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## Director's Message

The Financial Investigation Agency (FIA) plays a critical role in helping to safeguard the financial services sector of the Virgin Islands. The Agency supports the work of domestic and international law enforcement agencies, through the exchange of financial intelligence.

During the year 2016 the Agency received a total of five hundred and thirty (530) Suspicious Activity Reports (SARs), which represents a seventy seven percent (77%) increase in the number of SARs filed in 2015. The increase in SAR filings posed a significant resource challenge to the Agency. This increase happened at a time when the Agency had lost its Senior Analyst and had a new Analyst appointed. Despite this challenge, the Agency was still able to provide many spontaneous financial intelligence disclosures to our domestic and international partners.

Significant resource challenges were not only limited to the Analysis Unit. It transcended the entire Agency as the Compliance and Enforcement Unit and the Legal Unit experienced losses of pertinent staff. The Agency had expounded a great deal of resources in these individuals just over a few months prior. Nevertheless, we were able to conduct some twelve (12) onsite inspections of the DNFBPs and NPOs.

The Agency has also processed six hundred and seventy (670) requests for information from local and foreign law enforcement agencies and financial intelligence units (FIUs), inclusive of Egmont and MLA Requests, through the AG Chambers. It also received twenty-five (25) spontaneous disclosures whilst it has disseminated seventeen (17) such disclosures to various FIUs worldwide.

The Agency has continued its participation in international fora, with the attendance and active participation within the CFATF's Head of FIU Forum. It is also a member of the Risks, Methods, and Trends Working Group, Accreditation Working Group and the International Cooperation Review Group (ICRG). Unfortunately, due to certain circumstances beyond our control, the Agency did not participate in the Egmont Group activities in 2016.

Furthermore, the Agency was finally able to move to a much larger space in late 2016. We hope that this space will allow for us to add more resources as necessary to carry out the mandates bestowed on us.

Looking ahead, the year 2017 promises to be an exciting one for the Agency as we are now in new spaces and the ability to add more resources may become a reality.

As always, the support of the board and the hard-working staff is duly appreciated and revered. For this I wish to commend all concerned and we look forward to fruitful 2017.

Errol George

Director



## List of Abbreviations

<b>AGC</b>	Attorney General Chambers
<b>AML</b>	Anti-Money Laundering
<b>BVIBC</b>	British Virgin Islands Business Company
<b>CFT</b>	Countering the 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>FCU</b>	Financial Crime Unit
<b>FIU</b>	Financial Intelligence Unit
<b>FSC</b>	Financial Services Commission
<b>ICRG</b>	International Cooperation Review Group
<b>IGC</b>	Intergovernmental Committee on AML/CFT Matters
<b>INTERPOL</b>	International Criminal Police Organisation
<b>LEA</b>	Law Enforcement Authority
<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>RFI</b>	Request for Information
<b>RVIPF</b>	Royal Virgin Islands Police Force
<b>SAR</b>	Suspicious Activity Report
<b>STR</b>	Suspicious Transaction Report
<b>VISR</b>	Virgin Islands Shipping Registry

## 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.

## 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 endeavor 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 continue to provide the necessary support to domestic financial Institutions 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 substantial portion of the Agency's financial resources is allocated 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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## 2016 at a glance

### **Information received**

- 530 Suspicious Activity Reports

### **Information analysed and disseminated**

- 30 SARs/STRs disseminated
- 11 Referrals to the RVIPF
- 2 Referrals to FSC
- 17 Referrals to foreign FIUs

### **Cooperation with domestic agencies**

- 5 Company Check Enquiries received from the AGC
- 88 Regulatory requests received from the FSC
- 2 Requests received from Her Majesty's Customs
- 4 Requests received from the Governor's Office
- 1 Request received from the International Tax Authority
- 173 RVIPF on behalf of Interpol members worldwide
- 2 Requests received from the VISR

### **International Cooperation exchange of information**

- 295 Requests received from foreign FIUs and LEAs
- 50 MLA Requests received
- 33 Requests for information sent to foreign FIUs

### **Number of compliance inspections**

- 12 Onsite inspections

## **The Financial Investigation Agency- British 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 Activity Reports/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 British Virgin Islands.

### **Governance**

The Agency is a Government Statutory Body governed by a Board which is responsible for creating the policies which guides the Agency in the performance of its functions. The Board is comprised of 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 as 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, 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 is made up of the Attorney General as Chairman, the 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 SAR/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”.



## **Functions of the Agency**

### **Legal framework**

The Agency's functions are carried out 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
7. Non-Profit Organisations Act, 2012

The Proceeds of Criminal Conduct Act, 1997 (as amended) prescribed for the reporting or disclosure of any suspicion or belief that any funds or investments are derived from or used relating to criminal conduct. Reports are forwarded to the FIA as the Reporting Authority.

