

The British Virgin Islands

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - British Virgin Islands	
Sanctions:	None
FATF list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Offshore Finance Centre Compliance of OECD Global Forum's information exchange standard
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations
<p>Major Investment Areas:</p> <p>Agriculture - products: fruits, vegetables; livestock, poultry; fish</p> <p>Industries: tourism, light industry, construction, rum, concrete block, offshore financial center</p> <p>Exports - commodities: rum, fresh fish, fruits, animals; gravel, sand</p> <p>Imports - commodities: building materials, automobiles, foodstuffs, machinery</p>	
<p>Investment Restrictions: Information unavailable</p>	

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Section 1 - Background

First inhabited by Arawak and later by Carib Indians, the Virgin Islands were settled by the Dutch in 1648 and then annexed by the English in 1672. The islands were part of the British colony of the Leeward Islands from 1872-1960; they were granted autonomy in 1967. The economy is closely tied to the larger and more populous US Virgin Islands to the west; the US dollar is the legal currency.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The British Virgin Islands is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The British Virgin Islands was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, The British Virgin Islands was deemed Compliant for 18 and Largely Compliant for 15 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 1 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Follow-up Report (2011):

In response to the MER, the Virgin Islands has amended certain of its anti-money laundering/combating the financing of terrorism (AML/CFT) laws, regulations and guidelines incorporating most of the recommended actions from the MER. The latest revisions include: 6 1) The Anti-money Laundering and Terrorist Financing (Amendment) Code of Practice, 2009 which was enacted in January 2009. 2) The Financing and Money Services Act which was enacted in May 2009 3) The Proceeds of Criminal Conduct (Amendment) Act 2010 which was enacted in February 2010. 4) The Anti-money Laundering (Amendment) Regulations which was signed on April 29, 2010. 5) The Securities and Investment Business Act which was passed on April 12, 2010.

In accordance with the Virgin Islands commitment to effective implementation of the AML/CFT regime the Financial Services Commission (FSC) monitors AML/CFT activities that would have an adverse effect on the reputation of the jurisdiction and takes appropriate action where necessary. Periodic on-site inspections are conducted by each of its regulatory divisions and financial institutions continue to be sensitised to AML/CFT matters through the FSC's Meet the Regulator Forums.

The other agencies involved in combating ML and TF activities continue to strengthen their law enforcement tools and systems in order to ensure the full and effective implementation of the Anti-money Laundering Terrorist Financing Code of Practice (AMLTF COP), the Anti-money Laundering Regulations (AMLR) and the related Proceeds of Criminal Conduct Act (PCCA) and other relevant legislation designed to effectively deal with money laundering (ML) and terrorist financing (TF). The Intergovernmental Committee on AML/CFT discusses and exchanges information on AML/CFT vulnerabilities and determines how best member

agencies can strengthen cooperation in order to ensure that activities of ML and TF in and through the Territory are minimized.

US Department of State Money Laundering assessment (INCSR)

OVERVIEW

The British Virgin Islands (BVI) is a UK overseas territory. Its economy is dependent 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 and trust formation, and shipping registration. At the close of September 2016, the commercial banking sector had assets valued at approximately U.S. \$2.2 billion. Potential misuse of BVI corporate vehicles remains a concern. Criminal proceeds laundered in the BVI derive primarily from domestic criminal activity and narcotics trafficking.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The BVI has zero-rated corporation tax and no wealth, capital gains, or estate tax for offshore entities. Significant money laundering risks include exploitation of offshore financial services, a unique share structure that does not require a statement of authorized capital, and lack of mandatory ownership information filing. The BVI is a favored destination for incorporating new companies and registering shell companies, which can be established for little money in a short amount of time. There are reports a substantial percentage of BVI's offshore business comes from China and Russia.

Financial services contribute over half of government revenues. The Financial Services Commission's (FSC) most recent statistical bulletin, published in June 2017, notes there are 395,684 active companies. Of these, 1,094 are private trust companies. There are six commercially licensed banks and 1,509 registered mutual funds.

The BVI's proximity to the U.S. Virgin Islands and its use of the U.S. dollar as 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 help mitigate these threats.

KEY AML LAWS AND REGULATIONS

Money laundering is criminalized, as are all predicate offenses in line with international standards. Criminal penalties for money laundering and money laundering-related offenses have been increased to up to \$500,000 and 14 years in prison, depending on the offense. Administrative penalties have been increased from a maximum of \$4,000 to a maximum of \$100,000. Penalties under the Anti-Money Laundering Regulations have also been increased to \$150,000.

The FSC is the sole supervisory authority responsible for the licensing and supervision of financial institutions. KYC and STR requirements cover banks, money service businesses, insurance agencies, investment businesses, insolvency practitioners, trust and company service providers, attorneys, notary publics, accountants, auditors, yacht and auto dealers, real estate agents, dealers in precious stones and metals, dealers in other high-value goods, and NPOs.

The BVI is a member of the CFATF, a FATF-style regional body.

AML DEFICIENCIES

The BVI applies enhanced due diligence procedures to PEPs. Part III of the Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 outlines the CDD procedures that licensees should follow to ensure proper verification of clients. The government reports that its CDD procedures are consistent with international standards.

