



British Virgin Islands  
Financial Services Commission

# **AML/CFT STRATEGY 2020-2022**

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## 1. Introduction

- 1.1 The Financial Services Commission’s (“the Commission”) AML/CFT<sup>1</sup> Strategy is a three-year road map for the period 2020 to 2022, which will be used by the Commission to implement effective measures across the board to combat ML, TF and PF risks inherent in the financial services sector. The ultimate goal of producing this Strategy is to provide a guide for both Commission staff and financial services industry participants, of actions required to be undertaken in order to uphold the Commission as an effective regulator, and advance the Virgin Islands as a secure and well-regulated international financial centre, effective in mitigating against ML, TF and PF.
- 1.2 The AML/CFT Strategy is informed by, and designed to address, the broad areas identified in the Commission’s AML/CFT Policy. These two documents should be viewed in tandem as the Policy provides the framework around which the Strategy and its objectives are built.
- 1.3 The AML/CFT Strategy sets out goals which embody, *inter alia*, the recommendations emanating from the Territory’s NRA as a result of the threats and vulnerabilities identified in relation to the Commission’s function as the Territory’s financial services regulator. In addition, changes in international AML/CFT standards and other findings relative to the operations of the Commission’s supervisory, compliance and enforcement regimes have also been taken into account. Regard has also been given to the broad national AML/CFT policy requirements communicated by the NAMLCC.
- 1.4 These goals have been grouped into four key areas of supervision, enforcement, promotion of cooperation, and stakeholder awareness and outreach as identified in the AML/CFT Policy document. Within each key area several objectives have also been identified. This Strategy breaks down each objective further into specific actions which must be executed in order to achieve the identified objective and ultimately address each key area outlined in the AML/CFT Policy. The development and implementation of the actions within each objective are the responsibility of specific Divisions/Units/Committees within the Commission. In each instance the most appropriately equipped person has been assigned to lead the development and implementation of each of the relevant risk mitigation strategies identified.
- 1.5 This Strategy is a dynamic document reflecting the Commission’s efforts to combat ML, TF and PF risks and the progress in those endeavours, and will be reviewed periodically to determine whether any amendments may be needed to action items in order to properly deliver on each objective. Progress on the implementation of these actions will be monitored by the Commission’s Anti-Money Laundering Unit with ultimate reporting to the Board of Commissioners.

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<sup>1</sup> For the purposes of this strategy document any reference to AML/CFT also includes PF

- 1.6 It is expected that the implementation of both the AML/CFT Policy and this 2020-2022 AML/CFT Strategy will improve the Commission's AML/CFT regime and ensure it meets FATF standards, while aiding in the further enhancement of the Territory's overall AML/CFT framework.

## **2. The Commission’s AML/CFT Strategy**

The Commission’s AML/CFT strategy is geared towards the protection of the financial services industry, and advancement of the Virgin Islands as a secure and well-regulated international finance centre, effective in mitigating against ML, TF and PF. The Strategy focuses on the execution of objectives that will improve the effectiveness of the four key areas of supervision, enforcement, cooperation and outreach.

### **2.1 Strategic Area 1 – Supervision**

- 2.1.1 Central to the work of the Commission is the regulation and supervision of licensees across the six (6) sectors that make up the Virgin Islands’ financial services industry. The overall aim being to ensure compliance, evaluate risk and monitor the perimeter of regulated financial services activity in order to safeguard the public against any illegal and/or unauthorised financial services business and misuse thereof, and safeguard the economic interests of the Territory.
- 2.1.2 To accomplish this the Commission is committed to the development and maintenance of a modern risk-based legal and regulatory framework consistent with international standards effective in preventing, detecting and responding to ML/TF and PF activities.
- 2.1.3 Effective supervision is a critical factor in determining the efficacy of licensees in implementing their AML/CFT responsibilities. The Commission will, therefore, ensure that it continues to implement an effective risk-based supervisory approach incorporating both on-site and off-site supervision activity informed by assessments of risk factors within each sector. Results of such assessments will help to determine the required level of on-site and off-site supervision. Such a risk-based approach will also facilitate a more efficient allocation of resources by directing greater amounts of resources to higher risk areas while ensuring that lower risk scenarios are appropriately addressed.

**Objective 1 – Enhance the current risk-based approach to the assessment and management of the Territory’s money laundering and terrorist financing risks within the Financial Services Sector.**

**Actions:**

- a) Risk assessments will be conducted to allow for an adequate appreciation at all times of ML/TF/PF risks within each sector, and for the efficient allocation of resources and appropriate design of ML/TF/PF risk mitigation measures.
- b) The established Risk Assessment Framework will continue to be monitored and assessed with a view to ensuring it provides for all licensees to be properly risk profiled and assessed.