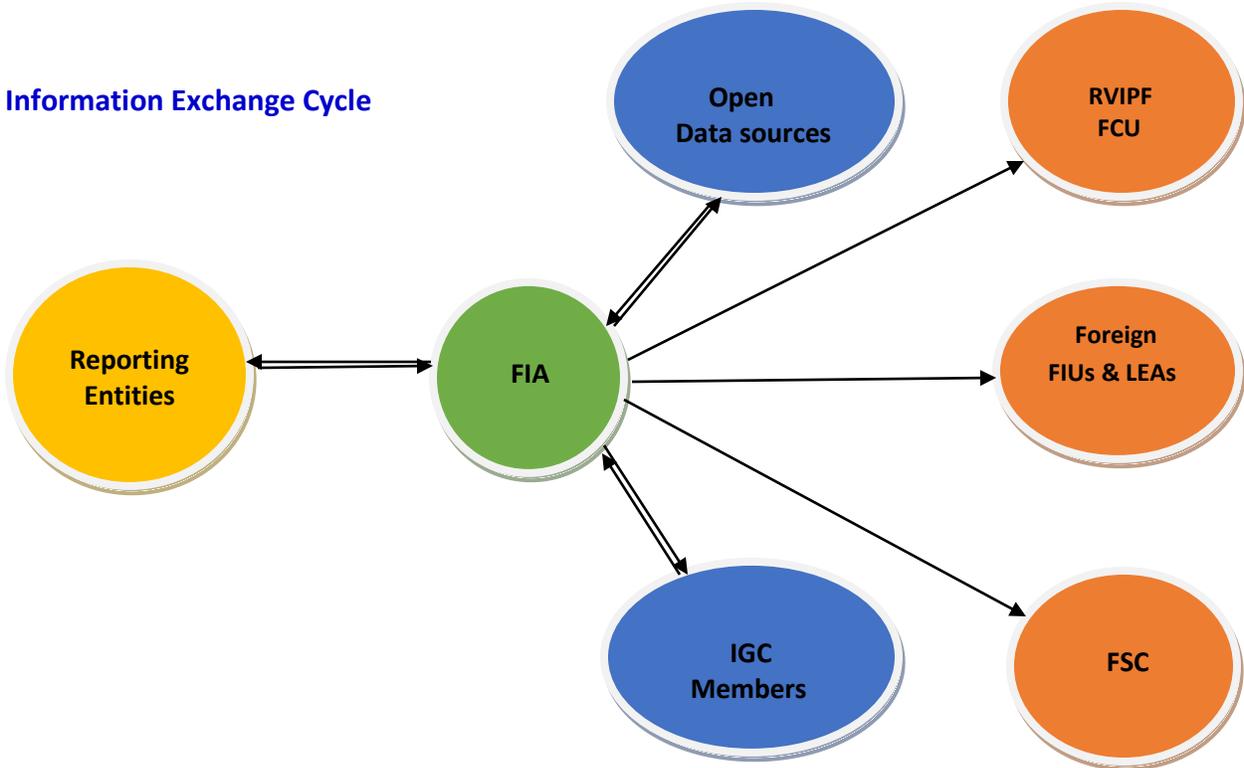
### **Analysis**

The Agency's functions as it relates to the receipt, analysis and dissemination of SARs/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 analysis unit had three (3) Analysts who analyse SARs/STRs.

### **Information Processing SARs/STRs**

Information coming into the Agency by way of SARs/STRs is received both electronically and in hard copy format. 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 after requesting additional information from reporting entities as well as from open and closed sources. Following analysis, analysts can make recommendations to the director regarding their results. The decision to disseminate or not to disseminate is based on many determining factors.

## Information Exchange Cycle



## Investigations

The investigating functions of the Agency are defined under the Proceeds of Criminal Conduct Act, 1997 (as amended), Financial Investigation Agency Act 2003 (as amended), 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 2012.

Investigations conducted by the Agency in relation to SARs/STRs is in aid of its analysis functions. Investigations are conducted prior to the dissemination of information and intelligence to domestic and foreign law enforcement agencies and Financial Intelligence Units (FIUs).

Section 4 of the FIA Act also empowers the Agency to process requests for information, including conducting investigations into Mutual Legal Assistance Requests (MLARs). MLARs are sent by the requesting states to the Attorney General Chambers, which is the Central Authority for such matters. The requests are reviewed within the Chambers and are subsequently forwarded to the FIA for processing once they are found to be in order.

Additionally, the Agency is authorised to process requests for information and disclosures from foreign law enforcement agencies and financial intelligence units. Request for Information are usually sent to the Agency by secure means including the Egmont Secure Web (ESW). There are strict rules governing the way any information exchanged between financial intelligence units

and law enforcement agencies is to be used. Such information is to be used for intelligence purposes only.

## **Supervisory functions**

Section 9 (2) of the Virgin Islands Anti- Money Laundering and Terrorist Financing Code of Practice, 2008 (the Code of Practice) and section 18 of the NPO Act, 2012 places a statutory obligation on the Financial Investigation 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 such as DNFBPs and NPOs. This essentially involves a review of individual entity's risk assessment on money laundering and terrorist financing through its policies, processes, procedures and internal control systems. The information gathered from these reviews is then used by the Agency to make an informed and objective assessment of their risk profile, the adequacy or otherwise of its mitigation measures and its compliance with the legislative requirements.

Businesses and Professionals currently subject to the Agency's AML/CFT supervision include Automobile Dealers, and dealers in other high valued goods, Yacht Brokers, Real Estate Agents who engage in the buying and selling of properties, Jewelers, Lawyers, Notaries and Accountants who engage in certain types of business transactions as outlined in FATF Recommendation 22.

## **SARs/STRs Reporting**

As previously mentioned, one of the Agency's main function is to process SARs/STRs. During the Year under review the Agency received a total of five hundred and thirty (530) SARs/STRs when compared to three hundred and eight (308) received in 2015. This represents a 77% increase in the number of reports submitted by reporting entities.

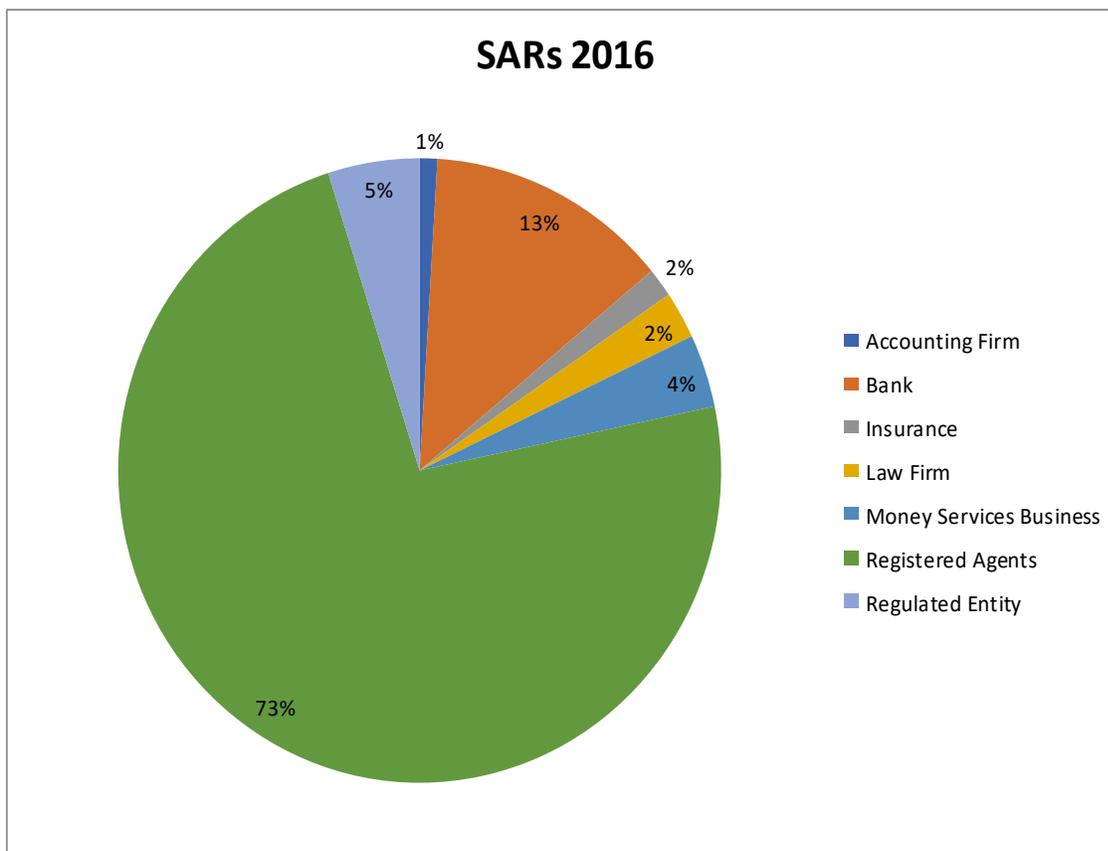
Money laundering is a crime which helps to buttress criminal activities. It provides a means by which criminals could use and enjoy their ill-gotten gains. It affects society in many ways, from an individual level, where other criminal activities such as murders and kidnapping are often associated, as 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 and terrorist financing activity(ies). Information contained in SARs/STRs helps the Agency 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 general public.

