



ANNUAL REPORT

2019



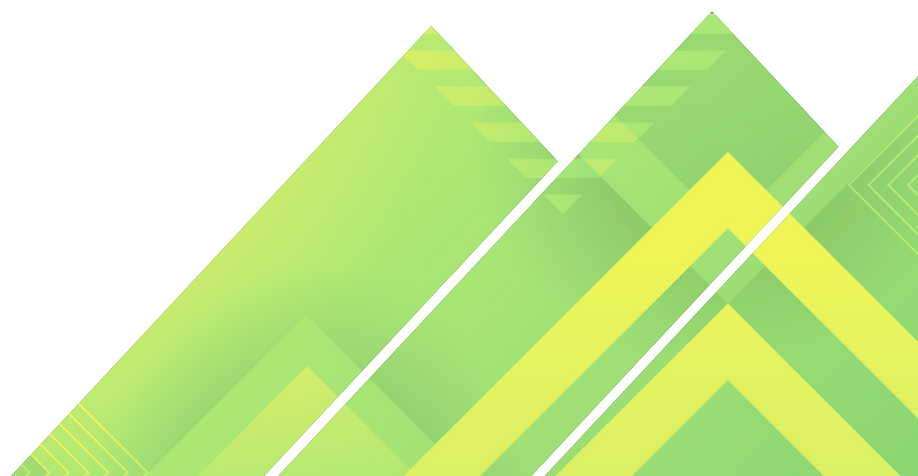
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WORDS FROM THE **ACTING INTERIM DIRECTOR**



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2019 PROVED TO BE A
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”

The Financial Investigation Agency (the Agency) continues to play a critical role in combating AML/CFT in the Territory of the Virgin Islands. Participation in international fora such as the CFATF and Egmont Group continued to be a main part of our modus operandi. We also increased bi-lateral cooperation within the framework of the Egmont Group information exchange by the signing of an MoU with the State Financial Intelligence Service of the Kyrgyz Republic. This was done on the margins of the 26th Egmont Group Plenary in the Hague, Netherlands.

2019 proved to be a challenging year, primarily due to the number of SARs reported, which increased by 110%. This placed an overwhelming burden on the Agency's limited resources. Nevertheless, the Agency persevered and was able to recruit a Senior Analyst and a Strategic Analyst to assist in managing and eradicating the large volume of SARs. A Senior Investigating Officer was also promoted from within, while another investigating officer was added to the staff complement of the Investigation Unit.

In our efforts to enhance the quality of SARs, the Agency developed and published written guidelines for SAR reporting. The guidelines were supplemented by a new SAR reporting form. The new form allows additional information to be collected at the time a SAR is reported, thereby reducing the need to request additional information during the analysis process.

The Agency continued its outreach activities during the year and organised a training session in collaboration with the BVI Association of Compliance Officers in an effort to discuss and desensitise reporting entities about the new SAR Guidelines and SAR form.

Our International Cooperation section continued to make strides with the impressive performance of the replies to Beneficial Ownership Information Requests, MLAT requests and requests for information from foreign FIUs.

As we continue our preparations for the upcoming mutual evaluation, considerable efforts were made towards rectifying the deficiencies identified in the National Risk Assessment (NRA) Report. The Agency also managed to strengthen its Supervision and Enforcement Unit with the establishment of a new leadership structure. Emphasis was placed on developing policies and updating procedures to help ensure greater AML/CFT compliance by supervised entities.

Lastly, the Agency worked to enhance the level of domestic cooperation through close collaboration with the Council of Competent Authorities, which demonstrated our collective capabilities towards AML/CFT related matters.


Interim Acting Director

Glossary

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

OUR VISION AND MISSION

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 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 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 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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2019

At a Glance



**Information
received**

**Suspicious Activity
Reports**

1291

Information analysed and disseminated

**SARS/STRs
analysed**

180

**Referrals to the
Governor's Office**

1

**Referrals to
FSC**

1

**Referrals to
foreign FIU**

1



Cooperation with domestic agencies

**Regulatory requests
received from the
Financial Services
Commission**

10

**Requests received
from Her Majesty's
Customs**

1

**Request from the
International Tax
Authority**

1

**Request received
from the Virgin
Islands Shipping
Registry**

1

Cooperation with domestic agencies (Cont'd)

Requests received from the Governor's Office	Request from Central Government	Requests from RVIPF on behalf of Interpol members worldwide	Requests from RVIPF FCU
5	1	59	10
Requests sent to RVIPF FCU	Requests sent to Trade and Consumer Affairs	Requests sent to Immigration Department	Requests sent to Department of Labour
10	11	7	5
Requests sent to Financial Services Commission	Requests sent to HM Customs	Requests sent to Department of Motor Vehicles	Requests sent to Civil Registry and Passport Office
4	3	3	2

International Cooperation exchange of information

131	Requests received from foreign FIUs and LEAs
31	Mutual Legal Assistance Requests received
13	Requests for information sent to foreign FIUs
130	BOSSS requests received
2	Requests sent to foreign LEAs





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 Activity 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 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, 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 is comprised of 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 SAR 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 Organized 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.

