



FIA

ANNUAL REPORT 2008



FIA 2008 ANNUAL REPORT

***MAINTAINING
EXCELLENCE WHILE
FORGING AHEAD***

FINANCIAL INVESTIGATION AGENCY

Mailing Address

Financial Investigation Agency
P.O. Box 4090
Pasea Estate, Tortola
British Virgin Islands

November 5th 2009

The Deputy Governor, Mrs. Inez Archibald
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 FIA annual report for the financial year 2008. The report outlines in detail our activities during the year while providing some information regarding our plans and priorities for 2009.

We pledge to continue to remain steadfast in our commitment to help safeguard the Territory's reputation as a leading financial services jurisdiction.

Yours respectfully,

Errol George
Director

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MESSAGE FROM THE DIRECTOR

My relatively short time as director has given me a unique opportunity to witness firsthand the ever increasing challenges faced by the Agency, especially at a time when there is still some uncertainty which may be directly attributed to the present state of the global economy.

Equally, the time has given me an opportunity to witness the dedication and high level of professionalism displayed by every staff member who worked tirelessly to ensure that the Agency continued to fulfill its obligations in spite of the challenges.

In order to fulfill these obligations, the Agency remained focused on building its analytical capabilities in an effort to improve the quality of financial information and intelligence output to our foreign and domestic partner agencies.

We also focused on building a closer working relationship with the regulated institutions. This was done through a number of training sessions which focused primarily on the role of the Agency within the Territory's AML/CFT regulatory framework and Suspicious Activity Reporting.

Perhaps the most important development that took place during the year under review was the significant increase in the number of Suspicious Activity Reports filed by reporting institutions when compared to those filed the previous year. Likewise, there was a noticeable improvement in the quality of the reports.

In addition to the increase in the number of reports, there was also an increase in the number of company inquiries conducted over of previous years.

These developments resulted in an increased workload, which in turn resulted in the need for increased human resources. Unfortunately, acquiring these resources proved futile due to many unsuccessful attempts to acquire, more suitable accommodations.

Although the challenges we face are many, I know that there are great things to come. We will, therefore, remain steadfast in our resolve to do our part in helping to preserve this very important part of our economy.

Errol George
Director

LISTS OF ABBREVIATIONS

AGC-	Attorney General Chambers
AML-	Anti-Money Laundering
BVIBC-	British Virgin Islands Business Company
CFATF-	Caribbean Financial Action Task Force
CFT-	Counter Financing of Terrorism
COP-	Commissioner of Police
DNFBPs-	Designated Non-Financial Businesses and Professionals
DPP-	Director of Public Prosecutions
FATF-	Financial Action Task Force
FIU-	Financial Intelligence Unit
FSC-	Financial Services Commission
INTERPOL-	International Criminal Police Organisation
LOR-	Letter of Request
POCCA-	Proceeds of Criminal Conduct Act
MLA	Mutual Legal Assistance
SAR-	Suspicious Activity Report
STR-	Suspicious Transaction Report

OUR VISION

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 Mission

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, it will work closely with the Financial Services Commission as well as local and foreign law enforcement and regulatory 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 stakeholders in the private sector.

To this end, the Agency will make it a priority to provide the necessary support to local financial institutions and trust and company services providers.

Recognising 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 necessary to perform effectively in their roles.

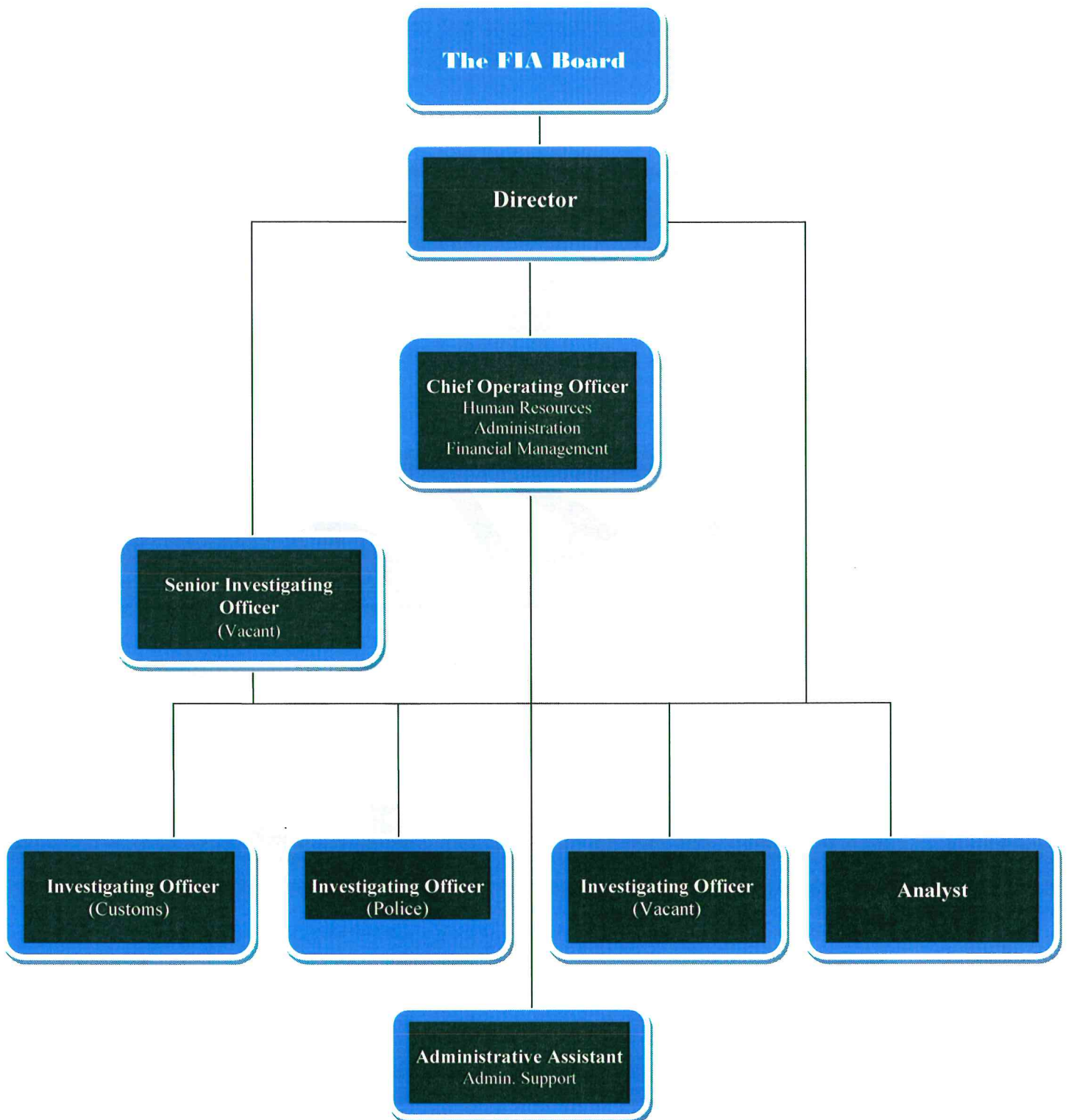
BOARD MEMBERS

Chairman	MRS. INEZ ARCHIBALD	Deputy Governor
Past Chairman	MR. ELTON GEORGES	Up until 14 th September, 2008
Members	HON. KATHLEEN QUARTEY	Attorney General
	MR. NEIL SMITH	Financial Secretary
	MR. ROBERT MATHAVIOUS	Managing Director/CEO, Financial Services Commission
	MR. WADE SMITH	Comptroller of Customs
	MR. REYNELL FRAZER	Commissioner of Police