The following table represents a numerical breakdown of SARs/STRs received in 2015

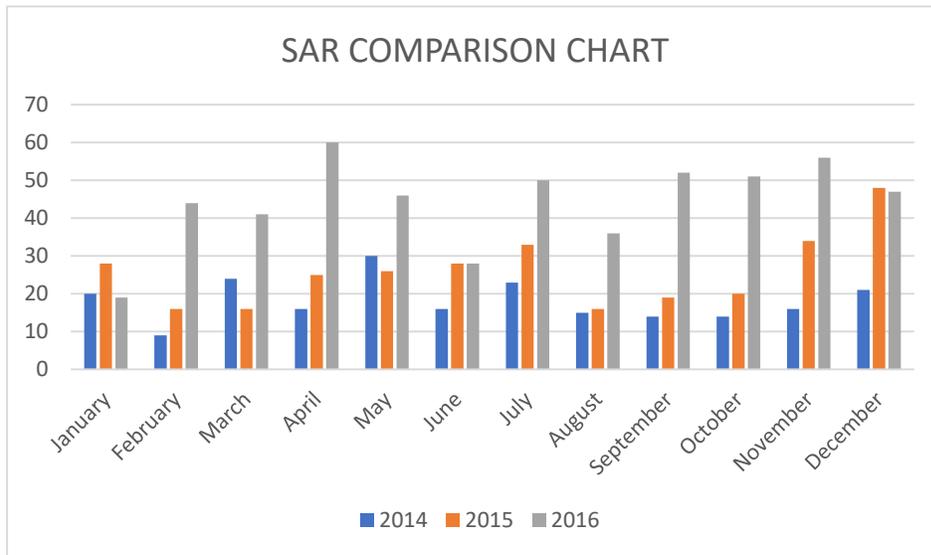
Entity Type	Number of reports
Trust and Corporate Services Providers (Registered Agents)	389
Banks	69
Money Service Businesses	20
Lawyers	13
Accountants	5
Insurance Companies	8
Others	26
<b>Total</b>	<b>530</b>

The following diagram indicates that Registered Agents account for seventy three percent (73%) of all SARS followed by local banks which account for thirteen percent (13%) of the total.



Filings by Trusts and Corporate Services Providers accounted for the majority of reports, which is due to the fact that they make up the largest part of the regulated sector and generally poses a higher risk than other entities within both the traditionally regulated, as well as non-regulated sectors, including Designated Non-Financial Businesses and Professionals and Non-Profit Organisations.

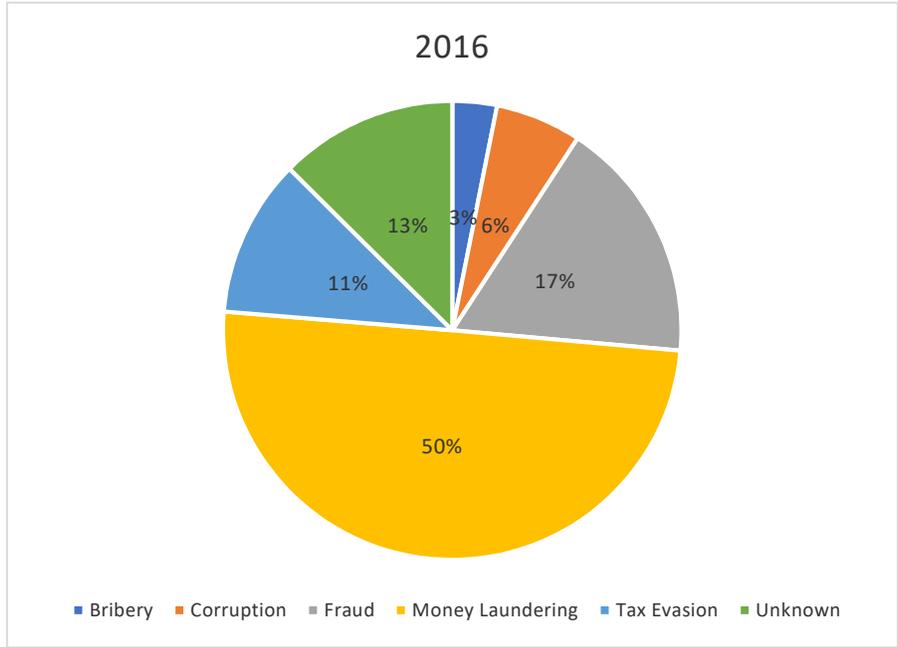
The following graph shows a monthly breakdown of SARs/STRs submitted by reporting entities for the years 2014, 2015 and 2016.



The SARs/STRs reported during the current reporting year were linked to a variety of offences. However, the majority of the reports were linked to alleged money laundering activities. This suggests that money laundering is the main criminal activity allegedly perpetrated by criminals associated with BVI Business companies.

