

2013

ANNUAL REPORT

BRITISH VIRGIN ISLANDS
FINANCIAL INVESTIGATION AGENCY
EFFECTIVE PROFESSIONAL TRANSPARENT

CONTENTS

Our Mission

To provide an Effective, Professional, and Transparent International Corporation 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 FIA 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 FIA also recognises the importance of working closely with other important stakeholders in the private sector. To this end the FIA will make it a priority to provide the necessary support to local Financial Institutions and Company Service Providers.

Recognising that the success of the FIA 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.

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Cover and back Photo: Image of Brewers Bay Beach at sunset
Photograph by Jason Ross © 2010

Financial Investigation Agency
LM Business Centre
Road Town, Tortola
British Virgin Islands

All enquiries related to this report should be addressed to:

The Director
Financial Investigation Agency
P.O. Box 4090
Road Town, Tortola
British Virgin Islands



Members of the Board

Mrs. Inez V. Archibald **Deputy Governor/Chairman**

Dr. Christopher Malcolm **Attorney General, Deputy Chairman**

Mr. Neil Smith **Financial Secretary**

Mr. Robert Mathavious **Managing Director/CEO Financial Services Commission**

Mr. Wade Smith **Commissioner of Customs**

Mr. David Morris **Commissioner of Police**

Mr. Errol George **Director/Financial Investigation Agency**



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
DNFBPs	Designated Non-Financial Businesses and Professions
DPP	Director of Public Prosecutions
FATF	Financial Action Task Force
FIAA	Financial Investigation Agency Act
FIU	Financial Intelligence Unit
FSC	Financial Services Commission
JALTFAC	Joint Anti-Money Laundering and Terrorist Financing Advisory Committee
IGCAC	Inter-Governmental Committee on AML/CFT matters
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
TCSP	Trust and Company Services Provider



It is with pleasure that I present to you the 2013 Annual Report of the Financial Investigation Agency. This year has continued to be a time of transition as the Agency significantly expanded its resources and schedule of activities in an effort to fulfil its mandate

During the reporting period, two significantly important roles were added to the human resources infrastructure of the Agency. A Deputy Director was appointed to oversee the Agency's international cooperation, SAR analysis, and Investigation and Intelligence functions. The Agency also recruited a number of Compliance Examiners to staff its newly formed Anti-Money Laundering and Countering the Financing of Terrorism Compliance and Enforcement Unit. This unit will be tasked with the responsibility of overseeing the supervision and monitoring of the Real Estate Sector, Dealers in High Value Goods such as Jewellery Stores, Yacht Brokers, Automobile Dealers, Accountants, Legal Practitioners including Notaries Public, and Non-Profit Organisations

In an effort to monitor the Agency's performance during the year, a number of priority areas and performance indicators were drafted which formed part of the Agency's 2013/2014 Work Plan. The results, so far, have been satisfying.

During the year, the number of Suspicious Activity Reports (SARs) submitted to the Agency grew by 73% compared to the number of reports submitted in 2012. As is customary, the Trust and Company Services Providers (TCSPs) accounted for the majority of reports filed, followed by Banks. In contrast, the number of reports filed by other key sectors, such as the Insurance industry and Designated Non-Financial Businesses and Professionals (DNFBP) sector, remained very low. However, it is highly anticipated that the full implementation of the Agency's supervisory framework will bring about noticeable changes in suspicious activity reporting patterns, including reporting trends.

The analysis of Suspicious Activity Reports was one of the Agency's top priorities during the year. An in-depth analysis of each report, which was broken down by the category of predicate offence revealed that the types of predicate offences reported during the

year closely mirrored the types of predicate offences reported during the previous year, with the majority of reports filed being linked to fraud-related offences such as forgery and insider trading. Other categories of predicate offences included money laundering, bribery and corruption, theft, tax evasion, weapons smuggling, reports linked to persons and entities subject to internal sanctions, and those linked to terrorist financing.

Another trend worth mentioning in relation to the TCSPs sector is the notable increase in the number of reports linked to Customer Due Diligence/Know Your Customer (CDD/KYC) requirements. This increase suggests that there may be some negligence on behalf of some TCSPs in applying the necessary CDD/KYC requirements based on the provisions of the AML/CFT Code of Practice and the AML Regulations, 2008. Though there is no evidence to indicate that such negligent practice is widespread, its negative consequences could impact the financial services sector if left unchecked. To this end, one of the Agency's key priorities going forward will include working more closely with the Financial Services Commission (FSC) to identify and target those entities that may not be applying the proper CDD/KYC requirements. The intended outcome will be to take the necessary regulatory enforcement action against these entities under applicable financial services legislation. Apart from working closely with the FSC, another key step that will be taken in the coming year will be to advocate for the Agency to be given more powers to undertake independent regulatory enforcement action, not only against those businesses that have traditionally been regulated by the FSC, but also against those entities and professionals that fall under its supervision. Going forward, the Agency will also place a great deal of emphasis on the strategic analysis of SARs, which is now an internal requirement based on Recommendation 29 of the 2012 FATF Revised Standards for combating money laundering, the financing of terrorism, and proliferation. Our Strategic Analysis process will make use of the appropriate advanced analytical tools, and will take advantage of strategic analysis training that will be offered to Analysts employed within the various CFATF FIUs. This training will be offered by the Egmont Training Working Group.

During the reporting period, the number of informal

requests for information sent to the Agency decreased by 15% when compared to the number of requests sent the previous year. Much like the previous year, the majority of these requests originated from Competent Authorities and law enforcement agencies overseas. A further breakdown of these foreign requests revealed that the majority of these requests came from Egmont Group FIUs and Interpol. In contrast to the decline in the number of informal requests received during the year, the number of formal requests for Mutual Legal Assistance processed by the Agency during the year increased by 24%. The majority of these requests, which sought documentary evidence from the BVI to be used to assist with investigations or prosecutions in the originating jurisdictions, were sent by the Central Authorities of the United Kingdom and the United States of America.

One of the key priorities for the Agency during the year was to take the necessary steps to implement its compliance framework, which remained a medium term goal. As part of this ongoing process, the Agency proactively sought to engage relevant businesses and professionals through its outreach strategy aimed at sensitizing them to their AML/CFT obligations under the relevant pieces of AML/CFT legislation. While a great deal was accomplished during the year, some aspects of the process proved to be quite challenging. One of the biggest challenges was specifically tied to the lack of information, which we had hoped would have been readily available, that would have assisted the Agency in identifying all of the relevant businesses and professionals engaged in the various types of activities to be supervised. The lack of this information impacted the effectiveness of our outreach strategy, which contributed to a delay in the ongoing implementation of our compliance programme. In an effort to address these issues, the Agency began working closely with key government agencies including the Ministry of Health and Social Development, the NPO Board, and the Department of Trade and Investment Promotions. This collaboration proved useful, though some challenges still remain.

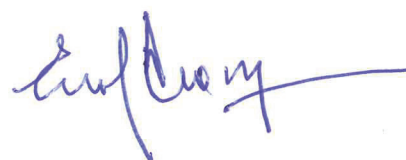
During the year, the Agency remained actively engaged in the activities of the Egmont Group through its participation in the Outreach Working Group. Our engagement with this working group was largely tied to our ongoing sponsorship of the FIUs of St. Maarten,

Montserrat, and Trinidad and Tobago. During the year, and through our work with the FIU of the Bahamas, we were successful in helping the FIU of Trinidad and Tobago to gain Egmont Group membership.

Looking forward, the Territory will be up for the 4th Round of Mutual Evaluation in 2017. In preparation for this review, the Virgin Islands has decided to undertake a national review of its money laundering (ML) and terrorist financing (TF) risks. The aim of this review is to identify, assess and understand the inherent risks and to develop with key stakeholders an action plan for a co-ordinated and effective approach to combat ML/TF. Representatives from the Agency are expected to play key roles in the assessment process, which is slated to begin early in 2014.

The Agency will be celebrating its 10th Anniversary in the coming year and it is expected that we will continue to exert every effort to fulfil our mandate. As we prepare to move forward, we anticipate that some of the challenges that will be faced in the coming year, 2014, will closely mirror those of this year. Our key strategic priority going forward will be the continuation of our work to implement the Agency's compliance programme. This will include an ongoing review of the various sectors that fall under our AML/CFT supervision.

Finally, I take this opportunity to again recognise the unwavering commitment and relentless efforts of the Agency's staff and members of its management team. I am also grateful to the members of our Board who continued to provide their sound direction and support throughout the year. I look forward to working with the entire team in an effort to strengthen our processes and procedures in the New Year.



