



BRITISH VIRGIN ISLANDS

ANNUAL REPORT 2007



FIA 2007 ANNUAL REPORT

Mailing Address

Financial Investigation Agency
P.O. Box 4090
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British Virgin Islands

August 25, 2008

The Deputy Governor, Mr. Elton Georges
Chairman of the Board, Financial Investigation Agency
Central Administration Complex
Road Town, Tortola
British Virgin Islands

Dear Chairman:

In accordance with Section 11 (1) (b) of the Financial Investigation Act, I am pleased to present the Financial Investigation Agency (FIA) annual report for the financial year 2007. The report outlines in detail our activities for the period June 1, 2006 though to June 31, 2007, and our main priorities for the final half of 2007 and the year 2008.

The Financial Investigation Agency is the designated Financial Intelligence Unit of the British Virgin Islands. As such it is tasked with the detection of money laundering and terrorist financing activities within the territory. This is achieved by undertaking in-dept analysis and investigation of disclosures of financial transactions, suspicious financial activities and sharing information relating to these activities with local regulatory and law enforcement agencies as well as international law enforcement agencies including Financial Intelligence Units, when there is knowledge or suspicion that the activities are linked with money laundering and terrorist financing related activities.

We pledge to continue our efforts to protect the territory's reputation as a leading financial services jurisdiction while building on the agency's strengths to ensure that we will continue to provide the service as outlined in our Mission Statement.

Yours Respectfully,



Errol George
Director

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MESSAGE FROM THE DIRECTOR

The year 2007 proved to be another successful year for the British Virgin Islands Financial Investigation Agency. This in turn reflects the Agency's commitment to the global campaign aimed at countering the threats of money laundering, the financing of terrorist activities and other related crimes.

While we continued to make great strides in our efforts to undertake our core functions, which are to receive, obtain, analyse, investigate and disseminate information suspected to be linked to criminal activities, the modus operandi used by international criminals in their efforts to infiltrate and abuse our local financial services systems continues to evolve. Therefore, for us to keep pace with these continuing and ever increasing challenges, we must endeavour to:

- 1) Increase and build on existing resources so that we are better equipped to carry out our mandate, as outlined in our Mission Statement.
- 2) Enhance the level of national and international cooperation by streamlining and maximising the use of, and flow of information coming into and leaving the Agency.
- 3) Enhance the level of dialogue and provide the necessary support to local reporting institutions to create a greater level of understanding of each others roles and responsibilities.
- 4) Conduct more timely and in-depth analysis and dissemination of information relating to Suspicious Transactions Reports (STRs)/Suspicious Activity Reports (SARs).

It is in this accord, that I produce our annual report for the year 2007 and pledge to continue our efforts to protect the Territory's financial services sector at home, while helping to maintaining its reputation abroad.


Errol George
Director

OUR MISSION

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

OUR VISION

The 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 Financial Investigation Agency also recognizes the importance of working closely with other important stakeholders in the private sector and;

Make it a priority to forge a closer working relationship with the local provide the necessary support to local Financial Institutions and Company Service Providers.

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

MEMBERS OF THE BOARD

Former Chairman **HON. DANCIA PENN, QC** (2004-2007)
Chairman **MR. ELTON GEORGES, C.M.G, O.B.E., DEPUTY GOVERNOR**
- (2007-Present)

Members

Former Attorney General **MR. CHERNO GALLOW, QC** (2004-2007)
Attorney General **HON. KATHLEEN QUARTEY** (2007-Present)
Financial Secretary **MR. NEIL SMITH**
Managing Director/CEO
Financial Services Commission **MR. ROBERT MATHAVIOUS**
Comptroller of Customs **MR. WADE SMITH**
Commissioner of Police **MR. REYNELL FRAZER**

THE STEERING COMMITTEE

Attorney General **HON. KATHLEEN QUARTEY**
Managing Director/CEO,
Financial Services Commission **MR. ROBERT MATHAVIOUS**
Director, FIA **MR. GRAEME MCDOWELL SMITH**

THE AGENCY

MR. GRAEME MCDOWELL SMITH	Director
JULIEN JOHNSON	Chief Operating Officer
ERROL GEORGE	Senior Investigating Officer
SELWYN ROCK	Investigating Officer/ IT Officer
ALCEDO FAHIE	Investigating Officer
DELIA JON-BAPTISTE	Administrative Assistant

Money Laundering

Money Laundering is defined as the process by which criminals hide or obscure the origin of proceeds of criminal conduct to make them appear as though they derived from or were acquired by legal means.

Criminal proceeds are derived from various criminal activities such as drug trafficking, the illegal sales or trafficking of stolen weapons, human trafficking, fraud and theft (including theft of state property by corrupt political figures) or politically exposed persons (PEPs). These examples can be regarded as some of the most common predicate offences to money laundering.

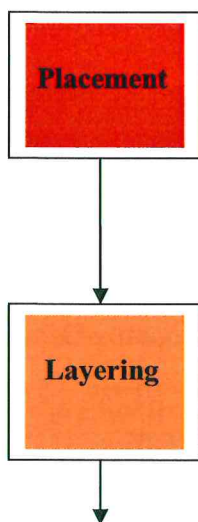
The Money Laundering Process

Money laundering is a process which generally involves a series of complex transactions aimed at obscuring proceeds derived from criminal activities. These proceeds can be derived from frauds, trafficking and sales of illegal drugs, criminal tax evasion, official or public corruption, human trafficking, and trafficking and sales of illegal weapons including weapons of mass destruction.

Criminal activities such as those mentioned are almost always profit driven. The proceeds that are derived from these crimes are normally in large quantities, hence the perpetrators who are involved need to find ways not only to invest these proceeds, but also to create a level of obscurity which is aimed at distancing themselves not only from the crimes but also the proceeds.

To successfully launder their criminal proceeds, perpetrators must use several means which are all aimed at obscuring the origin of their proceeds while attempting to integrate them into the mainstream financial system.

Stages of Money Laundering Cycle



Placement Stage: The placement stage is the stage where the money is first deposited into financial institutions. This stage is the most critical stage of the laundering process. This is so because the risk of arousing suspicion is greatest. Hence the money launderer has to among other things structure his transactions so as to avoid financial institutions reporting to regulatory and investigative agencies such as financial intelligence units. Structuring involves methods such as making small deposits in the same account or multiple accounts in one or more financial institutions. Once the money is deposited into financial institutions, it can be manipulated or used for various purposes such as obtaining bank loan to purchasing luxury items i.e. vehicles, boats, jewelry or invest in real estate.

Layering Stage: The layering stage involves the use of multiple transactions in an attempt to obscure the link between the illegitimate funds and the money launderer. To do this, the funds are moved through multiple accounts in one or more in financial institutions and sometimes in various jurisdictions. The transfers or movement of funds involves

Money Laundering Process Contd.

methods such as electronic transfers and purchasing of bank drafts. The transfers or payments are normally passed off as payments for goods and services. The use of multiple accounts in various financial institutions in various jurisdictions makes detection more difficult. The

money launderer would make use of professionals such as lawyers, accountants and company managers to assist in this stage of the laundering process.



Integration

Integration Stage: This stage involves the return of funds to the legitimate economy for later extraction and circulation. At this stage the funds are seemingly legitimized and it can now be used for whatever purpose the money launderer wishes i.e. starting legitimate businesses, purchasing valuable commodities and investments in real estate assets.

Financing of Terrorist Activities

Terrorism Defined

Terrorism is defined as the unlawful use of force or violence against persons or property to intimidate or coerce a government, the citizens or civilian population or any segment thereof in furtherance of political or social objectives (Federal Bureau of Investigations (F.B.I.)).

Terrorist activities take funding, and one way to combat terrorists is to cut off their access to funds. Terrorist financing is a global problem that requires a great deal of co-ordination among international bodies such as the United Nations, the Financial Action Task Force (FATF), the Caribbean Financial Action Task Force (CFATF) and the Egmont Group of Financial Intelligence Units.

