
FINANCIAL INVESTIGATION AGENCY



ANNUAL REPORT 2006

FINANCIAL INVESTIGATION AGENCY
P.O. Box 4090, Road Town.
Tortola, British Virgin Islands.

FINANCIAL INVESTIGATION AGENCY (2006)

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List of Abbreviations

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FIA	Financial Investigation Agency
FIU	Financial Intelligence Unit
FATF	Financial Action Task Force
CFATF	Caribbean Financial Action Task Force
STR	Suspicious Transaction Report
SAR	Suspicious Activity Report
FSC	Financial Services Commission
MLAT	Mutual Legal Assistance Treaty
RVIPF	Royal Virgin Island Police Force
LOR	Letter of Request
IBC	International Business Company

EXECUTIVE SUMMARY

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The Financial Investigation Agency is a government statutory body, created by the Financial Investigation Agency Act 2003. Its role is to act as the frontline for the British Virgin Islands in the global fight against money laundering, combating the financing of terrorism, drugs trafficking and other financial offences.

This is done through our adherence to our mission statement, which is 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

By aiming to do this to the highest standard we have set our sights on being a leading Financial Intelligence Unit, in which our stakeholders will have the fullest confidence in our integrity, proficiency, competence and achievements of our agency.

The year 2006 is our second full year of operation. It has been a year of consolidation with the introductions of some new systems and the refinement of others with the view to an overall improvement in operating procedures and systems. This has by nature meant that staff training was of paramount importance in the development and operation of our strategic planning for 2006. The training received was structured to follow a planned path. However training needs to be linked to operation practice, and by the use of careful monitoring of the distribution of incoming enquiries and case types and matching this to the level of training has meant that staff have been able to get the best value out of training received and conferences and seminars attended. The practical effect, of this approach to training has been a great benefit to the running of the Agency.

Our major challenge is to ensure that we have the right officers in place to take advantage of their skills and be able to promote from within the Agency as the need arises whilst being in the position to develop new staff to fit the gap that they leave.

Overall there has been a small increase in the number of Suspicious Transaction Reports during 2006. The source of these reports has shown an increase in the number of reports from the banking sector as well as a balanced approach from the company formation side which I consider is due to the improvements made in compliance training now making its way through the system. The nature of these disclosures has meant an increase in the workload involved in each of these cases. Although there is not a significant percentage increase in numbers, the quality of the disclosure and background information included show the emphasis being placed by the financial industry in good reporting.

In relation to International Requests for Legal Assistance , there has been a drop in the number of requests received for the first time, The number falling below 2005 level (53), but still one case higher than 2004 level (33) .

What is noticeable and is highlighted in the chart showing the breakdown by country is the number of countries that appear for the first time in this chart. This shows the expanding field of the British Virgin Islands Financial Market. Analysis of records show a noticeable feature, which is an increase in the percentage of corruption cases world wide and an increase in the number of PEP's (Politically Exposed Persons) involved in cases.

During 2006 the Agency received 208 requests for information on BVI registered companies (company checks) involving a total of 705 seven hundred and five companies and 194 individual persons connected to these companies. These requests came from 53 different countries 84.9% of the requesting countries were members of the Egmont Group.

The Agency is an active member of the Egmont Group and is represented on the Egmont Training Group. It is also involved in a number of Egmont Projects and held a seat on the Implementation Committee for the new Egmont Secretariat, as well as being involved in the Egmont selection Committee for the new post of Egmont Executive Director.

A future aim of the Agency is to formalize connections within the British Virgin Islands by signing an MOU with the Financial Services Commission, the Royal Virgin Islands Police Force and the Customs department for mutual assistance to the benefit of the British Virgin Islands. By doing this the Financial Investigation Agency hopes to serve the British Virgin Islands to the very highest standard.

1 Organization

Introduction

The British Virgin Islands are a group of more than forty islands situated in the north-eastern corner of the Caribbean. Christopher Columbus first sighted these islands in 1493 on his second voyage to the new world. Since this time they have been mined by the Spanish before a number of attempts were made to settle them by the English the French, Danish and the Dutch who held the islands from 1648 until 1672 when the English took possession of Tortola.

Since this time the islands have progressed from a small farming and fishing community to the modern thriving centre that they are today. A territory supported by the twin pillars of tourism and finance. It is clear to all visitors that the islands are a haven for yachtsmen and sailors. The beauty of "Drakes Passage" framed by the Islands of Norman, Peter, Salt, Cooper, Ginger and the unusually named "Dead Chest" act as a magnet to all with a love of sailing.