Errol George
Director
Financial Investigation Agency

The FIA

An Overview

The Establishment of the FIA

The Agency is the Reporting Authority of the Virgin Islands whose primary function is to collect, analyse, and disseminate financial and other information to combat money laundering, terrorist financing, and the proliferation of weapons of mass destruction. A key part of the Agency's mandate is to provide assistance to domestic and international law enforcement agencies to assist with their investigations and prosecutions of money laundering and other serious criminal offences.

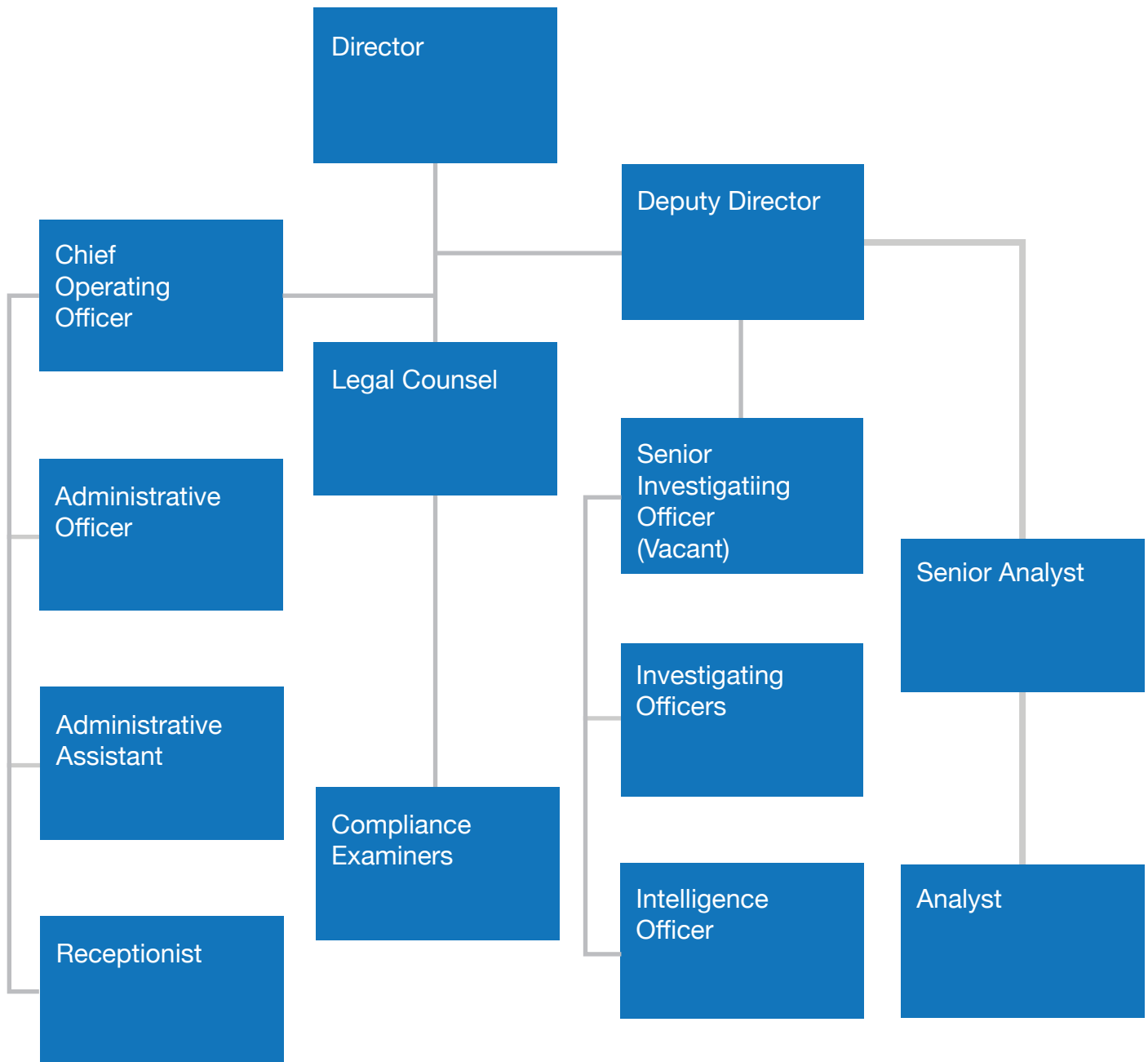
The Agency was established by the Financial Investigation Agency Act, 2003 (FIAA). It operates as an autonomous Statutory Body under a Board of Directors chaired by the Deputy Governor. As the designated FIU it was established to fulfil the requirements of FATF Recommendation 29 of the FATF Standards for combating money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction.

The Agency became operational in April 2004 following the passage of the FIAA in December of 2003. The FIAA sets out the roles and functions of the Agency. Section 3 (2) of the FIAA established a Board which is responsible for establishing

policies to be executed by the Director, who is also responsible for the day-to-day management of the Agency. The Board of the Agency consists of the Deputy Governor as Chairman, the Attorney General as Deputy Chairman, the Managing Director/CEO of the Financial Services Commission, the Financial Secretary, the Commissioner of Customs and the Commissioner of Police. In addition to the Board, the Agency is guided by a Steering Committee which is made up of the Attorney General as Chairman, the Managing Director/CEO of the Financial Services Commission and the Director of the Agency.

The Agency is funded by subventions received from the Government of the Virgin Islands and the Financial Services Commission. It controls its own budget which is approved by Cabinet. Its staff consists of a mixture of civilian support staff, public officers, and police officers seconded from H.M. Customs and the Royal Virgin Islands Police Force, respectively. The Agency employs 15 persons including the Director, Deputy Director, Chief Operating Officer, Legal Counsel, Investigating Officers, Analysts, Compliance Examiners and administrative support staff.

The FIA Organisational Structure



Functions of The Agency

Legal Framework

The Agency is responsible for carrying out its functions under the following relevant pieces of legislation:

1. The Financial Investigation Agency Act, 2003, as amended
2. The Proceeds of Criminal Conduct Act, 1997, as amended
3. Criminal Justice (International Cooperation) Act, 1993, as amended.
4. Anti Money Laundering Regulations, 2008
5. Anti Money Laundering and Terrorist Financing Code of Practice, 2008
6. Proliferation Financing (Prohibition) Act, 2009.
7. Non-Profit Organisations Act, 2012

The primary functions of the Agency are stipulated under Section 4(1) of the Financial Investigation Agency Act, 2003, as amended. The Agency is responsible for receiving, obtaining, investigating, analysing, and disseminating information which relates or may relate to:

- a) a financial offence or the proceeds of a financial offence; or
- b) a request for legal assistance from an authority in a foreign jurisdiction which appears to the Agency to have the function of making such requests.

Additionally, Section 9 (2) of the Virgin Islands Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 (the Code of Practice) places a statutory obligation on the Financial Investigation Agency to supervise, for Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) purposes, all entities that are not regulated by the Financial Services Commission. This essentially involves a review of the entity's risk assessment on money laundering and terrorist financing through its policies, processes, procedures and internal control systems so that an informed and objective assessment can be made of its risk profile, the adequacy or otherwise of its mitigation measures, and its compliance with legislative requirements. Furthermore, Section 18 of the Non Profit Organisations Act 2012, places certain obligatory functions within the remit of the Agency.

Analysis Functions

The Agency is authorised by the FIA Act and the Code to receive, analyse, investigate and disseminate Suspicious Transaction Reports. This function is clearly defined under Section 4 of the FIA Act and Section 7 (1) of the Code. At the time of this report, two (2) analysts are assigned to this function. These analysts have reported to the Deputy Director since September 2013. Prior to this time, they were reporting to the Director.

Investigative Functions

Investigative functions of the Agency are authorised under the following Acts:

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

The Agency is authorised to investigate Suspicious Transaction Reports prior to their dissemination to local and foreign authorities. The Code requires that discreet investigations should be conducted by Investigating Officers attached to the Agency prior to any dissemination.

The Agency is also authorised to conduct inquiries in relation to MLAT Requests under Section 4 of the FIA Act. These requests are normally channelled through the relevant Central Authority and sent to the Agency for processing. This function is carried out by Investigating Officers attached to the Agency.

Additionally, the Agency is responsible for providing information based on legitimate requests to foreign law enforcement agencies and FIUs. These requests are normally sent to the Agency by secure means including the Egmont Secure Web (ESW). The information deriving from these requests is to be used for intelligence purposes only.