Money Laundering Vs. Terrorist Financing

Whereas the proceeds linked to money laundering generally derived from varying criminal activities such as those listed previously, the funds used to sponsor and support acts of terrorism can often come from legitimate sources, such as charitable organizations who in most cases know very little or nothing about the end uses of these donations. However, there are striking similarities between methods used by money launderers and terrorists. For example, they often use the same methods to move their money such as underground banking "Hawala". When using modern banking systems they both structure their banking activities to avoid reporting procedures. It is important to mention that funds that come into the hands of terrorist organizations are not only used to commit terrorist acts. Some of the funds, though it be small portions, are also used to pay for food, rent and other everyday living expenses.

Achievements in AML/CFT

Introduction

The Territory of the British Virgin Islands is regarded as a premier International Financial Services jurisdiction known for its strong regulatory framework. This makes it a key player in the global financial services system, which means that it will continue to attract business from the world's major financial markets.

While the majority of business which comes to our shores is legitimate and the persons who are involved come seeking legitimate investment opportunities, there are some unscrupulous characters that will look for every opportunity to exploit our financial system. The threats posed by these individuals are real and the ever-increasing challenges mean that we must become more agile, more aggressive and more creative.

To confront these challenges, the British Virgin Islands Government has always been steadfast in its commitment to ensure that the territory has in place the necessary framework to safeguard this vital part of our continued economic success and stability from the scourge of money laundering and the financing of terrorist activities. Pivotal to this was the creation of the Financial Investigation Agency to enhance the regulatory and law enforcement framework so that the Territory would be better equipped to face the ever increasing challenges posed by money launderers and terrorist financiers and the perpetrators of other financial crimes.

The Financial Investigation Agency was created as a statutory body by virtue of the Financial Investigation Agency Act, 2003 and serves as the Financial Intelligence Unit of the British Virgin Islands. Financial Intelligence Units serve as important components of any country's national strategy aimed at combating money laundering and the financing of terrorist activities.

Recommendation 26 of the Financial Action Task Force (FATF) and the Caribbean Financial Action Task Force (CFATF) call on countries to establish Financial Intelligence Units (FIUs) to serve as national centres for receiving (and, as permitted, requesting), analysis and dissemination of Suspicious Transaction Reports (STRs)/Suspicious Activity Reports (SARs) and other information regarding potential money laundering or terrorist financing. These FIUs should have access, directly or indirectly, on a timely basis to the financial, administrative and law enforcement information that it requires to properly undertake its functions, including the analysis of STRs/SARs.

The Egmont Group defines an FIU as a central, national agency responsible for receiving and as permitted, requesting, analyzing and disseminating to competent authorities, disclosures of financial information concerning suspected proceeds of crime and potential financing of terrorism, or required by national legislation or regulation in order to combat money laundering and the financing of terrorism.

The Financial Investigation Agency (FIA)

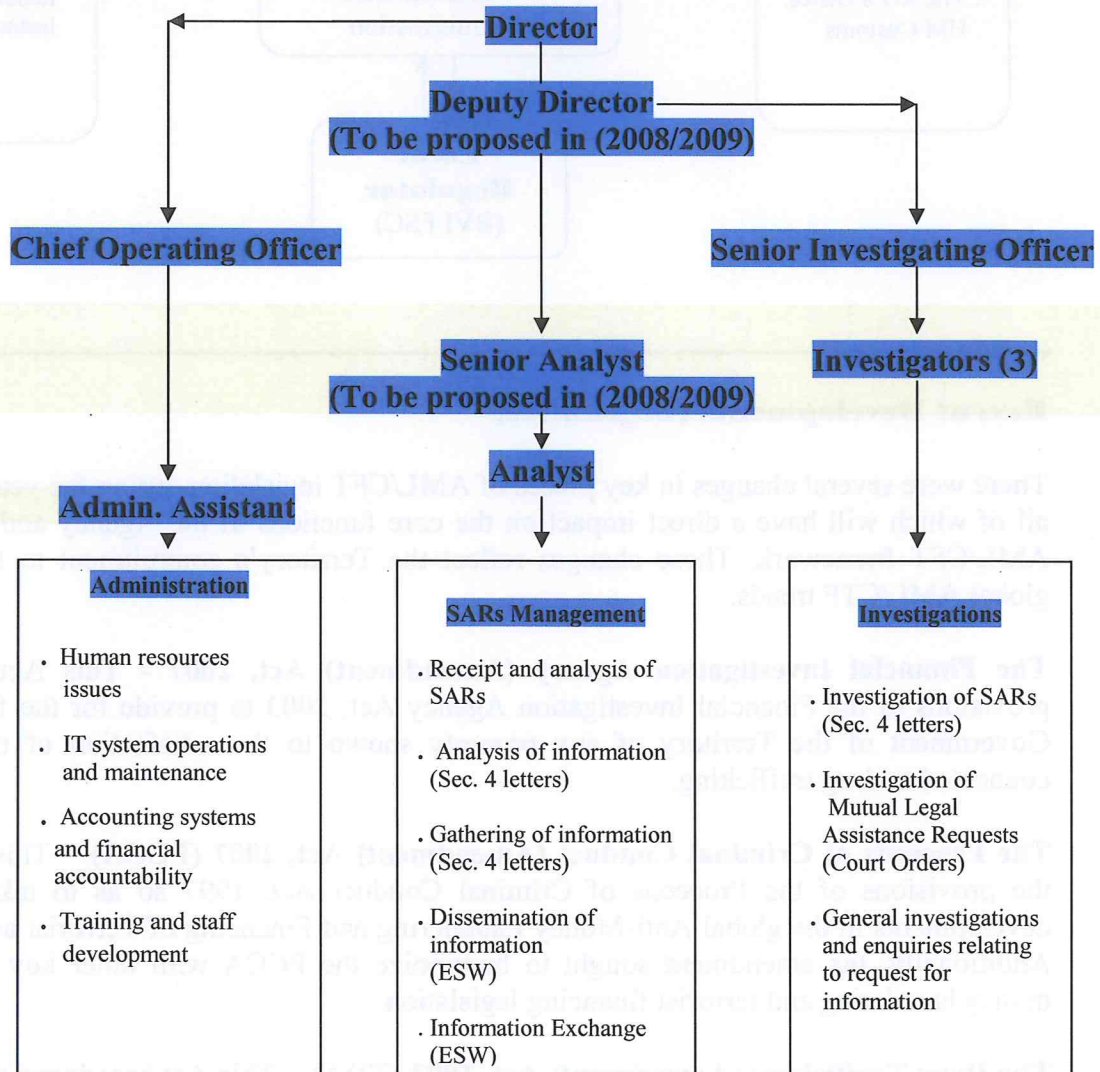
Though the traditional role of a Financial Intelligence Unit is based on the Egmont definition of an FIU, the role of the British Virgin Islands Financial Investigation Agency is more broadly defined in that the FIA also deals with Mutual Legal Assistance Treaty requests (United States of America M.L.A.T.'s) and requests for legal assistance, made in accordance with the Criminal Justice (International Co-operation) Act, 1993.

Mutual Legal Assistance Requests and/or Requests for Legal Assistance are requests made mainly for the purpose of gathering documentary evidence, or exhibits required by the requesting authority, in a form that is admissible in a court of law in the requesting jurisdiction.