THE STEERING COMMITTEE

Chairman	HON. KATHLEEN QUARTEY	Attorney General
	MR. ROBERT MATHAVIOUS	Managing Director/CEO, Financial Services Commission
	MR. ERROL GEORGE	Director, FIA

**FIA
ORGANISATIONAL CHART**



Introduction

The British Virgin Islands Anti-money laundering (AML) and Counter Financing of Terrorism (CFT) framework is supported by several pieces of domestic legislation. These pieces of legislation include the Proceeds of Criminal Conduct Act, 1997, The Drugs Trafficking Offences Act, 1992, The Anti-Money Laundering Regulation, 2008, The Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 and the Anti-Terrorism (Financial and Other Measures) (Overseas Territories) Order 2002. These pieces of legislation are amended from time to time to keep pace with global regulatory developments.

Our commitment to safeguard the Territory's Financial Services Sector against Money Laundering and Terrorist Financing

As the Territory's Financial Intelligence Unit, the FIA is charged with various responsibilities in accordance with the provisions of the FIA Act, 2003 and other relevant pieces of Anti-Money Laundering and Terrorist Financing legislation currently enacted within the British Virgin Islands. These include responsibility for receiving, obtaining, analysing and disseminating financial information relating to money laundering, terrorist financing and other financial crimes.

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".

What is 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.

Money Laundering is vitally important to drug dealers, fraudsters, terrorists and other criminals. Money is their life-blood and it is the single most common commodity, as its powerful lure attracts criminals to their crimes. In order to preserve, increase and carry on their illegal financial activities, criminals have for years used and devised ingenious aid quickly disposing of financial proceeds and other benefits of their criminal activities. Money laundering as a generic term perfectly describes this process. Dirty money, the proceeds or benefit of criminal activities, is first placed in the financial system. It is then circulated in an effort to hide its true source or origin in order to confuse or make detection more difficult. Once this process is completed, the funds appear as clean and legitimate, untainted by its sinister origins.

Financing of Terrorist Activities

Terrorism Defined

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“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”. (F.B.I. definition)

Money Laundering and Terrorist Financing: Differences and Similarities

Most crimes are committed for financial gain. As previously mentioned, the primary motivation for acts of terrorism is not financial. Rather, terrorist groups usually seek goals, such as publicity for their cause and political influence. Ordinarily, criminal activities produce funds and other proceeds that traditional money launderers must disguise by taking large cash deposits and entering them into the financial system without detection. Funds that support terrorist activity may come from illicit activity, but are also generated through means such as fundraising through legal non-profit entities. In fact, a significant portion of terrorists' funding comes from contributors, some who know the intended purpose of their contributions and some who do not. Because terrorist operations in many cases require only small amounts of money, terrorists financiers need only place relatively few funds into the hands of small terrorists cells and their members in order to carry out their objectives. This task is a lot easier than seeking to disguise the large amounts of proceeds generated by criminals who seek financial gains from their criminal activities.

Funding Sources

Transnational organised crime groups have long relied on criminal proceeds to fund and expand their operations, and were pioneers in using corporate structures to commingle funds to disguise their origin. It is the terrorists' use of social and religious organisations, and to a lesser extent, state sponsorship, that differentiates their funding sources from those of traditional transnational organized criminal groups. While actual terrorist operations require only comparatively modest funding, international terrorist groups need significant amounts of money to organise, recruit, train and equip new adherents, and otherwise support their activities.

Because of these larger organisational costs, terrorists often finance their terrorism efforts with a portion of the proceeds gained from traditional crimes such as kidnapping for ransom, narcotics trafficking, extortion, credit card fraud, counterfeiting, and smuggling. Indeed, some Foreign Terrorist Organisations (FTOs), such as the Revolutionary Armed Forces of Colombia, (FARC), the United Self Defense Forces of Colombia (AUC) and Sendero Luminoso (Shining Path) in Peru, are so closely linked to the narcotics trade that they are often referred to as "narco-terrorists."

Like drugs-related money launderers, terrorist groups also utilize front companies; that is, commercial enterprises that engage in legitimate enterprise

Movements of Criminal and Terrorist Funds

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The methods used to move money to support terrorist activities are nearly identical to those used for moving and laundering money for general criminal purposes. In many cases, criminal organizations and terrorists employ the services of the same money professionals (including accountants and lawyers) to help move their funds.

In addition to their continued use of the formal banking system and the financial sector, terrorists and traffickers alike have long employed various informal methods to move their funds. One of the most common methods, if not the most common method involves the smuggling of cash, gems or precious metals across borders either in bulk or through the use of couriers. Likewise, both traffickers and terrorists rely on moneychangers.

Moneychangers play a major role in transferring funds, especially in countries where currency or exchange rate controls exist and where cash is the traditionally accepted means of settling accounts. These systems are also commonly used by a large numbers of expatriates to remit funds to families abroad.

Both terrorists and traffickers have used alternative remittance systems, such as "hawala" or "hundi," and underground banking; these systems use trusted networks that move funds and settle accounts with little or no paper records. Such systems are prevalent throughout Asia and the Middle East as well as within expatriate communities in other regions.

Trade-based money laundering is used by organized crime groups and, increasingly, by terrorist financiers as well. This method involves the use of commodities, false invoicing, and other trade manipulation to move funds. Examples of this method include the Black Market Peso Exchange in the Western Hemisphere, the use of gold in the Middle East, and the use of precious gems in Africa.

Reporting of SARs/STRs

Mandatory reporting of Suspicious Transactions is covered under section 30A of the Proceeds of Criminal Conduct (Amendment) Act, 1997.

Trust and company services providers and banks continued to represent the largest part of reporting sector captured under the Territory's anti-money laundering and terrorist reporting regime. Likewise, the majority of SARs/STRs received in 2008 were filed by these institutions. Of the total number of reports filed, the majority were filed by trusts and company services which accounted for 71.8 % of the total number of reports filed. The second largest number of reports were filed by banks which accounted for 21.6 %. This trend continued on from the previous year. Overall, there have been a continuous increase in the number of reports filed by reporting entities, attributed to two main factors:

- The full effect of the mandatory reporting regime which has now firmly taken root.
- Increased awareness within the industry and

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- Increased focus on AML/CFT regulatory requirements due to the introduction of the new Anti-Money Laundering Regulations and the Anti-Money Laundering and Terrorist Financing Code of Practice).

The Agency received a total of 153 SARs during the year in review. Of these, one hundred and twenty (120) were recorded as proactive reports, while the remaining 31 were recorded as reactive. These figures are in comparison with 104 reports received during the previous year 2007 of which seventy-five (75) were recorded as proactive, while the remaining 29 were filed as reactive reports. The number of proactive reports received during the current reporting year (2008) when compared to those received during the previous year shows an increase of 60%.