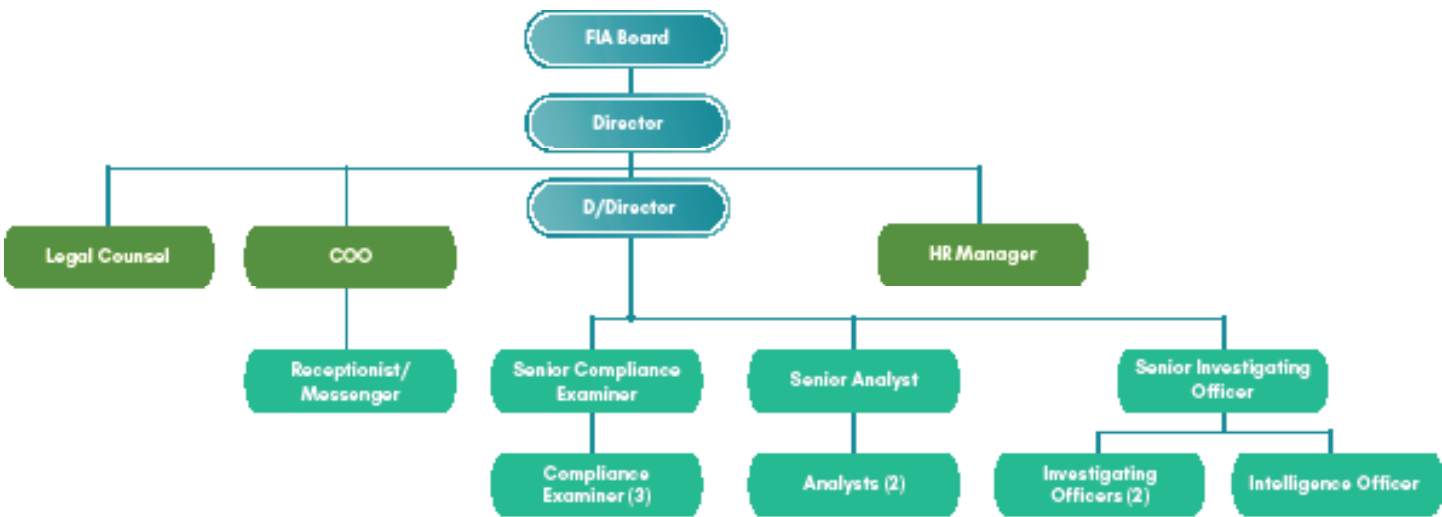
Recommendation 29 of the FATF also requires countries to establish a FIU to serve as a national centre for receipt and analysis of Suspicious Activity Reports (SARs) and other information relevant to money laundering, associated predicate offence and terrorist financing and for the dissemination of the 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 current Director is a former police officer. The Agency’s staff is comprised of persons from several disciplines including a former Senior Customs Officers 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 attention on building its middle management structure by filling vacancies in approved positions at the senior (supervisory) level. In 2019, the Agency had a staff compliment of eighteen (18) including the Director, Deputy Director, Chief Operating Officer, Legal Counsel, Human Resources Manager, Senior Investigating Officer, Senior Analyst, Senior Compliance Examiner, two (2) Investigating Officers, two (2) Analysts, an Intelligence Officer, three (3) Compliance Examiners, an Administrative Assistant and a Receptionist.

THE FINANCIAL INVESTIGATION AGENCY

ORGANISATIONAL CHART (TO BE UPDATED)



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 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. 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.

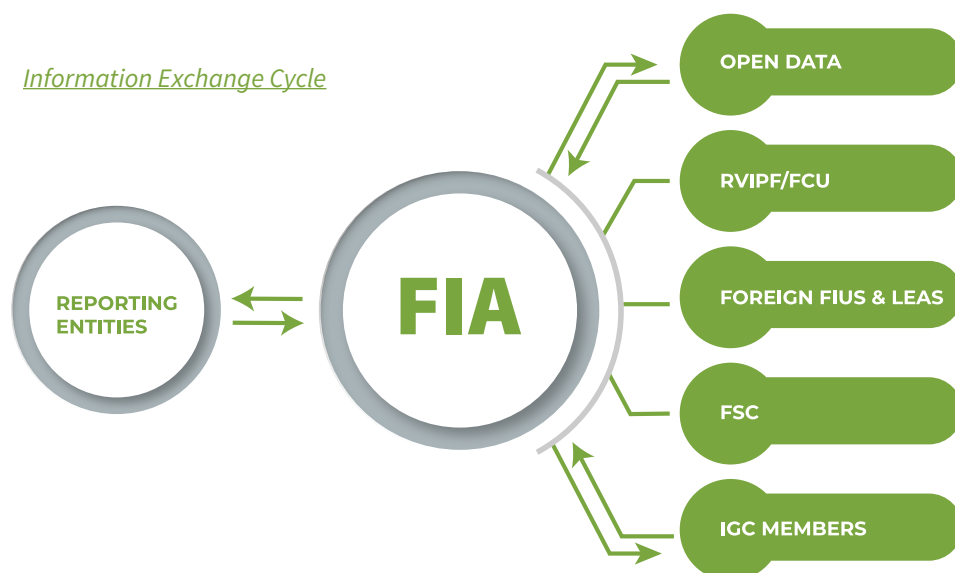
Analysis

The Agency's functions as it relates to the receipt, analysis and dissemination of SARs 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 SARs.

Information Processing (SARs)

Information coming into the Agency by way of SARs 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.

Information Exchange Cycle



Investigations

The investigative 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 2009.

The Agency is authorised to investigate Suspicious Activity Reports prior to dissemination to local and foreign authorities. The AML Code dictates that discreet inquiries should be conducted by the Investigating Officers attached to the Agency, prior to any disseminations. The FIA Act 2003, as amended, allows for the supervision and guidance over the conduct of all investigations of the Agency by the Steering Committee.

The Agency is also authorised to investigate Mutual Legal Assistance Requests under Section 4 of the FIA Act. These requests originate from foreign judicial authorities and are usually channeled through the Attorney General's Chambers and sent to the Agency for processing. This function is carried out by Investigating Officers attached to the Agency utilising, the powers derived under the Criminal Justice International Cooperation Act 1993, as amended. To process the requests investigating officers are required to request permission from the Attorney General and apply to a local Magistrate for a search warrant(s) to retrieve the requested documentation or information. After retrieval, the documentation/information

is processed internally by the Agency's investigating officers, before being forwarded to the Attorney General's Chambers for further processing and onward transmission to the originating jurisdiction.

The Agency also has the authority to exchange information regarding the commission, or alleged commission, of financial crimes emanating in or with connections to the Territory. This role has been very effective within the parameters of the Agency's mandate. The exchange of information regarding beneficial ownership and directors of BVI registered entities has become a regular task for the Agency's Intelligence and Investigating Officers. The introduction of the Beneficial Ownership Secure Search System (BOSSS) has promised to increase the Agency's mandate. The Agency has been identified as the Competent Authority with the capacity to effectively carry out the duties associated with requirements of the BOSSS Act. The use of BOSSS has been mostly geared towards United Kingdom (UK) law enforcement agencies through the National Crime Agency (NCA).

In addition to the NCA, the Agency's exchanges information with many financial intelligence units (FIUs) daily. To exchange information with the FIUs, the Agency uses a system called the Egmont Secure Web (ESW). This system is used by members of the EGMONT Group of Financial Intelligence Units. The use of this system allows for the information to be encrypted while in route to the receiving party. Information is also exchanged with law enforcement agencies both locally and internationally, including the Royal Virgin Islands Police Force. The information

that is exchanged can either emanate from disclosures or from requests from foreign FIUs and law enforcement agencies. The information exchanged in this manner is generally for intelligence purposes only.

