

THE VIRGIN ISLANDS



**NATIONAL MONEY LAUNDERING, TERRORIST
FINANCING AND PROLIFERATION FINANCING
RISK ASSESSMENT OF LEGAL PERSONS AND
LEGAL ARRANGEMENTS - 2025**

1. INTRODUCTION

1. The Financial Action Task Force (FATF) recommends that countries carry out a risk assessment of the legal persons and legal arrangements connected with their jurisdiction, either on its own or part of a national risk assessment. FATF Recommendation 24, as amended in March 2022, requires countries to carry out a risk assessment of the risk of misuse of legal persons for money laundering or terrorist financing, and take measures to prevent their misuse. Recommendation 25 requires countries to carry out a risk assessment of trusts and other legal arrangements governed by the law in their country or administered by a trustee in their country. In addition, FATF Immediate Outcome 5 seeks to understand how well the relevant competent authorities in a country identify, assess and understand the vulnerabilities, and the extent to which legal persons created in the country can be, or are being misused for ML/TF. Finally, R. 1 requires countries to carry out an assessment of national risks, which includes risks of Legal Arrangements.
2. The Interpretative Note to Recommendation 24 states that countries should: “(a) assess the money laundering and terrorist financing risks associated with different types of legal persons created in the country, and take appropriate steps to manage and mitigate the risks that they identify; and (b) assess the money laundering and terrorist financing risks to which their country is exposed, associated with different types of foreign-created legal persons, and take appropriate steps to manage and mitigate the risks that they identify.”
3. The Interpretative Note to Recommendation 25 states: “Countries should assess the money laundering and terrorist financing risks associated with different types of trusts and other similar legal arrangements: (a) governed under their law; (b) which are administered in their country or for which the trustee or equivalent resides in their country; and (c) types of foreign legal arrangements that have sufficient links with their country and take appropriate steps to manage and mitigate the risks that they identify.”
4. The risk assessment of legal persons and legal arrangements aims to satisfy the provisions of FATF Recommendations 1, 24, 25 and Immediate Outcome 5.

2. BACKGROUND

5. The Virgin Islands (VI) is committed to combatting money laundering (ML), terrorism financing (TF), proliferation financing (PF) and the evasion of targeted financial sanctions. As part of this mandate, the VI seeks to ensure that it understands its exposures to financial crime, and particularly how legal persons and legal arrangements can be misused to commit financial crime, given the VI's position as one of the world's leading financial centers.

6. The VI therefore carried out this risk assessment to identify the risks posed to legal persons and legal arrangements, enhance the granularity of its understanding of those risks in order to ensure that the VI as well as entities operating in and from the VI adopt appropriate measures to mitigate the ML, TF, PF and sanctions evasions risk relating to VI legal persons and legal arrangements.

3. PROJECT OBJECTIVES

7. The understanding of the risk of legal persons and legal arrangements is a fundamental cross-cutting issue in the VI MER, affecting the risk understanding of Financial Institutions (FIs) and Designated Non-financial Businesses and Professionals' (DNFBPs) clients, the number and quality of suspicious activity reports filed by these FIs and DNFBPs, the Financial Investigation Agency's access to intelligence relating to legal persons and legal arrangements, the number of investigations carried out as well as the number of prosecutions.
8. The main objective of this risk assessment is to assess the risk exposures of legal persons and legal arrangements established in or operating in the VI to ML, TF and PF in order to (1) deepen the understanding of the risks posed by those entities amongst the regulated sector and the public sector agencies; and (2) implement appropriate mitigating measures.
9. Particularly, the Risk Assessment sought to:
 - a. Consider typologies relating to the misuse of legal persons and legal arrangements
 - b. Assess the identified ML, TF and PF Risks of the legal persons and legal arrangements connected to the VI
 - c. Propose mitigating measures that may be required to control the risk

4. INSTITUTIONAL ARRANGEMENTS

10. In the VI, the Financial Services Commission (FSC) is responsible for authorising and supervising Trust and Company Services Providers (TCSPs) for compliance with AML/CFT/CPF requirements. All legal persons registered in the VI must have a registered office in the VI and appoint a registered agent, who must be licensed by the FSC. At the date of this report, there were 104 entities authorised to provide registered office and registered agent services.
11. The role of the registered agent is to interact with the FSC relating to the affairs of the legal person and to assess the beneficial owners of any legal person it retains as a client. They also pay required fees and file the required annual returns on behalf of legal persons. Registered agents must also maintain the following documents for the legal persons they act for:
 - a. memorandum and articles of association;
 - b. register of directors (or a copy);