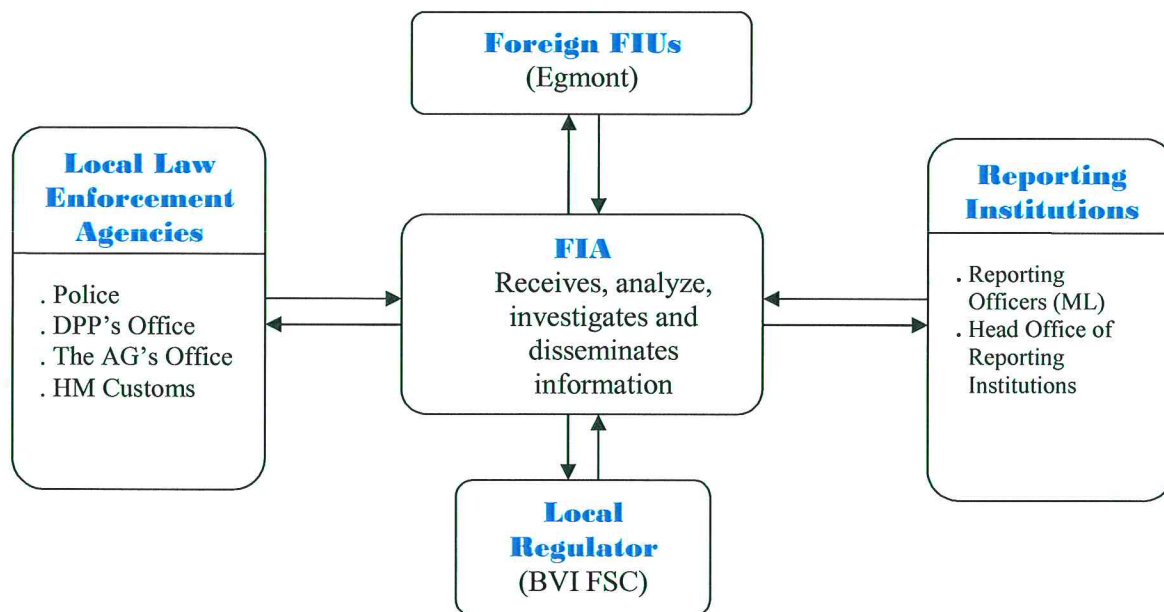
FINANCIAL INVESTIGATION AGENCY 2007

Such enquiries along with requests for information sent by Egmont Group Financial Intelligence Units, local regulatory and law and international law enforcement agencies are received and investigated by the Agency. It is important to point out that Mutual Legal Assistance Requests and/or Request for Legal Assistance differ from the requests received from Egmont FIU's and other local regulatory, law enforcements and international law enforcement bodies in that the latter relate to intelligence or information and not requests for evidence. The exchange of information with Egmont FIU's and other competent authorities is critical in the global anti-money laundering and combating the financing of terrorism efforts.

The Financial Investigation Agency



Information Flow among Key Stake Holders



Recent Developments (Legislative)

There were several changes in key pieces of AML/CFT legislation during the year under review, all of which will have a direct impact on the core functions of the Agency and the Territory's AML/CFT framework. These changes reflect the Territory's commitment to keep pace with global AML/CTF trends.

The Financial Investigation Agency (Amendment) Act, 2007 - This Act expanded the provisions of the Financial Investigation Agency Act, 2003 to provide for the forfeiture to the Government of the Territory of any property shown to the satisfaction of the court to be connected to drug trafficking.

The Proceeds of Criminal Conduct (Amendment) Act, 2007 (PCCA) - This Act expanded the provisions of the Proceeds of Criminal Conduct Act, 1997 so as to take into account developments in the global Anti-Money Laundering and Financing of Terrorist activities sphere. Additionally, the amendment sought to harmonize the PCCA with other key pieces of anti-money laundering and terrorist financing legislation.

The Drug Trafficking (Amendment) Act, 1992 (TDA) - This Act broadened the scope of the Drugs Trafficking Act, 1992 so as to give authorities more power to conduct investigations into the proceeds of drug trafficking (drugs money laundering).

The Anti-Money Laundering Regulations (Expected to be laid before the House of Assembly early in 2008) - The Anti-Money Laundering Regulations will be mandatory and will

have the force of law. The Regulations require anyone engaged in "relevant financial business" activities (a financial services provider "FSP") to have in place systems and training to prevent money laundering.

The Money Laundering and Terrorist Financing Code of Practice (Expected to be laid before the House of Assembly early in 2008) - The Money Laundering and Terrorist Financing Code of Practice will expand the AML/CFT obligations of reporting institutions. It also expanded the functions of the Agency thereby allowing it to play an even greater role in the Territory's AML/CFT regulatory framework.

AML/CFT Efforts

Reporting of Suspicious Activities linked to Money Laundering and Terrorist Financing

The reporting or disclosure of suspicious transactions linked to money laundering and the financing of terrorist activities are important tools in the Territory's AML/CFT system. In accordance with the relevant provisions of the Proceeds of Criminal Conduct Act, 1997 (as amended), financial institutions have a legal obligation to report to the Financial Investigation Agency any suspicious activity when there are reasonable grounds to suspect that a customer is involved in money laundering, or the financing of terrorist activities where the transaction exceeds the amount of fifteen thousand dollars or such lower threshold as the reporting entity may establish. A disclosure once made becomes a Suspicious Activity Report (SAR).

Receipt, Analysis and Dissemination of Information linked to Money Laundering and the Financing of Terrorist Activities.

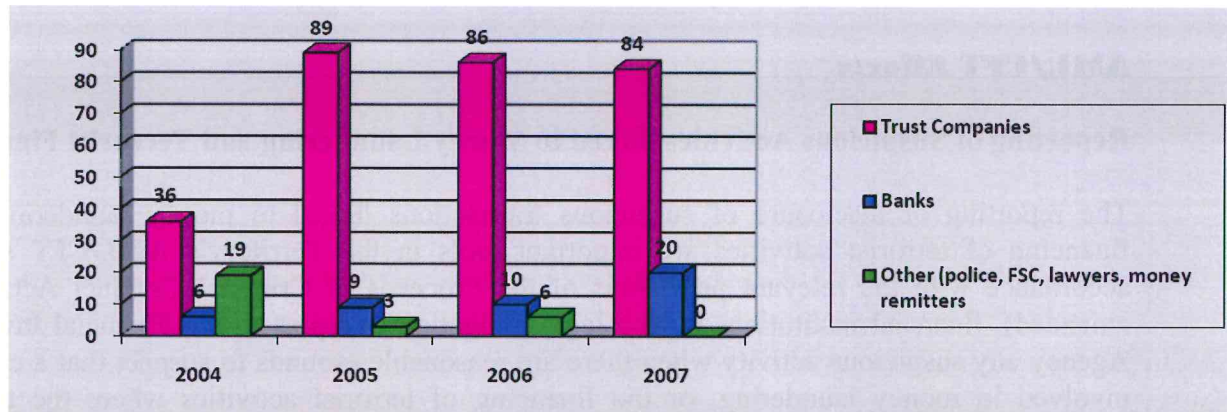
Receipt of Suspicious Activity Reports

Trust and company services providers and banks make up the majority of reporting institutions captured under the Territory's money laundering and terrorist reporting regime. Of the reports filed by these institutions annually, the majority of reports are filed by Company Services Providers (CSPs), which make up the largest portion of the reporting sector. The remainder are filed by the local banking sector, which represents the smallest portion of the Territory's financial services sector.