Furthermore, the Agency is a member of the Intergovernmental Committee on AML/CFT matters. As such, the Agency may exchange information with certain members to facilitate the combating on Money Laundering and Terrorist Financing in the Territory.

Supervisory Functions

Section 9(2) of the Virgin Islands Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 (the AML Code) 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 entities' 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 Car Dealers, 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 Reporting

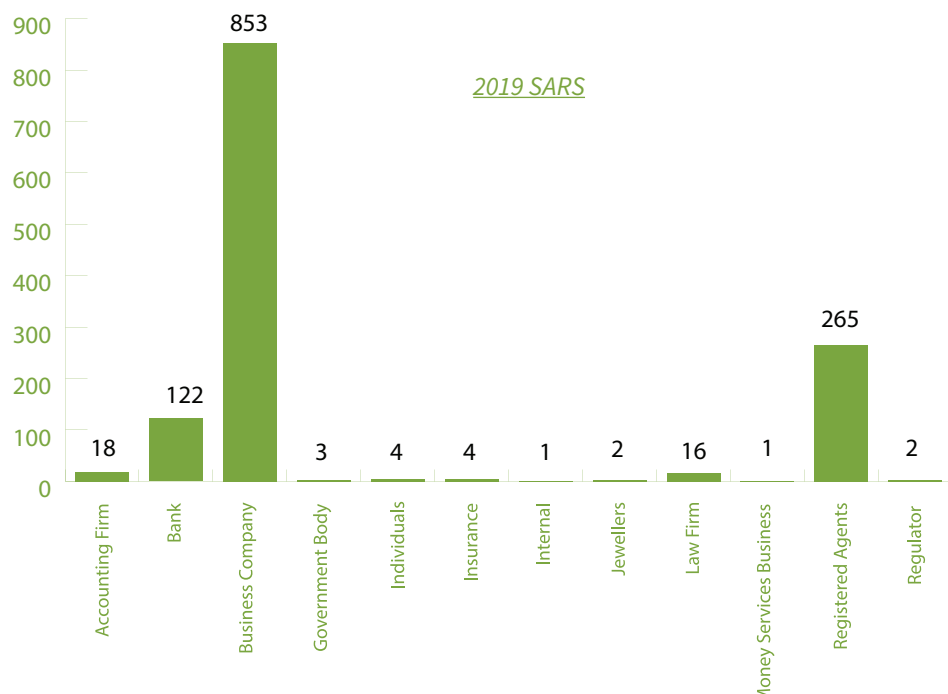
Money laundering is a crime which help buttress criminal activities because it provides a means by which criminals could use and enjoy their ill-gotten gains. It affects society in many ways, from an individual level, where other criminal activities such as murders and kidnapping are often tied, as well 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 and terrorist financing activity. Information contained in SARs 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 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.

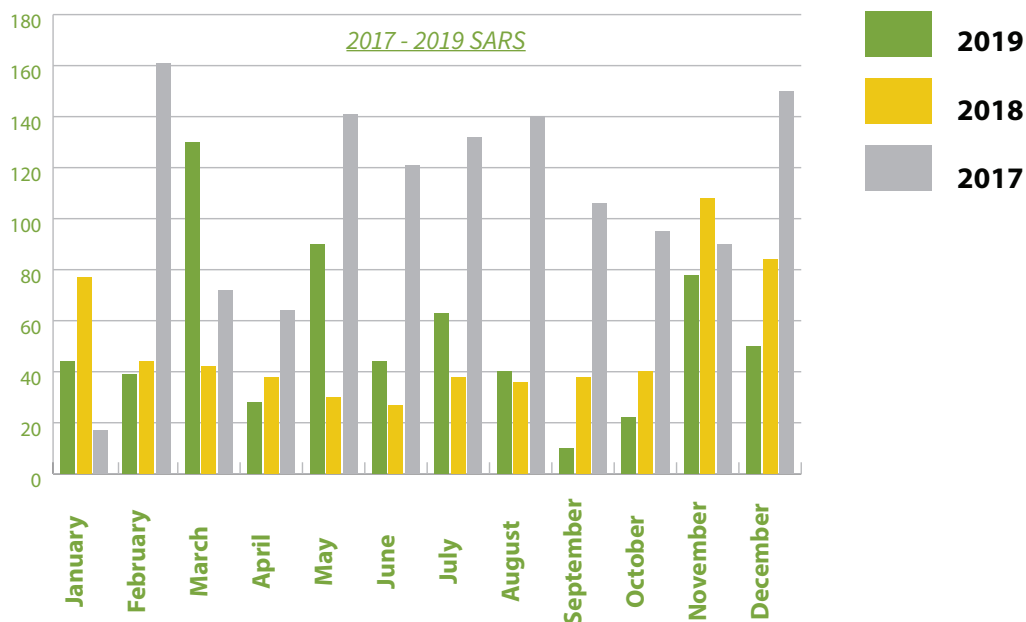
One of the primary functions of the Agency is the processing of disclosures, such as Suspicious Activity Reports (SARs). During the year 2019, the Agency received a total of twelve hundred and ninety-one (1291) SARs, compared to six hundred and fifteen (615) SARs received in 2018, which represents an increase of 110%. The increase in the number of SARs placed an unexpected strain on the Agency's limited resources. Of the one thousand two hundred ninety-one (1291) SARs received, one hundred and eighty (180) or 14% were analysed.

The following chart illustrates the number of SARs reported by Sector.



On a normal basis, Trust and Company Services providers would account for most of the SARs filed. However, during the year under review, most of the SARs were submitted by BVI Business Companies. These account for the largest number of unregulated businesses which 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 2017, 2018 and 2019:



The SARs reported during the year were linked to a variety of offences. Like the previous reporting year, the majority of SARs were linked to Fraud and Money Laundering. This suggests that Fraud is the main criminal activity perpetrated by individuals using BVI Business Companies.

The following diagram shows a breakdown of the types of offences reported in SARs:

Bribery	15	Money Laundering	871
Corruption	22	Suspicious Transaction	14
Counterfeit Documents	25	Tax Evasion	34
Drug Trafficking	17	Theft	22
Fraud	230	Unknown	16

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 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 MOU facilitate the exchange of information in relation to financial offences including money laundering and the financing of terrorism.

The Agency is a member of the Egmont Group of Financial Intelligence Units, which is comprised of 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 year under review, the Agency received and processed a total of three hundred and seventy-seven (377) requests for information (RFIs).