Note: Reactive reporting is described as the reporting of suspicious transaction or suspicious activity reports filed by reporting entities following receipt of a written request for information received from the Agency in accordance with section 4 (2) (d) of the FIAA.

Note: Proactive reporting is described as the reporting of suspicious transaction or suspicious activity reports filed by reporting entities when there is reasonable ground to suspect that a particular financial transaction or activity may be linked to money laundering, the financing of terrorist activities and/or other related criminal activity.

Chart 1: Shows the number of SARs received between the periods 2005-2008

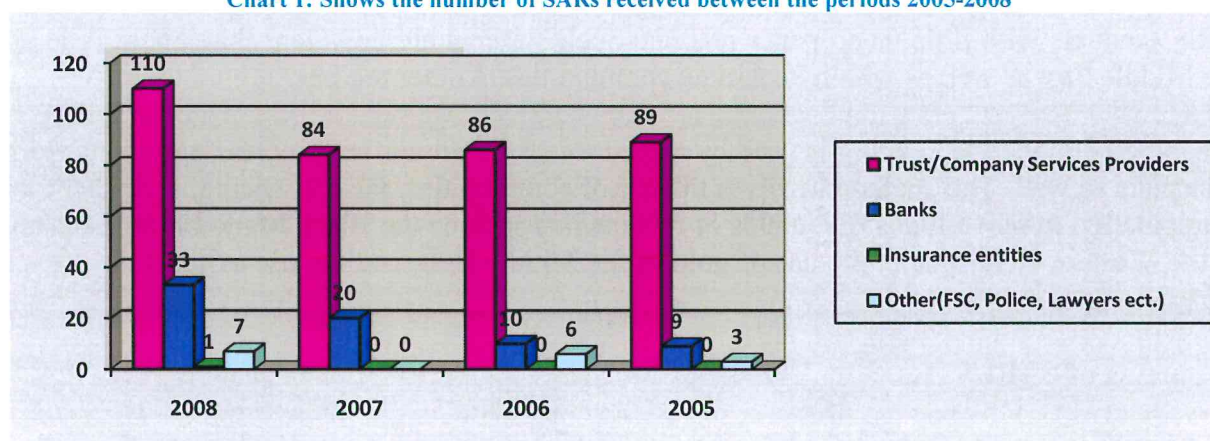


Table 1: Shows a breakdown of how the SARs/STRs received were disposed of during the reporting year 2008

Category	2008	2007	2006	2005
SARs Received	153	104	102	101
SARs/STRs Analyzed	104	75	n/a	n/a
SARs/STRs Disseminated Domestic Law Enforcement	6	Nil	2	nil
SARs/STRs Disseminated to international Law Enforcement Agencies and FIUs	12	Nil	nil	nil

As previously mentioned, there was an increase in the number of SARs filed by reporting institutions during the year as a result of the factors listed on pages 7 and 8.

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Diagram 1: Illustrates the flow of information between Reporting Entities and the FIA

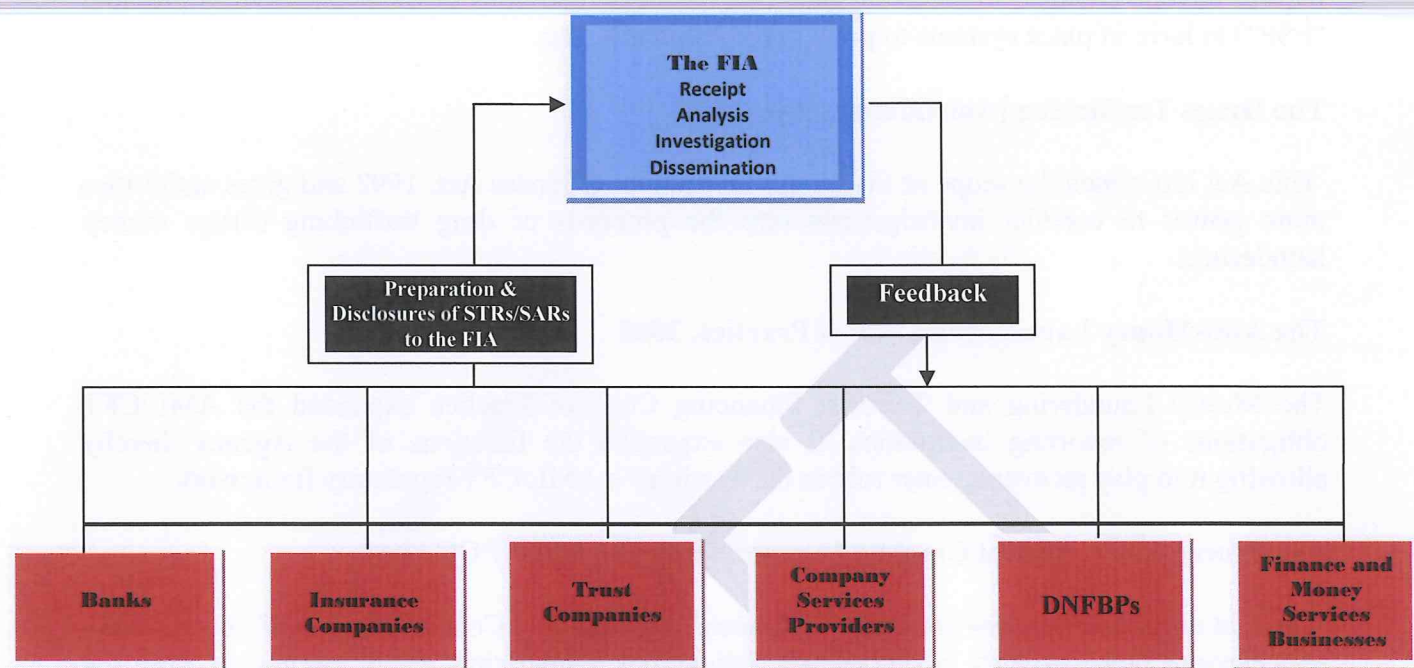
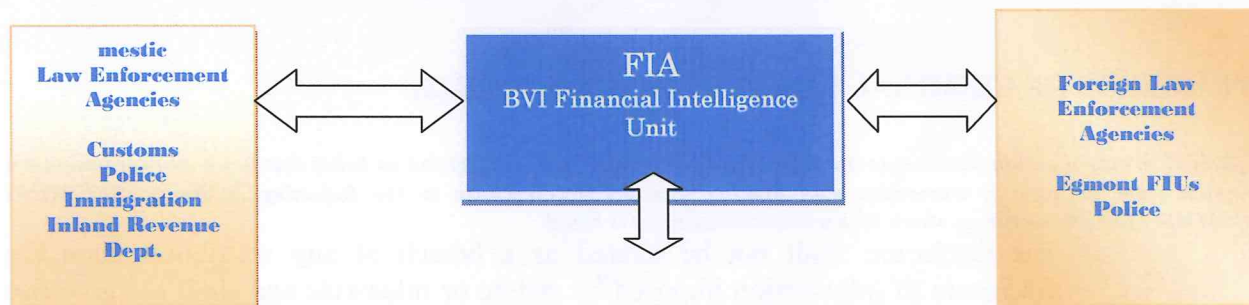


Diagram 2: Illustrates the exchange of information process between the FIA and other competent authorities



Legislative Developments in 2008

Several new and important pieces of AML/CFT legislation were introduced and passed in the House of Assembly during the reporting year. These include the following:

The Anti-Money Laundering Regulations, 2008

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The Money Laundering Regulations are mandatory and 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 to prevent money laundering.