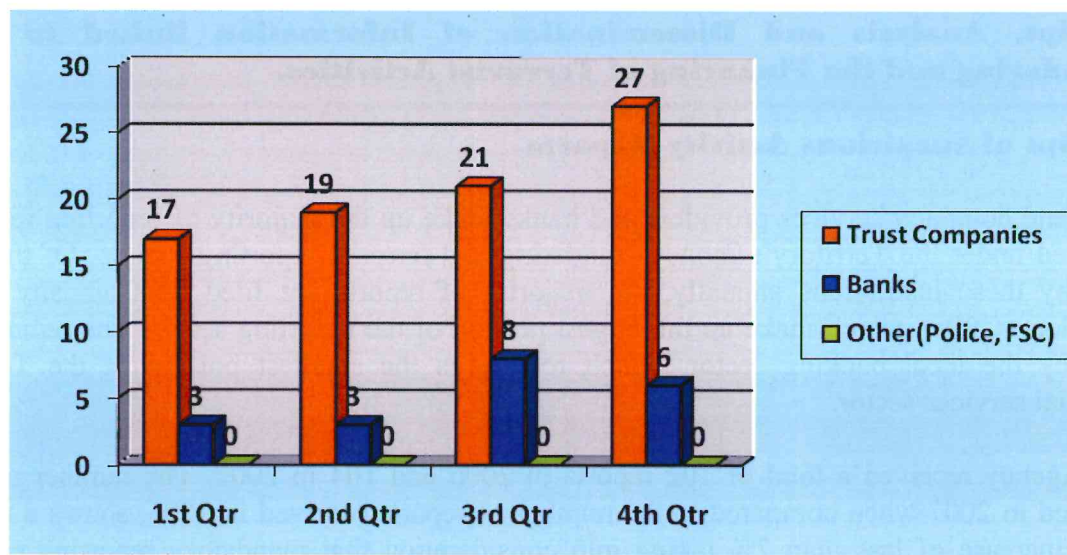
The Agency received a total of 102 reports in 2006 and 104 in 2007. The number of reports received in 2007 when compared to the number of reports received in 2006, shows a relatively small increase of less than 2% taking into consideration that mandatory reporting came into effect in 2006. However, the trend as indicated in the chart shows that the level of reporting remained relatively similar between the periods 2005-2007 when compared to the number of reports received in 2004. The one logical explanation that can be offered in the absence of a major change in the level of reporting between the period under review and the previous years 2005-2007 is that reporting institutions took seriously their reporting obligation under the old reporting regime which ended with the enactment of mandatory reporting legislation which took effect in October of 2006.

There is a general feeling that the number of SARs or STRs reported is low when taking into consideration the size of the financial services sector. However, it is important to note that the BVI is not an offshore banking centre. It is equally important to mention that corporate vehicles make up the largest portion of the BVI financial services sector. Whereas these entities are registered in the BVI, the reality is that they trade and engage in banking activities elsewhere. Additionally, the BVI has a relatively small population which currently stands at approximately 25,000.

The below chart represents the number of SARs received between the period 2004-2007



The chart below represents the breakdown of number of STRs received quarterly during the year under review (2007)



During the year under review, the Agency noticed an increase in the number of Suspicious Transaction Reports filed by local banking institutions. The Agency believes this is a positive sign as it suggests an increased focus on compliance within the banking sector. However, there are signs that some of the banks are falling behind in their reporting obligations, which suggests that there may be a need for greater awareness.

PROCEEDS OF CRIMINAL CONDUCT ACT Section 28 (2) (As amended by the Financial Investigation Agency Act)

States:-

Where a person discloses to the (STEERING COMMITTEE) suspicion or belief that funds or investments are derived from or used in connection with criminal conduct or disclosure to the Reporting Authority (STEERING COMMITTEE) any matter on which such a suspicion or belief is based.

- a) The disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed by statute or otherwise and shall not give rise to any civil liability; and
- b) If he does any act in contravention of subsection (1) and the disclosure relates to the arrangement concerned, he does not commit an offence under this section if,
 - (i) the disclosure is made before he does the act concerned; or
 - (ii) the disclosure is made after he does the act, but is made on his initiative and as soon as it is reasonable for him to make it.

Note - A disclosure once made, becomes a Suspicious Activity Report (SAR)

STRs/SARs made to the Financial Investigation Agency follow a set route. On receipt, the STRs/SARs are entered into the Agency's database after which a copy is given to the Director. This is the working copy. The Agency then sends a reply to the reporting entity acknowledging receipt of the STR/SAR, which acts as an official record of the disclosure made. Names of individuals and entities are extracted from the SAR and then checked against data held by the Agency. They are then checked against each open data source utilized by the Agency. An investigator may be nominated to assist the analyst with the investigation of STRs/SARs. This is done at the discretion of the Director.

A Basic analysis of STRs/SARs are made and a course of action planned. In many cases this may be to hold on to the file for information purposes only. This is often the case in defensive reporting which arises where the financial institution becomes aware that its client is the subject of legal action in a court outside the territory of the British Virgin Islands. In such cases there is very little that can be done in the British Virgin Islands except for storing the information for future analytical purposes.

In other instances there may be an exchange of information between the FIA and foreign Financial Intelligence Units as well as with local and international law enforcement agencies. This happens when the contents of the STR/SAR refers to entities and individuals in other jurisdictions. Information may also be sought from other local as well as foreign agencies. In some instances there maybe the need to seek advice and authority from the Attorney General's Office before such information can be passed on or shared, though such instances are rare. After undertaking analysis of STRs/SARs and the Agency determines that a criminal offence was committed in the Territory, that information is then forwarded to the Commissioner of Police for

further action. The Agency will take no further part in the investigation, unless requested to do so by the Attorney General, Director of Public Prosecution (DPP) or the Commissioner of Police.

Feedback to reporting institution

The Agency provides feedback on STRs/SARs to reporting institutions where permitted by law. It is not always practical to offer the level of feedback sometimes requested by makers of STRs/SARs. This is so for two main reasons. The first is that the Agency itself could be liable of tipping off if it provides information that proves to be prejudicial to the outcome of an investigation, which was started as a result of an STR/SAR. Secondly, the majority of STRs/SARs received by the Agency pertain to BVI registered business companies trading or operating elsewhere. This means that the assets of these entities, including assets held in trust, are located in jurisdictions outside the Territory.

International Cooperation

The Egmont Group

The Egmont Group of Financial Intelligence Units is a nonpolitical organisation which was formed in June of 1995 following a meeting which took place at the Egmont, Arenburg Palace in Belgium. The Egmont Group was formed to foster cooperation through the exchange of financial information between its members (FIUs) on an international level. July of 2007 marked an important step in the work of the Egmont Group as Egmont became a formal organization after the Heads of Financial Intelligence Units from the 102 member countries adopted and agreed on a Charter. This Charter reconfirms the Egmont Principles by which existing members are expected to abide.

Egmont Group Members

Albania	Georgia	Nigeria
Andorra	Germany	Niue
Anguilla	Gibraltar	Norway
Antigua and Barbuda	Greece	Panama
Argentina	Grenada	Paraguay
Armenia	Guatemala	Peru
Aruba	Guernsey	Philippines
Australia	Honduras	Poland
Bahamas	Hong Kong	Portugal
Bahrain	Hungary	Qatar
Barbados	Iceland	Romania

Egmont Group Members Contd.

Belarus	India	Russia
Belgium	Isle of Man	San Marino

Belize	Israel	Serbia
Bolivia (suspended in July of 2007)	Italy	Singapore
Bosnia and Herzegovina	Japan	Slovakia
Brazil	Jersey	Slovenia
British Virgin Islands	Korea	South Africa
Bulgaria	Latvia	Spain
Canada	Lebanon	St. Kitts/Nevis
Cayman Islands	Liechtenstein	St. Vincent /the Grenadines
Chile Columbia	Lithuania	Sweden
Cook Islands	Luxembourg	Syria
Costa Rica	Macedonia	Taiwan
Croatia	Malaysia	Thailand
Cyprus	Malta	Turkey
Czech Republic	Marshall Islands	Ukraine
Denmark	Mauritius	United Arab Emirates
Dominica	Mexico	United Kingdom
Egypt	Monaco	United States
El Salvador	Montenegro	Vanuatu
Estonia	Netherlands Antilles	Venezuela
Finland	Netherlands	
France	New Zealand	

The BVI FIA, like other Egmont FIU's, recognizes that sharing of information, whether on an international or domestic level, is an important tool in assisting law enforcement agencies as well as foreign governments to deter, detect, investigate and prosecute money laundering, the financing of terrorism and other related crimes. The exchange of information through information sharing channels, such as provided by Egmont allows the process to take place much quicker than it would if it were to go through more formal channels, such as from government to government. However, it is worth mentioning that though information exchange facilitates the enhancement of financial intelligence it cannot to be used as evidence in criminal matters without the expressed permission of the FIU providing the information. Likewise, it cannot be passed on to other law enforcement agencies without first obtaining authorization from the disclosing FIU. The formal process for providing evidence for use in criminal prosecutions normally takes place through Mutual Legal Assistance channels.