These included:

1. Domestic Request from the Royal Virgin Islands Police Force (RVIPF), Her Majesty's Customs, 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 following illustrates that the vast majority of RFIs were received from ESW, Interpol, Foreign FIUs and other Law Enforcement Agencies:

RFI		2019
DOMESTIC	INTERNATIONAL	TOTAL
36	341	377

Domestic and International requests for Information

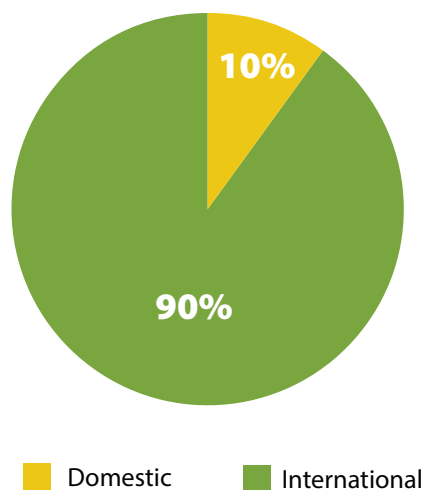
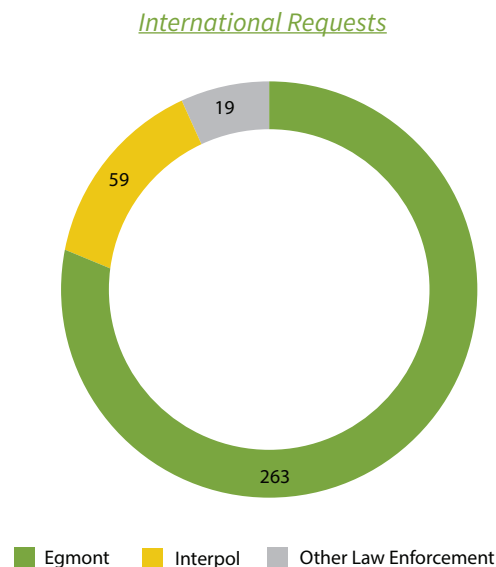
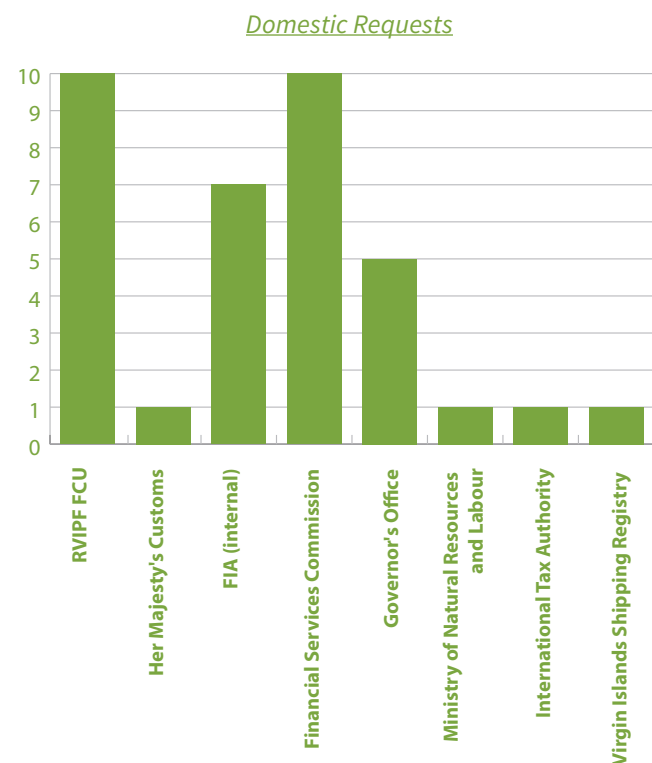


Chart shows Local/Domestic requests is dominated by the RVIPF (FCU-Financial Crimes Unit) and Financial Services Commission (FSC)

The below diagram shows that majority of international requests for information received and processed in 2019 came from members of the Egmont Group and Interpol



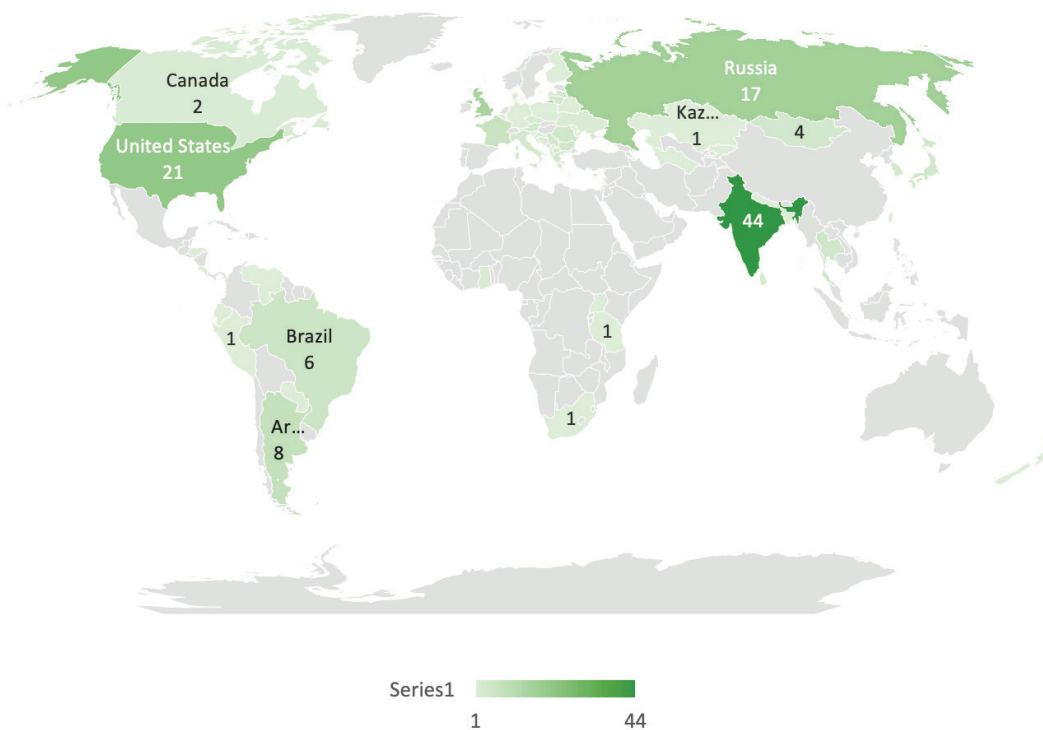
The chart below shows the lists of Egmont Request for Information from various members of the EGMONT Group. The latter chart allows the reader to identify global links of the associated requests for information and the Agency's position as it regards International Cooperation.