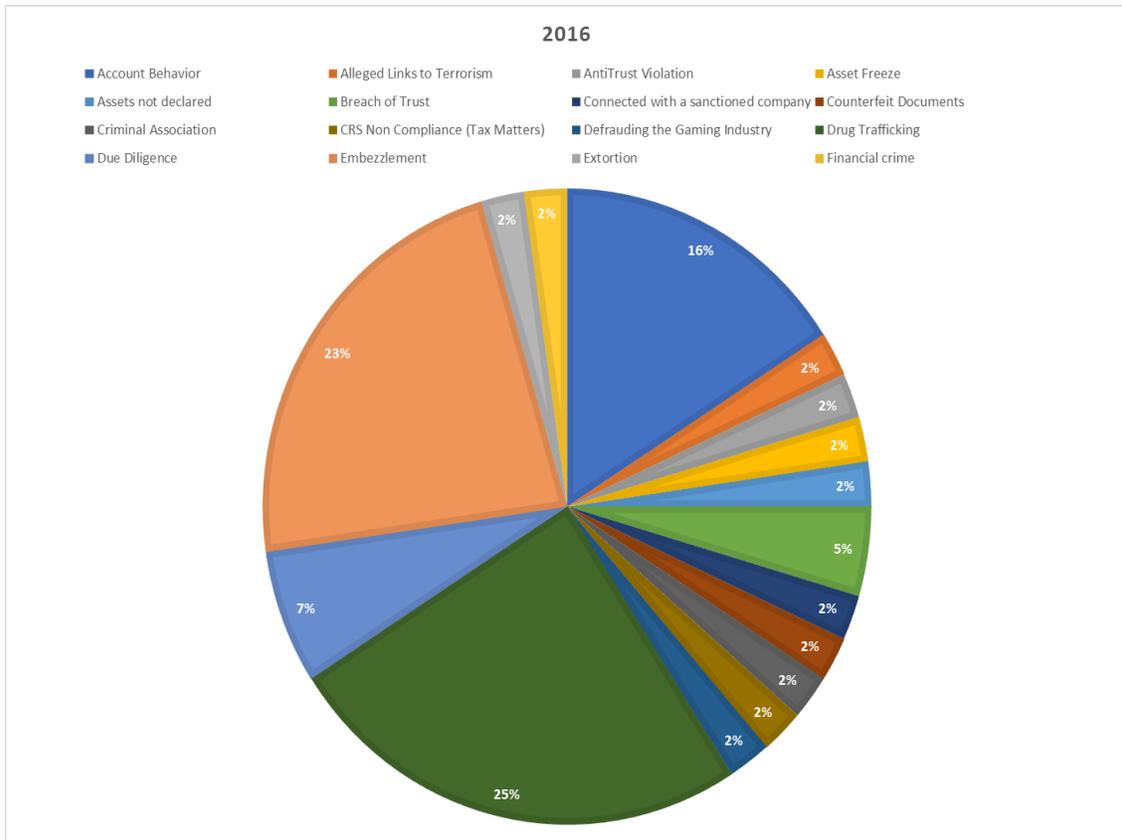
The following diagram shows a breakdown of the most prevalent types of offences reported in SARs/STRs in alphabetical order:

Bribery	15	Money Laundering	238
Corruption	29	Tax Evasion	53
Fraud	82	Unknown	60



**The following diagram shows a breakdown of the second most prevalent types of offences reported in SARs/STRs in alphabetical order:**

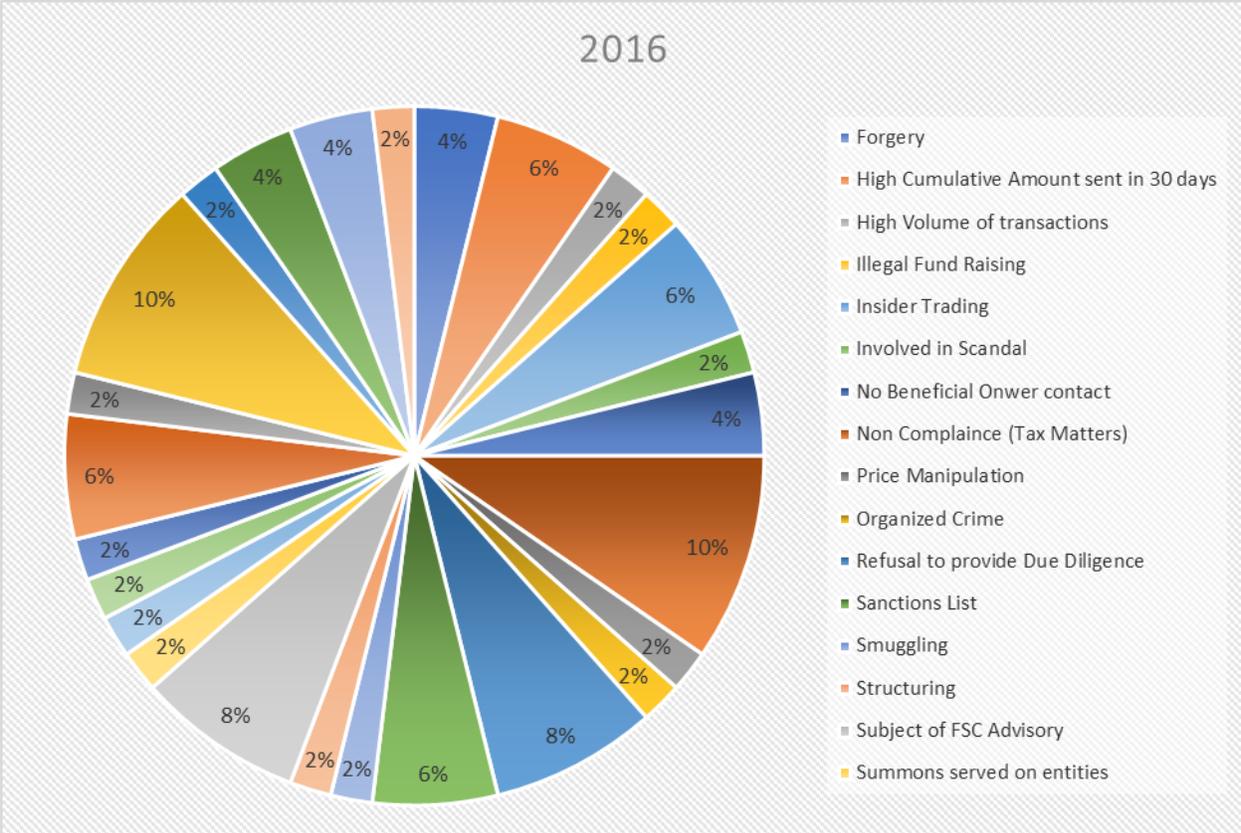
Account Behaviour	7	Criminal Association	1
Alleged Links to Terrorism	1	CRS Non-Compliance (Tax Matters)	1
Antitrust Violation	1	Defrauding the Gaming Industry	1
Asset Freeze	1	Drug Trafficking	11
Assets not Declared	1	Due Diligence	3
Breach of Trust	2	Embezzlement	10
Connected with a Sanctioned company	1	Extortion	1
Counterfeit Documents	1	Financial Crime	1



The following diagrams illustrate the least prevalent offences reported.