The Drugs Trafficking (Amendment) Act, 2008

This Act broadened the scope of the Drugs Trafficking Offences Act, 1992 and gives authorities more power to conduct investigations into the proceeds of drug trafficking (drugs money laundering).

The Anti-Money Laundering Code of Practice, 2008

The Money Laundering and Terrorist Financing Code of Practice expanded 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.

The Proceeds of Criminal Conduct (Amendment) Act, 2008 (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.

PROCEEDS OF CRIMINAL CONDUCT ACT Section 28 (2)

States: Where a person discloses to the (STEERING COMMITTEE) a 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, the disclosure is made before he does the act concerned; or he disclosure is made after he does the act, but is made on his initiative and as soon as it is reasonable for him to do so.

Note- a disclosure once made, becomes an SAR/STR

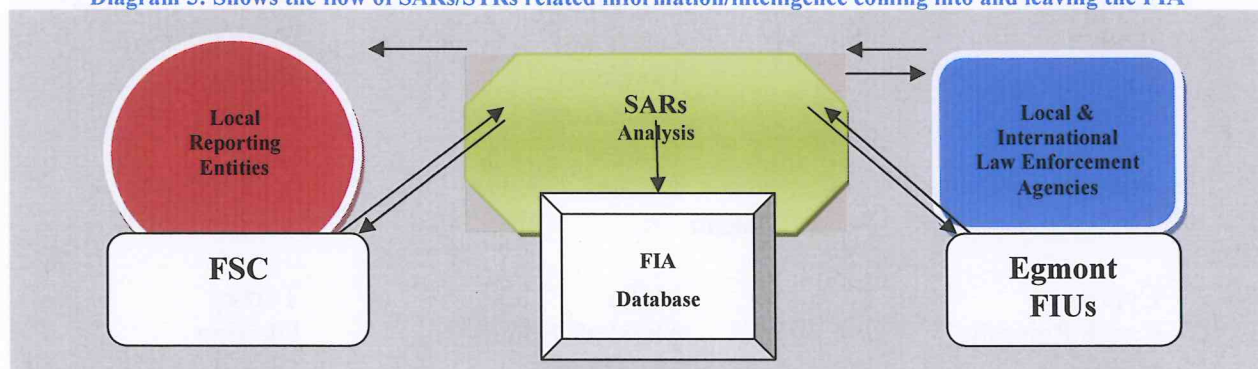
Analysis

The analysis of disclosures (SARs/STRs) filed by reporting institutions is among the key functions performed by an FIU. Analysis ultimately leads to the dissemination of information in the form of intelligence to local and international law enforcement agencies including Egmont

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Financial Intelligence Units. In cases where the information is not disseminated, it is stored within the FIA.

Diagram 3: Shows the flow of SARs/STRs related information/intelligence coming into and leaving the FIA



Dissemination and Exchange of Information

Another key function of an FIU is its ability to be able to share information with other FIUs. This is a reciprocal process which takes place within strict protocols. Information shared among FIUs is shared with the understanding that it must be used for information or intelligence purposes only. The FIA disseminates information to various Egmont FIUs. It also disseminates information to domestic and international law enforcement agencies. This information often leads to the initiation of investigation, arrest of suspects and/or tracing of criminal proceeds and/or criminal assets.

The FIA has mechanisms in place to provide feedback. Though the level of feedback may vary at times, the Agency endeavours to provide appropriate feedback when and where necessary.

International Cooperation The Agency has long recognized the importance of the work undertaken by regional and international organisations, such as the CFATF and the Egmont Group of Financial Intelligence Units. As a result, the Agency continues to be active participants in these organisations and attended several meetings during the period under review.

The Egmont Group

The Agency's continued participation in the work of the Egmont Group is of great importance. The work undertaken by the Egmont Group remains an essential part of the global war against money laundering and terrorist financing activities. Presently the Egmont Group of Financial Intelligence Units comprises of 107 member FIUs with an expected increase following the 2009 Plenary scheduled to take place in Qatar.

Egmont Group Members and Candidates for Membership

Candidates for 2009 membership are coloured in blue

Albania	Georgia	Nigeria
Andorra	Germany	Niue

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Anguilla
Antigua and Barbuda
Argentina
Armenia
Aruba
Australia
Bahamas
Bahrain
Barbados

Macau

Cyprus
Czech Republic
Denmark
Dominica
Egypt
El Salvador
Estonia
Finland
France
Fiji
Mongolia

Gibraltar
Greece
Grenada
Guatemala
Guernsey
Honduras
Hong Kong
Hungary
Iceland

Malta
Marshall Islands
Mauritius
Mexico
Monaco
Montenegro
Netherlands Antilles
Netherlands
New Zealand
St. Lucia

Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Qatar

Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Vanuatu
Venezuela
Malawi
Senegal
Sri Lanka

CFATF Related Activities

The Agency continues to benefit from its association with CFATF and CFATF's group of Financial Intelligence Units. These benefits mainly derive from the Agency's participation in CFATF's organised conferences, workshops and other training related activities. These activities include, but are not limited to the CFATF Heads of FIU meetings, which takes place alongside the CFATF Plenary meetings traditionally held in May and October each year.

Mutual Legal Assistance

The Territory's Mutual Legal Assistance regime continued to play a vital avenue through which valuable information, intelligence and evidence is shared for the purpose of assisting foreign countries in their efforts to investigate serious and organised crimes when there are links to the Territory.

The Mutual Legal Assistance (United States of America) Act, 1990 and the Criminal Justice (International Co-operation) Act, 1993, are the two key pieces of mutual legal assistance legislation under which several requests for mutual legal assistance were received from foreign countries during the period under review.

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The Criminal Justice (International Co-operation), Act, 1993 among other things, enables the British Virgin Islands to join other countries in implementing the 1988 Vienna Convention against illicit traffic in narcotic drugs and psychotropic substances.

The provision of mutual legal assistance in criminal matters is triggered following the receipt of a Mutual Legal Assistance Letter of Request from a foreign country. There is a legal requirement that such request must set out the name of the requesting authority, the details of the purpose of the request and a description of the suspected offence (s). **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 takes 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 affect 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 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

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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 requests 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 authorise 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.