The capital, Road Town, is situated around the wide sweep of Road Harbour. It is home to busy marinas, moorings and yachts and ferries taking advantage of the beauty of this large natural bay. However behind the colourful facades presented by the mix of old and new buildings of Road Town, is the busy world of international finance, with international business companies, mutual funds, insurance, trusts and other financial institutions and products which make the British Virgin Islands the worldwide financial centre that it is today

The Financial Services Commission (FSC) is the chief regulatory body with responsibility for licensing and regulating all businesses involved in the financial services sector. Additionally, it is also their duty to ensure that these businesses adopt and maintain the highest standards. This is key if we are to maintain our reputation as a leading offshore financial services jurisdiction. The role of the Financial Investigation Agency is to provide an Intelligence/investigative arm for the Government of the British Virgin Islands and the Financial Services Commission. This is an important role, which the Financial Investigation Agency takes pride in doing and strives to do it to the highest international standards.

OUR MISSION STATEMENT

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

We Aim to achieve this through dedication, diligence, and training. We will always aim for the highest standards and promise to monitor and self evaluate our procedures and actions to maintain these standards.

The secret of joy in work is contained in one word

Excellence.

To know how to do something well is to enjoy it.

Pearl S Buck 1892 – 1973

OUR VISION STATEMENT

The Financial Investigation Agency acknowledges that it has a vital role to play in helping to maintain the high degree of transparency in the Financial Services Sector. To this end it will work closely 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 recognizes 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 competence of the persons employed within, a great deal of resources will be allocated to ensure that the staff members receive the necessary training to equip them with the skills needed to be able to perform effectively in their roles.

We Aim to achieve this through dedication, diligence, and training. We will always aim for the highest standards and promise to monitor and self evaluate our procedures and actions to maintain these standards

WHAT IS MONEY LAUNDERING WHAT IS TERRORIST FINANCING

Money laundering can be described as the process, by which the **proceeds of criminal activity** are disguised in an effort to conceal their illicit origins so as to make these **proceeds of crime** appear as the legitimate proceeds business, with the intention of persons using these funds for their own or another's benefit .

Financing of Terrorism is the provision of financial support in any form, so as to give benefit to persons or groups of persons, involved in any way in the support, encouragement, publication, financing or provisioning of equipment or supplies to be used in training, planning or the taking part in acts of terrorism. It includes the concealment of money or persons concerned in acts of terrorism or the glorification of terrorism.

The two statements are not exclusive definitions but cover the subject and display the distinct differences between them. As you can see the funds in money laundering are the proceeds of criminal activity. The funds in financing terrorism may well be the proceeds of criminal activity, but it may also be the legitimate proceeds of business or charitable donations. The phrase "One mans terrorist is another mans Freedom fighter" is well used but the truth is that there are many people who by family up bringing or propaganda or ethnic grouping willingly give support to groups or organisations that they believe are working towards a common cause to the benefit of the people or a section of people that they support. This may be done as an overt act or where the organization supported is outlawed by a state or government, the support may be given in a covert manner. All this helps to make investigations into the financing of terrorism more difficult. There are however the terrorist groups, which openly take part in crime in order to finance their organizations, such as the Provisional Irish Republican Army (PIRA), the Basque group ETA and other groups. Other problems with the investigation with the financing terrorism is that the money involved may amount to millions of dollars to support armies(Tamil Tigers, Taliban ect) with military weapons, or hundreds of dollars to buy fertilizer as a precursory to the manufacture of home made bombs or to buy train or aircraft tickets. In addition to this there are some terrorist groups which are in fact wealthy and any money given to them can be hidden in their own financial structure and long term investments, which lock it away and out of the sight of most regulating or monitoring authorities.

The global nature of terrorism has meant that Financial Intelligence Units have had to draw themselves closer together and in this respect the Egmont Group has led the way

forward, supported by the Caribbean Financial Action Task Force, the Financial Action Task Force, the World Bank and the International Monetary Fund.

THE EGMONT GROUP

The Financial Investigation Agency Act 2003, created a statutory body, which although small, is a vital body, dedicated to combating Money Laundering and the Financing of Terrorism. The **Financial Investigation Agency (FIA)** fulfils the function of the financial intelligence unit (FIU) for the British Virgin Islands. The FIA is also a member of the Egmont Group, having been a member since 1999, and is in compliance with recommendation number 26 of the Caribbean Financial Action Force amended 40 recommendations:-

Recommendation 26 (CFATF/ FATF)

States:-

Countries should establish an FIU that serves as a national centre for receiving (and, as permitted, requesting), analysis and dissemination of STR and other information regarding potential money laundering or terrorist financing. The FIU should have access, directly or indirectly, on a timely basis to the financial, administrative and law enforcement information that it requires to properly undertake its functions, including the analysis of Suspicious Transaction Reports (STRs).