2016

Forgery	2	Structuring	1
High Cumulative Amt sent in 30 days	3	Subject of FSC Advisory	4
High Volume of Transactions	1	Summons served on Entities	1
Illegal Fund Raising	1	Suspicious Account Behaviour	1
Insider Trading	3	Suspicious Behaviour	1
Involved in Scandal	1	Suspicious Activity	1
No Beneficial Owner Contact	2	Suspicious Transactions	3
Non Compliance (Tax Matters)	5	Tax and Bankruptcy	1
Price Manipulation	1	Terrorism	5
Organised Crime	1	Unfair Administration and Conspiracy	1
Refusal to Provide Due Diligence	4	Unknown Source of Funds	2
Sanctions Listee	3	Unprofessional Conduct	2
Smuggling	1	Unusual Account Activity	1



Activity	2014	2015	2016
Number of SARs/STRs received	217	308	530
Number of SARs/STRs analysed	158	109	86
Number of SARs/STRs disseminated/referred for intelligence purposes	63	35	28
Number of SARs/STRs referred to the RVIPFFCU	3	3	11
Number of SARs/STRs referred to foreign FIUs	60	32	17

**Information Exchange**

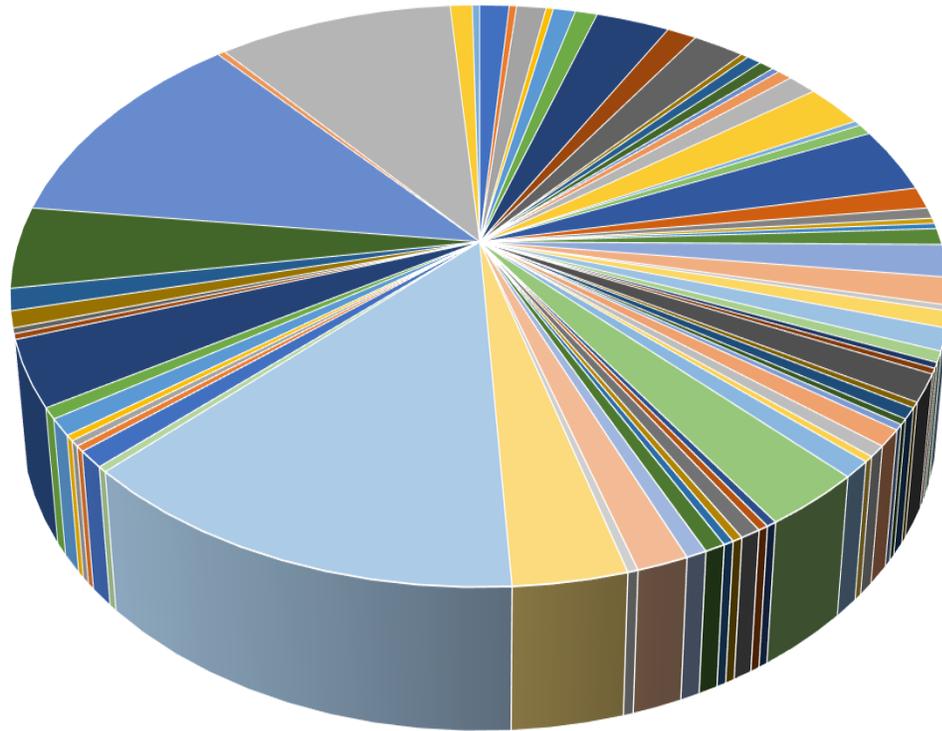
As part of its main functions, the Agency exchanges information with several domestic and foreign partners including the FSC, local and foreign law enforcement agencies and foreign FIUs. Information is shared for intelligence purposes and the exchange generally takes place based on reciprocity. Information is also shared under the cover of Memoranda of Understandings. While no new MOUs were signed by the Agency during the year under review, the Agency is a signatory of several MOUs which were signed with both domestic and international partners over the years. These MOUs facilitate the exchange of information in relation to financial offences including money laundering and the financing of terrorism.

Additionally, the Agency is a member of the Egmont Group of Financial Intelligence Units which comprises of over one hundred and fifty (150) countries. The Egmont Group promotes collaboration and exchange of information among its members. During the year under review, the Agency received a total of six hundred and seventy (670) requests for information. These requests included requests from the FSC, RVIPF, Interpol, HM Customs, the Governor's Office, the AGC, VISR, foreign FIUs and foreign LEAs.

**The following table is a breakdown of countries that submitted requests for information to the Agency in 2016**

Argentina	4	India	6	Peru	2
Australia	1	Indonesia	5	Poland	5
Austria	4	Isle of Man	1	Philippines	1
Azerbaijan	1	Israel	3	Romania	11
Bangladesh	3	Italy	4	Russian Federation	44
Belarus	3	Japan	2	Samao	1
Belgium	10	Jersey	1	Serbia	3
Brasil	4	Jordan	1	Seychelles	1
Bulgaria	7	Kazakhstan	5	Slovakia	1
Cayman Islands	1	Lithuania	1	Spain	1
Chile	2	Luxembourg	2	St. Maarten	3
Colombia	2	Macedonia	1	St. Vincent & the Grenadines	2
Costa Rica	1	Malaysia	1	Switzerland	12
Croatia	2	Malta	3	Taiwan	1
Cyprus	4	Mauritius	2	Thailand	1
Czech Republic	8	Moldova	1	Trinidad & Tobago	3
Ecuador	1	Mongolia	3	Turkmenistan	4
Egypt	2	Montenegro	10	Ukraine	15
France	12	Montserrat	1	United Kingdom	39
Germany	4	Nepal	1	Uzbekistan	1
Guatemala	2	Netherlands	2	United States	32
Gibraltar	1	New Zealand	1	US Embassy	3
Guyana	1	Nigeria	1	Venezuela	1
Hong Kong	3	Panama	2		