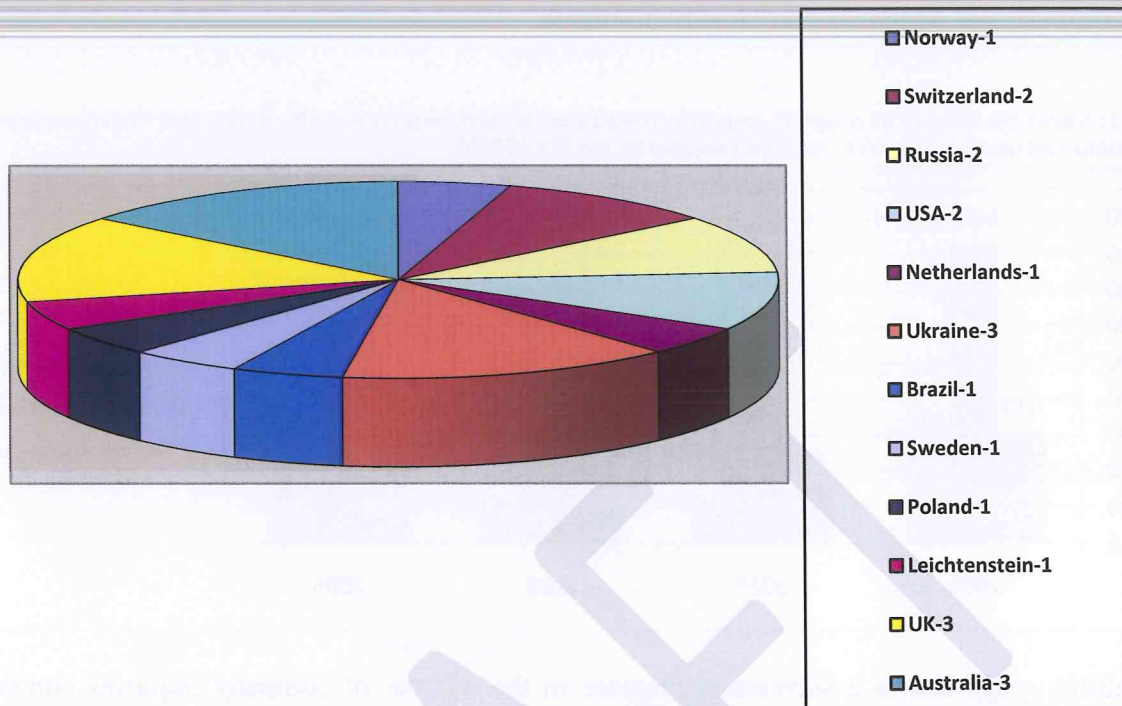
- 1) Service of documents or order or the seizure of any article in pursuance of any article or pursuance of any instructions given by the Attorney General.
- 2) Officers of the Agency, if instructed, can also take testimony or statements of persons, provide documents, records, and articles of evidence, 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.

Table 2: Shows a breakdown of Mutual Legal Assistance requests received between 2005-2008

MLATS	2008	2007	2006	2005
Number	22	36	25	53

Chart 2: Shows country by country break down of Mutual Legal Assistance Request received in 2008

Mutual Legal Assistance Requests received for 2000 (country by country)



During the year under review, the Agency conducted inquiries linked to twenty-one (21) mutual legal assistance requests. These requests originated from twelve (12) different countries and were mainly linked to the investigations and prosecutions of fraud related offences, which are predicate offences to money laundering. As is customary, these requests involved British Virgin Islands registered business companies alleged to have been used to facilitate the above mentioned criminal offences.

Request for information on BVI Business Registered Companies

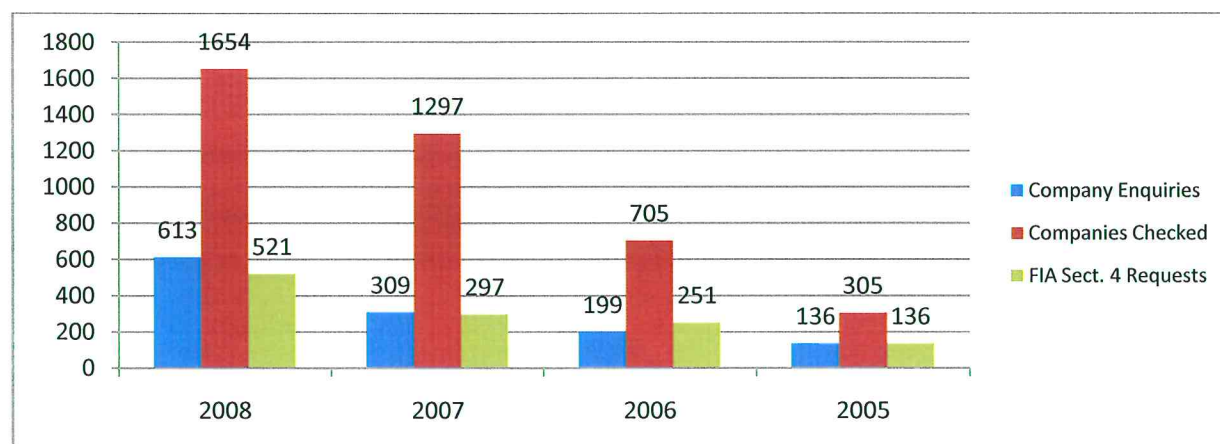
The British Virgin Islands remains the largest corporate domicile for the incorporation and registration of corporate entities, larger than any other financial services jurisdiction. Whereas, most of these companies are used for the purpose of facilitating legitimate trade on a global scale, some continue to be used for illegal purposes. There are instances, albeit very few, where these companies may themselves fall prey to fraudulent criminal acts. Apart from investigating the activities in both circumstances, the Agency often provides information or details on these companies. Such information is either provided spontaneously or upon requests by foreign authorities. The majority of these requests originate from foreign financial intelligence units, which are members of the Egmont Group.

The number of requests for information or company inquiries conducted on local registered companies has always remained relatively high and thus will always be considered an important part of the Agency's work. The time it takes to process these requests for information can be critical because it is often the starting point for investigations. Additionally, it can prove useful in assisting requesting authorities to trace and identify assets that may be linked to the crimes being investigated. The next step in the process occurs when a requesting authority is seeking material

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to be used as evidence in a court of law. These steps are covered under the mutual legal assistance process which was previously discussed.

Chart 3: Shows the number of company enquiries, companies checked, request for information sent to various reporting institutions and number of search warrants executed by the FIA in 2008



The above graph shows a substantial increase in the number of company inquiries conducted during the reporting period when compared to the previous year. The difference is equivalent to a 98.3% increase. Likewise it also shows an increase in the number of companies checked conducted for the current reporting period when compared to the previous year. It also shows an increase in the number of request sent to reporting institutions by virtue of the powers granted to the Agency under Section 4 (2) (d) of the FIAA. We believe that the noticeable increase in the number of company inquiries and companies checked is a result of an increase in the number of requests for information on BVI registered companies forwarded to the Agency by the RVIPF on behalf of Interpol.