EGMONT DEFINITION OF A FINANCIAL INTELLIGENCE UNIT (FIU)

A central, national agency responsible for receiving, (and as permitted, requesting), analysing and disseminating to competent authorities, disclosures of financial information:

- 1. concerning suspected proceeds of crime and potential financing of terrorism, or*
- 2 required by national legislation or regulation in order to combat money laundering and the financing of terrorism.*

The partnership of the Egmont Group links over one hundred FIU's to share information and provide assistance in shared trends, methodology and practical applications through the sanitized cases published through its website. This ability to share information has proved to be an extremely important weapon in the fight against money laundering and financial supporting terrorism.

THE BOARD

<u>Chairman</u>	Ms. DANCIA PENN. O.B.E. Q.C.	Deputy Governor
<u>Members</u>	Mr. CHERNO JALLOW	Attorney General
	Mr. Neil SMITH	Financial Secretary
	Mr. ROBERT MATHAVIOUS	Managing Director / C.E.O. Financial Services Commissioner
	Mr. WADE SMITH	Comptroller of Customs
	Mr. REYNALL FRAZER	Commissioner of Police

STEERING COMMITTEE

Chairman

Mr. CHERNO JALLOW	Attorney General
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Members

Mr. ROBERT MATHAVIOUS	Managing Director / C.E.O. Financial Services Commission
Mr. GRAEME MCDOWELL SMITH	Director, FIA

AGENCY STAFF

Director	Graeme McDowell Smith
Chief Operating Officer	Julien Johnson
Senior Investigator	Errol George
Investigator	Selwyn Rock
Investigator	Alcedo Fahie
Assistant Administrator	Delia Jon Baptise

2.The Operation Environment

FIA LOGO



The Logo for the Financial investigation Agency was considered with care, as it must represent the Agency in a single glance. The initial letters of the Agency make up the basic triangle, which shows the profile of the territory with the steep sides rising from the sea. The yellow, below it stands for the beaches and blue line the sea. The green both represents the colour of the islands as seen approaching from the sea and the green on the flag of St. Ursula the flag of the British Virgin Islands. The shape of the triangle is important as the angle of the triangle is close to the longitude of the territory. Finally the three points stand for the three most important factors that make up heritage and traditions of the British Virgin Islands. The LAND, the SEA and PEOPLE.

Legislation

The relevant laws include:

1. Criminal Justice (International Co-Operation) Act, 1993
2. Proceeds of Criminal Conduct Act, 1997.
3. Proceeds of Criminal Conduct – Anti-money Laundering of Practice, 1999 Code
4. Financial Investigation Agency Act, 2003.
5. Criminal Justice (International Co-Operation) (Amendment) Act, 2004

Other important statutes

Trustee Ordinance 1961

British Virgin Islands Trustee Act

International Business Companies Act 1984

International Business Companies (Amendment) Act 1990

Banks and Trust Companies Act 1990

Insurance Act 1994

Anti-Money Laundering Code of Practice (2000)

Financial Services (International Co-operation) Act 2000

Financial Services Commission Act 2001

International Business (Amendment) Act 2002

International Business Companies (Amendment) Acts of 2003 and 2004

Limited Partnerships Act 1996

Trustee (Amendment) Act 2003

Virgin Islands Special Trusts Act, 2003

Financial Services Commission (Amendment) Act of 2004

BVI Business Companies Act

Training/Events

The Caribbean Financial Action Task Force meeting and Heads of FIU meeting in the Dominican Republic was attended by the Director, Graeme Smith and Errol George. The Director gave a report on data collection, and a report on the progress of the Egmont Implementation Committee with regards to funding in 2008.

The Director attended the Egmont Training Working Group and Implementation Committee meeting in Cairo.

Errol George was nominated and took part in the mutual evaluation of Barbados Financial Services Sector in December 2006. He had previously attended a mutual evaluation training course in Trinidad and had qualified as an examiner .

The Director assisted in training for the CRCA compliance training course held in the BVI.

The Director attended the Egmont Implementation Committee meeting in London to finalize the proposals to be put to the full Egmont Plenary in Cyprus.

Errol George attended a Caribbean Financial Action Task Force, Money Laundering Workshop held in Jamaica.

The Director and other officers attended the Egmont Plenary Meeting at Cyprus. The director together with the deputy director of the Swedish FIU where responsible for the training sessions held for delegates and observers.

Selwyn Rock attended a training course in forensic computer analysis held in the USA by the I.A.C.I.S and gained a recognized certificate and qualification in Forensic Computer Analysis.

The director assisted in training for the insurance sector given by the Financial Services Commission.