Mutual Legal Assistance

The use of the Territory's Mutual Legal Assistance regime is a vital tool in the suppression of international money laundering, the financing of terrorist activities and financial crime. As the body responsible for obtaining information and evidence for the purpose of criminal proceedings or investigations taking place outside the British Virgin Islands in accordance with the Mutual Legal Assistance (United States of America) Act, 1990 and the Criminal Justice (International Co-operation) Act, 1993, the Agency received and conducted inquiries into several request for mutual legal assistance during 2007.

The Territory's legal requirements regarding requests for mutual legal assistance relating to criminal matters are covered by two (2) principal pieces of legislation. These include the Criminal Justice (International Co-operation) Act, 1993 and the Mutual Legal Assistance (United States) Act, 1990.

The Criminal Justice (International Co-operation), Act, 1993 among other things, enables the British Virgin Islands to join with other countries in implementing the Vienna Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

The provision of mutual legal assistance in criminal matters is triggered by the receipt of a Letter of Request from a foreign country. Before such request can be acted upon, they must set out the name of the requesting authority, the details of the purpose of the request and a description of the suspected offence or offences.

Categories of Mutual Legal Assistance under the Criminal Justice (International Co-operation) Act, 1993 for which the Agency's assistance is sought.

1) Evidence collected in the British Virgin Islands for use overseas pursuant to Section 5.

This section has effect where the Governor receives from a court or tribunal exercising criminal jurisdiction in a country or territory outside the Virgin Islands or a prosecuting authority in such a country, which appears to him to have the function of making requests of the kind to which section 5 applies.

If the Governor, after consultation with the Attorney General, is satisfied that an offence under the laws of the country or territory in question has been committed, or that there are reasonable grounds for suspecting that such an offence has been committed and that proceedings in respect of that offence have been instituted in that country or territory, or that an investigation into that offence is being carried on there, he may after consultation with the High Court Judge, by a notice in writing nominate a court in the Virgin Islands, to receive such evidence to which the request relates as may appear to the court to be appropriate for the purpose of giving effect to the request.

2) Evidence collected in the British Virgin Islands for use overseas pursuant to Section 6.

This section has effect where the Attorney General receives, either directly or through the Governor, a request for assistance in conducting an investigation and obtaining statements and other relevant evidence for the purposes of criminal proceedings that have been instituted, or a criminal investigation that is being carried on in a country or territory outside the British Virgin Islands.

Under this section, a police officer or investigating officer having received written direction from the Attorney General is empowered to conduct the investigation during which he/she may;

(a) Interrogate and take statements from such persons as may appear to the Attorney General to be appropriate and make copies of such documents or take extracts or sample and to receive such evidence as may appear to be appropriate.

(b) In addition, where there are reasonable grounds for suspecting that there is evidence on premises in the British Virgin Islands relating to an offence under subsection (2) of the Criminal Justice (International Co-operation) Act, the police officer or investigating officer under direction from the Attorney General will apply to the local Judge or Magistrate for a search warrant to enter and search those premises and to seize any such evidence that may be found there, other than items subject to legal privilege.

Any evidence recovered during the search is then furnished to the Attorney General for transmission to the court, tribunal or authority, which requested it.

The Legal Requirements concerning incoming request for mutual legal assistance in the territory of the British Virgin Islands under the Mutual Legal Assistance (United States of America) Act, 1990

This Act makes provision for giving effect to the terms of a Treaty made between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland, concerning the Cayman Islands in 1986, which was extended to the British Virgin Islands in 1990. It enables both countries to improve the effectiveness of their law enforcement authorities in the prosecution and suppression of crime through co-operation and mutual legal assistance in criminal matters, and purposes connected therewith.

Under this Act, the Attorney General is the Central Authority/Competent Authority and as such can either act alone or authorize officers of his/her department to act on his/her behalf.

Categories of Mutual Legal Assistance under the Mutual Legal Assistance (United States of America) Act, 1990 for which the Agency's assistance is sought.

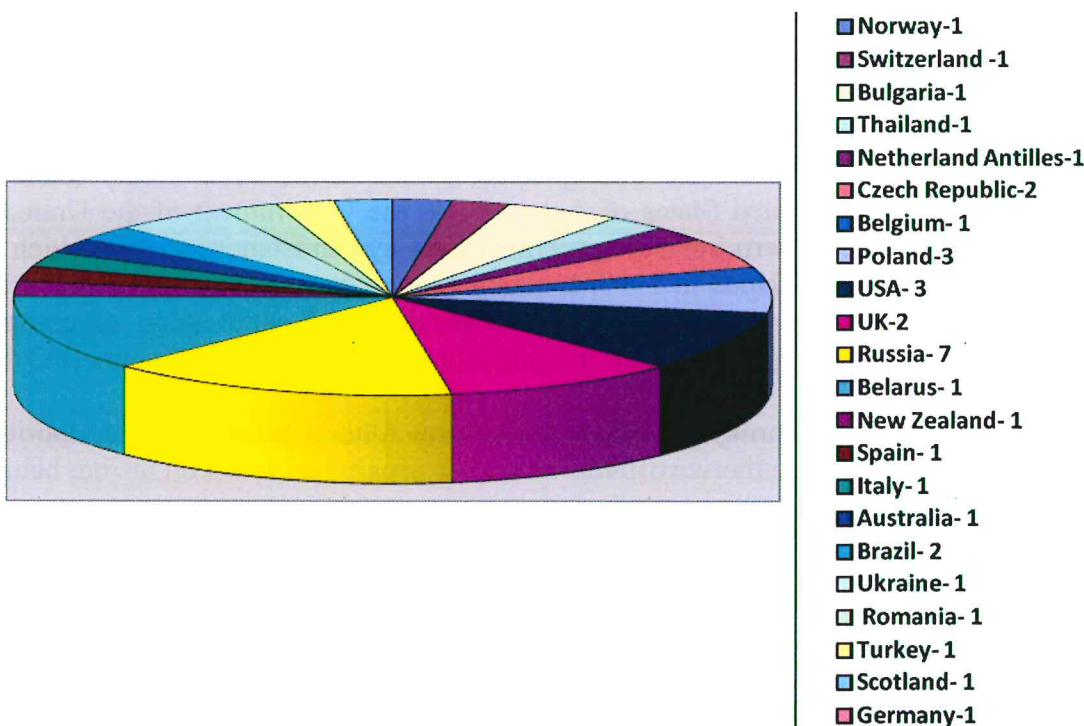
- 1) Service of documents or order or the seizure of any article in pursuance of any article or pursuance of any instructions given by the Attorney General.
- 2) Officers in the Agency, if instructed, can also take testimony or statements of persons, provide documents, records, and articles of evidence, locate persons to include witnesses or accused persons, transfer persons in custody for testimony, execute request for search and seizures, freeze or restrain criminally obtained assets and assist in proceedings related to forfeiture, restitution and collection of fines and any other steps deemed appropriate by both Central Authorities.

The Following table shows a breakdown of Mutual Legal Assistance requests received during the period 2004-2007

Mutual Legal Assistance Request	2004	2005	2006	2007
Number	33	53	25	36

The following pie chart shows country by country break down of Mutual Legal Assistance Request during the year under review.