Albania	1	Hong Kong	9	Poland	1
Argentina	8	India	44	Romania	5
Armenia	2	Isle of Man	4	Russian Federation	17
Austria	3	Israel	3	San Marino	1
Bangladesh	1	Italy	3	Saudi Arabia	1
Belarus	1	Japan	4	Senegal	1
Belgium	1	Kazakhstan	1	Serbia	4
Bermuda	1	Korea (Republic of)	3	Seychelles	1
Bosnia and Herzegovina	2	Kosovo	2	Slovenia	1
Brazil	6	Kyrgyz Republic	1	South Africa	1
Bulgaria	4	Latvia	3	St. Kitts & Nevis	1
Canada	2	Lithuania	3	St. Maarten	1

Lists of Egmont Request (Cont'd from previous page)

Costa Rica	1	Luxembourg	8	Sri Lanka	3
Croatia	2	Macedonia	3	Taiwan	1
Cyprus	8	Mauritius	1	Thailand	5
Czech Republic	2	Malta	5	Tanzania	1
Denmark	1	Moldova	1	Trinidad & Tobago	1
Ecuador	1	Monaco	1	Turkmenistan	1
Finland	1	Mongolia	4	Uganda	1
France	7	Nepal	1	Ukraine	2
Germany	1	Netherlands	2	United Kingdom	15
Ghana	2	New Zealand	1	United States of America	21
Greece	3	Paraguay	1	Venezuela	1
Guernsey	1	Peru	1		
Honduras	1	Philippines	4		

Egmont Requests



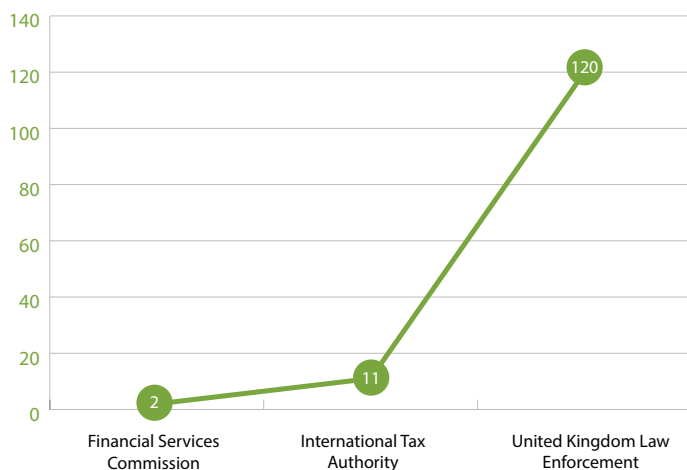
The Agency received and processed one hundred and thirty (130) requests pertaining to beneficial ownership information solely. These requests originated from the UK Law Enforcement and other domestic competent authorities.

The table below represents a breakdown on BOSSS requests by requesting entities

BOSSS Requests	2019
Financial Services Commission	2
International Tax Authority	11
United Kingdom Law Enforcement	120
Total	133

Diagram shows the range of the number of BOSSS related requests from all the requesting authorities both domestic and international.

2019 BOSSS Requests

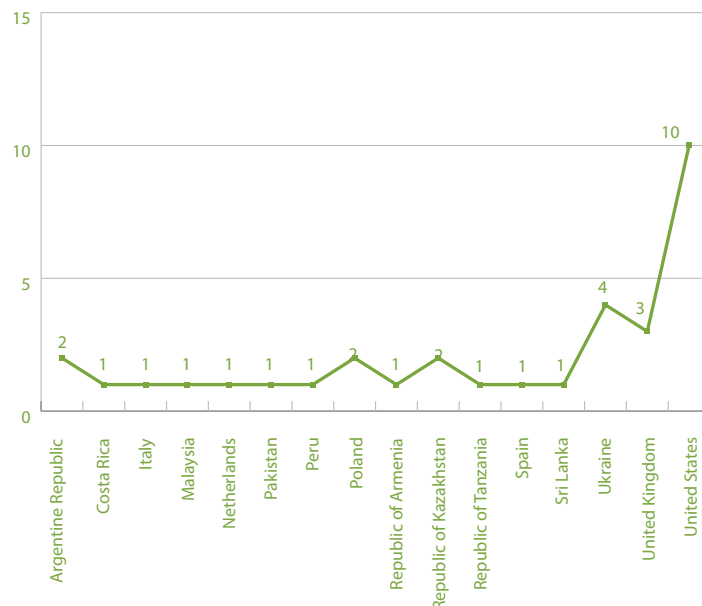


Processing of Mutual Legal Assistance Requests

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 processed thirty-one (31) MLA requests compared to thirty-nine (39) received and processed the previous year.

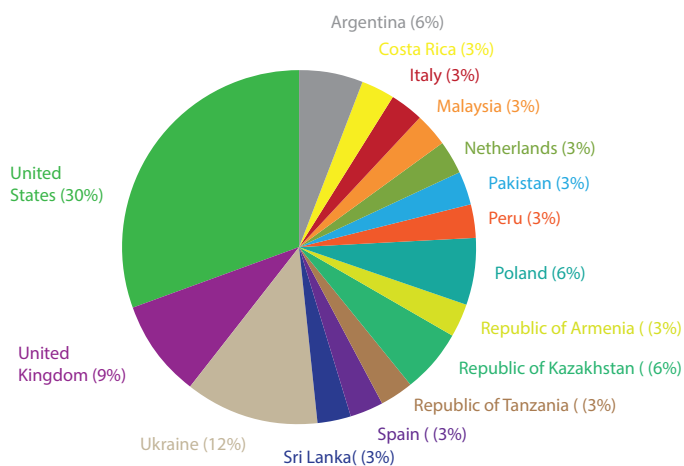
The diagram below indicates the number of MLATs processed by the FIA and their country of origin.

2019 Letters of Requests



The diagram below shows the percentage breakdown of MLA requests by country received and processed during the year.