Julien Johnson attended Management training on in New York two occasions, covering different modules in his management course.

Alcedo Fahie completed his Criminal Intelligence Analysis training at the West Yorkshire Police College and then went on to complete an Advanced Analyst Course at the Greater Manchester Police Training Centre.

The director attended the Training Working Group meeting held in Warsaw where further details of the Egmont Secretariat and plans for the future discussed.

Major challenges for 2007 includes the amendment to the Proceeds of Criminal Conduct Act which makes the reporting of suspicious transactions mandatory as opposed to the system that has been in place since the introductions of disclosures under the Proceeds of Criminal conduct Act 1997. It is expected that this will lead to a review by the financial institutions that may lead to an initial slow down in disclosures for the start of 2007 but will inevitably result an increase before the end of the year.

Other challenges related to the fact that the staff of the FIA is mainly composed of officers seconded from Police and Customs. It is clear that these officers will no doubt wish at some stage to continue their service with their respective organizations. The aim has to be to return these officers over a period that will allow incoming officers to be trained to a standard were they fit in easily into the positions made vacant without loss to the FIA. To assist in this we hope to employ a civilian investigator in a junior position to help the change over by acting as a fulltime employee of the FIA. This person has been identified and is trained to a basic limited skills level. With this person in place it is hoped that officer returning to their parent organization will do so over a staggered time period with the additional skills that they have acquired during their secondment. It should be noted that these officer can be promoted whilst seconded without having to return immediately to their organization.

Other challenges are to evolve systems and methods where there can be a greater exchanger of information between the various agencies including the Police, Customs and Financial Services. This could be achieved by constructing a working MOU, acceptable to both parties.

A dictionary is the only place that success comes before work. Hard work is the price we must pay for success.

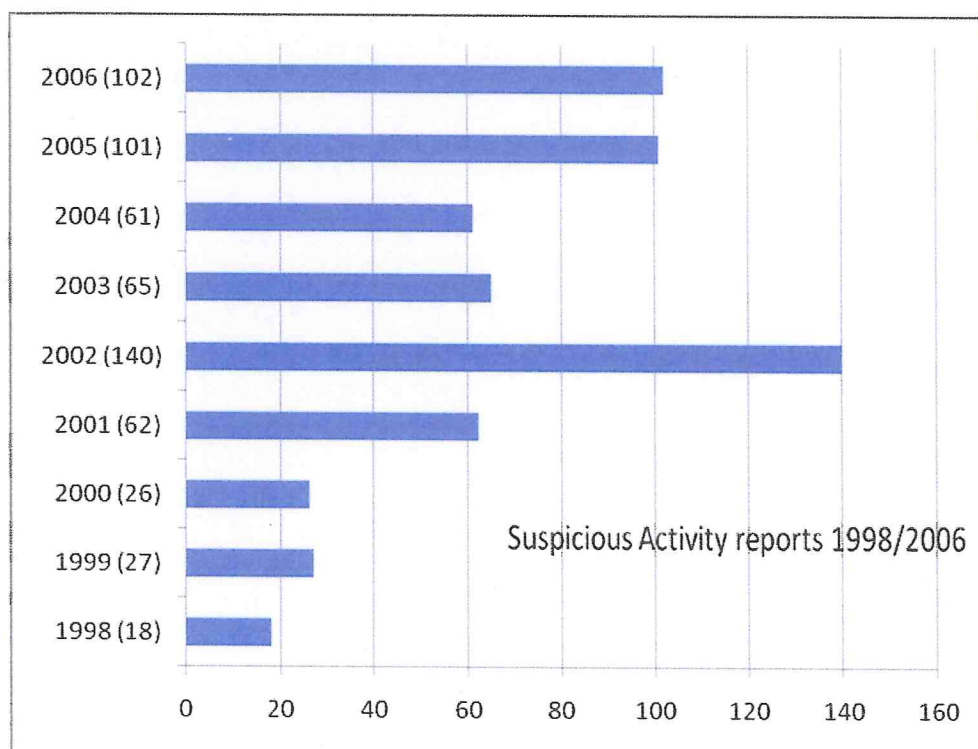
I think you can accomplish anything if you're willing to pay the price.

VINCE LOMBARDI:

3. The year in review

SUSPICIOUS TRANSACTION REPORTS STR'S

The number of Suspicious Transaction reports for 2006 risen by one over the figures for 2005. This is a small increase and I would point out that this reflects the level of due diligence which may well prevent the unscrupulous from attempting to use the British Virgin Islands to hide their criminal assets. It may also be due to the fact that the quality of reports made has eliminated those disclosures that after close examination did not need to be made. It is clear that in the territory there is a high degree of awareness of the dangers and damage that money laundering can do to the local economy. The Agency is always willing to talk to any organization or to discuss these dangers and takes every opportunity to do so locally.