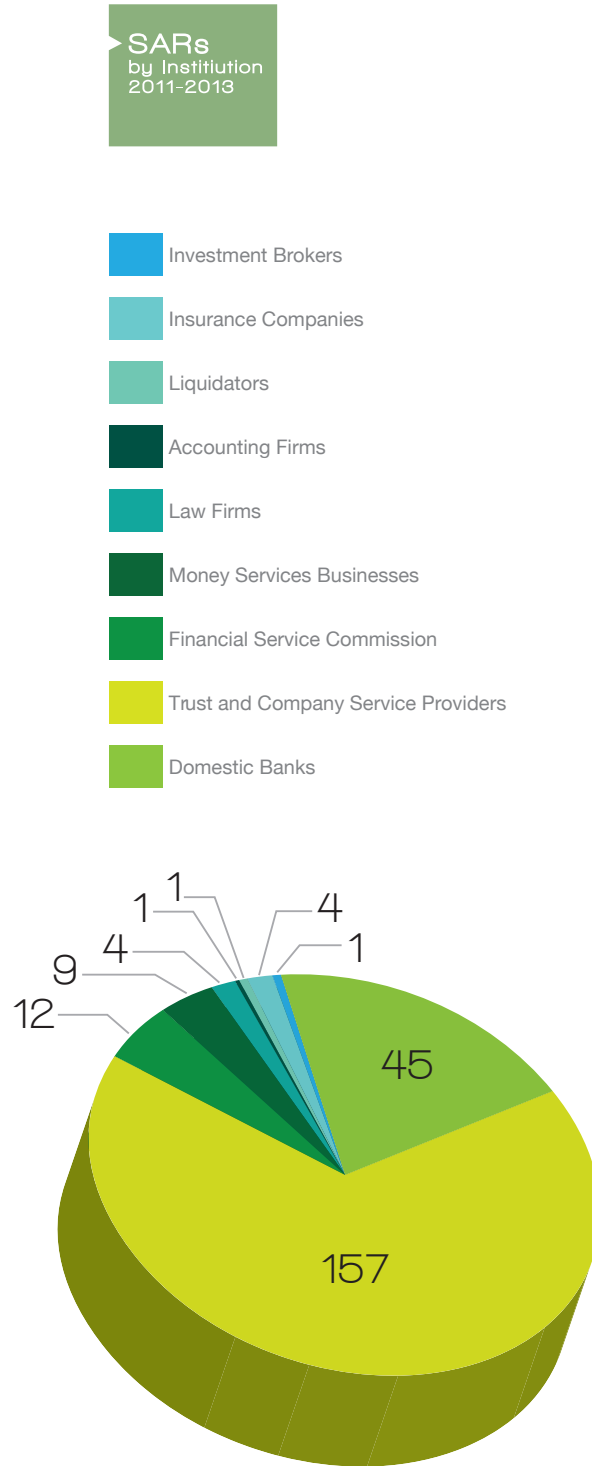
Supervisory Functions

The Anti-Money Laundering and Terrorist Financing Code of Practice designates the Agency as the body responsible for conducting AML/CFT supervision and monitoring of Designated Non-Financial Businesses and Professions (DNFBPs) as well as Non-Profit Organisations (NPOs). The supervision and monitoring of NPOs are also provided for under the Non-Profit Organisations Act, 2012. The supervisory and monitoring process commenced in 2012. The supervision and monitoring of these sectors is an international requirement based on the FATF standards for combating money laundering and the financing of terrorism.

Suspicious Transaction Reporting

The Proceeds of Criminal Conduct Act, 1997 (as amended) designated the Agency as the Reporting Authority of the British Virgin Islands. As the Reporting Authority, one of the Agency's main functions is to receive, analyse, investigate, and disseminate information in relation to SARs submitted by financial and other institutions. During the reporting year, the Agency received and processed a total of 235 SARs. Careful analysis and investigations of these SARs resulted in 84 disseminations to local and foreign law enforcement agencies and FIUs for further actions or investigations.

The following chart represents the number of SARs submitted to the Agency by sector. A breakdown of the total number of SARs received shows that one hundred and fifty seven (157) were received from Trust and Company Service Providers, forty five (45) from domestic banks, twelve (12) from the Financial Services Commission (FSC), nine (9) from Money Service Businesses, four (4) from Law Firms, four (4) from Insurance Companies, one (1) from an Accounting Firm, one (1) from a Liquidator, and one (1) from an Investment Broker.

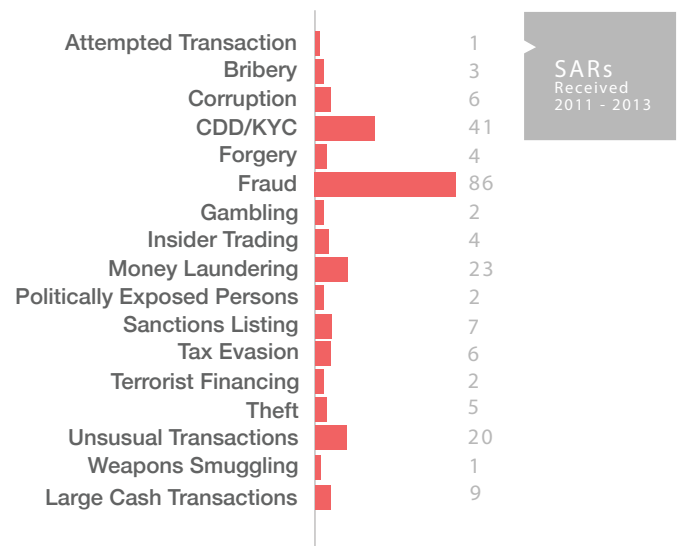
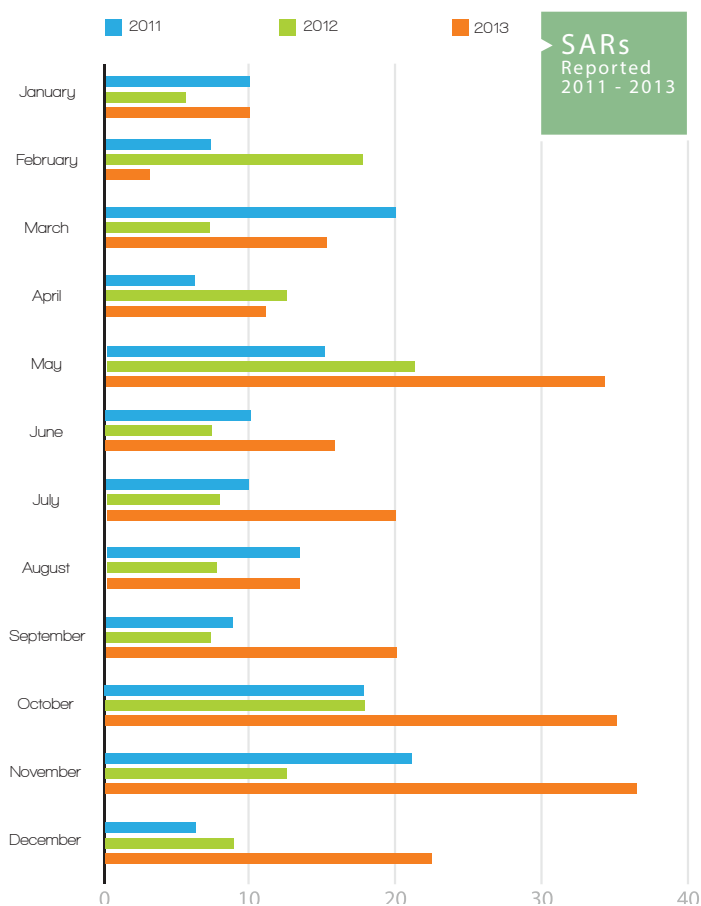


The following chart represents trends in the reporting of SARs broken down by month for the years 2011-2013. Though the data shows repeated fluctuations in the number of SARs reported over the three year period, which could be considered normal, they also show a spike in the level of reporting in May, October and November of the reporting year.

The figures also show a significant increase in the number of SARs reported during the current reporting year, compared to 2011 and 2012. Notably, fifteen (15) of the SARs reported during the current reporting year were coded as reactive

SARs. This means that these SARs were reported as a result of queries made by the Agency with the respective reporting entities.

There are a number of offences featured in the SARs that were submitted during the current reporting period. These offences represent a broad category of predicate offences ranging from fraud to illegal gambling. Much like in previous years, the majority of SARs were linked to fraud offences. The following table shows the breakdown of SARs by types of predicate offence for the current reporting year.



Information Exchange

As one of its main functions, the Agency exchanges information with a number of local and foreign law enforcement agencies, such as the Royal Virgin Islands Police Force, HM Customs, and foreign Financial Intelligence Units, as well as with the Financial Services Commission as the domestic regulator of BVI licensed and regulated financial services businesses. This type of information sharing is for intelligence purposes only. The Agency is authorised to share information with law enforcement agencies and FIUs on matters relating to financial offences, and money laundering, financing of terrorism, and proliferation.