Mutual Legal Assistance Requests received for 2007 (country by country)



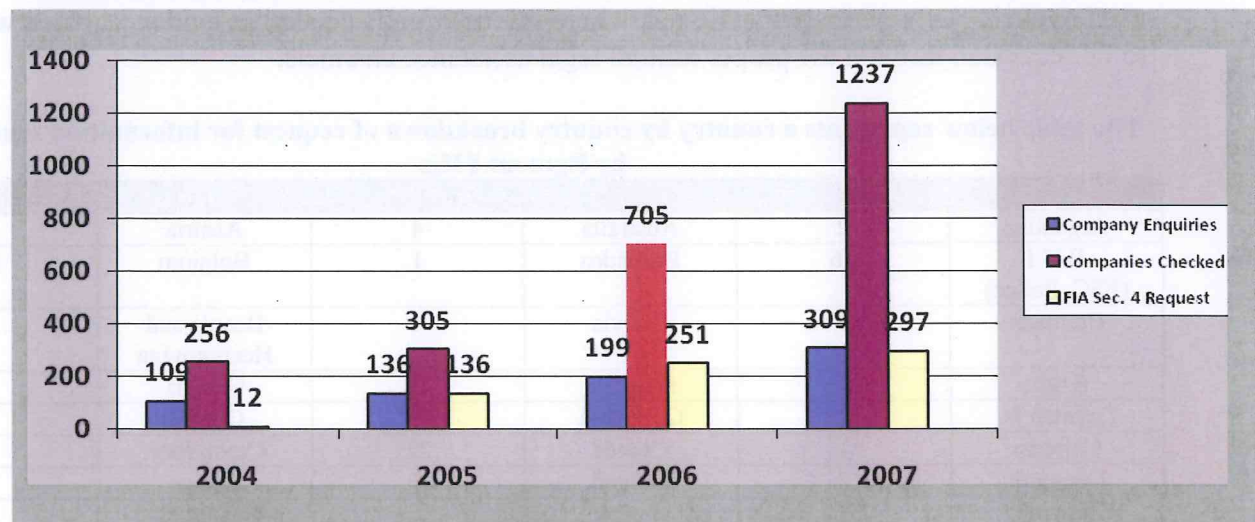
In 2007, the Agency dealt with a total of thirty-six (36) requests for mutual legal assistance. These requests originated from twenty-one (21) different countries. These requests were mainly linked to the investigation and prosecution of fraud related offences, which are predicate offences to money laundering. The investigations and prosecutions were linked to the BVI by way of BVI registered business companies. The largest number of requests originated from Russia with a total of seven (7) requests.

Request for information on BVI Business Companies

The British Virgin Islands is well known due to the large number of business companies incorporated in the Territory. These companies which generally conduct business outside the Territory are used for various purposes, most of which are legitimate. However, these companies have been known to be victims of criminal activities. They have also been known to be used as vehicles to hide or launder the proceeds of criminal activities. Because of this, there will always be a need for the FIA to provide information or details on these companies to requesting authorities overseas.

The number of request for information on BVI companies has always remained relatively high and thus will always be an important part of the Agency's work. The time it takes to provide this information can be critical. Requests for information on BVI companies serve as the starting point for investigations. The next step in the process usually comes just before or after an arrest is made. This step involves a Letter of Request for Mutual Legal Assistance, which is sent for the purpose of collecting evidence.

The graph and table below shows the number of company enquiries, company checks, request for information sent to various reporting institutions in accordance with Sec. 4 (2) (d), FIA Act during years under review 2004-2007



The table above shows a steady increase in the number of company enquiries, company checks and request for information sent to reporting institutions by the Agency by virtue of its powers in accordance with the provisions of Section 4 (2) (d) of the FIA Act in 2007. However, the most noticeable increase can be seen between the number of companies checked conducted in 2007 when compared to checks conducted in 2004, 2005 and 2006. The Agency concludes that the increase is as a result of a rise in the number of searches conducted on behalf of the Royal Virgin Islands Police Force. These searches are linked to enquiries or investigations conducted by International Police Organization (INTERPOL).

Section 4 (2) (d) gives the Agency the power to request information from various sources including reporting institutions. It is absolutely necessary to do so if we are to be able to truly fulfill the responsibility of our core functions.

This Section states that the Agency may require the production of such information, excluding information subject to legal privilege, that the Agency considers relevant to the performance of its functions.

Section 4 (4)

Any person failing or refusing to provide the information required under subsection (2) (d) above, commits an offence and is liable on summary conviction to a fine not exceeding twenty thousand dollars or to imprisonment for a term not exceeding two years or both.

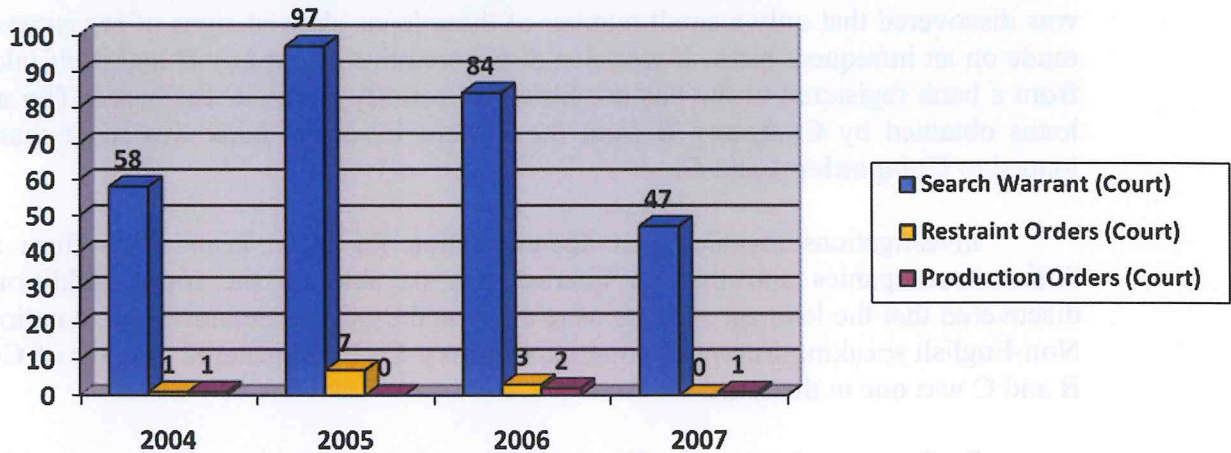
It should be noted that the information supplied in accordance with the powers granted to the Agency under Section 4 (2) (d) of the FIA Act is information only and can therefore only be used as such. As previously mentioned, where information is needed as evidence, same will have to be requested through the proper mutual legal assistance channels.

The table below represents a country by country breakdown of request for information sent to FIA by Egmont FIUs

Country	No. of Requests	Country	N. of Requests	Country	No. of Requests
Argentina	2	Australia	4	Austria	2
B.V.I (FSC, Police)	36	Barbados	1	Belgium	11
Bermuda	5	Bolivia	4	Bosnia and Herzegovina	2
Brazil	5	Bulgaria	22	Canada	1
Cayman Is.	2	Columbia	1	Croatia	7
Curacao	1	Cyprus	22	Czech Rep.	2
Denmark	2	Finland	4	France	3
Germany	10	Greece	1	Guatemala	2
Hungary	5	Indonesia	5	Ireland	1
Israel	1	Italy	5	Latvia	4
Lebanon	1	Lithuania	1	Luxemburg	4
Macedonia	3	Malta	1	Mauritius	2
Minsk	1	Moldova	1	Montenegro	1
New Zealand	2	Norway	4	Peru	1
Philippines	2	Portugal	2	Romania	15
Russia	21	South Africa	2	Spain	1
St. Kitts	2	St. Vincent	5	Thailand	2
U.K.	35	U.S.	13	Ukraine	11
Venezuela	3				

Definition:- in law the term “evidence” is used to describe the means that any fact or point in issue or in question can be proved or disproved in accordance to the legal rules covering the subject.

The chart below represents the number of Search Warrants, Restraint Orders and Production Orders served between the periods 2004-2007



Typologies

Examples of Money Laundering Cases

The following sanitized cases are examples of actual cases investigated and prosecuted outside the territory of the British Virgin Islands. However, these investigations and prosecutions could not have taken place without assistance from the Agency through the provision of vital pieces of evidence gathered locally.

Introduction

The vast number of corporate vehicles registered within the Territory, the majority of which are used to engage in business activities including conducting financial transactions elsewhere make it very difficult to police these entities. This of course makes this particular part of the sector vulnerable to potential abuse. This is why it is extremely important for law enforcement entities including financial intelligence units to build strategic relationship to foster national and international cooperation through the sharing of information and gathering and repatriation of evidence to assist in countering transnational crimes. The cases mentioned below are used as examples to illustrate the importance of networking between law enforcement, intelligence and prosecutorial authorities.