2016 Requests



- |                  |                  |                      |                     |                                |
|------------------|------------------|----------------------|---------------------|--------------------------------|
| ■ Argentina      | ■ Australia      | ■ Austria            | ■ Azerbaijan        | ■ Bangladesh                   |
| ■ Belarus        | ■ Belgium        | ■ Brasil             | ■ Bulgaria          | ■ Cayman Islands               |
| ■ Chile          | ■ Colombia       | ■ Costa Rica         | ■ Croatia           | ■ Cyprus                       |
| ■ Czech Republic | ■ Ecuador        | ■ Egypt              | ■ France            | ■ Germany                      |
| ■ Guatemala      | ■ Gibraltar      | ■ Guyana             | ■ Hong Kong         | ■ India                        |
| ■ Indonesia      | ■ Isle of Man    | ■ Israel             | ■ Italy             | ■ Japan                        |
| ■ Jersey         | ■ Jordan         | ■ Kazakhstan         | ■ Lithuania         | ■ Luxembourg                   |
| ■ Macedonia      | ■ Malaysia       | ■ Malta              | ■ Mauritius         | ■ Moldova                      |
| ■ Mongolia       | ■ Montenegro     | ■ Montserrat         | ■ Nepal             | ■ Netherlands                  |
| ■ New Zealand    | ■ Nigeria        | ■ Panama             | ■ Peru              | ■ Poland                       |
| ■ Philippines    | ■ Romania        | ■ Russian Federation | ■ Samoa             | ■ Serbia                       |
| ■ Seychelles     | ■ Slovakia       | ■ Spain              | ■ St. Maarten       | ■ St. Vincent & the Grenadines |
| ■ Switzerland    | ■ Taiwan         | ■ Thailand           | ■ Trinidad & Tobago | ■ Turkmenistan                 |
| ■ Ukraine        | ■ United Kingdom | ■ Uzbekistan         | ■ United States     | ■ US Embassy                   |
| ■ Venezuela      |                  |                      |                     |                                |

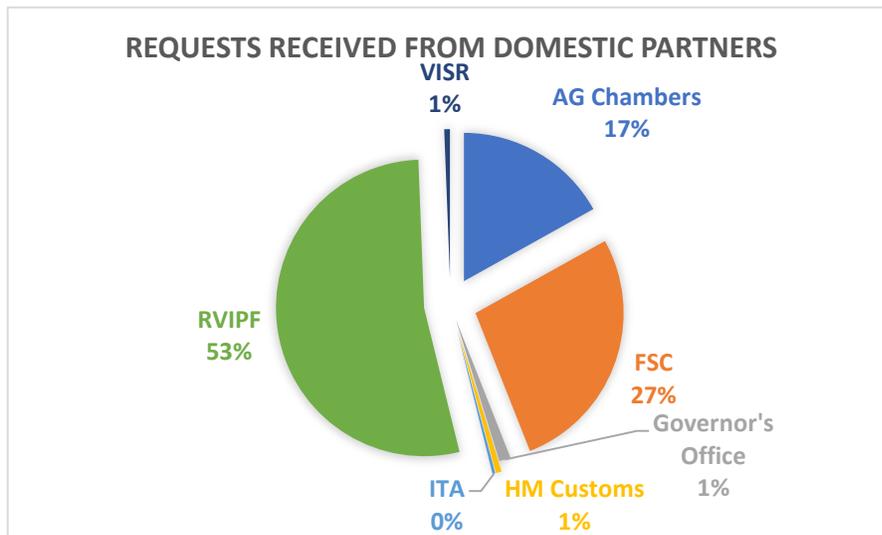
The following table shows the three countries that submitted the most requests

Requesting countries	Number of requests
Russian Federation	44
United Kingdom	39
United States of America	32

In addition to requests received from foreign jurisdiction, the Agency also processed several requests received from several domestic partners which are represented in the following table.

The following diagrams show a breakdown of the number of requests received from domestic agencies in 2016 by percentage

Domestic Agencies	Number of requests
Financial Services Commission	88
HM Customs	2
Royal Virgin Islands Police Force on behalf of INTERPOL members worldwide	173
Governor's Office	4
Attorney General's Chambers	55
International Tax Authority	1
Virgin Islands Shipping Registry	2