- c. register of shareholders (or a copy);
 - d. register of charges (if any);
 - e. the company's records and underlying documentation ;
 - f. copies of all notices or other documents filed by the company with the BVI Registrar of Corporate Affairs (the Registrar) in the previous 10 years; and
 - g. minutes of all meetings and all written resolutions of its shareholders and directors.
12. The FSC also houses the Registry of Corporate Affairs (ROCA), which is responsible for maintaining the register of basic and beneficial information relating to legal persons.
13. The Virtual Integrated Registry and Regulatory General Information Network (VIRRGIN) system is the IT system that holds all information required to be maintained by the ROCA, including basic information relating to legal persons. The information housed in VIRRGIN is publicly available. The requirements for maintaining beneficial ownership information have been passed into law and, as at the date of this report, are being implemented. Bearer shares have been prohibited since 2022.
14. In relation to legal arrangements, corporate trustees and trustees operating as a business must be licensed as TCSPs under the Banks and Trust Companies Act. These persons and entities are supervised by the FSC. As at the date of this report, there were 124 trustees licensed by the FSC.
15. There is no special tax treatment for any type of legal person or arrangement in the VI and there are no secrecy laws.

5. WORKING METHODS

16. A working group was formed on March 28, 2024 to carry out the assessment of the ML, TF and proliferation risks of legal persons and legal arrangements.
17. The working group was composed of representatives from the following public sector agencies and was led by an expert from an international compliance consulting firm:
- a. Royal Virgin Islands Police Force – Financial Crimes Unit (FCU)
 - b. FSC (financial supervision and corporate registry)
 - c. Ministry of Financial Services, Economic Development and Digital Transformation
 - d. Attorney General Chambers – Sanctions Unit and International Cooperation Unit
 - e. Governor's Office (relating to sanctions implementation)
 - f. Financial Investigation Agency (Analysis and Investigation, and Supervision and Enforcement Units)
 - g. Non-Profit Organisations Board
18. Two focus group consultations were held with private sector members: one with representatives from the TCSP sector and one with the accounting and legal sectors. The TCSP group met in person while the latter group received

questionnaires to be completed. The questions asked in the focus group are attached as Appendix A hereto. Views of the private sector on areas of risk related to legal persons and legal arrangements in the VI are provided throughout this report where relevant.

19. The risk assessment was guided by a written methodology that was developed specifically for the risk assessment of legal persons and legal arrangements in the VI. This methodology is available as a separate document.
20. The methodology, following on the FATF Guidance on National Money Laundering and Terrorist Financing Risk Assessments, views risk as a function of threats¹, vulnerabilities², controls and consequences.
21. Scores for each of the threats, vulnerabilities, controls and consequences were calculated for each of ML, TF and PF. A final score was then arrived at for each type of legal person and legal arrangement in the VI.
22. In addition, lists of high risk jurisdictions for each of ML, TF and PF were compiled using publicly available information which included FATF grey and black lists, results of FATF mutual evaluations, indexes produced by international organizations, including the corruption perceptions index and the global terrorism index, and countries featuring in case studies and typologies relating to the misuse of legal persons and legal arrangements. The relevant list of high risk jurisdictions was used as applicable to assess the vulnerabilities of VI legal persons and legal arrangements to ML, TF and PF³ due to their connections to these high risk jurisdictions.
23. The data used for the risk assessment covered the period 2020 to Q1 2024 unless otherwise stated.

6. INFORMATION SOURCES

24. The working group considered a large quantity of documents and information sources to devise the methodology to carry out this risk assessment, obtain data and analyze the data. The sources of information that were used are listed in Appendix B.

7. OVERVIEW OF TYPES OF LEGAL PERSONS AND LEGAL ARRANGEMENTS IN THE VI

¹ The FATF defines threat as “a person or group of people, object or activity with the potential to cause harm to, for example, the state, society, the economy.”

² The FATF defines a vulnerability as “things that may be exploited by the threat, or that may facilitate its activities.”