**Objective 2** – Enhance risk-based systems and procedures used for the monitoring of on-going licensee activity to prevent criminals and their associates from abusing the financial services sector.

**Actions:**

- a) The Commission’s Risk Assessment Framework will be enhanced to include specific AML/CFT assessment criteria for determining overall risk levels of regulated entities, the effectiveness of which will be monitored, assessed and periodically reviewed to determine the appropriate levels of off-site and on-site monitoring.
- b) The system to monitor and assess the implementation of corrective actions and other conditions imposed on licensees will be enhanced to allow for an assessment of the impact of such controls on improving compliance with regulatory requirements.
- c) Specific guidelines will be introduced for each sector to assist licensees with implementation of AML/CFT requirements to ensure compliance therewith.

**Objective 3** – Conduct regular risk assessments of licensees to determine appropriate intervals for supervisory contact.

**Actions:**

- a) Frequency of on-site inspections at the sectoral level will be determined based on inherent sectoral risk and will include a

combination of full, thematic and targeted examinations informed by individual entities' risk profiles.

- b) Intensity of supervision will be based on risk factors to ensure resources are appropriately placed and efficiently utilised.
- c) Desk based monitoring at the Divisional level will be enhanced based on established risk profiles using a combination of tools, the results of which will feed into updated risk profiles.

**Objective 4 – Periodically review and update AML/CFT guidelines and recommend amendments to legislation to ensure compliance with international requirements.**

**Actions:**

- a) Changes in international standards will be monitored through ongoing examination of developments from within the FATF as well as regulatory developments emanating from the EU, UK and US.
- b) Gap analyses will be conducted on a triennial basis to identify and address any divergences between existing AML/CFT legislation and current international standards.
- c) Relevant AML/CFT legislation will be examined in line with developments in international standards as such developments occur.
- d) Proposals for legislative reforms, including enhancements to international cooperation measures, will be submitted for Board approval and Cabinet consideration based on gaps identified during benchmarking exercises and other periodic reviews to ensure continued compliance with such standards.
- e) Based on developments in the international arena guidance will be developed to cover specific areas of concern or importance to the industry to ensure practitioners are *au fait* with regulatory requirements and best practice.



**Objective 5** – Strengthen capacity to achieve a greater degree of effectiveness in the regulation and supervision of licensees by enhancing employees' analytical, investigative and supervisory skills.

**Actions:**

- a) Appropriate resources will be made available to ensure regulatory divisions/units are adequately resourced with competent officers to allow for the effective implementation of supervision and monitoring programs.
- b) Skills gap analyses will be conducted to ensure staff are properly placed and have the requisite skills to carry out their respective functions.
- c) Training programmes will be delivered for all staff including management involved in AML/CFT supervision.
- d) Relevant staff will be provided with training opportunities in investigative techniques and data analysis to ensure the Commission's ability to monitor licensees' behaviour and identify potential red flags and properly exploit data collected to assist in more effective supervision.

**Objective 6** – Review and address all outstanding deficiencies identified in the Territory's National Risk Assessment relative to the Commission's regulatory functions and responsibilities and any other actions identified as a consequence thereof.

**Actions:**

- a) Legislative and regulatory action will be taken to ensure proper maintenance of BO and CDD information by licensees in accordance with international standards through the review of existing legislation against international standards and risk-based compliance assessments.
- b) A review of the work being carried out on crisis resolution will be undertaken with an aim to streamline and enact the Commission's Crisis Management manual to provide a framework for responding to

varying levels of crisis situations that may affect the financial services industry.

- c) The internal audit function will be further developed to ensure proper adherence to internal policies and procedures, including service standards, in an effort to enhance the Commission's governance structure and adherence to established standards.

## **2.2 Strategic Area 2 – Enforcement**

- 2.2.1 The reputation and integrity of the Virgin Islands as a financial services centre hinges on the protection of the persons who are engaged in financial services business in or from within the Virgin Islands, as well as their clients and the wider public; a responsibility which is of the utmost importance to the Commission. One of the pillars upon which an effective AML/CFT regime rests is a strong framework for investigating, pursuing and sanctioning cases of ML, TF and PF. As such, one of the Commission’s core functions relates to identifying breaches and taking corrective action when it is found that licensees are not conducting themselves in accordance with the law.
- 2.2.2 As part of its *International Standards on Combatting Money Laundering and the Financing of Terrorism and Proliferation – the FATF Recommendations*, the FATF has called for countries to apply sanctions which are “effective, proportionate and dissuasive”. In the context of the Commission, the wide range of available enforcement actions empowers the Commission to act swiftly in addressing non-compliance with regulatory measures. The Commission recognises that without these attributes, sanctions will fail to achieve their deterrent purpose. As such, it intends to ensure that all regulatory breaches are:
- vigorously pursued by competent enforcement officers,
  - actions are taken that are proportionate to the severity of the contravention, and
  - penalties are sufficiently dissuasive to ensure that the likelihood of future breaches is reduced.
- 2.2.3 The Commission also recognises that enforcement transcends national borders. It is, therefore, committed to ensuring that the Territory’s financial services providers are aware of international sanctions requirements and adhere to the restrictive measures imposed on such listed persons and countries. Further, that if such sanctions are disregarded, that appropriate action will be taken against offending entities.