Table 3: Shows a country by country breakdown of request for information sent to the FIA by Egmont FIUs for 2008

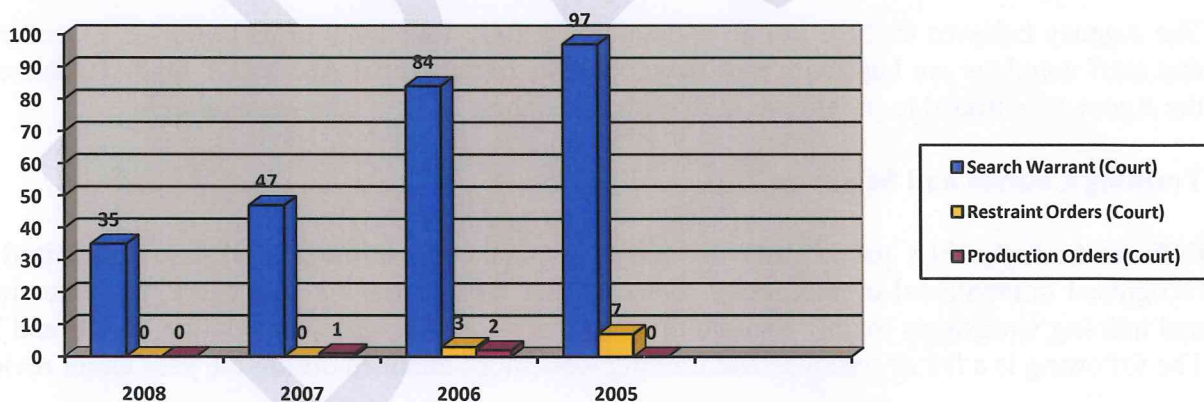
Country	No. of Requests	Country	N. of Requests	Country	No. of Requests
Argentina	3	Australia	4	Austria	6
Anguilla	1	Antigua	1	Armenia	2
B.V.I (FSC, Police)	88	Belarus	2	Belgium	11
Bermuda	1	Bolivia	4	Bosnia and Herzegovina	2
Barbados	5	Bulgaria	13	Brazil	8
Cayman Is.	1	Costa Rica	1	Columbia	1
China	9	Cyprus	9	Croatia	5
Czech Rep.	2	Denmark	2	Finland	1
France	3	Gibraltar	2	Germany	16

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Georgia Rep.	2	Guatemala	1	Guernsey	2
Hungary	3	India	1	Ireland	5
Italy	4	Iceland	1	Latvia	11
Lithuania	3	Lebanon	2	Luxemburg	2
Liechtenstein	3	Malta	1	Mauritius	2
Montenegro	2	Malaysia	1	Nigeria	1
Minsk	2	Macedonia	2	Moldova	4
New Zealand	1	Norway	6	Peru	2
Poland	4	Portugal	12	Romania	15
Russia	145	South Africa	2	Spain	4
Slovenia	4	Serbia	2	Switzerland	1
Sweden	1	Slovakia	3	Turkmenistan	1
Turkey	6	USA	19	USVI	1
St. Kitts	2	St. Vincent	5	Thailand	2
Ukraine	56	UK	30	Uzbekistan	1
Venezuela	2	Vietnam	3	Kazakhstan	9
St. Vincent and the Grenadines	2	Venezuela	2	St. Lucia	1
Qatar	1	Internally generated inquiries	8		

Total Number of Requests Received- 594

Chart 4: Shows the number of Search Warrants, Restraint Orders and Production Orders served between 2005 and 2008



Search Warrants/Restraint Orders/Production Orders

Search Warrants, Restraint Orders and Productions Orders are usually generated as part of the mutual legal assistance process. These orders are obtained from the Magistrate court or the High Courte. Search Warrants and Production Orders are used to lawfully seize documents and other useful material from persons and entities in whose possession such material is held. Restraint Orders are used to prevent the disposal or removal of proceeds or suspected proceeds of criminal activities. Material is often used as evidence to assist with the investigations and prosecution of criminal taking place within or outside the British Virgin Islands.

Training Activities

Efforts to enhance compliance with SAR/STR reporting requirements under POCCA

The promotion of compliance with the Territory's ML and TF reporting regime through close interaction with reporting institutions is a necessary tool. Apart from assisting financial institution to be able to better identify suspicious or unusual financial activity, it helps them to improve the quality of their reporting. During the year, the Agency was able to meet with industry members and discuss various AML/CFT related matters focusing on issues such as the role and powers of the Agency as the Territory's designated Reporting Authority and Financial Intelligence Unit, money laundering and terrorist financing indicators and SAR/STR.

Table 4: represents list of meeting held with industry members during the year 2008

Dates	Names of Industry Members
Oct. 2008	Colonial Insurance Agency
Dec. 2008	Creque's Insurance Agency
Dec. 2008	Fidelity Corporate Services

Staff Training and Developments

The Agency believes that the key to maintaining a fully functional organisation is by ensuring that staff members are kept with new developments in the global AML/CFT field. To this end, the Agency continued to provide its staff with the highest level of training available.

Training Courses and Seminars

Officers from the FIA participated in various seminars and training workshops organised by recognised international organisations, agencies and institutions. As customary, these seminars and training workshops mainly focused on regulatory compliance issues relating to ML and TF. The following is a list of seminars and training workshops attended during the year under review.

- Moneylaundering.com AML/CFT Conference, Florida, U.S.A.
- International Crime Symposium, Jesus College, Cambridge, UK
- Financial Manipulation Analysis Training Course, Barbados, W.I.
- Your Project Management Skills, American Management Association, New York.

Regional and International Conferences

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As customary, the Agency's staff also participated in a number of regional and international conferences and training seminars aimed at assisting in their professional development. These included:

- 1) The Caribbean Financial Action Task Force annual Heads of FIU meeting, which took place in St. Kitts/Nevis (May).
- 2) The Egmont Training Working Group Meetings in held in March and October in Santiago, Chile and Toronto, Canada respectively.
- 3) The Egmont Plenary and Working Group meetings held in Seoul, South Korea. As is customary, the Plenary included several break-out training sessions/workshops focusing on key topics such as money laundering, the financing of terrorist activities and Information Technology Security issues (May).
- 4) Economic Crime Symposium, Jesus College, Cambridge, UK (August)

Challenges

The many new and innovative ways by which criminals attempt to carry on their illegal trade challenges law enforcement Agencies to dedicate more resources to better equip them to keep pace with the changes in strategy employed by money launderers, terrorist financiers and white collar criminals. Though desirable in theory, this is often not possible without having to face challenges.

The following are considered to be the more noticeable challenges faced by the Agency during the year under review.

Lack of sufficient office space

The search for larger more affordable office accommodations proved daunting. However, this will be one of our top priorities in the coming year.

Human resources

There was a need for an increase in human resources to keep pace with the increase workload experienced during the year. We are confident that we will be able to overcome this challenge in the coming year during which we will endeavour to increase our staffing level by at least one followed by a gradual increase in an effort to bring staffing level in the office to a total of nine.

Conclusion and future outlook

The most important observation during this reporting year was the sizeable increase in the number of Suspicious Activity Reports filed by reporting institutions pursuant to the PCCA. As mentioned earlier, the number of reports filed by reporting institutions increased by 60 percent

when compared to the previous year. This percentage increase does not take into consideration the number of reports categorized as reactive reports.

Additionally, the monitoring of reports and other information also revealed what appears to be an increase use of British Virgin Islands registered companies to facilitate suspected criminally activity in some European countries, particularly activities relating to the commission of fiscal offences. This is particularly so in some Eastern European countries.

There are already indications that the number of Suspicious Activity/Suspicious Transaction Reports will increase in 2009. The main contributory factors for this increase will more than likely be the same as the current reporting year with some additional factors. Likewise, we anticipate that there will also be an increase in the number of request for information from our international counterparts. Therefore, we will have to work diligently to enhance the level of productivity within the Agency. We will do so by focusing on the following:

1) Upgrading our Information Technology System

There is a need for upgrades in the Agency's informational technology systems. This include an advance electronic analysis software to facilitate better or more in dept analysis of financial information. It also includes a modern electronic information storage system which will facilitate

an increased storage capacity for electronic data held and maintained by the Agency. Lastly, the system will allow for the expansion of the Agency's Suspicious Activities/Suspicious Transaction Reporting system by providing for electronic filing.