Additionally, the Agency is an active member of the Egmont Group of Financial Intelligence Units, which facilitates collaboration through the exchange of information among its members. During the reporting year, the Agency received a total of four hundred and ninety (490) requests for information. These requests included requests from the

Financial Services Commission, Royal Virgin Islands Police Force, HM Customs, Governor's Office, and Attorney General's Chambers, as well as from foreign Financial Intelligence Units in the Egmont Group, and foreign law enforcement agencies which are members of Interpol.

The following table represents the number of requests received from different countries and organisations outside the Virgin Islands during the year 2013.

In addition to requests from outside the jurisdiction, we processed a number of requests on behalf of domestic law enforcement agencies and the Financial Services Commission. Of the total 490 requests for information received, the number of requests submitted to the Agency by domestic authorities accounted for approximately 26 %. The origins of these domestic requests are shown in the table below:

<div>Information Received from Local & Int'l Partners 2013</div>		Albania	1	Greece	1	Norway	1
		Antigua & Barbuda	1	Hong Kong	12	Panama	2
		Argentina	3	Hungary	3	Paraguay	1
		Austria	7	India	16	Peru	2
		Armenia	2	Indonesia	5	Poland	1
		Bahrain	3	Italy	1	Portugal	1
		Belarus	3	Japan	2	Romania	3
		Belgium	16	Jersey	3	Russian Federation	15
		Belize	1	Kazakhstan	5	San Marino	1
		Bermuda	1	Korea, Republic of	4	Slovenia	1
		Brazil	1	Kyrgyz Republic	2	Spain	16
		Budapest	4	Lativa	1	St. Kitts & Nevis	1
		Bulgaria	4	Lebanon	1	St. Vincent & the Grenadines	1
		Canada	4	Liechtenstein	1	Sweden	1
		Cayman Islands	1	Lithuania	6	Switzerland	5
		Colombia	4	Luxembourg	2	Syria, Republic of	1
		Croatia	7	Malta	3	Trinidad & Tobago	2
		Czech Republic	1	Malaysia	1	Turks & Caicos Islands	1
		Denmark	1	Mauritius	4	Ukraine	12
		Egypt	1	Moldava	6	United Kingdom	16
		France	33	Mongolia	1	United States	30
		Georgia	8	Montenegro	18	Total	322
		Germany	3	Nigeria	4		

BVI FSC	31
HM Customs	2
RVIPF	77
Governor's Office	1
Attorney General's Chambers	57
Total	168

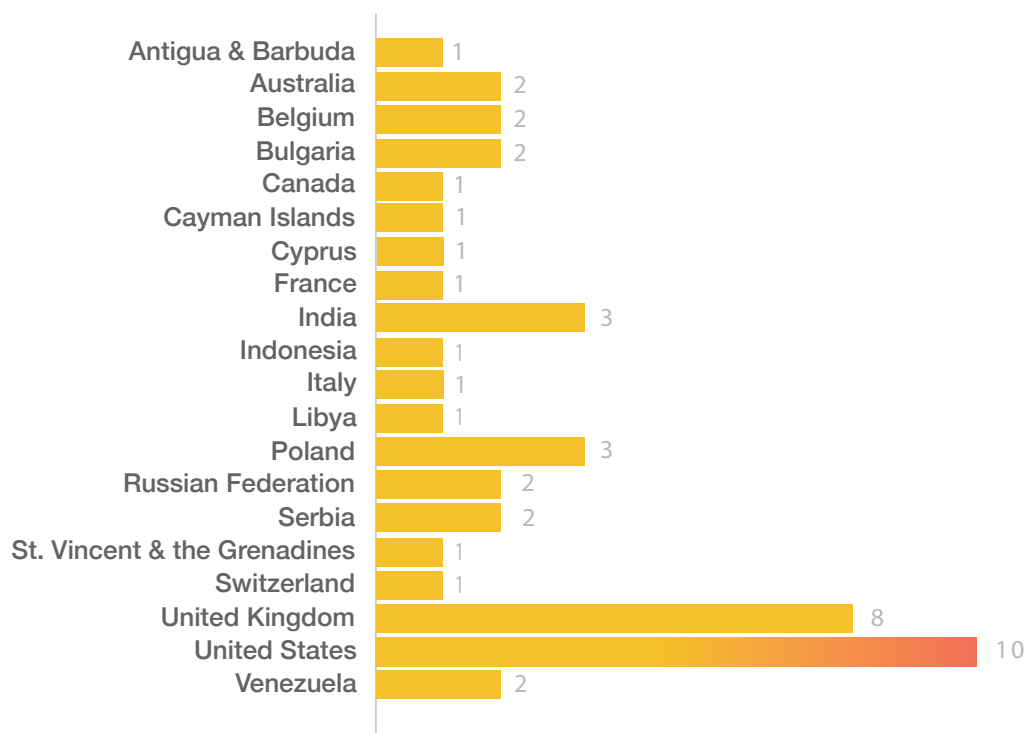
As previously mentioned, the Agency is also authorised to conduct inquiries linked to the processing of Mutual Legal Assistance Requests submitted by foreign jurisdictions. These requests are normally submitted to the Attorney General's Chambers via the Governor's Office. Once these requests are vetted to ensure that they satisfy applicable pieces of MLA Legislation, they are forwarded to the Agency for execution.

Mutual Legal Assistance matters are usually handled in accordance with the provision of the Criminal Justice (International Cooperation) Act, 1993 (as amended), and/or the Mutual Legal Assistance (United States of America) Act, 1990. On receipt of Mutual Legal Assistance Requests from the Attorney General's Chambers, the case file is assigned to an

Investigating Officer who conducts the necessary inquiries and returns the requested documentation to the Chambers for onward transmission to the requesting authorities overseas. On average, this process takes approximately fourteen (14) to twenty one (21) days and is often determined on a case-by-case basis.

During the reporting year, the Agency processed 46 MLAT Requests received from several different jurisdictions. The following table and chart illustrate the number of MLAT Requests processed during the year.

It should be noted that the majority of processed Mutual Legal Assistance Requests came from the USA, closely followed by the United Kingdom.

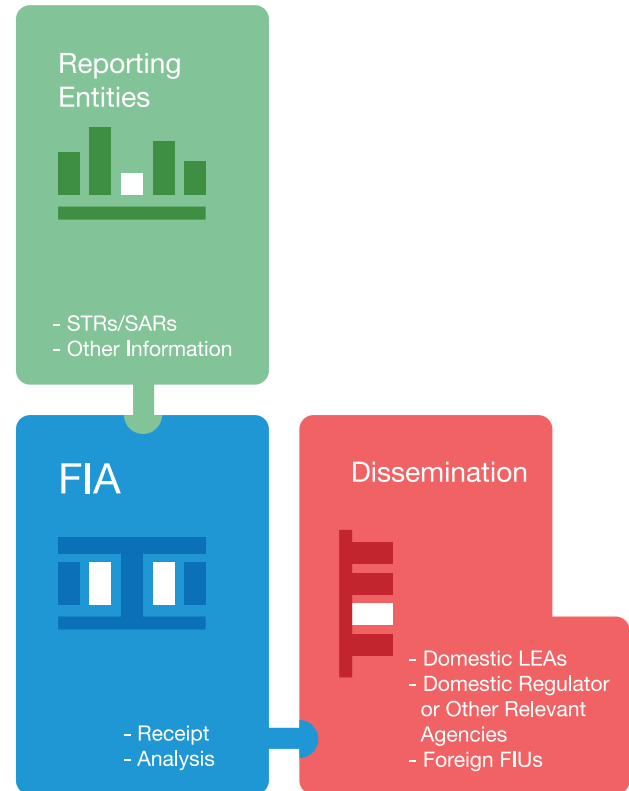


MLA
Requests
by Country
2013

National Cooperation

The Agency is a member of the Joint Anti-Money Laundering and Terrorist Financing Advisory Committee (JALTFAC) and the Inter-Governmental Committee on AML/CFT matters (IGC). These two bodies are the primary statutory bodies with responsibility for advising and coordinating national cooperation on AML/CFT matters.

The Agency also cooperates with other domestic competent authorities and law enforcement agencies such as the the Attorney General's Chambers, the Financial Services Commission (FSC), Her Majesty's Customs, the Royal Virgin Islands Police Force (RVIPF) and the Virgin Islands Shipping Registry, among others. We cooperate on a number of matters, including the exchange of information relating to AML/CFT matters. Domestic cooperation between the Agency, RVIPF, and FSC takes place under previously signed Memoranda of Understanding (MOUs). In addition to these MOUs, the Agency is expected to sign a separate Multi-Lateral MOU with members of the Inter-Governmental Committee on AML/CFT matters. This signing is expected to take place during the first or second quarter of the coming year. Under the relevant MOUs, the Agency performs certain functions on behalf of the relevant agencies.



