagues, created a number of false contracts between the corporate structures and the state-owned enterprise where the structures allegedly carried out work on behalf of the state-owned enterprise. False invoices were submitted for those works. He listed several of his close relatives, along with the relatives of his colleagues who hold senior positions in the state-owned entities, as directors and beneficial owners of the business structures. The man accused then used his position of seniority to authorise payments of the fraudulent invoices. The payments were paid directly into several bank accounts in his home country which were in the names of the foreign corporate structures via direct deposits. The funds were then used to support the lifestyles of the man accused, his family, as well as the lifestyles of his colleagues and their families.

Case 2 (Use of investment vehicles to commit fraud and launder the proceeds)

Mr. C and Mr. D own 50% of a property development (Condominiums) in Country A. The property was purchased with a bank loan and funds raised from private investors through the sale of securities. The monies were to be used to refurbish the aging property which was in disrepair. The securities were sold as part of an offering through a number of business structures including three (3) investment funds registered in the BVI. Mr. C and Mr. D soon determined that their investment was less than profitable and soon started using the monies raised from the private investors for personal living expenses rather than paying back the bank loan. At the same time, the men falsified accounting records which they provided to their Auditors showing an inflated value of the assets including investments of private investors as well as the true value of the development property. In addition, they also provided investors false accounts statements which did not reflect the true value of their individual investments. A criminal investigation was later initiated, following the filing of a suspicious activity report by the auditors, and both Mr. C and Mr. M were subsequently arrested and charged for several offences relating to fraud and money laundering.

Case 3 (Use of Legal Practitioners to assist money laundering operations)

Mr. A and Mr. B worked for the bosses of a sophisticated crime group operating in Country C. The crime group was involved in money laundering, and Mr. A and Mr. B were arrested following extensive surveillance which began after several banks in said jurisdictions filed a number of

suspicious transaction reports. Following the arrests, police unearthed vital intelligence and information which gave an insight into the money laundering activities of the group which involved the maintenance of several accounts which were subject of the previously mentioned suspicious transaction reports. It also revealed the ties between members of the crime group and various businesses in Country C. Over a period of several years, the crime group, with the aid of Mr. A and B, had not only deposited large sums of money in the related bank accounts but also used the money in the accounts to purchase a number of properties in said Country C, all of which were purchased with the assistance of legal practitioners.

Case 4 (Corruption and the use of corporate structure to launder criminal proceeds)

Ms. A was a director of a banking institution in Country S. The bank's role was to provide funding for reconstruction and development projects in Central European and Central Asian countries. In general terms, a prospective client (country) would approach the bank seeking funding for a project. The project was then allocated to a banker to work with the client. Approval for the funding of the project was required within the bank at various stages with ultimate approval coming from the bank's board. Each region appointed its own director to the bank who sat on the bank's board. Ms. K, who was from a Central European country, represented her home country along with two other Central European countries. It is alleged that during Ms. K's time as director, she used her position to solicit corrupt payments from the bank's clients in return for looking favourably on their projects by using her influence to support the applications for funding for their reconstruction and development projects. Ms. K was the sole director and shareholder of an entity registered in the BVI which held two (2) Swiss bank accounts into which substantial payments were received and dispersed. These payments and disbursements were subsequently linked to the corrupt payments referred to earlier.

Snapshot of the FIA'S Budget (2011-2014)

	2011	2012	2013	2014
Salaries and Wages	496,193	592,853	752,534	846,690
Employee Benefits	61,477	76,637	245,513	299,972
Operations and Maintenance	843,686	712,122	706,035	759,516
Grants and Contributions	1,500,000	2,000,000	2,250,000	2,162,500
Total Approved Expenditure Budget	1,477,081	2,002,251	2,002,251	2,094,556
Total Actual Expenditure	1,340,061	1,304,975	1,704,082	1,927,510