International experts have criticized the BVI's supervision, particularly of the company formation sector, and its sanctions regime. From January through June 2017, the BVI Enforcement Committee reviewed 316 enforcement cases, resulting in 14 administrative penalties, two cease and desist orders, one advisory, three license revocations, and four warning letters.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The BVI is a UK Caribbean overseas territory and cannot sign or ratify international conventions in its own right. 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 UN Drug Convention was extended to the BVI in 1995. The UNCAC was extended to the BVI in 2006, and the UNTOC was extended to the BVI in 2012.

Between January 1 and October 31, 2016, there were two money laundering-related prosecutions and no money laundering-related convictions. There have been 15 money laundering convictions since 2008. This extremely low volume of prosecutions and convictions is not commensurate with the size and complexity of the BVI's financial sector.

The BVI has implemented a register which provides authorized BVI authorities direct and immediate beneficial ownership information; this registry is not publicly available. The register will allow all beneficial ownership information to be shared with the UK government within 24 hours of a request.

The government is currently engaged in amending legislation to enable the Financial Investigation Agency (FIA) to take enforcement actions against DNFBPs that are non-compliant with their AML legal responsibilities. Such amendments will allow the FIA to enforce administrative penalties against non-compliant DNFBPs.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, the British Virgin Islands conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

The British Virgin Islands is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

The British Virgin Islands is considered to be an Offshore Financial Centre

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	N/A

Section 3 - Economy

The economy, one of the most stable and prosperous in the Caribbean, is highly dependent on tourism generating an estimated 45% of the national income. More than 934,000 tourists, mainly from the US, visited the islands in 2008. Because of traditionally close links with the US Virgin Islands, the British Virgin Islands has used the US dollar as its currency since 1959.

Livestock raising is the most important agricultural activity; poor soils limit the islands' ability to meet domestic food requirements.

In the mid-1980s, the government began offering offshore registration to companies wishing to incorporate in the islands, and incorporation fees now generate substantial revenues. Roughly 400,000 companies were on the offshore registry by yearend 2000. The adoption of a comprehensive insurance law in late 1994, which provides a blanket of confidentiality with regulated statutory gateways for investigation of criminal offenses, made the British Virgin Islands even more attractive to international business.

Agriculture - products:

fruits, vegetables; livestock, poultry; fish

Industries:

tourism, light industry, construction, rum, concrete block, offshore banking centre

Exports - commodities:

rum, fresh fish, fruits, animals; gravel, sand

Imports - commodities:

building materials, automobiles, foodstuffs, machinery

Banking

The Financial Services Commission (FSC) is responsible for the licensing and supervision of financial institutions under the relevant statutes. Banks and trust and corporate services providers are regulated under the Banks and Trust Companies Act, 1990 ("BTCA") and Company Management Act, 1990 ("CMA").

Section 4 - Government

Executive Branch

elections: the monarchy is hereditary; governor appointed by the monarch; following legislative elections, the leader of the majority party or the leader of the majority coalition usually appointed premier by the governor

Legal system:

English common law

International organization participation:

Caricom (associate), CDB, Interpol (subbureau), IOC, OECS, UNESCO (associate), UPU

Section 5 - Tax

Exchange control

The US dollar is legal tender in the BVI. There is no exchange control or restriction on the movement of US dollar funds into or out of the BVI or on their conversion to other currencies.

Treaty and non-treaty withholding tax rates

Virgin Islands, British has signed **25 agreements** (1 DTC and **24 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Aruba	TIEA	11 Sep 2009	1 Apr 2013	Yes	Yes	
Australia	TIEA	27 Oct 2008	12 Apr 2010	Yes	Yes	
Canada	TIEA	21 May 2013	not yet in force	Yes	Yes	
China	TIEA	7 Dec 2009	30 Dec 2010	Yes	Yes	
Curaçao	TIEA	11 Sep 2009	not yet in force	Yes	Yes	
Czech Republic	TIEA	13 Jun 2011	19 Dec 2012	Yes	Yes	
Denmark	TIEA	18 May 2009	15 Apr 2010	Yes	Yes	
Faroe Islands	TIEA	18 May 2009	not yet in force	Unreviewed	Yes	
Finland	TIEA	18 May 2009	15 Apr 2010	Yes	Yes	
France	TIEA	17 Jun 2009	18 Nov 2010	Yes	Yes	
Germany	TIEA	5 Oct 2010	4 Dec 2011	Yes	Yes	
Greenland	TIEA	18 May 2009	not yet in force	Unreviewed	Yes	
Guernsey	TIEA	17 Apr 2013	not yet in force	Yes	Yes	
Iceland	TIEA	18 May 2009	20 Jul 2011	Yes	Yes	
India	TIEA	9 Feb 2011	22 Aug 2011	Yes	Yes	
Ireland	TIEA	7 Dec 2009	28 Feb 2011	Yes	Yes	
Netherlands	TIEA	11 Sep 2009	1 Jul 2013	Yes	Yes	
New Zealand	TIEA	13 Aug 2009	not yet in force	Yes	Yes	
Norway	TIEA	18 May 2009	15 Apr 2010	Yes	Yes	
Portugal	TIEA	5 Oct 2010	not yet in force	Yes	Yes	
Sint Maarten	TIEA	11 Sep 2009	not yet in force	Yes	Yes	
Sweden	TIEA	18 May 2009	16 May 2010	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Switzerland	DTC	20 Aug 1963	1 Jan 1961	No	No 
United Kingdom	TIEA	29 Oct 2008	12 Apr 2010	Yes	Yes 
United States	TIEA	3 Apr 2002	10 Mar 2006	Yes	Yes 

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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Gary Youinou

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