International Cooperation

As a Financial Intelligence Unit, the Agency is involved in a number of initiatives at home and abroad. These initiatives allow the Agency to be intimately involved in matters concerning money laundering and the financing of terrorism.

Additionally, we provide support to other financial intelligence units and local and international law enforcement authorities. This support includes the provision of spontaneous disclosures, replies to requests for information and other related matters including the processing of Mutual Legal Assistance Requests.

Participation in International Fora The Egmont Group

The Agency is a member of the Egmont Group of Financial Intelligence Units. The Egmont Group meets twice a year to collaborate and exchange ideas pertaining to AML/CFT matters. The Agency actively participates in the Outreach Working Group, which is one of several working groups within the structure of the Egmont Group. The mandate of this working group is to recommend and sponsor financial intelligence units (FIUs) that are not members of the Egmont Group to become members. The sponsors work closely with candidate FIUs to ensure they meet the Egmont definition of an FIU. The membership application process involves ensuring that all legal and technical aspects of the candidate FIUs meet the requirements of the

Egmont Group. After a sponsoring FIU is satisfied that a particular candidate FIU is ready to join the group, an onsite assessment of that candidate FIU is conducted. An assessment report is then written and submitted to the Egmont Group Secretariat on behalf of the candidate FIU. The report is discussed by both the Legal and Outreach Working Groups and a recommendation is made to the Heads of FIU forum, where a decision is made on whether to accept the candidate FIU as a member. Best practices indicate that at least two FIUs should act as sponsors for candidate FIUs.

During the year 2013, the Agency continued to act as co-sponsors for the FIUs of Montserrat, Trinidad and Tobago, and the Meldpunt Ongebruikelijke Transacties (MOT) of St. Maarten. Our co-sponsor for the FIUs of Montserrat and Trinidad and Tobago is the FIU of the Commonwealth of Bahamas, while our co-sponsor for the MOT, St. Maarten is the MOT of Aruba.

We are pleased to announce that our hard work and dedication to the FIU of Trinidad & Tobago (FIUTT) resulted in their acceptance as members of the Egmont Group at the 21st annual Egmont Group Plenary which took place in Sun City, South Africa in July 2013. The Agency wishes the FIUTT well and hopes it will be available to collaborate with us in sponsoring other non-Egmont FIUs for Egmont membership.

CFATF

The Virgin Islands is a member of the Caribbean Financial Action Task Force (CFATF) which is an associate member of the Financial Action Task Force (FATF). As such, the Agency, being the designated FIU of the Virgin Islands, is a member of the CFATF group of Financial Intelligence Units. In this vein, the Agency participated in the bi-annual CFATF Heads of FIU meetings which took place during the year. During the year the CFATF Heads of FIU took steps to restructure the Heads of FIU meeting. The Director of the Agency was actively involved in drafting the Terms of Reference document which was used as the guide to restructure the Heads of FIU meeting. This Terms of Reference document provides for the Heads of FIU Chair to serve for the duration of time for which his or her country holds the chairmanship of the CFATF.

In addition to the CFATF HOFIU forum, the Agency also participated in the CFATF's Working Group on Typologies and the CFATF International Cooperation Review Working Group (CFATF ICRG). The Agency's participation in this working group is in the role of an assessor responsible for monitoring the timelines of agreed action plans to resolve outstanding deficiencies identified during an assigned country's Mutual Evaluation Process. Countries that have not sufficiently achieved a Largely Compliant or higher rating with the Core and Key Recommendations are considered non-compliant and referred to the

CFATF ICRG). The CFATF ICRG's assessors are to complete timely reports on an assessed country's progress and report to the CFATF ICRG at every CFATF plenary. Failure to adhere to the CFATF ICRG's processes, and by extension the assessors, can cause a country to undergo stringent measures that seek to generate compliance. These measures may lead to the referral of the relevant country(ies) to the Financial Action Task Force (FATF).

General Information

Professional Development

During the year, the Agency dedicated a great deal of its resources to the professional development of its staff. Most of these resources were directed towards the Compliance and Enforcement Unit, which allowed Compliance Examiners to pursue a number of professional certifications and courses during the year. Additionally, several other staff members attended training seminars and conferences to keep them abreast of the constant changes taking place in the global AML/CFT landscape.

Challenges

There were a number of challenges faced by the Agency during the year, including:

- The Agency's inability to garner certain pieces of important information from licensed entities in a timely manner. This specifically related to information on Beneficial Ownership, which was the subject of much discussion during the year, particularly among G8 countries.
- As previously indicated, there was a significant increase in the volume of SARs filed during the

reporting year when compared to the previous year. This increase proved to be particularly challenging to the Analysis Unit which is currently staffed by two (2) Analysts. This resulted in a number of low priority SARs being carried over into 2014. Should this trend continue, the Agency may have to consider taking steps to increase the resources within the Analysis Unit.

- The Agency also took the opportunity to review the type of feedback given to reporting entities as well as the timeliness of its responses to requests for information sent by competent authorities and law enforcement agencies overseas.
- Another key challenge experienced during the year involved the ongoing work to implement its supervision regime for DNFBPs and NPOs.
- Additional key challenges experienced during the year related to ongoing issues with the electronic database used to store critical data maintained by the Agency. This challenge was highlighted by the fact that there are no in-house personnel trained in IT procedures from an FIU perspective.

New Developments

For the first time since its existence in 2004, the Agency appointed a Deputy Director. Mr. Alcedo Fahie was appointed Deputy Director, effective September 1, 2013. Mr. Fahie has been with the Agency since November 2004 and has been trained as an Investigating Officer. He has also been trained as an examiner with the FATF's 40 + 9 Recommendations. After this training, he participated in the conduct of the Mutual Evaluation Examination of Guyana in 2010. Furthermore, he was chosen as a CFATF ICRG assessor, with responsibility for monitoring the resolution of the outstanding deficiencies of the Turks and Caicos Islands.

Prior to his appointment as Deputy Director, Mr. Fahie was the Senior Investigating Officer of the Agency. He holds a Diploma in Criminal Justice (2002) and a Bachelor of Arts in Criminal Justice (2004) from the University College of the Fraser Valley, British Columbia, Canada. He was also the recipient of a Certificate in Financial Crime Awareness from the International Compliance Association (2012).

The Agency has also recruited a Legal Counsel as part of its mandate to strengthen its operations. Mrs. Candace Dejonge, was appointed in January of 2013. She is a former Principal Crown Counsel with the Office of the Director of Public Prosecutions.

Additionally, the Agency also formally appointed a Senior Analyst. Ms. Delia Jon Baptiste was appointed Senior Analyst effective September 1, 2013. Ms. Jon Baptiste joined the Agency at its inception as an Administrative Assistant. In 2008, she was appointed as an analyst. Her professional development training included training in analytical procedures and Tactical and Strategic Analysis training.

Ms. Jon Baptiste holds a Bachelor's Degree in Finance from Missouri Southern University. She is also a member of the Association of Certified Anti-Money Laundering Specialists (ACAMS).

Amendments to the FIA Act, 2003

During the year, some amendments were made to the FIA Act, 2003. The FIA (Amendment) Act, 2013 made some significant changes to the Agency's management and operational structure. The first significant changes were the appointment of the Honourable Attorney General as Deputy Chairman of the Agency's Board and the addition of the Agency's Director as an ex-officio member. The second significant change concerned the time by which requests for information sent by the Agency in accordance with its powers under Section 4 (2) (d) of the FIA Act, 2013 should be responded to by entities from whom such requests are made. Prior to the amendment, the Act allowed for the submission of requested information to the Agency to be complied with within a 'reasonable timeframe'. This has been amended to a period of five (5) working days.

Additionally, the Agency formally established its Compliance and Enforcement Unit, which, at the time this report was being compiled, was staffed by three (3) Compliance Examiners and headed by the Legal Counsel. Given the specific purpose of the Compliance Unit and the significance of its creation, the following section of the Annual Report has been dedicated to highlighting the work of the Compliance Unit in 2013.

The Compliance Unit

Introduction

The Agency's Compliance and Enforcement Unit was formally established in the first quarter of 2013 in answer to the 2012 Financial Action Task Force revised international standards which called on countries to implement effective systems for monitoring and supervision of Non-Profit Organisations and Designated Non-Financial Businesses and Professionals operating within the Territory; to ensure compliance with requirements to combat money laundering, countering the financing of terrorism and proliferation. The formation of the Compliance and Enforcement Unit represents a significant step in the Agency's development and as such the following sections of this report are dedicated to highlighting the work of the Unit in 2013.

