

Countries/Jurisdictions of Primary Concern - British Virgin Islands

BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS

[2015 International Narcotics Control Strategy Report \(INCSR\)](#)

Report

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The British Virgin Islands (BVI) is a UK overseas territory. The economy depends greatly on tourism and the offshore financial sector. BVI is a well-established, sophisticated financial center offering accounting, banking, and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. The FSC's most recent statistical bulletin was published in December 2014, reflecting data as of September 2014. The bulletin notes there are 480,932 active companies, six licensed banks, 231 other fiduciary companies, and 2,175 investment businesses and funds registered with the FSC. The banking sector has assets valued at \$2.4 billion as of June 2014.

Exploitation of its offshore financial services, the unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks to the BVI. The BVI is a favored destination for registering shell companies that can be established for little money in a short amount of time. There are reports that a substantial percentage of BVI's offshore business comes from China.

Tourism accounts for 45 percent of the economy and employs the majority of the workforce; however, financial services contribute over half of government revenues. 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. The BVI, similar to other jurisdictions in the Eastern Caribbean, is a major target for drug traffickers, who use the area as a gateway to the United States. BVI authorities work with regional and U.S. law enforcement agencies to mitigate the threats.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

Do FINANCIAL INSTITUTIONS engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived

from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

criminalizATIOn OF money laundering:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies; real estate agents, lawyers, other independent legal advisers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 235 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies and money services institutions; real estate agents, lawyers, other independent legal advisers, and accountants

money laundering criminal Prosecutions/convictions:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

Records exchange mechanism:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

BVI is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf->

gafic.org/index.php?option=com_docman&task=cat_view&gid=327&Itemid=418&lang=en

Enforcement and implementation issues and comments:

Recently, BVI implemented a supervisory regime for all designated non-financial businesses and professions, including legal advisors, accountants, and dealers in precious metals and stones, as well as nonprofit organizations. BVI uses suspicious activity reports (SARs) rather than suspicious transaction reports (STRs). SARs, in general, relate to suspicious activities by a broad range of entities, rather than suspicious financial transactions. Therefore, the cited numbers encompass all types of suspicious activities, including those of a financial nature.

Most penalties for AML violations have maximums ranging from \$250,000 - \$500,000 when action is taken through the courts. The FSC can impose administrative fines up to \$100,000. From January through September 2014, the Enforcement Committee reviewed 96 enforcement cases, resulting in four administrative penalties, three cease and desist orders, three license revocations, and nine warning letters.

There is strong collaboration between BVI law enforcement and regional as well as U.S. law enforcement agencies, which has resulted in several successful operations targeting drug smuggling and drug dealing. There have been 24 money laundering related prosecutions and 13 convictions since 2008.

The BVI is a UK Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime were extended to the BVI in 2012.

In June 2013, the Government of the United Kingdom announced plans for the UK and its overseas territories and crown dependencies to establish mandatory registers of beneficial ownership. It has since indicated that such registers will be publicly available. The government of the BVI should work toward the goal of making information on beneficial ownership of offshore entities available for legitimate requests by international law enforcement and, eventually, to the public.