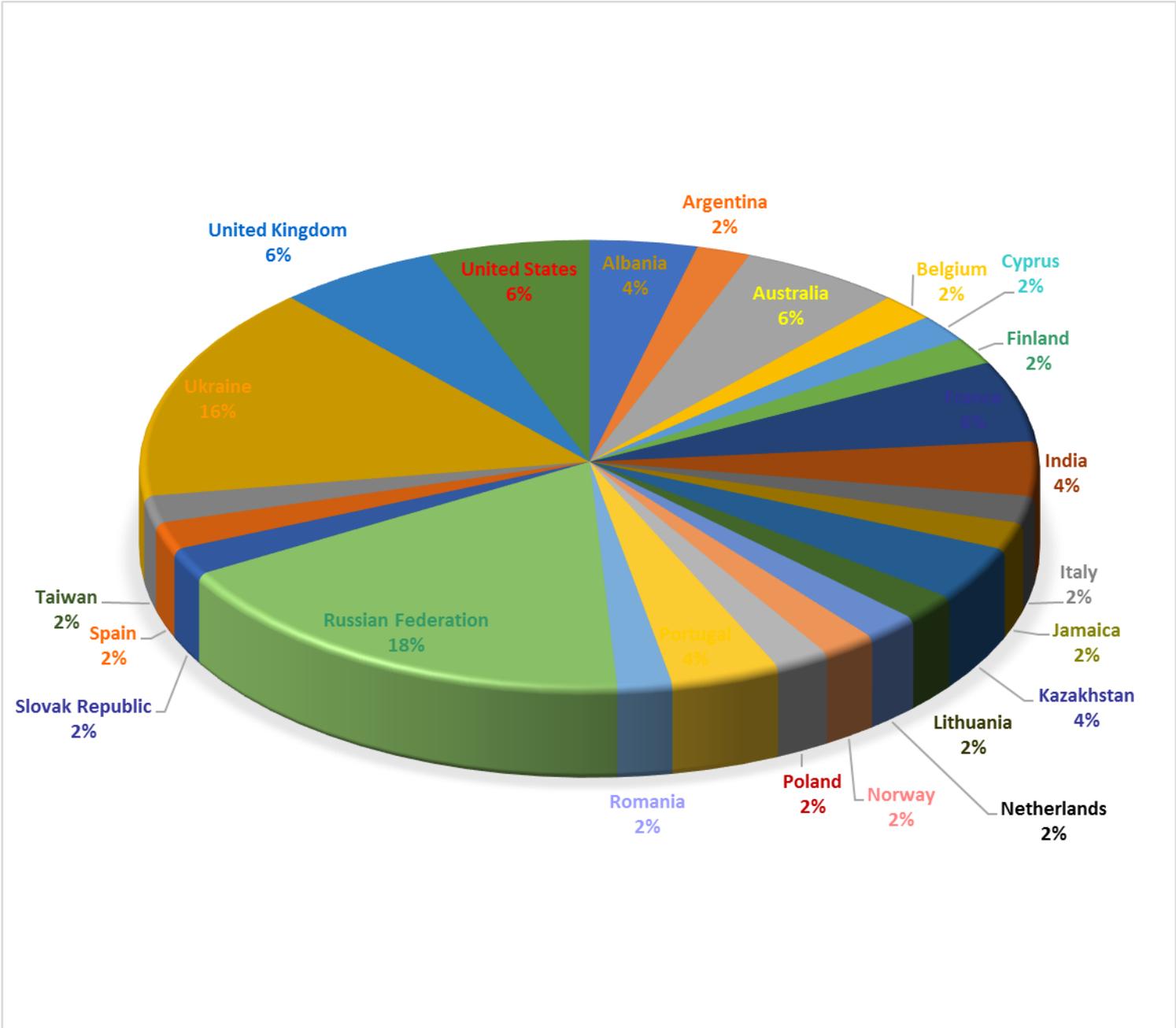
## Processing of MLA Requests

As previously indicated, the Agency is also involved in the processing of Mutual Legal Assistance Requests which are forwarded by the Attorney General's Chambers. MLARs are processed in accordance with the Criminal Justice (International Cooperation) Act 1993 (as amended) or the Mutual Legal Assistance (United States of America) Act, 1990. The processing of such requests is usually completed within fourteen (14) to twenty-one (21) days of receipt by the Agency. However, the time it usually takes to process these requests is often determined by the depth or nature of the enquiries to be conducted. During the year under review, the Agency processed a total of fifty (50) Mutual Legal Assistance Requests on behalf of various requesting jurisdictions. This represents a decrease in numbers when compared to sixty-nine (69) from 2015.

The following table show breakdown of MLARs received and processed by the Agency in 2016

Albania	2	Italy	1	Romania	1
Argentina	1	Jamaica	1	Russian Federation	9
Australia	3	Kazakhstan	2	Slovak Republic	1
Belgium	1	Lithuania	1	Spain	1
Cyprus	1	Netherlands	1	Taiwan	1
Finland	1	Norway	1	Ukraine	8
France	3	Poland	1	United Kingdom	3
India	2	Portugal	2	United States of America	3

The following diagram illustrates the percentage of the MLA requests received. It should be noted that the Russian Federation and Ukraine account for the largest percentage of MLA requests received, at 18% and 16% respectively.



**Number of Search Warrants executed to support the processing of MLARs  
(2014-2015)**

Activity	2014	2015	2016
Search Warrants executed	64	74	71

## Supervisory Framework

The Agency's AML/CFT supervisory framework was officially launched in 2014 to ensure the entities it supervises comply with their obligations under domestic AML/CFT legislation. The Agency's supervisory process utilises a risk-based approach. During the year in review the Agency engaged in several outreach and supervisory activities which included pre-inspection meetings, answering telephone enquiries from supervised entities regarding their obligations, in-house sensitisation training, desk-based reviews of AML/CFT policies and procedures and onsite examinations. However, most of the Compliance and Enforcement Unit's time and efforts were focused on the review of compliance procedural manuals and conducting onsite examinations. The outcomes of our efforts, particularly as it relates to onsite examinations, and the results of our review revealed that there is a need for ongoing AML/CFT sensitisation training for entities and individuals linked to both the NPO and DNFBP sectors. This is also evidenced by the fact that there are very few SAR/STR reports filed by entities operating in both sectors.

### Comparative breakdown of pre-inspection, sensitization training, desk based reviews and onsite inspections conducted between the past year

Entities	2014	2015	2016
<b>Pre-inspections</b>	126	1	nil
<b>Sensitisation training</b>	Nil	2	nil
<b>Desk based reviews</b>	Nil	5	nil
<b>Onsite examinations</b>	1	17	12

### Break down of number of entities subject to Onsite examinations in 2016

Supervised entities	No. of Onsite Examinations
<b>NPOs</b>	<b>2</b>
<b>Automobile Dealers</b>	<b>2</b>
<b>Real Estate Agents</b>	<b>4</b>
<b>Yacht Brokers</b>	<b>1</b>
<b>Total</b>	<b>17</b>

In addition to the activities listed in the above table the Compliance and Enforcement Unit also received and reviewed several AML/CFT compliance procedural manuals submitted by NPOs, DNFBPs and regulated entities. The unit received a total of fifty-five (55) manuals during the year.

#### Sectoral breakdown of the number of AML/CFT compliance procedures manuals submitted to the Agency

Sectors	2015	2016
NPOs	22	4
DNFBPs	1	0
Regulated entities	69	51
<b>Total</b>	<b>92</b>	<b>55</b>

#### 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 procedural 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.

#### 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 also cooperates with other members of the Inter-Governmental Committee on AML/CFT matters such as the FSC, HM Customs , RVIPF, the VISR, and the AGC, 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 financing of terrorism. Apart from the multi-lateral MOU, the Agency is also party to bilateral MOUs signed with FSC, RVIPF and HM Customs under which the Agency agreed to carry out certain functions on behalf of the relevant agencies.

#### 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 fire arms, acts of corruption, use of violence and extortion and 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 FIUs.

The Agency also provides support to financial Intelligence units in the region by acting as a co-sponsor together with FIU Bahamas to assist FIUs which are not yet members of the Egmont Group to become members. This is done by guiding them through the Egmont Group membership application process. This usually involves keeping the Egmont Group informed of any issues and challenges affecting the candidate FIU. It may also require support to the candidate FIU regarding legislative and operational deficiencies, to enable their ability to become members of the group.

## **The Egmont Group**

The Agency is a member of the Egmont Group of Financial Intelligence Units and has been a member 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 and the financing of terrorism 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 program in place, or in areas with a program in the initial 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 effecting membership as well as matters affecting the organisation's role in the global fight against ML/TF which is often done through close cooperation with other international organisations such as the FATF, World Bank, IMF and the UNDCP. The Agency's active participation in the Egmont Group started in 1999 when the then Royal Virgin Islands Police Force Financial Investigation Unit, which later became the FIA, became a member of the organisation. The Agency participates in the Membership Compliance and Support Working Group (MCSWG). The mandate of the MCSWG is to sponsor, provide support to, and recommend FIUs for membership.