Section 9 (2) of the British Virgin Islands Anti- Money Laundering and Terrorist Financing Code of Practice, 2008 (the Code of Practice) places a statutory obligation on the Financial Investigation Agency to supervise, for Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) purposes, all entities that are not regulated by the Financial Services Commission. This essentially involves a review of the entity's risk assessment on money laundering and terrorist financing through its policies, processes, procedures and internal control systems, so that an informed and objective assessment can be made of its risk profile, the adequacy or otherwise of its mitigation measures, and its compliance with legislative requirements.

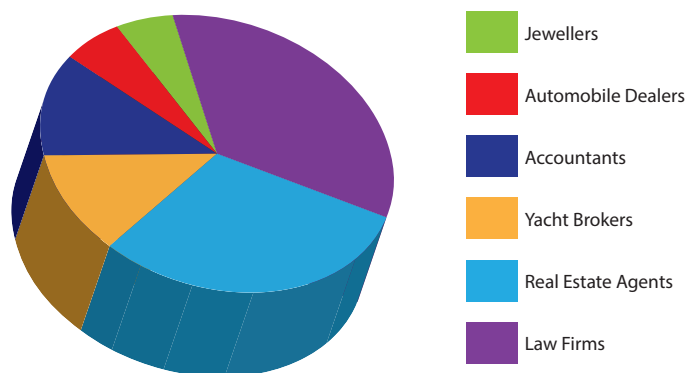
The mandate of the Compliance and Enforcement Unit, therefore, was to develop an effective AML/CFT mechanism that would provide a framework for the supervision of NPOs and DNFBPs operating in the Territory.

Since its inception, the Unit has sought to develop a Compliance Examination Framework which will be used to ensure that supervised entities are monitored in accordance with the relevant and applicable BVI legislation. Components of the framework include

a pre-examination interview, approval of AML/CFT compliance manuals, a combination of offsite and onsite examinations of financial institutions to evaluate the effectiveness of AML/CFT programs, and the application of administrative sanctions for non-compliance in appropriate circumstances.

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

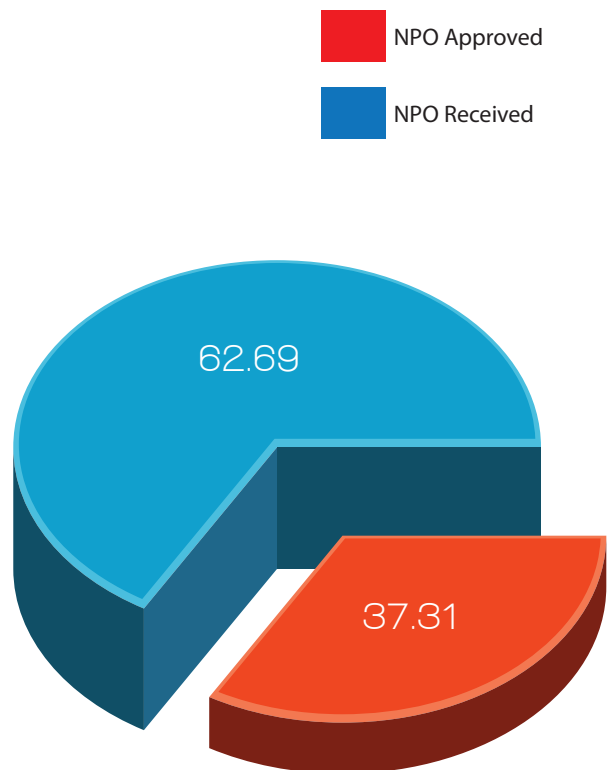
- Legal Practitioners
- Accountants
- Realtors or Real Estate Agents
- Automobile Dealers
- Jewellers
- Yacht brokers
- Persons engaged in the buying and selling of high valued goods



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

The Act sets out a wide and comprehensive definition of a NPO, which allows for an extensive list of organisations that may fall under the Agencies supervision mandate. The following is not an exhaustive list, but a snapshot representation of the types of organisations, in the Virgin Islands, that may come within the definition:

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



Supervision and Monitoring

In order to fulfil its mandate of supervising and monitoring NPOs and DNFBPs, the Agency's first step is to conduct a pre-examination exercise. During this session, information is elicited from officers of the executive body of an NPO or authorised personnel from a DNFBP in order to gain a thorough understanding of the entity's operations and commitment to ensuring that it is not misused for money laundering and terrorist financing. The Compliance Examiners use this opportunity to outline the entity's obligations as stipulated in the applicable and relevant legislation and by the role of the Agency in executing its supervisory mandate.

The entities are monitored with a view to ensuring fulfilment with their legislative requirements to:

- Develop and submit their Compliance Manuals for approval from the FIA
- Implement their compliance regime
- Conduct Customer Due Diligence and Know Your Clients procedures
- Appoint a Money Laundering Reporting Officer (MLRO)
- Maintain and retain records
- Conduct training

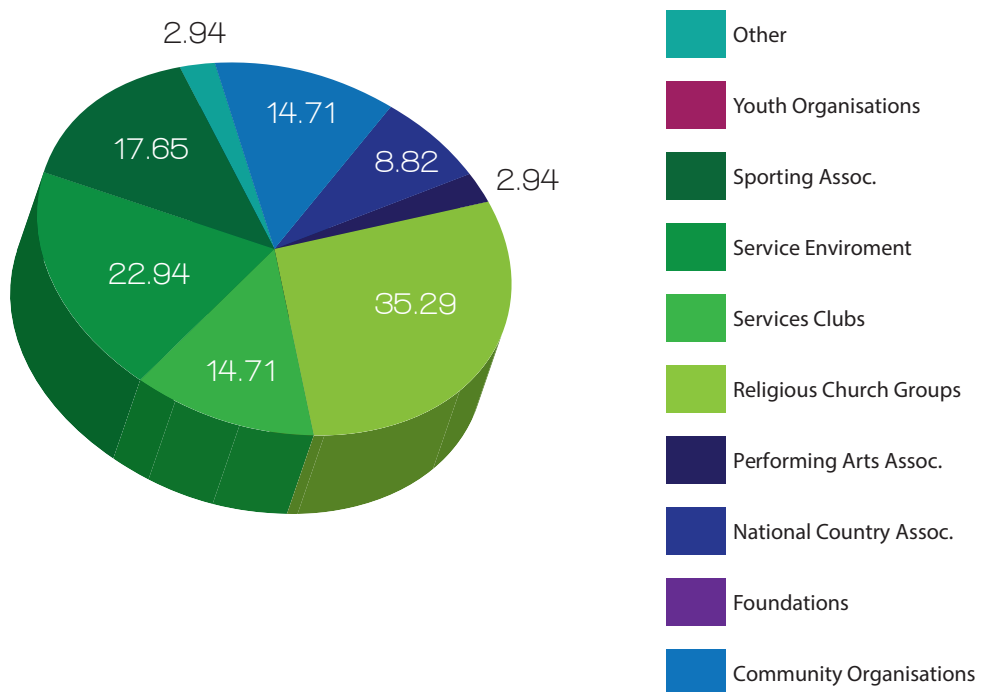
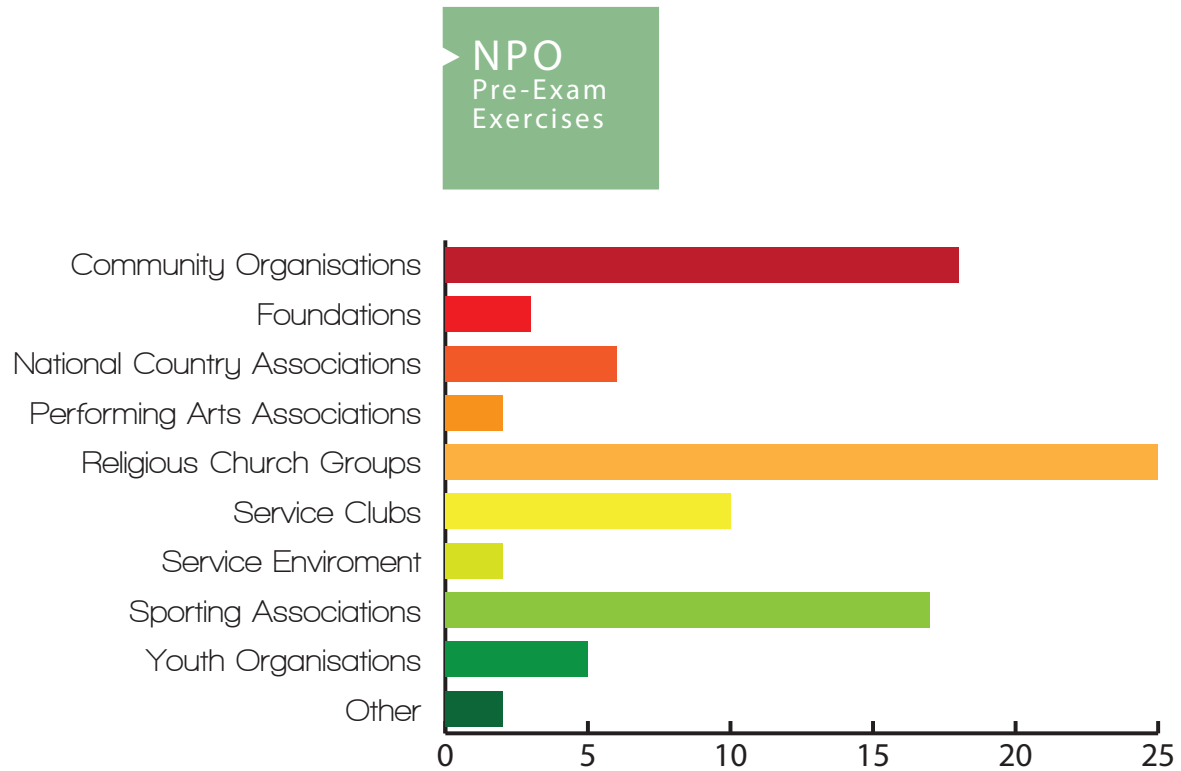
The supervisory process continues with desk-based and on-site examinations of the supervised entity to determine the effectiveness of their AML/CFT programmes. Administrative sanctions are then imposed on those entities that fail to implement adequate AML/CFT standards.