Disclosures come from all sectors of the financial industry with a small increase in the number of disclosures made by the banking sector. These disclosures cover proceeds of criminal conduct, tax evasion and corruption; although the number of reports on corruption are small they have risen every year since 1998 as a percentage of all reports made.

WHAT IS A DISCLOSURE (STR/SAR)

Disclosures under the "Proceeds of Criminal Conduct Act 1997" are referred to as suspicious transaction reports (STR) or suspicious activity reports (SAR) in different parts of the world. The first appeared in the British Virgin Islands in December 1997, through section 28(2) of the Proceeds of Criminal Conduct Act 1997. This stated that ;-

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

- (a) The disclosures 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 section if
 - (i) If the disclosure is made before he does the act concerned; or
 - (ii) The disclosure is made after he does the act, but is made on his initiative and as soon as it is reasonable for him to make it.

The important factor to consider, is that the suspicion or belief must be, that persons suspicion or belief not another's, although information obtained from another may well contribute to making a person suspicious. This makes this a subjective test. It is for that individual to form the suspicion on the facts available him and that person's experience. Another important point is that the disclosure is made based on that person's **suspicion** and **not evidence** of wrong doing. Waiting to collect evidence in relation to a transaction may well implicate a person in an offence. The law is clear it relates to a suspicion of criminal activity and not evidence of criminal activity.

WHO CAN MAKE A DISCLOSURE (STR/SAR)

The act allows any person to make a disclosure to the Steering Committee in relation to any suspicious transaction as above. But what is a suspicious transaction. There is no set list of what is and what is not suspicious, and quite rightly so. It places the burden on the person making the report. It allows a person to reach a decision based on their personal understanding of the facts available to him at the time.

What sort of transactions may be reported? Any unusual or large transaction will come to mind, however, what is an unusual transaction. A transaction that does not make business sense would be a suspicious transaction. The structure of the transaction may include complex cash flows with payments being made through different institutions with no reasoning for the payment route. Transactions coming from unusual sources or transactions which are out of character with the business being done. Large one off

payments with no traceable explanation are all suspicious and may generate a disclosure. However small payments are they may still be suspicious. Consider were a number of payments around 9,000.00 are made to the same source. This may well be an attempt at structuring to avoid United States CRT by hiding under \$10,000.00 barrier. Payments made to PEP's may be an indication of corruption if there is no explanation to support the payment. Transactions which are sent to countries for payment for goods or services which are readily available in these countries. What is important is that they make the person say why did they do it this way If you think WHY then you are suspicious if you can not come up with a reason why then make a report.

Example

A money launderer posing as an agent may agree to purchase a multi-million dollar yacht. A deposit of twenty percent is sent from a bank in another jurisdiction. This would be wire transferred to the yacht broker's account. Days later the same amount will be transferred to the yacht broker's account from a different external source as deposit on the same yacht. Two days later this could be repeated. The yacht broker contacts the purchaser who explains it away as an accounting error through his business enterprises. He thanks the yacht broker but asks him to take the money on account and deduct it from the final amount owing. The purchaser has induced the yacht broker to take 60% of the yachts cost without question. He can now cancel the sale and ask the yacht broker to send back the money to a number of different accounts explaining it will help him put right the accounting errors that the overpayment had caused him. In this way he has got the yacht broker to hide the source of the funds which can be sent to the so called purchaser's banks by way transfers from a legitimate yacht broker and can be explained as payments for the sale of a different small yacht for each transfer.

He would of cause pay the yacht broker for the inconvenience of dropping out of the sale, leaving the broker happy. Any enquiry with the yacht broker with regards to the transfer of money would obtain a positive response from the broker, who would of course not want to go into any other details which may breach the confidentiality of the client.

The so called purchaser could in this way appear to have a legitimate source to funds generated out of the proceeds of crime.

This could be repeated over and over. With the cost of modern yachts this soon amount to millions of dollars laundered.

A visit to the EGMONT web site has over 100 sanitized cases which are taken from real cases reported to EGMONT Financial Intelligent Units. As members of Egmont this units are there to help persons connected to the financial industry with understanding the different styles and trends adopted by money launderers worldwide. These cases can be used to help train staff in awareness of money laundering schemes and help prevent money laundering.

THE NEED TO INCLUDE SIFFICIENT INFORMATION IN DISCLOSURES

Always make sure that it is clear who the disclosure is from, because you are protected from criminal or civil action if you make a discloser in accordance to the law. The date of the disclosure again will show that you made the disclosure either before the action was done or as soon after the action that you were aware of the transaction. Include a brief summary of the transaction and your own actions within the transactions. What made you suspicious about this person, entity or transaction, your relationship with the party or entity about whom or which you are making the disclosure. All of these are relevant details which must be included. Reporting entities are also asked to include any other information that may be deemed important including contact details.

The British Virgin Islands have all of these details set out in a standard form to assist persons making disclosure. If more space is needed than just add to the report. It is not required to fit every thing into the space provided.

REQUEST FOR LEGAL ASSISTANCE IN CRIMINAL MATTERS WITH RESPECT TO EVIDENCE COLLECTED IN THE BRITISH VIRGIN ISLANDS TO BE USED OVERSEAS

As the body responsible for obtaining information and evidence for the purpose of criminal proceedings or investigations taking place outside the Territory of the British Virgin Islands in accordance with the Mutual Legal Assistance (United States of America) Act, 1990 and The Criminal Justice (International Co-operation) Act, 1993, the Agency continued to fulfill its obligations.

Basic Legislative Requirements concerning incoming request for mutual legal assistance in the territory of the British Virgin Islands under the Criminal Justice (International Co-operation) Act, 1993 (as amended)

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

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

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

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

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

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

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

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

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

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

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

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

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

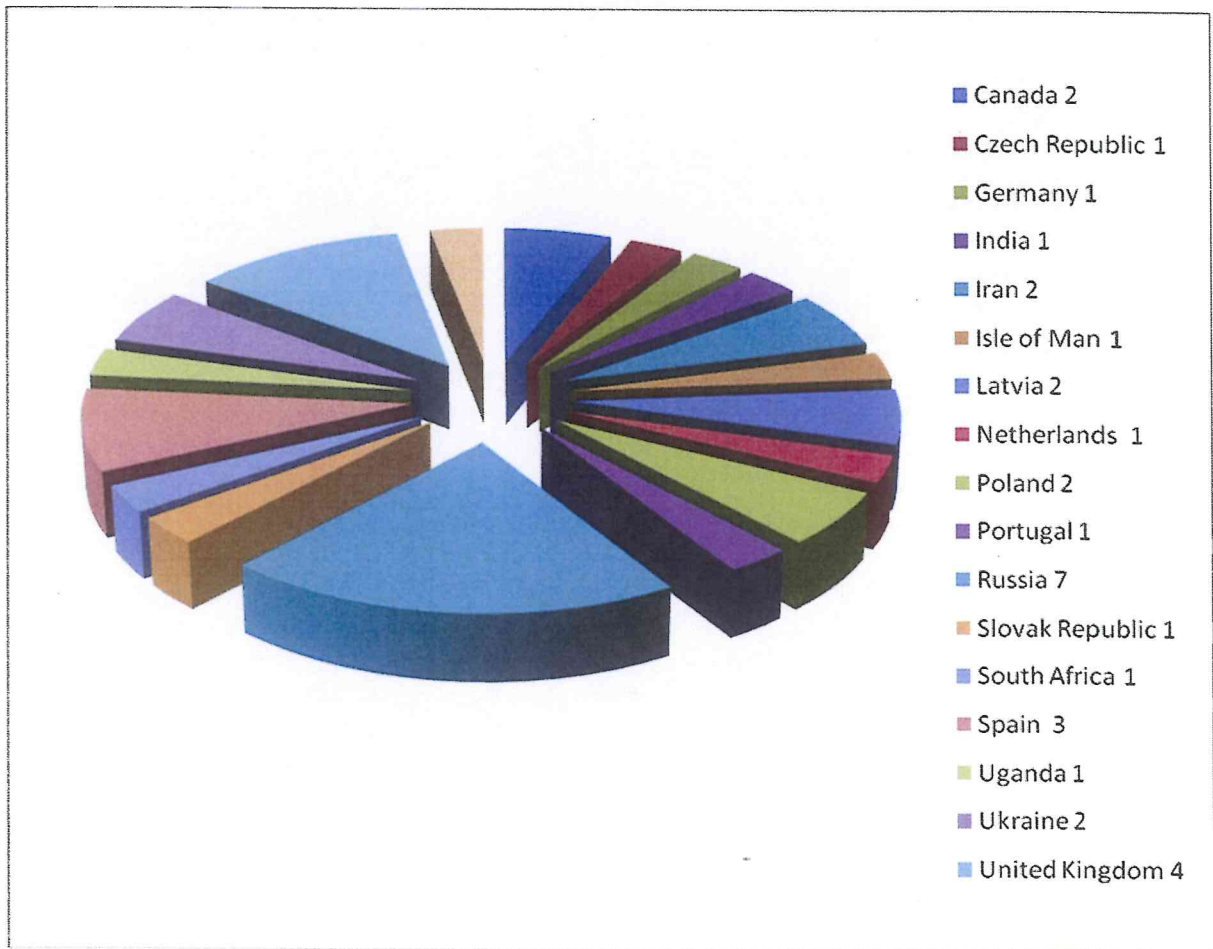
This Act makes provision for giving effect to the terms of a Treaty made between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland, concerning the Cayman Islands in 1986 which was extended to the British Virgin Islands in 1990.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

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

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

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

LETTERS OF REQUEST – BREAK DOWN BY COUNTRY 2006

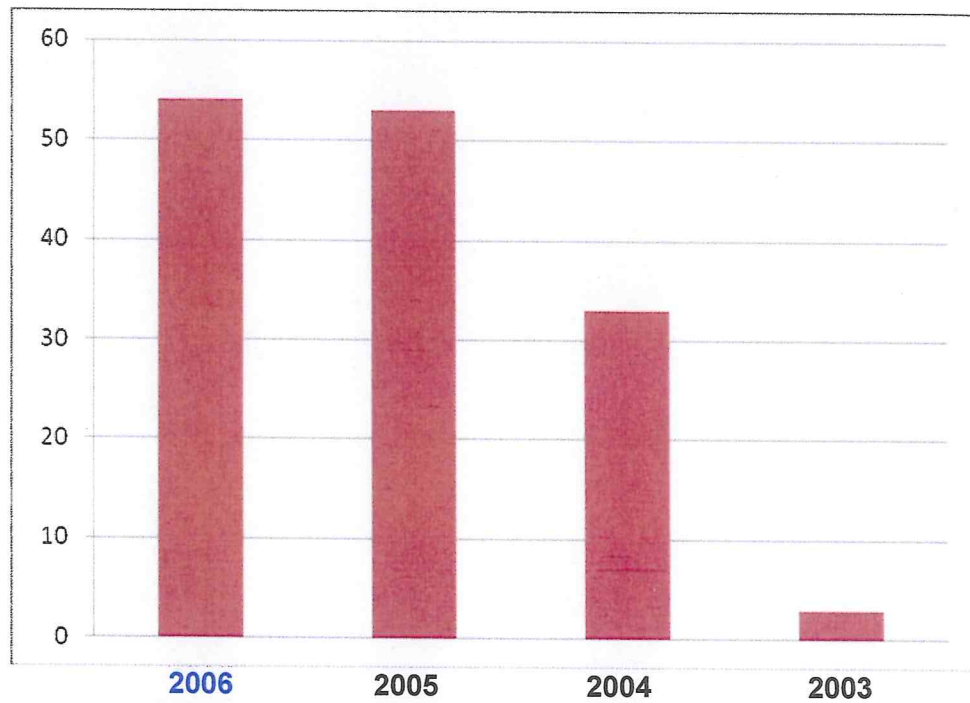


Letters of Request for legal Assistance – Comparison 2005/2006

Country	2005	2006	Change
Australia	3	nil	-3
Brazil	1	nil	-1
Canada	1	2	+1
Croatia	1	nil	-1
Czech Republic	4	1	-3
Germany	2	1	-1
Gibraltar	1	nil	-1
Greece	1	nil	-1
India	nil	1	+1
Iran	2	2	no change
Isle of Man	1	1	no change
Israel	2	nil	-2
Italy	1	nil	-1
Latvia	1	2	+1
Lithuania	1	nil	-1
Netherlands	1	1	no change
Norway	1	nil	-1
Palau	1	nil	-1
Poland	5	2	-3
Portugal	nil	1	+1
Russia	11	7	-4
Slovak Republic	1	1	no change
South Africa	1	1	no change
Spain	1	3	+2
Trinidad and Tobago	1	nil	-1
Uganda	1	1	no change
Ukraine	5	2	-3
United Kingdom	2	3	+1
United States	1	1	no change
TOTAL	54	33	-19

The above table reveals a drop in the number of requests for legal assistance received during 2006, with a total of twenty less requests over the year than then in 2005. It is interesting to note that the same countries appear with Russia again leading the table with seven requests for legal assistance. For the first time a request was received from India. India is in its first year as a member of the Egmont Group.