2) Raising AML/CFT awareness among industry practitioners and the public sector

Among the many activities planned for the coming year, is an effort to raise AML/CFT awareness among industry practitioners. We will Endeavour to do so by partnering with the Financial Services Commission (FSC) to provide sector related training through a serious of workshops and training seminars. A component of this training will be extended to the public sector in an effort to raise the awareness of public sector employees, particularly senior civil servants.

3) Increasing Financial Information/Financial Intelligence output

The Agency will strive to increase its output of financial information and intelligence to its partner agencies. This will be done in an effort to improve the quality of information and intelligence to assist with the investigation of money laundering, terrorist financing activities and other related crimes by both local, regional and international law enforcement agencies.

4) Building greater co-operation with international counterparts

The Agency will endeavour to build stronger ties with Egmont Group members in an effort to facilitate an increase in the level of information/intelligence sharing by way of formal means.

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This will include signing of Memorandum of Understandings (MOUs) with those Egmont Members FIUs with whom we share a great deal of information.

Though could be just as challenging as this year, the Agency will continue to work to meet and overcome its challenges. The Agency will do so by delivering on its core functions to the best of its ability. This will serve as positive indication to the international law enforcement community that the FIA is at the forefront in the fight against money laundering, the financing of terrorist activities and other related crimes. The commitment of trained officers from the Police and Customs, alongside a dedicated and well trained support staff indicates the value placed in protecting the local, and to a large extent the global financial services system through the effective implementation of global measures aimed at combat money laundering and the financing of terrorism in accordance to the CFATF/FATF 40 plus 9 recommendations.

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APPENDIX 1

Money Laundering Typologies

Money Laundering Typologies

Examples of Money Laundering Cases

The following are examples of actual cases investigated and prosecuted outside the British Virgin Islands. It is highly probable that the successful investigations and subsequent prosecutions of these matters and many others like them would have been proven more difficult had it not been for assistance provided by the BVI Authorities including the FIA via the Territory's Mutual Legal Assistance Processes.

Case # 1

Business Companies A and B are BVI registered business companies. Their alleged beneficial owners are citizens of an EU member country. The companies were both advertised as investment vehicles (mutual funds) in an attempt to attract investors from the said EU country. Between 1999 and March 2006, investors entrusted a total of 3.1 million Euros to be invested in the funds. The investors requested to withdraw their funds in December of 2006 following the failure of the funds directors to provide financial statements. The directors of the companies

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were subsequently investigated and charged with various fraud related offences and money laundering.

Case # 2

Company A (the company) is domiciled in an Eastern European country but several subsidiary companies registered in the BVI. The company specializes in the import and sale of chemical fertilizers in its country of domicile. Between the periods 2004 to 2005, the company, through its subsidiaries allegedly imported several undisclosed quantities of fertilizer, while failing to make truthful declarations in an attempt to evade applicable import duties payable to the state. The amount owed to the state was estimated to be somewhere between US\$50-200 million. As a result, state law enforcement authorities conducted the necessary investigation, which resulted in the arrest of both the director general of the company and his deputy who were charged with fraud, evasion of import duties payable to the state and money laundering (Trade based money laundering).

Case # 3

Company C is a privately owned oil company in a Nordic country. The beneficial owner of the said company sold a substantial number of the shares of **Company D**, a subsidiary of **Company C**, to an offshore entity, **Company E** registered in the BVI. The shares were sold at a set price based on an option agreement entered into between **Company C** and **Company G**, which is

registered in another offshore jurisdiction. The said shares were subsequently sold by **Company E** to **Company F** at a value equivalent to approximately four times the amount **Company E** paid for them at the time it acquired them. **Company F** was domiciled in the same Nordic Country as **Company C**. Investigations lead by the Authorities in the Nordic Country discovered

that several other oil companies in the said country had made several bids in an effort to purchase the said shares of **Company D** at a much higher price than that which was paid by **Company E**. The Authorities subsequently unearthed proof that the beneficial owner of **Company C**, **D** and **E** was one in the same person and that he himself had created the option agreement previously made mention of in order to maximize the profits of **Company C**, while the simultaneous transaction enabled him to escape taxes payable on the net gain in the particular Nordic country which amounted to a loss to the state in the amount of USD\$ 1.7 million. The beneficial owner of companies **C**, **D** and **E**, who as mentioned earlier is one in the same person, was subsequently charged with various fraud related offences together with money laundering.

Money Laundering and Terrorist Financing Indicators

The following are examples of transactions which may give rise to suspicion, which in turn should prompt relevant institutions to consider filing a suspicious or unusual transaction report with the FIA in accordance with the relevant sections of the Proceeds of Criminal Conduct Act, 1997 (as amended) and the Anti-Money Laundering and Terrorist Financing Code of Practice,

2008. A number of these examples or similar examples are included in Schedule 1 (Section 56) of the AML/CFT Code of Practice, 2008.

These indicators/red flags are based on internationally accepted AML/CFT guidelines and publications issued by internationally recognized bodies such as the FATF.

Banks

Deposit Accounts

The following is a list of various transactions and activities that may indicate potential money laundering. While not all-inclusive, the list does reflect ways that launderers have been known to operate, though they may not necessarily be indicative of money laundering if they are proven to be consistent with a customer's legitimate business activities.

1. **Minimal, vague or fictitious information provided.** An individual provides minimal, vague or fictitious information that the bank cannot readily verify.
2. **Lack of references or identification.** An individual attempts to open an account without references or identification, gives sketchy information, or refuses to provide the information needed by the bank.
3. **Non-local address.** The individual does not have a local residential or business address, and there is no apparent legitimate reason for opening an account with the bank.
4. **Customers with multiple accounts.** A customer maintains multiple accounts at a bank or at different banks for no apparent legitimate reason. The accounts may be in the same names or in different names with different signature authorities. Inter-account transfers are evidence of common control.
5. **Frequent deposits or withdrawals with no apparent business source.** The customer frequently deposits or withdraws large amounts of currency with no apparent business source, or the business is of a type not known to generate substantial amounts of currency.
6. **Multiple accounts with numerous deposits under the legally prescribed threshold.** An individual or group opens a number of accounts under one or more names, and makes numerous cash deposits just below the legally prescribed threshold, or deposits containing bank checks or traveler's checks.
7. **Numerous deposits under institution's prescribed threshold in a short period of time.** A customer makes numerous deposits under prescribed threshold amount in an account in short periods of time, thereby avoiding the requirement to file an SAR. This includes deposits made at an ATM.

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8. Accounts with a high volume of activity and low balances. Accounts with a high volume of activity, which carry low balances or are frequently overdrawn, may be indicative of money laundering or check kiting.

9. Large deposits and balances. A customer makes large deposits and maintains large balances with little or no apparent justification.

10. Deposits and immediate requests for wire transfers or cash shipments. A customer makes numerous deposits in an account and almost immediately requests wire transfers or a cash shipment from that account to another account, possibly in another country. These transactions are not consistent with the customer's legitimate business needs. Normally, only a token amount remains in the original account.