It is intended that this will be followed by an escalated enforcement process that will commence with rectification, followed by warnings and in the unlikely event of non-compliance or continued failure to meet the required standards, the imposition of administrative penalties, or depending on the severity of the infraction, criminal proceedings.

Effectiveness of AML/CFT Programs

As previously indicated, all DNFBPs and NPOs are required to submit their written Compliance Programme to the Agency for approval.

Compliance Programmes submitted to the unit are subject to an examination process to ensure that they include policies, procedures, and controls as required by law before approval is granted.



AML/CFT Compliance Examination

The Compliance and Enforcement Unit was challenged to conduct at least one examination before the end of the reporting year. However, this had to be postponed until the coming year, due to challenges posed by the ongoing NPO registration process, the identification of the various DNFBPs that would fall under the Agency's supervision, the organisation of several workshops aimed at sensitising NPOs and DNFBPs to their obligations under the legal framework, and the arrangement of several pre-examination meetings with NPOs and DNFBPs.

Administrative Sanctions for Non-Compliance

During the reporting period, the Unit did not take any enforcement action against supervised entities. Going forward, it is intended that an enforcement committee will be put in place. The committee will comprise of the Director, Deputy Director, Legal Counsel and Senior Compliance Examiner. This group will decide on the enforcement measures which may be employed against non-compliant entities.

Staffing

Throughout the year, the Unit was staffed with persons with financial services industry experience. These persons were tasked with establishing the supervision framework and with discharging the mandate of the Unit. The Unit began with two (2) members and as the reporting period progressed, one (1) additional examiner joined the team. It is likely that a fourth examiner will join the team in the coming year, 2014. As indicated previously, these examiners will be provided with necessary training to enable them to carry out their the job functions.

Training

- During the reporting period, officers of the Unit participated, individually or severally, in various training opportunities aimed at boosting the resource capabilities of the Unit. These included National Risk Assessment Workshop- hosted by the World Bank and held in the Virgin Islands to prepare assessors to participate in the upcoming National Risk Assessment.

- **C5 National Conference on Asset Recovery and Tracing** - held in Miami, FL. In November 2013 this seminar brought awareness of and focus on current trends in asset tracing and forfeiture and the inroads it has made in the fight against money laundering.

- **CFATF Assessor Training** - held in Kingston, Jamaica in January 2014, and aimed at training officers in multiple jurisdictions to take on the role of assessors for the fourth round of mutual evaluations.

- **ACFE Examination Prep Seminar** - aimed at assisting to prepare candidates for the Certified Fraud Examiner profession certification examination.

- **CIARB (International Arbitration Institute) Training** - accelerated programme aimed at qualifying suitable candidates for membership of the Chartered Institute of Arbitrators.

- **USSEC/TTSEC Inspections and Compliance Training Programme** - Inspections Training Programme in conjunction with the United States Securities and Exchange Commission (USSEC) held in Port of Spain, Trinidad from September 16 to 19, 2013. The aim of the Programme was to provide a forum for the Commission's staff members to understand the inspections process and what it entails. It also provided regulatory bodies with opportunities for re-tooling in the area of onsite examinations and to exchange experiences.

- **FSC OT Regulators Training** - Training was aimed at communicating the role of the Virgin Islands' regulatory framework. Sessions were held from 30th September to 4th October 2013.

- **BDO Uncovering Fraud through Financial Analysis Training** - Training which sought to bring a level of awareness and aptitude to the Agency's staff in the analysis of financial statements

- **Trinidad & Tobago FIU Attachment Training** - The aim of the attachment was for Compliance Examiners to obtain practical experience while conducting on-site examinations.

- **ACAMS 19th Annual International AML & Financial Crime Conference** - In March 2014, delegates representing the world's leading banks, securities firms, and government and law enforcement agencies gathered in Hollywood, Florida to assess the global impacts of financial crime and offer insight into innovative best practices, methods and trends to mitigate the impacts of these offenses on not only financial institutions and related businesses, but society as a whole.

- **ACFE 25th Annual Conference** - The annual ACFE Global Fraud Conference was held in San Antonio, Texas. As the world's largest anti-fraud event, the 2014 Conference comprised of speakers, resources and connections that aid in the global fight against fraud.

- **Annual CFCS Conference** - the ACFCS conference held in New York from February 5th - 7th, 2014 aimed to dissect crucial financial crime subjects including FATCA, Fraud, AML, Threat Finance & Data Security

Awareness

During the reporting period, the Agency conducted a total of 7 outreach/training seminars which targeted a cross-section of Supervised Entities. This was a welcomed move by the Agency, as many of the entities were unfamiliar with the obligations and rigours of regulation. This had led to an insufficiency of knowledge and a number of misconceptions, which were clarified, thus paving the way for a better relationship going forward.

Looking Forward

Challenges

As we look forward to a new year, the Agency expects some of the challenges experienced during the reporting year to remain, including:

- Adequate outreach to the NPO and DNFBP sectors
- Full implementation of the Compliance Examination Unit AML/CCFT supervisory Framework
- Meeting the demands of a high volume of requests for information received from foreign law enforcement agencies and financial intelligence units
- Meeting the demands of a high volume of Mutual Legal Assistance Requests received from competent authorities overseas
- Conducting Strategic Analysis of SARs based on FATF requirements

Expected Outcomes

The Agency anticipates that there will be steady growth and momentum in the Compliance Enforcement Unit as it continues to implement its AML/CFT supervisory framework. Expectations are high as it hopes to build on what was achieved during the reporting year.

It is hoped that the NPO registration process will continue going forward. This will allow new registrants to be added to the Unit's database and its pre-examination process to continue.

The same is true for the DNFBPs which have been a challenge for the Unit during this period. It is anticipated that there will be an improvement in the licensing process to include classification of the types of trade licenses (i.e. licenses relating to the Real Estate sector), and possibly the implementation of a registration process to ensure that most, if not all, DNFBPs can be identified by the Agency and brought within its supervisory framework.

The Agency is also keen to implement a non-compliance enforcement regime as part of the mandate of its Compliance Enforcement Unit. To this end, attention will be diverted to those recalcitrant business entities and professionals with a view to applying appropriate sanctions.

In the coming year, the Agency will also seek to unveil a new database for its Compliance Enforcement Unit, which will house all data collected and managed as part of the Compliance Enforcement Unit supervisory process.

Conclusion

Having spent just over a year building a new Compliance and Enforcement Unit, as well as ensuring that the Agency continued to fulfil its broad mandate, it would be remiss not to acknowledge the hard work and dedication of the entire staff working within their respective divisions to ensure the Agency was successful in accomplishing many of its goals during the reporting year. We would especially like to highlight the Agency's thanks and appreciation to the NPOs and DNFB sector, particularly to those representatives from the various organisations and businesses making up these sectors with whom it met to discuss plans to implement its supervisory framework. It could not have been an easy task for them, but they gave their cooperation, which is evidence that they have recognised that this is a necessary partnership as the Territory seeks to ensure that measures are in place to combat misuse for Money Laundering and Terrorist Financing and to ensure the Virgin Islands' compliance with international standards.