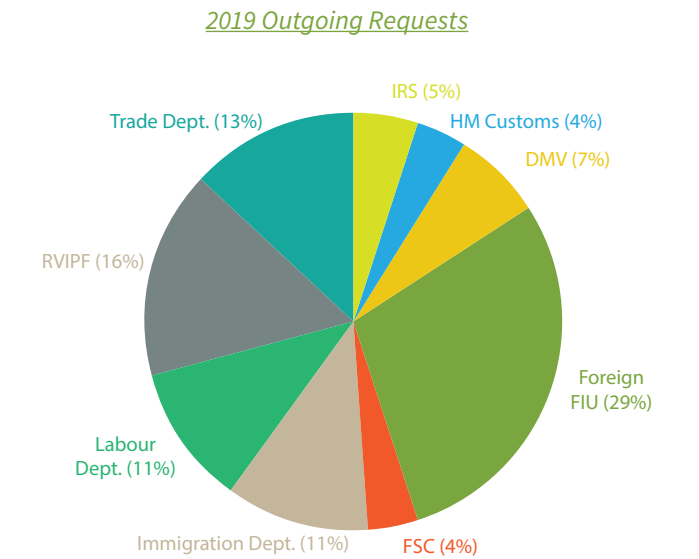
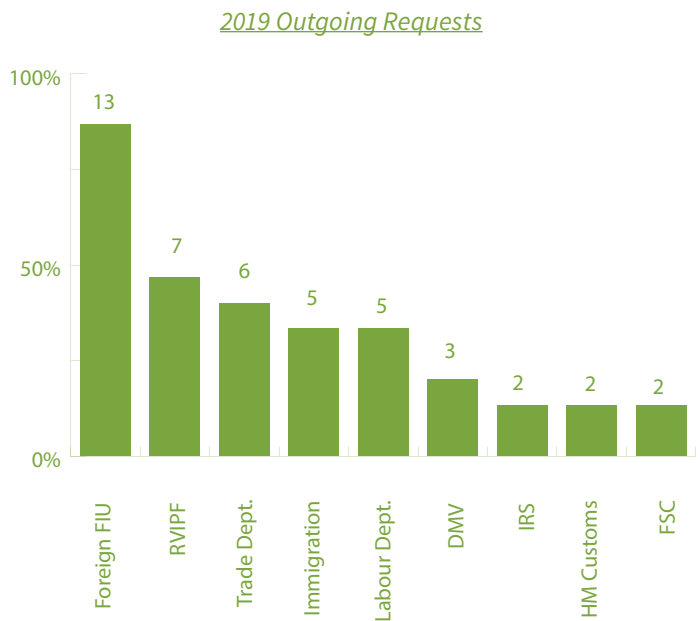
2019 Letters of Requests



Requests for Information during Analysis and Investigation Processes

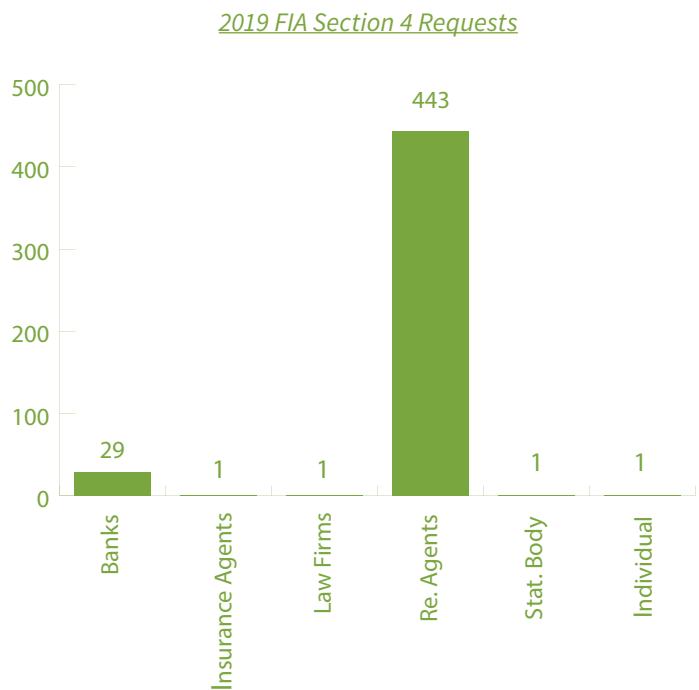
During the Analysis and Investigation process, the Analysts and Investigating Officers are required to collect additional information from external sources. These sources can either be domestic or international. The initial information received during the analysis and or investigation of the matter at 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.

The following charts illustrate the number of requests sent to the various partners both local and foreign:

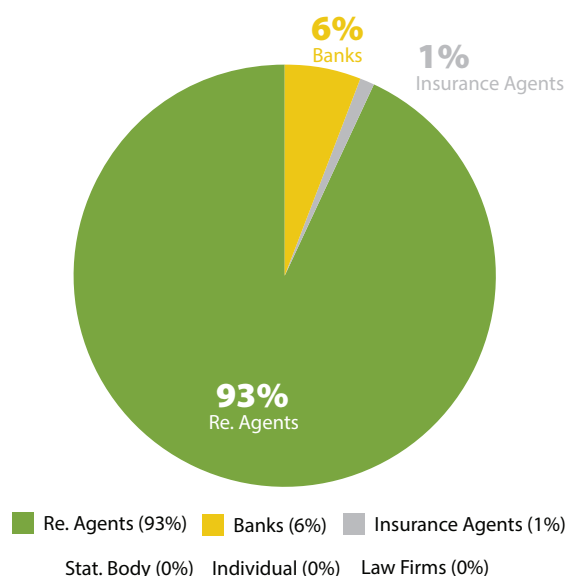


Under Section 4(2)(d) of the FIA Act 2003, the Agency may request the production of information, that it considers to be relevant to the performance of its functions. The below chart aims to illustrate the number of times this section was used by the Agency during 2019.

As expected, most of the above requests were sent to Trust and Company Service Providers' Registered Agents, which amounted to ninety three percent (93%) followed by financial institutions (banks) which amounted to six percent (6%) of the total.



Section 4 Requests



Supervisory and Enforcement Framework

The Agency's AML/CFT supervisory framework, despite coming into force in 2012, 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 Business and Professions ("DNFBPs") and Non-Profit Organisations ("NPOs") for AML/CFT. 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). NPO's 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.

Who is Supervised?



During 2019, as the Territory continued its resurgence from the ongoing effects of the passing of the 2017 hurricanes, the Agency remained committed to its work, despite a shift in focus internally. Internal processes and procedures became the priority, as the Agency prepared itself for ongoing monitoring and supervision of its entities and the upcoming Mutual Evaluation. With the challenges faced with the lack of human resources, which hampered the Agency from carrying out onsite inspections, the Agency focused on revising risk assessment questionnaires, pre-examination material and compliance inspection manuals to better assist in the evaluation of inherent risk identified with supervised entities.