³ In relation to Proliferation Financing, the Working Group opted for an expanded definition of high risk jurisdiction, which included not only the countries of Primary Concern, namely Iran and the Democratic People’s Republic of Korea, but also countries that are listed in reports and literature as being sympathetic or neighbouring to those countries.

25. Prior to commencing the assessment of the ML, TF and PF risks in the corporate sector, the VI carried out a mapping exercise that summarized the numbers and main characteristics of the different types of legal persons and legal arrangements in the VI. The current numbers and trends relating to legal persons in the VI are shown in Table 1. The types of VI legal persons and legal arrangements are described below the table.

Table 1 – Types and Numbers of Legal Persons in the Virgin Islands

Entity Type	2020	2021	2022	2023	2024 (As of 30 March)	5-Year Trend (Increasing, Decreasing or Stable)
<i>BVIBC - Limited by Shares</i>	342,716	351,266	348,913	340,794	350,491	Relatively stable
<i>BVIBC - Limited by Guarantee</i>	268	277	302	284	299	Relatively stable
<i>Unlimited Company</i>	235	246	251	236	240	Relatively Stable
<i>Segregated Portfolio Company</i>	97	101	117	121	122	Increasing
<i>Restricted Purpose Company</i>	19	22	12	15	17	Relatively stable
<i>Private Trust Company (PTCs)</i>	1080	1141	1130	1085	1106	Relatively stable
<i>Foreign Company</i>	56	53	55	56	55	Relatively Stable
<i>Limited Partnership</i>	1077	1642	1902	2042	2086	Increasing
<i>International Partnership</i>	13	13	13	13	13	Stable
<i>Partnership without Legal Personality</i>	375	855	1118	1227	1270	Increasing

BVIBCs

26. BVIBCs are by far the largest sub-set of all legal persons and legal arrangements types in the VI. There are 5 possible types of BVIBCs:

- a company limited by shares;
- a company limited by guarantee that is not authorised to issue shares;
- a company limited by guarantee that is authorised to issue shares;

- an unlimited company that is not authorised to issue shares;
- an unlimited company that is authorised to issue shares.

27. BVIBCs limited by shares represent approximately 99% of all BVIBCs.

28. BVIBCs have full capacity to carry on or undertake any business activity and may enter into any type of transaction. BVIBCs are also empowered to issue and hold shares, including treasury shares and conduct financial transactions. In the VI, there is no distinction between a company established to operate in or from within the VI.

29. A BVIBC must maintain a registered office and registered agent within the VI at all times. The registered office and the registered agent must be regulated and supervised by the FSC. A BVIBC must also maintain at the office of its registered agent, the memorandum and articles of the company, the register of members, the register of directors and copies of all notices and documents filed by the company. The company itself is required to keep records of its transactions, and of its financial position.

Segregated Portfolio Company (SPC)

30. A segregated portfolio company is a BVIBC, subject to the same obligations as for BVIBCs described above. A segregated portfolio company allows for the creation of separate accounts in the SPC, each recording its own assets and liabilities but without having separate legal personality from the SPC. The BVIBC Act imposes some restrictions on the type of business that can be carried out by an SPC. A BVIBC can be an SPC if it is (or proposed to be) a licensed insurer under the Insurance Act, a professional or private fund or registered as a public fund under SIBA, or a company that is not licensed as an investment business company, an insurance manager or insurance intermediary or to carry on any activity that is regulated under the BTCA, CMA or FMSA.

Restricted Purpose Company

31. A restricted purpose company is a BVIBC limited by shares, that is registered on its incorporation or continuation into the VI, as having restricted purposes. The company is otherwise known as a special purpose vehicle and must carry “SPV” in its name to identify itself as such. It is subject to the same obligations and requirements as BVIBCs generally.

Foreign Company

32. A foreign company is a legal person that is incorporated, formed or registered outside of the VI. The ROCA maintains a Register of Foreign Companies. Foreign companies must appoint a registered agent licensed by the FSC and maintain a registered office at which the Register of Members and Register of Directors must be kept.

Private Trust Company (PTC)

33. A private trust company is a trust company where each beneficiary is a connected person in relation to the settlor of the trust, or a charity. PTCs are exempt from the requirement to obtain a trust license under the Banks and Trust Companies Act if the trust business consists solely of unremunerated trust business or related trust business. The Registered Agent of a PTC must hold a full trust license under the Banks and Trust Companies Act. The Registered Agent must also ensure that up to date copies of the trust deed and any documents creating or evidencing a trust are maintained at its office.

Limited Partnership

34. A limited partnership must have at least one general partner and one limited partner. Limited partnerships must have a written limited partnership agreement that provides for the rights and obligations of the partners. The agreement may also provide for the affairs of the limited partnership and the conduct of its business and activities. The limited partnership generally has legal personality, unless it is registered as being without legal personality. Limited partnerships must be registered with ROCA.

35. A limited partnership must always maintain a registered office and registered agent within the VI. As with BVIBCs, the registered agent must be licensed as a TCSP and supervised by the FSC. General partners are required to maintain at the registered office, a register of general partners and a register of limited partners, or a record of the address of where such registers are maintained. The limited partnership is also required to keep financial records and any other underlying documentation of the limited partnership.

International Partnership

36. As with Limited Partnerships, International Partnerships must have one general partner and at least one limited partner. International partnerships have the same features and obligations as limited partnerships, with the exception that international partnerships cannot carry on business with persons resident in the VI or own an interest in real property, except a business office lease.

Partnership without Legal Personality

37. As stated above, a Limited Partnership generally has legal personality unless it is registered as a Partnership without Legal Personality. The declaration signed by each general partner stating that the partnership does not have legal personality is binding and irrevocable. This type of partnership must have at least one general partner and one limited partner and must at all times have a registered office and registered agent in the VI. These partnerships cannot carry on banking business, insurance business, trust business or company management business unless exempt. These partnerships are subject to the same registration and ongoing record keeping requirements as limited partnerships.

Virgin Islands Special Trust (VISTA)

38. A VISTA trust is used purely for the holding of shares in a BVIBC. The trust assets, therefore, must be shares in a BVI company, which must be transferred into the name of the trustee.
39. In establishing a VISTA trust, at least one of the trustees must be a designated trustee, which under the VISTA Act can be either a VI licensed TCSP or a VI Private Trust Company.
40. VISTA trusts are commonly used for people with family-owned businesses (especially for a sole director/shareholder) who wish to run their company independently as well as benefit from a trust's estate planning ability, and for holding trust assets that are invested in what the trustees would traditionally consider high-risk investments.

Express Trusts

41. The most common type of trust formed in the VI is the Express Trust. General requirements for trusts are detailed in the Trustee Ordinance, which provides for the duties and powers of trustees. Trusts themselves are not required to be registered but professional trustees in the VI must be licensed and supervised by the FSC.

Non-Profit Organisations

42. As at August 2024, there were 121 non-profit organisations registered in the VI and all but 4 of these organisations meet the FATF definition of a non-profit organisation. In 2024, the VI carried out an assessment of the TF risk of the non-profit organisation sector in the VI. The VI concluded that, due to the small size of the sector and the lack of international links in the sector, the terrorism financing risk for the sector is low. Given the small size of the sector and the low risk identified in the 2024 TF Risk Assessment in the non-profit organisation sector, non-profit organisations will not be assessed separately as a sector in this report.

8. Threats

43. The threat assessment consists of two steps:
 - 1) an assessment of typologies relating to the misuse of legal persons and legal arrangements for ML, TF or PF, which demonstrates the potential risk; and
 - 2) an analysis of actual cases in the VI relating to the misuse of legal persons and legal arrangements, which demonstrates crystallized risk.
44. The data on cases was provided by law enforcement agencies for the past five years, including the numbers of:
 - (i) suspicious activity reports (SARs);
 - (ii) Mutual Legal Assistance (MLA) requests sent/received;
 - (iii) criminal investigations; and
 - (iv) asset confiscation, seizure and forfeiture.

45. It should be noted that the number of prosecutions is not being considered, as no prosecutions of legal persons took place in the relevant period. The lack of prosecutions of legal persons or prosecutions relating to legal arrangements, the low numbers of SARs resulting in intelligence used for investigatory purposes and criminal investigations in the case of the VI are not seen as an indication of a low threat but rather, it is acknowledged that these could have been influenced by a number of factors, including inadequate resources and FIA procedures existing at the time which provided that the FIA would only disseminate SARs relating to local companies to the FCU and, in the case of SARs related to international activities of a BVI legal person, the FIA procedures provided that these should be disseminated internationally. This has been factored into the assessment of number of SARs and number of investigations, under the assumption that there would have been a greater number of SARs analysed relating to legal persons and legal arrangements leading to investigations if those impediments had not existed. There have also been no cases of confiscation or asset deprivation relating to legal persons or arrangements in the past 5 years.
46. A separate threat score was calculated for ML, TF and PF on a scale of low, medium low, medium high and high.
47. The threat score is a combination of the typologies score, weighted at 60% and the law enforcement data, weighted at 40%. The law enforcement data is weighted at a discount given the challenges faced by law enforcement agencies, described above.