### **Objective 1 – Take effective and appropriate enforcement actions on all AML/CFT breaches to ensure compliance with regulatory standards.**

#### **Actions:**

- a) Effective enforcement mechanisms will be employed to ensure breaches of non-compliance with AML/CFT requirements are

identified, and that resulting penalties are applied that are effective, proportionate and dissuasive.

- b) Existing enforcement powers will be reviewed to establish their level of effectiveness in deterring misconduct and amendments made where necessary to promote enhanced compliance.

**Objective 2** – Ensure licensees are aware of necessary steps to prevent breaches of compliance with United Nations and other relevant sanctions regimes, and to identify and penalise regulated entities found to be transacting with individuals, companies and countries that are on prescribed sanctions lists.

Actions:

- a) News and other media will be actively monitored for instances of sanctions busting involving BVI Business companies to ensure proper enforcement action is taken against offending parties.
- b) Financial sanctions notices will be published within 24 hours of dissemination from the Office of Financial Sanctions Implementation (OFSI) and notifications will be sent to industry practitioners immediately thereafter informing of publication.
- c) UK Overseas Territories Sanctions Orders will be published within 24 hours of receipt from the Governor's Office and notifications will be sent to industry practitioners immediately thereafter informing of publication.

**Objective 3** - Strengthen capacity to achieve a greater degree of effectiveness in the identification and enforcement of ML/TF/PF breaches.

Actions:

- a) Appropriate resources will be made available to ensure the Enforcement Division is adequately resourced with competent officers to allow for the effective implementation of enforcement programs.

- b) Skills gap analyses will be conducted to ensure staff are appropriately placed and have the requisite skills to carry out their respective functions.
- c) Relevant staff will be provided with training opportunities in investigative techniques and data analysis to ensure the Commission's ability to effectively identify and address non-compliant behaviour and properly exploit data collected, in order to assist in more effective enforcement of the AML/CFT regime.

## **2.3 Strategic Area 3 – Promotion of Cooperation**

- 2.3.1 ML, TF and PF are not only domestic threats but are global problems which require cooperation at both the domestic and international levels to be effectively addressed.
- 2.3.2 On the domestic front the Commission is dedicated to providing guidance and assistance to other competent authorities and law enforcement agencies on AML/CFT matters through active participation in relevant domestic advisory committees such as IGC, JALTAC, CCA and NAMLCC. It is also committed to the proper exchange of information through both formal and informal channels and the utilisation of existing MoUs with both domestic and international counterparts.
- 2.3.3 Additionally, much of the jurisdiction's financial services business is cross-border in nature; therefore, providing assistance to foreign regulators and other competent authorities investigating persons and/or entities connected to the Virgin Islands in relation to ML, TF or PF is of highest priority.
- 2.3.4 Further, the ability to cooperate is dependent on an adequate legal framework for providing assistance and other mechanisms to enhance cooperation. The Commission recognises that the Territory's legal framework must be continuously enhanced and is committed to assisting in this regard by reviewing and making recommendations for legislative reforms to ensure incorporation of FATF standards and international best practice.

**Objective 1 – Promote domestic and international co-operation through enhanced relationships with relevant domestic, regional and international authorities.**

**Actions:**

- a) The Commission will actively participate in all domestic advisory committees for which it is a member.
- b) Avenues for further cooperation with overseas regulatory authorities such as through the initiation and signing of memoranda of understanding will be pursued.
- c) Relationships with international organisations will be improved through active participation in working groups and other forums.

- d) Relationships with relevant domestic authorities will be fostered to promote the sharing of information and enhance cooperation mechanisms.
- e) A review of the Territory's International Cooperation Handbook will be undertaken with a view to updating as necessary to ensure it aligns with current international requirements.

