

VI on US 'money laundering' list- Report

-Premier Smith dismisses concerns; says US & UK also on list

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Asked about the revelations in the report regarding the VI at a press briefing yesterday March 27, 2015 Premier and Minister of Finance Dr the Honourable D. Orlando Smith said, "It is true that the BVI and other Caribbean countries are on that list. It is also true that the United States and the United Kingdom and several other major countries are on the list."

ROAD TOWN, Tortola, VI – The Virgin Islands features on the latest United States' Department of State International Narcotic Control Strategy Report: Vol 2 – 'Money Laundering and Financial Crimes', which alleged that there are significant money laundering risks due to the exploitation of the territory's financial services and lack of mandatory filing of ownership information.

"Exploitation of its offshore financial services, the unique share structure that does not require a statement of authorised capital, and the lack of mandatory filing of ownership information pose significant money laundering risks to the BVI. The BVI is a favoured destination for registering shell companies that can be established for little money in a short amount of time," it said.

According to the report, there are reports that a substantial percentage of BVI's offshore business comes from China, which lists the VI as a jurisdiction of primary concern with regards to money laundering.

The report further noted that the VI's 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," the report said.

Use of US dollar & proximity to USVI are risks

However, the report pointed to the territory's use of the US Dollar and its close proximity to the United States Virgin Islands as posing risks for money laundering.

"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," the report stated.

The United States Department of State noted that 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," the report said.

Actions taken

It said that most penalties for anti-money laundering (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."

The report said too that 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," it said.

Beneficial ownership

The report noted that 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 towards the goal of making information on beneficial ownership of offshore entities available for legitimate requests by international law enforcement and, eventually, to the public," it said.

'There will always be suspicions'- Premier Smith

Asked about the revelations in the report regarding the VI at a press briefing yesterday March 27, 2015 Premier and Minister of Finance Dr The Honourable D. Orlando Smith said, "It is true that the BVI and other Caribbean countries are on that list. It is also true that the United States and the United Kingdom and several other major countries are on the list."

"So what I am saying is despite all of the measures you put in place, there will be suspicious activities reported in all countries and we of course have to do our best to make sure that our laws are in place to prevent irresponsible activities on the part of whoever and that is what we are doing. That is why we have a record of having good regulations in the financial services sector. That is why the banks are being [stricter] when it comes to establishing accounts," said Premier Smith.

Up to press time there was no response from members of the Opposition, including Virgin Islands Party Chairman Hon Julian Fraser RA (R3) and Hon Andrew A. Fahie (R1).

See report on the VI here: