

ARTICLE ON THE U.S. STATE DEPARTMENT'S 2015 INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT ON THE BVI

By: Hon. Julian Fraser RA

March 30th 2015

Prudence dictates that given the current International focus placed on the global offshore money market caution must be exercised when speaking of the British Virgin Islands and the role it plays in the industry.

Nonetheless, when the leading nation of the financial world speaks with concern of BVI's position in this market, as a leader, I am left with no recourse but to address the matter, and address it with the greatest of candor.

When the United States State Department's 2015 International Narcotics Control Strategy Report says, "the BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional risk factors for money laundering", it says a lot without saying anything. It is up to us as leaders to understand the subliminal message being sent.

One must now ask, why are we being reminded that we use the United States dollar as our currency while at the same time being cited as a country whose behavior poses a direct threat to their economy. Money laundering is a very serious offense, and it is among the number one reasons for the upheaval in the Global Financial Markets today, and the BVI is aware and is wrestling with combating it from our shores. However, it would appear that the United States is not convinced.

This conclusion is evident in their belief that there is a natural exploitation of our offshore financial services, given that our unique share structure does not require a statement of authorized capital, coupled with the lack of mandatory filing of ownership information pose significant money laundering risks to the BVI. And their further contention that the BVI is a favored destination for registering shell companies that can be established for little money in a short amount of time.

I note with care that in the same report however, when referring to drug trafficking the BVI is not singled out as was the case with Money Laundering, but rather lumped with other countries as a regional problem for the United States, but most importantly, is their apparent readiness to accept it as a work in progress by concluding that BVI authorities work with regional and U.S. law enforcement agencies to mitigate the threats.

This level of comfort I believe comes from the fact that they are involved in the mitigation of a threat to their Homeland in the case of drug trafficking, but clearly not the case in money laundering.

The BVI is unique in the Caribbean in its geography vis-a-vis the United States which cannot change, and also in our relationships with the Government of the United States, and these arrangements must be protected if we expect to survive. Losing the use of the US dollar as our currency is not an option, and even though of less significance our immigration privileges are not to be sacrificed either.

My sense from this report is that there is need for serious dialogue, and more importantly, cooperation. I am fully aware that the very first Tax Information Exchange Agreement to be signed in 2002 was with the USA under the VIP Administration, and more recently in 2014 this NDP Administration signed Foreign Account Tax Compliance Act with them. Obviously this is neither not working, nor it is not enough.

My unsolicited advice to the Premier is that he engages the United States State Department at the highest possible level in discussions regarding their concerns with our Financial Services, and with the agreement of the British Government he seeks to resolve what appear to be significant differences.

Sitting and hoping against retaliation from the US as was the case with France which blacklisted the territory since August 2013 with no apparent end in sight, or to allow them to continue writing unfavorable report on us similar to what is being done regularly by the International Consortium of Investigative Journalists is poor leadership which could only lead to disaster.