Comparison Chart showing letters of request received 2003/2006



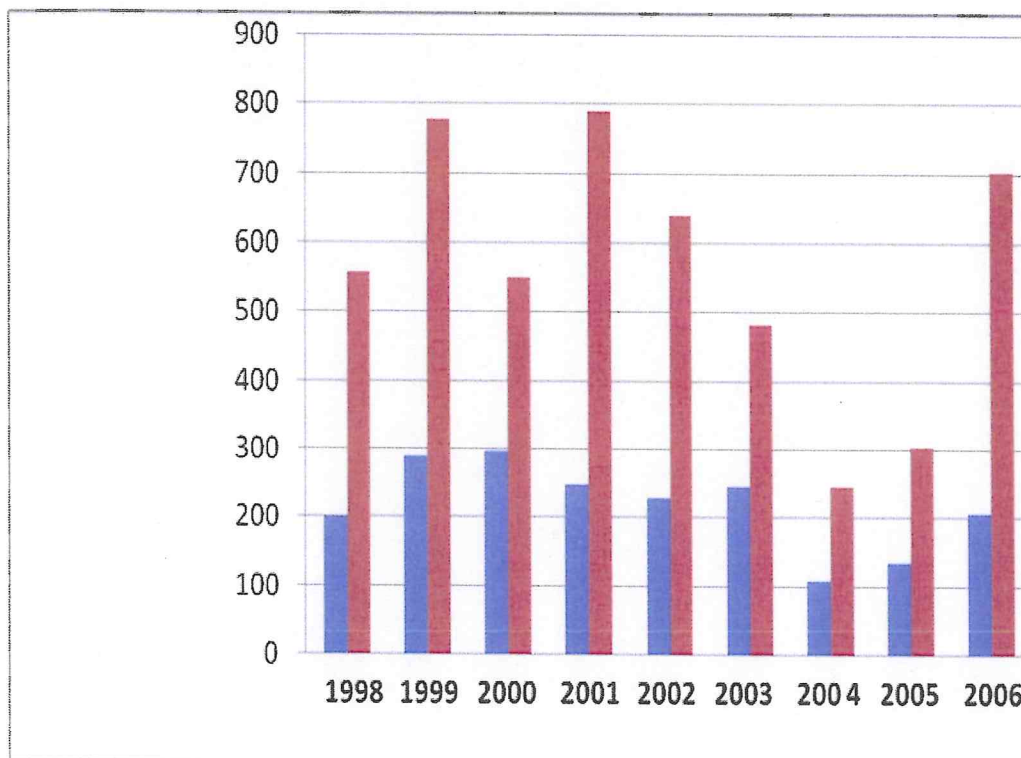
(Note) The Financial Investigation Agency was created in 2003 and did not become fully functional until June 2004

Checks on business companies registered in the British Virgin Islands.

During 2006 there were 208 requests for check on British Virgin Islands Companies made by 53 different Countries 45 of which were members of the Egmont Group. These requests amounted to checking 705 companies registered as companies in the British Virgin Islands. It should be noted that some of these companies had been struck off before they were requested. Connected to these companies were 194 named individuals.

Country	Number of Requests	Country	Number of Requests
Hungary	2	Austria	7
Jersey	3	Rep. of Georgia	1
Hong Kong	3	Germany	2
Dominican Republic	4	France	2
Bulgaria	15	Cayman	2
Luxemburg	8	Mauritius	2
Slovakia	2	South Africa	1
Montenegro	3	Bosnia and Herzegovina	1
Ukraine	17	Paraguay	1
St. Kitts/Nevis	1	Sweden	1
Japan	1	Norway	1
United Kingdom	14	Belgium	12
Portugal	5	BVI	7
Brazil	5	USA	9
Russia	19	Bermuda	1
Serbia	3	Romania	2
Antigua	1	Estonia	2
Indonesia	4	Australia	2
Turks and Caisos Is.	1	Cyprus	10
Croatia	4	Mexico	1
Finland	3	Switzerland	4
Barbados	1	Kenya	2
New Zealand	1	Guernsey	2
Moldova	3	Taiwan	2
Peru	2	Argentina	4

Comparison of checks made on business companies over nine year period showing the number of requests and the actual number of companies found to be registered in the British Virgin Islands.



Blue column shows the Number of requests for company information.

Red shows the number of companies checked as result of the above requests.

Note: The Financial Investigation Agency was formed in December 2003 and became operational in June 2004.

STATISTICS

YEAR	2006	2005	2004	2003	2002	2001	2000	1999	1998
STR received	102	101	61	65	140	62	26	27	18
Company Enquiries	199	136	109	247	230	249	297	290	201
Companies Checked	705	305	256	483	642	791	551	780	560
Restraint Orders	3	7	1	1	2	1	0	0	0
Production Orders	2	0	1	3	7	3	4	1	0
Section 4 Requests for information	251	136	12	New power December 2003 FIA only					
Letter of Request	25	53	33	3					
Search Warrants executed	34	91	58	5					

**GRAEME McDOWELL SMITH, Director
FINANCIAL INVESTIGATION AGENCY**

8th June 2007 Tortola, British Virgin Islands.