Case # 1

Business Company A based in a non-English speaking Eastern European **Country A** obtained a loan from **Company B**, an offshore company registered in an offshore jurisdiction and whose parent company is based in **Country B**. The loan in the amount of Euros 200,000.00 was obtained from a bank based in **Country B**. It later came to light that **Company B** had made

a number of loans to another company, **Company C** also based in European **Country A** as **Company A**. These loans were in the amount of Euros 250,000.00, Euros 20,000.00 and Euros 400,000.00. The loans were also obtained from the said Bank in **Country B**. When examined, it was discovered that only a small number of these loans showed signs of repayment which were made on an infrequent basis. It was also discovered that **Company B** had itself taken out a loan from a bank registered in the Eastern European country where it was based. The amount of the loans obtained by **Company B** from the Eastern European bank was more than the amount loaned to **Companies A** and **C**.

Investigations revealed that documentation for these loans came from a number of different companies and that no interest was payable on the loans. Additionally, it was discovered that the loan agreements were all signed by the same individual, a national of a third Non-English speaking European country, **Country C**. The registered director of **Companies A, B** and **C** was one in the same.

Further investigations in **Country C** revealed that the beneficial owner of **Company A** was also listed as the beneficial owner of **Company B** who worked out of **Company B's** head office in **Country B**. The loans obtained by **Company B** from the bank in **Country B** and later re-loaned to **Companies A** and **C** were passed off as advance payments for consultancy work to be done in the future.

Investigators could find no legitimate source for the monies but later discovered that it was the proceeds of prostitution, corruption and drugs trafficking. The money was transferred between companies before being offered as a series of loans to outside companies. The banks involved transferred the loan amounts on instruction from the director of **Company B** who was unaware that the money was proceeds of crime. As mentioned earlier the payments were passed off as advance payment for consultancy work to be done in the future, unaware that the documents obtained showed that the payments were issued as loans.

The money laundering scheme covered various jurisdictions for the purpose of creating documentation in various languages so as to obscure the paper trail.

Case # 2

The registered address of **Company A**, a shipping company located in **Country A** was searched by customs officials following receipt of documentation pointing to the illegal sale of weapons alleged to be originating from **Country B** destined for **Country C**. Amongst the documents retrieved during the search was a copy of an invoice from **Company B**, located in Eastern European country, to **Company C** also registered in **Country A** for the supply of a large shipment of arms. The beneficial owner of **Company A** was interviewed by customs officials and it was revealed that **Company A** was sub-contracted by a fourth company, **Company D**, in relation to a licensed and authorized import of the weapons from **Country B** which as stated before are destined for **Country C**.

The invoice also listed **Company D** located in the same Eastern European country as the owner of the weapons while **Company B** was a government approved arms exporter in **Country**

B. A search of the business premises of **Company C** revealed a number of documents containing information on another company, **Company E**, an offshore entity registered in an offshore jurisdiction. The information revealed that the beneficial owner of **Company A**, who also owned offshore entity **Company E**, had sent an invoice in the name of **Company E** to a company purporting to be a registered arms dealer in a third country, **Country C**, seeking payment for Consultancy Advice and Assistance for Business development provided by **Company E**.

The investigation later revealed that neither Companies **A**, **B** nor **C** was authorized or possessed a license to export goods from **Country B**. Hence it was discovered that the payments such as that received through **Company E** were the proceeds of illegal purchase and sale of arms from **Country B** which was supplied to **Company C**.

Case # 3

Company Z is an offshore entity registered in **Country A**, an offshore jurisdiction. **Company Z** which is owned by a **Mr. Y**, a citizen of **Country C** has a bank account in **Country B**. The bank account is used to hold investments for **Company X** which is registered as an investment Fund in **Country A**. The purpose of the investment Fund was to re-invest in business ventures such as real estate development in **Country D**. A portion of the invested money was used to pay dividends to the large group investors who were guaranteed a return at a fixed percentage rate on their investment which was to mature after ten (10) years. Dividends were paid on a monthly basis for the first nine and a half years. Two months before the investment was due to mature, investors were told that the real estate development was experiencing problems and as a result the money that was to be paid out to investors had to be injected into the project and therefore the payment of their dividends had to be deferred to a later date. It was later discovered that the Fund managers were misappropriating the investments by transferring funds from the bank account in **Country B** to several other bank accounts in different jurisdictions. The funds were then being used to support lavish lifestyles being lived by them and their close friends and family.

Conferences/Training Events for 2007

As customary the Agency took part in several conferences and training sessions during the period under review.

- 1) The Caribbean Financial Action Task Force Annual Heads of FIU meeting took place in Costa Rica was attended by the Director and the Senior Investigator Errol George. The Director gave an address in relation to the setting up of an information exchange system for Financial Intelligence Units in the region.
- 2) The Egmont Training Working Group held its March meeting in Vaduz, Liechtenstein, attended by the Director and Senior Investigating Officer.
- 3) The 2007 Egmont Plenary was held in Hamilton, Bermuda and was attended by the Director, Senior Investigating Officer Errol George, the Financial Secretary Mr. Neil Smith and Comptroller of Customs Mr. Wade Smith, members of the Agency's Board.

The Director and Senior Investigating Officer participated in the Training Working Group meetings and together with the Board members took part in various break-out training sessions focusing on topics such as money laundering, the financing of terrorist activities and IT Security issues.

- 4) The Agency continued its training programme during the year under review and gave two separate presentations to students of the H.L. Stoutt Community College. These students were enrolled in the Introduction to the British Virgin Islands Financial Services Sector Course. The sessions covered the role of the Agency in combating transnational crimes and an introduction to money laundering and the financing of terrorist activities. The presentations were delivered by Senior Investigating Officer Errol George, who was invited as guest speaker.

Overseas Training Courses Attended by the Agency's staff 2004-2007

Errol George- Senior Investigating Officer

-Anti-money Laundering and Counter-Terrorist Financing Training Seminar- U.K. October 2004 (RSM Robson Rhodes)

-Financial Institution Employers and Businessman's Conference-April 2005- St. Thomas, USVI

-Egmont Plenary- Washington, DC, U.S.A - July 2005 (included workshops on AML/CFT)

-Money Laundering Typologies Workshop- Brazil- October 2005 (FATF)

-Money Laundering, Corruption and Tax Evasion Workshop- Brazil October, 2005 (OECD)

-Anti-money Laundering and Counter-Terrorist Financing Seminar Berlin, Germany May 2006- (Akademie Heidelberg)

-Egmont Plenary-Cyprus- June 2006 (included workshops on AML/CFT)

-Terrorist Financing Investigation Training Course- October 2006- London, U.K. (National Terrorist Financing Investigation Unit (NTFIU), New Scotland Yard)

-The Money Laundering.com and Money Laundering Alert 12th Annual International Conference and Exhibition- Hollywood, Florida, USA- March 2007

-Egmont Plenary- Hamilton, Bermuda - May 2007 (included workshops on AML/CFT)

Selwyn Rock- Investigating Officer/IT Analysis Officer

- Investigation by Computer- June 2006, U.S.A. (Association of Certified Fraud Examiners)

-National Intelligence Analysis Training Course- July 2005, (Wakefield, West Yorkshire Police Training Centre, U.K.)

-Introduction to Computer Forensics-May 2006, U.S.A., (International Association of Computer Investigative Specialists)

-CompTIA Boot Camp- July 2007- U.S.A (A+, Security+ and Network+ Certification)
Between 28th October and 3rd November 2007

-Sergeant Rock travelled to St. Kitts to provide training to the St. Kitts/Nevis FIU in the use of i2 and Analysis Notebook 6 Software to aid ML and TF related investigations and the analysis of Suspicious Transaction Reports.