Supervision of NPOs and DNFBPs



The Agency also collaborated with the BVI Compliance Association for educational and outreach purposes and conducted internal outreach sessions for all DNFBPs and NPOs. The focus for these sessions was to provide guidance and feedback in relation to AML/CFT obligations, as it was evident that there were very few SARs being filed by the entities subject to supervision and monitoring by the Agency.

Some supervised entities have indicated that they now only store records electronically, following the loss that many sustained after the 2017 Hurricanes. The Agency will need to reassess its technological capabilities for receipt of documents needed during inspections.

Staff training received significant attention during 2019. Several internal AML/CFT trainings were conducted to ensure new officers were adequately exposed and received requisite training. Senior officers within the Agency received much needed training in CFT detection and investigative strategies administered collaboratively by the World Bank and FATF. Additionally, a member of the Supervision team successfully received accreditation as a CFATF country assessor for mutual evaluations. A major highlight of 2019 took place at the Anti-Money Laundering and Financial Crimes Institute/ ComplianceAid Conference 2019 held in Miami, Florida. The Agency's Senior Compliance Examiner attended as a lecturer and was a part of the panel in discussions on AML/CFT supervision, highlighting the importance of communication

and why entities should liaise with the AML/CFT supervisor if they are uncertain about their obligations.

The Agency continued to work together with the Department of Trade and the Non-Profit Organisation Board on matters of mutual importance. It may be necessary to propose amendments to the current legislation for both stakeholders, as this will serve to be beneficial in the Territory's fight against entity abuse for the purpose of anti-money laundering and terrorist financing. It is highly recommended that consideration be given to the recommendation made in the published National Risk Assessment Report 2017 for the Agency to implement internal registration processes and registers (at no cost to the supervised entity) to be able to effectively, identify, monitor and supervise for AML/CFT Compliance.

Despite all the challenges and adversities, the Agency's Supervision and Enforcement Unit was able to salvage a down year productively by ensuring that preparations and commitments were restored toward compliance with AML/CFT obligations and the impending Mutual Evaluation.

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.

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.

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 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 financial intelligence units.

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 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 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 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, which later became the FIA, 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 2019. 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 Jakarta, Indonesia and the Hague, Netherlands.

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 2019, travel was limited due to funding constraints. Nonetheless, the Agency focused its attention on supporting members of staff in obtaining professional AML/CFT 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.

New Developments

The Agency embarked on new initiatives to assist in effectively carrying out its mandate. These initiatives included:

Introducing guidelines for SAR Reporting

The Agency published new guidelines to enhance the quality of SARs submitted. It is the Agency's hope that these guidelines will assist reporting entities and the public to better understand their obligations when filing SARs with the Agency. We also revised and introduced a new SAR reporting form which was also published on the Agency's website for the benefit of all. Furthermore, a training session was delivered to the Association of Compliance Officers and its members regarding the new guidelines and SAR form.

Appointment of Senior Officers

The Agency recruited and appointed two Senior Officers to its Financial Intelligence Unit (FIU). The increase in human resources will allow the Agency to demonstrate effectiveness with the exchange of information process. It also allows for the FIU to dedicate more time and resources to the concept of Operational Analysis, as required by international standards.

Appointment of Strategic Analyst

During 2018, the Agency presented a policy to the FIA Board regarding the need to produce Strategic and Operational Analysis, as is recommended in Recommendation 29 of the 2012 FATF Recommendations. A suitable Analyst was identified and given the responsibility of conducting strategic analysis for the Agency's benefit. It is expected that strategic analysis would be conducted and published on a quarterly basis.

Securing an FIU Training

During the latter part of 2018, an officer of the Agency was trained by the Egmont Group in a concept known as Securing an FIU. This knowledge was deemed relevant to all members of the Agency. Therefore, a training was arranged for the benefit of all employees. The training covered physical, IT and data security, along with the need to have employees sufficiently trained and authorised to access FIU data and premises.

New MOU

During the Egmont Plenary in the Hague, the Interim Acting Director signed a Memorandum of Understanding (MOU) with the Chairman of the State Financial Intelligence Service of the Kyrgyz Republic.

Change in Leadership Structure

With Direction from the FIA Board, the Agency completed a leadership restructuring with the establishment of a Deputy Director for Supervision and Enforcement.

2020 Outlook

Looking Ahead

For the year 2020, the Agency intends to contribute to and activate the following measures:

1. Conduct more outreach sessions on effective SAR reporting.
2. Allocate more resources to the effective analysis of SARs.
3. Conduct desk-based reviews and Onsite inspections on DNFBPs and NPOs where necessary to alleviate concerns regarding AML/CFT in the sectors.
4. Conduct a comprehensive legislative review.
5. Update the Agency's website to include information related to financial sanctions.
6. Conduct outreach sessions to educate and desensitise members of the IGC.

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. The results from strategic analysis could assist FIUs and their stakeholders to understand the patterns and trends on money laundering and related concerns. It can also be utilised to assist FIUs in adopting operational policies. Strategic analysis allows FIUs to draw conclusions to aid in the strategic prevention of money laundering and the financing of terrorism in their respective jurisdictions. It could also assist the Agency to develop knowledge about money laundering, the financing of terrorism and other threats to the stability of the Territory's financial services' sector. This reporting year, the Agency agreed to conduct a limited strategic analysis project based on a sample of the data received during the said period.

Methodology

A sample of the data received during the reporting year was subject to in depth analysis. The data chosen for analysis included Suspicious Activity Reports (SARs), Mutual Legal Assistance Requests (MLARs) and Requests for Information (RFIs) on beneficial ownership of BVI Business Companies (BVIBCs) obtainable through the Territory's Beneficial Ownership Secure Search System (BOSSS). The decision was taken to limit the analysis to SARs reported by banks and Registered Agents. The data on SARs was analysed to determine the level of reporting as well as to provide insight into the offences mentioned in the filings. Requests seeking beneficial ownership information was also analysed to determine the number of requests sent by each requesting agency (both domestic and international) and to establish whether the requests referred to BVIBCs or individuals.