11. Numerous deposits of small incoming wires or monetary instruments, followed by a large outgoing wire. Numerous small incoming wires and/or multiple monetary instruments are deposited into an account. The customer then requests a large outgoing wire transfer to another institution or country.

12. Accounts used as a temporary repository for funds. The customer appears to use an account as a temporary repository for funds that ultimately will be transferred out of the bank, sometimes to foreign-based accounts. There is little account activity.

13. Disbursement of certificates of deposit by multiple bank checks. A customer may request disbursement of the proceeds of a certificate of deposit or other investments in multiple bank checks, each under prescribed threshold amount. The customer can then negotiate these checks elsewhere for currency. He/she avoids the transaction reporting requirements and eliminates the paper trail.

14. Early redemption of certificates of deposits. A customer may request early redemption of certificates of deposit or other investments within a relatively short period of time from the purchase date of the certificate of deposit or investment. The customer may be willing to lose interest and incur penalties as a result of the early redemption.

15. Sudden, unexplained increase in account activity or balance. There may be a sudden, unexplained increase in account activity, both from cash and from non-cash items. An account may be opened with a nominal balance that subsequently increases rapidly and significantly.

Wire Transfers

This document lists various transactions and activities that may indicate potential money laundering. While not all-inclusive, the list does reflect ways that launderers have been known to operate. Transactions or activities listed here may not necessarily be indicative of money laundering if they are consistent with a customer's legitimate business. Also, many of the "indicators" involve more than one type of transaction.

1. **Wire transfer to countries with bank secrecy legislation.** Transfers to well known “bank secrecy jurisdictions.”
2. **Incoming/Outgoing wire transfers with instructions to pay upon proper identification.** The instructions to the receiving bank are to “pay upon proper identification.” If paid for in cash, the amount may be just under the prescribed threshold amount so no SAR is required. The purchase may be made with numerous official checks or other monetary instruments. The amount of the transfer may be large, or the funds may be sent to a foreign country.
3. **Outgoing wire transfers requested by non-account holders.** If paid in cash, the amount may be just under prescribed threshold amount to avoid a SAR. Alternatively, the transfer may be paid with several official checks or other monetary instruments. The funds may be directed to a foreign country.
4. **Frequent wire transfers with no apparent business reason.** A customer’s frequent wire transfer activity is not justified by the nature of their business.
5. **High volume of wire transfers with low account balances.** The customer requests a high volume of incoming and outgoing wire transfers but maintains low or overdrawn account balances.
6. **Incoming and outgoing wires in similar dollar amounts.** There is a pattern of wire customers, on the same day or next day. The customer may receive many small incoming wires, and then order a large outgoing wire transfer to another city or country.
7. **Large wires by customers operating a cash business.** Could involve wire transfers by customers operating a mainly cash business. The customers may be depositing large amounts of currency.
8. **Cash or bearer instruments used to fund wire transfers.** Use of cash or bearer instruments to fund wire transfers may indicate money laundering.
9. **International funds transfer which are not consistent with the customer’s business.** International transfers, to or from the accounts of domestic customers, in amounts or with a frequency that is inconsistent with the nature of the customer’s known legitimate business activities could indicate money laundering.
10. **Other unusual domestic or international fund transfers.** The customer requests an outgoing wire or is the beneficiary of an incoming wire, and the instructions appear inconsistent with normal wire transfer practices. For example: The customer directs the bank to wire the funds to a foreign country and advises the bank to expect same day return of funds from sources different than the beneficiary named, thereby changing the source of the funds.

12. **No change in form of currency.** Funds or proceeds of a cash deposit may be wired to another country without changing the form of currency.

13. **Limited use of services.** Frequent large cash deposits are made by a corporate customer, who maintains high balances but does not use the bank's other services.

14. **Inconsistent deposit and withdrawal activity.** Retail businesses may deposit numerous checks, but there will rarely be withdrawals for daily operations.

Insurance and Insurance Products

The following examples may be indicators of a suspicious transaction and give rise to a transaction report.

1. Application for business outside the policyholder's normal pattern of business.
2. Introduction by an agent/intermediary in an unregulated or loosely regulated jurisdiction or where criminal activity (e.g. drug trafficking or terrorist activity) or corruption is prevalent.
3. Any want of information or delay in the provision of information to enable verification to be completed.
4. An atypical incidence of pre-payment of insurance premiums.
5. Insurance policies with premiums that exceed the client's apparent means.
6. Insurance policies with values that appear to be inconsistent with the client's insurance needs.
7. Any transaction involving an undisclosed party.
8. Early termination of a product, especially at a loss, or where cash was tendered and/or the refund check is issued to a third party.
9. A transfer of the benefit of a product to an apparently unrelated third party.
10. A change of the designated beneficiaries (especially if this can be achieved without knowledge or consent of the insurer and/or the right to payment could be transferred simply by signing an endorsement on the policy).
11. Substitution, during the life of an insurance contract, of the ultimate beneficiary with a person without any apparent connection with the policyholder.
12. The applicant for insurance business appears to have policies with several institutions.

Designated Non-Financial Businesses and Professionals (DNFBP's)

Lawyers and Accountants

The potential for criminals and would be criminals to use the services and products offered by these professionals are real and so are the risks. The following are examples of the types of services that may be misused to facilitate money laundering activities.

1. Establishment of companies or other complex legal arrangements (like trusts); as such services may conceal the link between the proceeds of the crimes and the criminals.
2. Buying and selling of real estates, as the transfer of the real estate ownership is used to cover the illicit funds transfer (layering phase of money laundering or the final investment of the proceeds passed through laundering operations (integration stage).
3. Execution of financial operations on behalf of customers, like cash deposit or withdrawal, foreign currency exchange operations, sale and purchase of shares, sending and receiving international money transfers.
4. Filing of fictitious lawsuits to obtain a judgment to legitimize the funds.

Real Estate Agents

The following is an example of how Real Estate Agents can be utilized to assist in a money laundering operations.

1. Engaging in a series of transactions designed to conceal the illicit source of funds; these transactions may be classified as part of the layering stage.
2. Investing in tourism related activities so as to acquire a legitimate appearance and conceal the origin of the tainted money used to acquire or purchase the property.
3. Buying and selling real estate properties using fictitious names.

Dealers in precious stones and metals

The risks of money launderers misusing the dealers in precious stones and metals are largely due to the fact that precious metals, particularly gold, attracts money launderers, as it has a high actual value and can be found in relatively small sizes, thus facilitating its transport, purchase and sale in several regions around the world. The value of gold tends to remain the same regardless of its form, whether it comes in the form of bullions or golden articles. Dealers are often interested in gold more than gems because it can be melted to change its form while preserving its value.

Diamonds can also be traded around the world easily as the small size of diamond stones and their high value facilitate their concealment and transport and make it one of the most gems and jewels with the risk of being misused as a means to launder money. Diamonds have also been used as a means to finance terrorist acts and groups.

Gold is used in money laundering operations whether it is acquired in an illicit manner (like theft or smuggling) where it constitutes proceeds of a crime and is therefore deemed to be an illicit fund, or is used to launder money through the purchase of gold against Illicit funds.

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APPENDIX II

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