**Objective 2 – Ensure proper and timely cooperation on intelligence matters with local and foreign competent authorities, including establishing appropriate procedures for sharing intelligence where available and ensuring quality of information provided.**

**Actions:**

- a) Operational procedures will be continually reviewed and enhanced with a view to ensuring all requests are addressed in a timely manner.
- b) The system used to track receipt of cooperation requests will be enhanced to ensure domestic and international cooperation requests are responded to within approved timeframe.
- c) Feedback on usefulness of information received from domestic and international authorities will be provided to promote open channels of communication between agencies on quality of information being provided.

## **2.4 Strategic Area 4 – Stakeholder Awareness and Outreach**

- 2.4.1 Engagement with industry stakeholders is an important element in the Commission’s strategy to combat ML, TF, and PF. It is important for practitioners to be aware of the threats and risks that they may face in carrying out their activities, and the need to put mechanisms in place to prevent their services from being abused by those engaged in ML/TF. Engagement with industry stakeholders to develop a more cohesive partnership on AML/CFT issues must, therefore, be sustained and the Commission must be willing to work with the industry to address identified gaps and vulnerabilities existing in the financial sector.
- 2.4.2 The effective implementation of applicable policies and strategies for addressing ML, TF and PF risks is heavily dependent on partnerships between the Commission and the private sector. The aim of such collaboration is to raise awareness of AML/CFT issues and highlight the importance of each stakeholder in ensuring that the jurisdiction remains a premier place to conduct legitimate business while preventing those who seek to engage in ML, TF and PF from doing so.
- 2.4.3 The Commission also recognises the need to put measures in place to ensure that the financial sector and the wider public is acquainted with the requirements of BVI law regarding AML/CFT and that they are advised of concerns about weaknesses in the AML/CFT systems of other countries. Additionally, implementing measures to enhance general AML/CFT awareness will further deepen the Territory’s understanding of ML, TF and PF risks and aid in the development of a more educated public that is better equipped at identifying and avoiding activities that may expose them to such risks.

**Objective 1 – Facilitate ongoing dialogue with industry stakeholders, professional associations and the general public to raise awareness of ML/TF/PF.**

**Actions:**

- a) Programs for raising awareness of AML/CFT among private sector stakeholders will be enhanced to ensure that all industry stakeholders are aware of the jurisdiction’s international obligations and their role in fulfilling those obligations.

- b) Regular meetings will be held with industry associations to conduct awareness programmes with an aim to increasing AML/CFT awareness and understanding regarding the requirements of the AML/CFT laws and other AML/CFT issues, including concerns about weaknesses in the AML/CFT systems of other countries they may engage in business with.
- c) Guidance on key issues or amendments to existing guidance relative to AML/CFT will be identified and issued to industry stakeholders.
- d) Areas where AML/CFT training is needed will be identified and training programmes facilitated with technical assistance from regional and international bodies where required.
- e) Print and online media will be utilised to raise awareness of ML/TF/PF by the general public and to ensure that stakeholders are kept up-to-date with AML/CFT issues.

### **3. Implementation, Monitoring and Evaluation**

#### ***Implementation***

- 3.1 As with the Commission's AML/CFT Policy, the Board of Commissioners is responsible for the approval of the Commission's AML/CFT Strategy. Responsibility for implementation of both the Policy and the Strategy falls to the Commission's senior management.

#### ***Monitoring and Evaluation***

- 3.2 Responsibility for proper execution of each objective is that of the identified lead(s). Each lead will be responsible for monitoring the processes and activities associated with achieving the specified objectives. However, this does not negate the responsibility of the other persons involved in this process from ensuring that the identified tasks within each objective are completed. Overall progress on the status of implementation of each objective will be monitored by the Commission's Anti-Money Laundering Unit with ultimate reporting to the Board of Commissioners.
- 3.3 As it relates to evaluation, this Strategy is a dynamic document reflecting the Commission's efforts to combat identified ML, TF and PF risks and will be reviewed periodically to determine whether any amendments may be needed to action items in order to properly deliver on each objective and ensure ongoing compliance with all relevant standards.

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## ACRONYMS

AML	-	Anti-money Laundering
BO	-	Beneficial Ownership
CCA	-	Council of Competent Authorities
CDD	-	Customer Due Diligence
CFT	-	Countering the Financing of Terrorism
DMD	-	Deputy Managing Director
EU	-	European Union
FATF	-	Financial Action Task Force
IGC	-	Inter-governmental Committee on AML/CFT Matters
JALTFAC	-	Joint Anti-money Laundering and Terrorist Financing Advisory Committee
MD/CEO	-	Managing Director/Chief Executive Officer
ML	-	Money Laundering
NAMLCC	-	National Anti-money Laundering Coordinating Council
PF	-	Proliferation Financing
TF	-	Terrorist Financing
UK	-	United Kingdom
US	-	United States of America