Alcedo Fahie- Investigating Officer

-Proactive Intelligence Technique and Software Workshop-February 2005-St. Vincent and the Grenadines.

-Introduction to Financial Investigations-March 2005-REDTRAC, Jamaica

-Financial Institution Employers and Businessman's Conference-April 2005- St. Thomas, USVI

-Introduction to Criminal Intelligence Analysis Training Course- June 2005-REDTRAC, Jamaica
National Intelligence Analysis Training Course-Feb.-Mar. 2006- West Yorkshire Police Training Centre, UK

-Techniques of Financial Investigations-June 2006- REDTRAC, Jamaica

-Anti-Money Laundering in the Securities Industry Training Seminar-November 2006-
Guayaquil, Ecuador.

-The Money Laundering.com and Money Laundering Alert 12th Annual International Conference
and Exhibition- Hollywood, Florida, USA- March 2007.

-National Intelligence Analysis Training in Crime Pattern Analysis-June-July 2007-Greater
Manchester Police Training Centre, U.K.

-Crime Analysis Training Course-September 2007- West Yorkshire Police Training Centre, U.K.

Anti-Money Laundering and Terrorism Exploring Technological Solutions Workshop Solutions-
November 2007- St. Vincent and the Grenadines

Delia Jon-Baptiste- Trainee Analyst

-Introduction to Financial Investigation-November, 2006, REDTRAC, Jamaica

-National Intelligence Analysis Training Course (NIAT)- November, 2007 (Greater Manchester, U.K.)

Training provided local reporting institutions and other organizations 2004-2007

Year	Financial Institutions/DNFBPs	Other	Type of Training
2004	Jordan's Caribbean Limited; Ams Trustees Limited; Rathbone Trust Co. (BVI) Ltd.;	College Students as part of Intro. To BVI Financial Services Course	Role of FIA M/Laundering Fin. of Terrorism STRs/SARs Reporting/Process and procedures
2005	Rathbone Trust Co. (BVI) Ltd.; Shirley Trust Company Limited; Jordans (Caribbean) Limited	College Students as part of Intro. To BVI Financial Services Course Workshop-Intro of FSC and FIA to Senior Public Servants	Role of FIA M/Laundering Fin. of Terrorism SARs/STRs Reporting/Process and Procedures
2006	Sable Trust Limited; Jordan (Caribbean) Limited VP Bank/ATU General Trust	College students as part of Intro. To BVI Financial Services Course	Role of FIA M/Laundering Fin. of Terrorism SARs/STRs Reporting/Process and procedures
2007		College students as part of Intro. To BVI Financial Services Course	Role of FIA M/Laundering Fin. of Terrorism SARs/STRs Reporting/Process and procedures

Other achievements

During the year under review the Agency continued its involvement in the activities of the Caribbean Financial Action Task Force (CFATF) and attended the plenary meetings which are held twice annually.

The Agency also continued its work with the Egmont Training and Outreach Working Groups and attended the Training Working Group meetings which were held in Bermuda during the annual Plenary. However, representation could not be made at the October Working Group Meetings which took place in Kiev, Ukraine due to other important commitments which took precedence. During working group meetings which took place during the year under review, the Agency played an important role in the negotiations surrounding the proposed membership contributions for funding the Egmont Secretariat. As a member of the transition sub-committee which took responsibility for the funding, location, administration and standard draft Memorandum of Understanding to be used by Egmont, the Agency was instrumental in the final decision-making process which resulted in a considerable reduction in the amount each Egmont member would pay in annual membership fees/contributions.

Investigation of IPOC International Growth Fund and Affiliated Companies

The Agency continued investigations in the IPOC matter in an effort to bring the matter to a conclusion. The ongoing investigations took place jointly with the Bermuda Police Service Financial Investigation Unit in accordance with a Memorandum of Understanding which was entered into between the two agencies.

The Way Forward (Development Perspectives)

The period 2008/2009 is expected to bring about new challenges as the Agency's regulatory role is expected to increase following the passage of the Money Laundering and Terrorist Financing Code of Practice and Money Laundering Regulations, 2008. These key pieces of legislation which are expected to come before the local House of Assembly sometime during the first quarter of 2008 is expected to bring with them some challenges as the Agency will be expected to take on a greater regulatory role. This increased responsibility will bring about the need for additional resources within the Agency. This is why I propose to re-organize and restructure the Agency so that it can meet the demands of the foreseeable future.

The idea is to increase the number of staff and re-organize the structure of the Agency. The proposed structure will include a post of Deputy Director. The Deputy Director will report to the Director. His/her role will include the direct supervision of the investigating staff including the Senior Investigating Officer and Investigating Officers. It is quite possible that a Deputy Director will have to be sourced from outside given the relevant experience that the individual would need to make them eligible for the post. However, I am a great believer that the post should be advertised locally with a view of having it filled by a qualified British Virgin Islander.

It is proposed that the number of Investigating Officers be increased by one bringing the total number of Investigating Officers to four (4) including the Senior Investigating Officer. Additionally, I also propose to establish a permanent post of Analyst with a view of promoting from within the Agency as we have already identified and commenced the process of training a member of staff who has expressed an interest in becoming a full time Analyst once the post has been established. Consideration will also be given to recruiting a Senior Analyst who will supervise the Analyst and assist with helping to build the analytical capabilities within the

Agency especially as it relates to the analysis of SARs. Both analysts will report to the Director while working closely with the both the Deputy Director and Investigating Officers in developing and preparing high quality intelligence reports in a timely manner that are based on a comprehensive understanding of financial transactions and services and their potential to be used in the laundering of proceeds of criminal activity and/or the financing of terrorist activities.

Finally, it is proposed that another junior staff member be appointed who will mainly deal with facilitating the exchange of information between the Agency and foreign Egmont FIUs as a result of requests received via the Egmont Secure Website (ESW). The individual can also assist the Analyst in recording and maintaining statistical data.

Chronology of Events:- Leading to the Formation of the Financial Investigation Agency

- 1988-** United Nations Convention on Narcotic Drugs and Psychotropic Substances, Vienna.
- 1989-** FATF recognized the need for Financial Intelligence Units
- 1992-** Appointment of a Drugs and Fraud Profit Confiscation Officer.
- 1993-** Financial Investigation Unit, Royal Virgin Islands Police Formed.
- 1993-** Criminal Justice (International Co-operation) Act passed.
- 1994-** Drugs Trafficking Act passed.
- 1995-** Formation of the Egmont Group, Brussels.
- 1996-** FATF/CFATF referred to FIU's as a Central Authority in the context of STR's
- 1997-** Proceeds of Criminal Conduct Act passed.
Criminal Code Passed.
- 1998-** First Due-Diligence and Compliance Conference, BVI.
- 1999-** Anti- Money Laundering Code of Practice Introduced.
- 2000-** United Nations Convention on Transnational Organized Crime.
- 2001-** Special recommendations in relation to the financing of terrorism. FATF/CFATF
- 2003-** FATF/CFATF recommendation 26 requires each country to have an Egmont style FIU
Director Designate Appointed (October)
Financial Investigation Agency Act passed (December)
- 2004-** Inaugural meeting of the Board for the Financial Investigation Agency (May)
Director appointed (May)
Police Officers seconded (June)
Chief Operating Offices Appointed (July)
Customs Officer seconded (November)
Financial Investigation Agency became fully operational.

LISTS OF ABBREVIATIONS

AGC-	Attorney General Chambers
AML-	Anti-Money Laundering
BVIBC-	British Virgin Islands Business Company
CFATF-	Financial Action Task Force
CFT-	Counter Financing of Terrorism
COP-	Commissioner of Police
DPP-	Director of Public Prosecution
FAFT-	Financial Investigation Agency
FIU-	Financial Intelligence Unit
FSC-	Financial Services Commission
INTERPOL-	International Criminal Police Organisation
LOR-	Letter of Request
PCCA-	Proceeds of Criminal Conduct Act
SAR-	Suspicious Activity Report
STR-	Suspicious Transaction Report

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