It can therefore be said that there was measured success and development within the reporting period. It is hoped that with continued hard work, dedication, and support from management, and cooperation and partnership from the reporting sector as a whole, the Agency will record greater success in the upcoming year 2014.

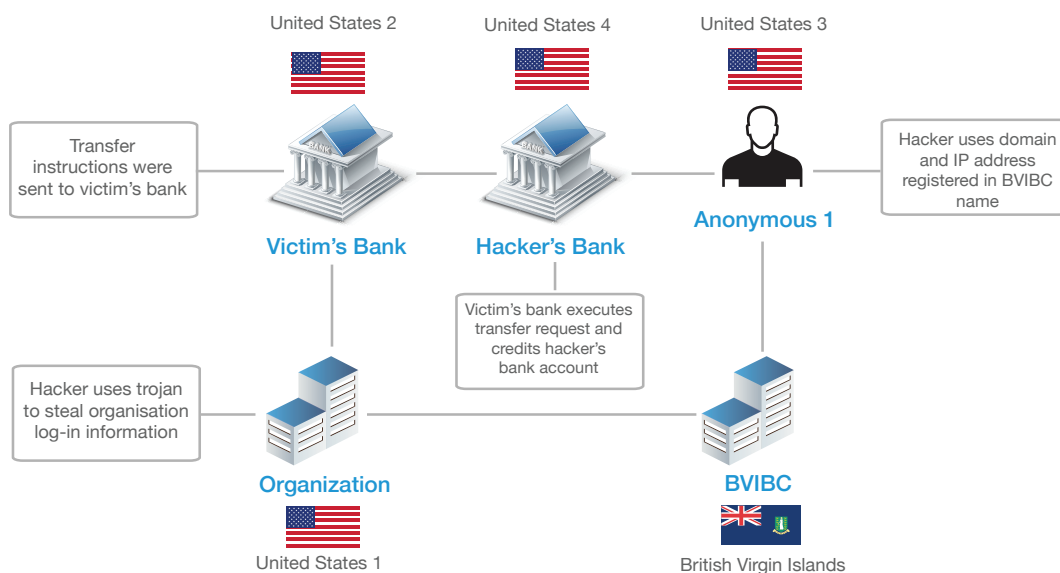
FIA 2013 Annual Report
Appendix

Money Laundering

Typologies

Money Laundering Typologies (2013)

Case 1 Online Identity Theft



Case Summary

A sum of just over 200k USD was stolen by an unknown individual (referred to as the hacker) from the online bank account of a US based company (referred to as Company A). The transfer, which was conducted online without authorization, occurred with the use of the victim's username and password. A second transfer of just over 200K was successful initially but was reversed shortly thereafter. The hacker attempted to execute a third transfer which was unsuccessful.

A forensic analysis of one of the victim's computers indicated that it had been infected by a malicious software referred to as "malware". It was later determined that the hacker used the software to steal the victim's confidential login information from its online portal which allowed electronic access to the victim's bank account.

Additionally, the forensic analysis also showed that the malware communicated with a remote

computer through a domain which was linked to an Internet Protocol (IP) address that was owned by a BVI registered business company (referred to as Company B). The domain and IP were critical in helping law enforcement track down the individual(s) who controlled the domain and IP address.

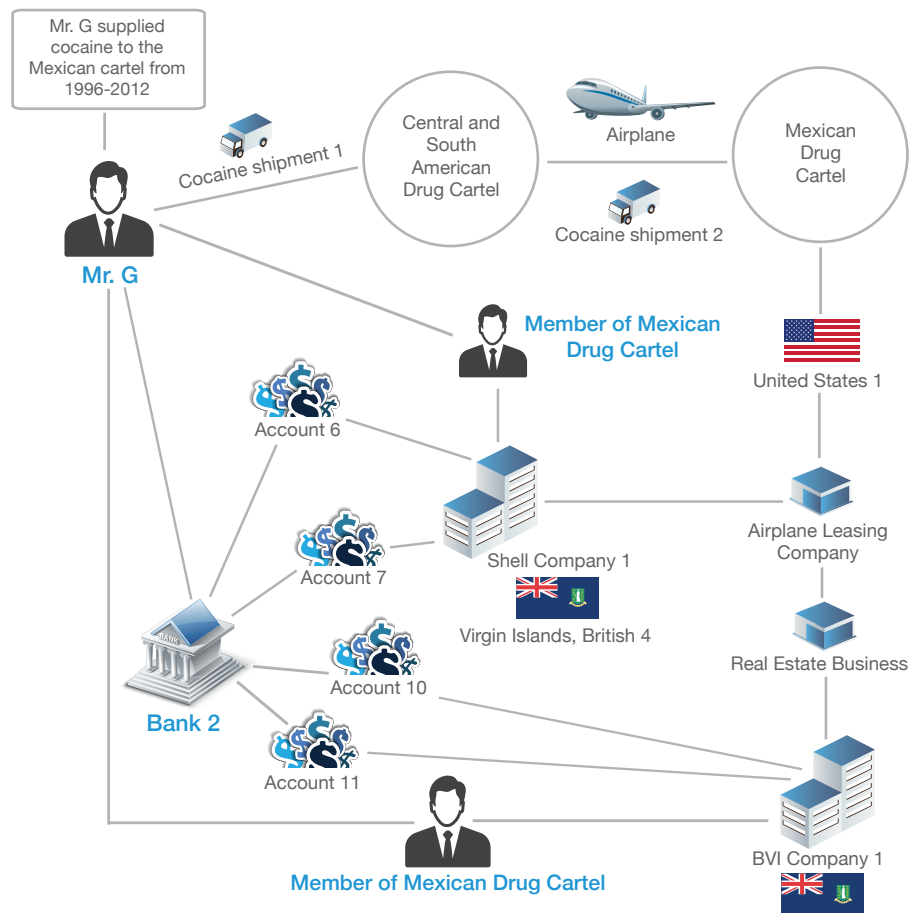
Outcome

Information obtained on Company B from the BVI Registered Agent was forwarded to law enforcement authorities in the US to assist with their investigation and likely prosecution of the hacker(s) who stole the money from Company A.

Analysis

Analysis revealed an increase in identity theft frauds since the previous year, 2012, which is likely to continue unless extreme care is taken by individuals as well as financial institutions to protect sensitive login information.

Case 2 Drug Trafficking and Money Laundering



Case Summary

Mr. G, who was the leader of a well known drug cartel which operated in Mexico, Columbia, Ecuador, and elsewhere throughout Central and South America, was arrested following a prolonged drug trafficking and money laundering investigation. Mr. G's drug cartel supplied cocaine to another well known drug cartel which operated in Mexico. The two drug cartels operated for several years prior to the Mr. G's arrest.

The cocaine supplied by Mr. G's cartel to the Mexican cartel was transported into the US by aircraft, motor vessels, and other means of transportation where it was sold and the proceeds laundered by Mr. G. through several businesses he had established in the US.

Investigations suggest that a BVI Businesses Company (Company Z) was established as a private investment company to be used primarily for the purpose of assisting in laundering the proceeds from Mr. G's drug trafficking operations. Two bank accounts were allegedly opened with a US financial

institution and the said accounts contained more than 10M USD. The money was used to purchase securities designed to conceal or disguise the origin of the proceeds, to make them appear legitimate.

Additionally, a second BVI Business Company (Company Q) was established, along with several brokerage accounts which were established in Company Q's name. Following Mr. G's arrest, the US issued an order authorising the liquidation and seizure of all funds in the various bank accounts.

Action Taken

The BVI FIA executed a MLA Request on behalf of the US Department of Justice and obtained the information necessary to assist in the prosecution of individuals linked to the drug trafficking and money laundering operation.

Outcome

Information available suggests that Mr. G, who was arrested in Venezuela, is still waiting to be extradited to the US where he is wanted for drug trafficking and money laundering.

The Agency's Finances

	2010	2011	2012	2013
Salaries and Wages	419,366	496,193	592,853	752,534
Employee Benefits	51,978	61,477	76,637	245,513
Operations and Maintenance	509,494	843,686	712,122	706,035
Grants and Contributions	1,191,528	1,500,000	2,000,000*	2,250,000
Total Approved Expenditure Budget	1,721,266	1,477,081	2,002,251	2,002,251
Total Actual Expenditure	928,860	1,340,061	1,304,975	1,704,082

*Includes IPOC Funds