Findings

Banks

In 2019, there were seven (7) licensed banks in the Territory. Of these, six (6) hold general banking licenses and one (1) has a restricted banking license. All but one of the banks filed SARs during the reporting period, which accounted for ten percent (10%) of SAR filings for the year, compared to twelve percent (12%) of the SAR filings in 2018. Regarding the bank that filed no SARs during the assessed year, the results suggest that there

may have been a gap in transaction monitoring by the said institution during the assessed period. This is significant for a number of reasons. Firstly, it highlights the possible exposure of the institution and the territory's domestic banking system to the risk of ML. Secondly, it raises the issue of staff training and whether the institution's staff receive adequate AML training to identify suspicious or unusual transactions/activities that may constitute ML. Lastly, it raises concerns about the effectiveness of the institution's AML/CFT framework.

Registered Agents

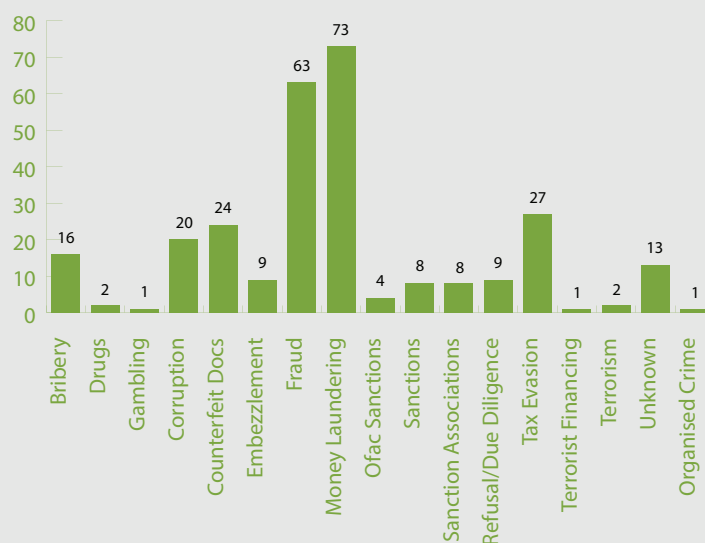
At the time this report was written there were ninety-nine (99) Registered Agents in the Virgin Islands. Of these forty (40) filed SARs during the reporting year, while fifty-nine (59) did not file. Registered Agents accounted for twenty one percent (21%) of SAR filing for the year in review, compared to fifty six percent (56%) of the SAR filing the previous year. The majority of the filings during the reporting year originated from unregulated entities engaging in virtual currency trading, an activity which at the time of writing this report was unregulated, which pose a degree of reputational risk to the Territory.

Reported offences

Like the previous reporting year 2018, most SARs were reported on the ground of suspicion of fraud, followed by the offences of bribery and tax evasion.

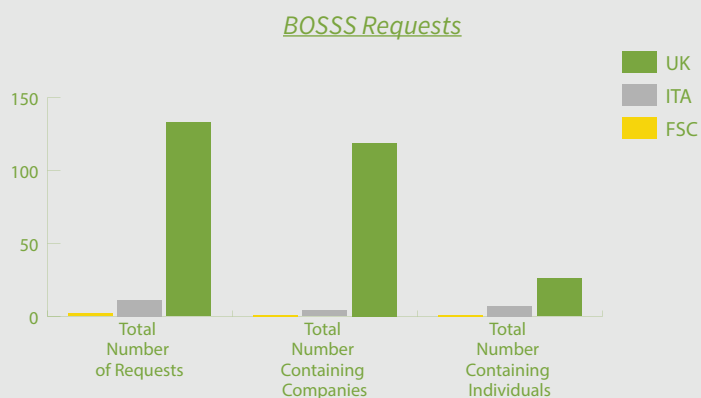
Registered Agents

2019 Offences Reported by Registered Agents



BOSSS Requests

Of the one hundred and forty-six (146) requests for beneficial ownership information sent to the FIA, one hundred and twenty-four (124) were linked to BVIBCs, while twenty-six (26) were linked to natural persons. A further breakdown of the data shows that one hundred and thirty-three (133) of the one hundred and forty-six (146) BOSSS Requests originated from the UK. Of these, one hundred and nineteen (119) related to BVIBCs while six (6) related to natural persons. The second largest number of requests originated from the BVI International Tax Authority, the majority of which related to natural persons.



BOSSS Requests	FSC	ITA	UK
Number of requests	2	11	133
Number pertaining to BVIBCs	1	4	119
Number pertaining to Individuals	1	7	26

TYPOLOGIES



TYPOLOGIES

Case #1

A foreign couple from Country A was interested in constructing a vacation home in Country B. Having been referred by acquaintances, the couple contacted a local builder from Country B. After much discussion, it was verbally agreed that the local builder would commence construction of the home once funds were received. Email addresses were exchanged between the local builder and the foreign couple.

The foreign couple and the builder were corresponding by email, as they were both in different jurisdictions. Some instructions on the transfer of funds to construct the home were provided to the foreign couple, supposedly by the local builder. The funds were wired to a bank account in Country C.

During one of the email exchanges, the foreign couple, having sent the funds via wire transfer, enquired of the local builder what progress was being made on the construction of the home. The local builder denied receiving any funds from the foreign couple. He also denied providing instructions for the funds to be wired to a bank in Country C.

After reviewing the exchange of emails, the foreign couple were convinced that the email of the local builder was possibly hacked. A report was made to law enforcement in Country A. However, law enforcement there were unable to consider the matter and advised the couple to contact the authorities in Country B. A subsequent report was made to the FIU in Country B and an investigation was conducted.

The authorities in Country B were able to contact the authorities in Country C to determine the recipients of the wire transfer. It was disclosed that the funds were received at a bank in Country C and cleared by an individual in Country C, who did not appear to have any connections to Country B or to the local builder.

The information was shared with the authorities of Country C, since the monies were transferred from Country A to Country C.

The amount of currency involved was approximately \$150,000.00 USD.

Case #2

A local bank filed a SAR on a female who resides in Country A and works as a bartender at a local bar. The bank has filed a SAR since large deposits are being made to the individual's accounts that do not correspond with her employment status. Furthermore, after placement of funds in the local bank, funds are withdrawn in the bank's branches at Country B and Country C.

Investigations have revealed that the female bartender is a native of Country C and frequently visits or resides in Country B. It has also been revealed that the female bartender has married a local businessman and is claiming to be the owner of a business in Country C. No documentation was uncovered to support this.

The bartender has been suspected of carrying large sums of cash across the border to Country C, with the assistance of other female associates. It is believed that the female bartender may be engaging in illicit activities and laundering the proceeds.

The information is currently being shared with law enforcement authorities with the aim of further investigation and potential prosecution. This report concerns approximately \$60,000.00 USD.