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

### **Caribbean Financial Action Task Force (CFATF)**

The Virgin Islands is a member of the CFATF which is a FATF style regional body(FSRB) and associate member of the 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, ICRG, Accreditation Working Group and the Risk, Methods, and Trends Working Group RTMG).

The Agency provides an assessor to the 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 FATF ICRG.

### **Professional development**

During the year the Agency allocated and expended a great deal of financial resources to aid in the professional development of members of staff. Most of the resources spent were used to train analysts in i2 related software. In addition, the Agency also paid for staff members to

attend various AML/CFT related and unrelated workshops, seminars and conferences, most of which were held outside the territory.

**Training activities attended by staff in 2016**

Period	Type of Training
February	One employee attended the AMA Business Grammar Seminar in San Francisco
March	Two employees attended the AML & Crime Conference in Miami Florida
April	One employee attended the AMA: "How to be an effective manager" in San Francisco  Two employees attended the Offshore Alert Conference in Miami Florida
May	Two employees attended the Compliance Aid Conference in Miami
June	Three employees attended the FINTRAC STR Workshop  One employee attended the ACFE Conference & Exam in Nevada, USA
July	One employee attended the National Intelligence Analyst Training in Manchester, UK
August	Two employees attended the i2 Analysts Notebook Training in Manchester, UK
December	Two employees attended the Anti-Corruption and Financial Crime Prevention Regional Initiative employee attended Human Resource Manager Training in Las Vegas, Nevada  One employee attended RSS ARU FIU Managers Workshop in Barbados

**CHALLENGES**

There were many challenges faced by the Agency over a significant period. These include the inability to garner enough information from the requested entities in a timely manner, the effective analysis of SARS, including the provision of feedback to entities, and the timely responses to requests for information.

The Agency also facing challenges with its databases especially since there are no in-house personnel trained in IT procedures from an FIU perspective as it relates to securing an FIU.

## ***Resignations***

The Compliance Unit which is responsible for the supervision of DNFBPs and NPOs was significantly impacted in 2016. Three out of the four compliance examiners resigned in the year 2016 while the remaining officer was transferred to another section of the Agency. One of the resignations along with the transfer took effect in early 2016. The other two resignations occurred mid-year.

The Analysis and the Legal Sections were also impacted as the Senior Analyst submitted her resignation in late 2015 and the Legal Counsel resigned in early 2016.

## **NEW DEVELOPMENTS**

### ***New Positions***

Due to the loss of Staff the Agency was forced to recruit a new Analyst in early 2016. Additionally, another analyst was recruited in late 2016, and a legal counsel was appointed mid-year. Additionally, two compliance examiners were hired in early 2016.

Because of the staff developments, the subsequent increase in staff and the increased responsibilities therein, the Agency has decided to add a Human Resources Manager to complement its outfit. This individual was hired in November of 2016. It is hoped that this addition to staff will assist in the proper governance of the Agency's human resources objectives.

### ***New Location***

In the 2015 report, it was indicated that the Agency was seeking new office space to ensure that it is able to recruit more human resources to continue to fulfill its mandate.

The Agency relocated to its new office space on the second floor of Ritter House located at Wickham's Cay II. With this new space, the Agency was able to reorganize its layout to ensure the division of its operations as recommended by the National Risk Assessment Steering Group ("NRASG"). The recommendation emphasized maintaining a distinct separation between the Compliance Unit and the FIU. As such, the FIU Unit occupies one area of the floor while the Administration and Compliance Units occupy the opposite side.

## Money Laundering Typologies

### Case 1

The FIU received a from country A regarding an individual sending monies to a charity in Country A. The request asked for details on the subject and the source of funds. The requestor also indicated that the charity in question was being investigated for allegedly supporting terrorist organisations. Further investigations revealed that the individual was aware of the charity's cause and continued to provided support.

A report was made to the local police and the subject was arrested on suspicion of terrorist financing.

### Case 2

Bank A has submitted an STR to the FIU regarding suspicious sums of money being deposited on a regular basis. The explanation given was that the individual is involved in several part-time jobs on evenings and weekends.

The FIU gathered further information and conducted its analysis. The analysis revealed that the individual works at a local pharmacy. He earns a salary of \$2500.00 per month. He lives in an apartment with a monthly rent of \$800.00. He also drives a 2010 Nissan Armada LE.

Further discreet enquiries revealed that the individual was selling prescription drugs over the counter unknown to his employer.

The information was disseminated to the local police and the individual was arrested on suspicion theft and money laundering among other drug related charges.

### Case 3

A bank robbery occurred in in a foreign country. The individual was caught and sent to prison for armed robbery. However, the monies were not recovered.

About a year later, the FIU received two reports of an individual called John Doe paying for real estate and vehicles with large sums of cash.

An analysis was conducted, and it revealed that John Doe was an associate of the bank robber.

Information was shared with the police including association charts that showed the links between the two men.

John Doe was arrested and charged for money laundering. He was convicted and sent to prison. The real estate and the vehicle were forfeited to the crown.

#### Case 4

A traveler was searched at the airport while clearing Customs. During the search the Customs Officer discovered several sacks of a white substance and a large quantity of cash. The officer suspected the contents of the sacks to be cocaine, and called the Police. On arrival the traveler was arrested and charged on suspicion of drug trafficking. The cash was also seized.

The Police contacted the local FIU to begin a parallel investigation. The local FIU requested information from the FIU in the last country the traveler had visited.

The information received appeared to indicate that the traveler was a known associate of two known drug kingpins. Further investigations revealed that the offender was a courier for one of the men in the other country. It also revealed that it was not the first time he had done a job for the individual.

A review of his financial records indicated that he had deposited large sums of money from unknown sources and that he was known to wear large pieces of jewelry and act as a playboy.

He was eventually charged for drug trafficking and money laundering.

#### Case 5

The FIU received a SAR from an individual reporting the manager of a local establishment allegedly confiscates the passports of its female workers. Upon entering the country, the female workers were provided a place to live and transportation to and from work. The female workers would remain in the country for a period of six months at which time new female workers would enter the country to replace the former ones. The SAR indicated that the female workers appeared to be nationals of South American countries known for human trafficking.

The FIU conducted its analysis of the SAR and data collected from the relevant databases. The results of the analysis were then disseminated to the Police for their investigations. The manager was arrested on human trafficking charges and subsequently convicted and sentenced to prison. The results of this case were also shared with the FIUs of the countries of origin of the female workers.