Practitioners Perspectives – Risks in VI Legal Persons and Arrangements

The Working Group conducted focus group interviews with practitioners based in the VI in the fields of trust and corporate services, law and accounting. Practitioners mentioned that the VI, as a financial service jurisdiction with a high volume of incorporated companies, may be exposed to fraud, corruption and criminal activities due to the misuse of VI legal persons and arrangements.

Practitioners mentioned that the risks for ML are high for legal persons that are part of complex structures and cross-border transactions. PF risk was also seen by some as a potential risk due to the large volume of companies in the jurisdiction. The risk for TF was seen as lower, as participants saw fewer links between the VI and TF activities.

A. Money Laundering

i. Assessment of Typologies

48. Fifteen recent cases were found during an open source search relating to ML involving BVIBCs. Most of the cases involve allegations of corruption against a non-VI politically exposed person. The other cases involve predicates of fraud and

tax evasion. In three cases, the BVIBC owned real estate in London, United Kingdom, allegedly purchased with proceeds of crime. In all cases but one, the BVIBC was part of an international structure. In two cases, the BVIBC that is alleged to have been misused was beneficially owned by a relative or an employee of the politically exposed person. In four cases, the BVIBC was part of a trust structure.

49. The beneficial owners of the companies come from a wide range of countries, including Angola, Azerbaijan, Brazil, Uzbekistan, Bangladesh, Malaysia, UK, India, Uruguay, the United States and Denmark. Some of the cases involve more than one BVIBC.
50. Two cases of ML via limited partnerships were also uncovered. These cases involved VI LPs misused in international corruption schemes. In most cases examined, the general partner and limited partner in these LPs was also a partnership or company, making it difficult to ascertain who was the true beneficial owner (BO). These cases involved schemes involving Estonia, Latvia, Russia and Uzbekistan, the latter two being high risk jurisdictions for ML.
51. Two cases were also found relating to the misuse of VI trust structures by politically exposed persons for purposes of ML. The predicate offences in those cases were fraud, corruption and embezzlement. Two other recent cases were found involving the misuse of a trust as part of a ML scheme in jurisdictions that have similar characteristics to the VI.
52. As such, the threat rating from the typologies review exercise suggests a high threat level for misuse of BVIBCs by money launderers, a medium high risk rating for legal arrangements and a medium low rating for other types of legal persons.

Case Study 1 – Misuse of Limited Partnerships to conceal International Money Laundering involving VI companies

The president of Country 1 and other politically exposed persons in Country 1 registered four legal persons in Country 2: two limited partnerships and two limited liability partnerships. The legal persons had bank accounts in a bank in Country 3.

The two limited partnerships were registered to a Mail Boxes Etc. shop in Country 2. However, the bank accounts showed that their address was in Country 1. The partners of the two LPs were 2 companies incorporated in the VI.

The beneficial owner of the two limited partnerships was listed as being a driver in Country 1. The LP's' bank accounts handled more than \$1.7 billion in transfers.

In total, approximately \$2.9 billion thought to be proceeds of corruption flowed from Country 1 through bank accounts in Country 3 to purchase luxury goods and to lobby politicians.

This case illustrates how politically exposed persons, complex corporate structures and the geographical separation of the beneficial owners, companies, ultimate beneficial owners and bank accounts can facilitate the crime of money laundering.

Case Study 2 – Money Laundering via a Trust

A politically exposed person in country 1 was convicted of fraud, embezzlement and money laundering. Investigators identified funds derived from the person’s scheme, which had moved through a network of companies in various jurisdictions. Some of the funds were used to purchase expensive property in country 2 via a company set up in the VI. This property was later transferred into a trust set up in the VI.

ii. Assessment of Law Enforcement Data

SARs Filed and International FIU to FIU Requests

53. The FIA provided data on the number of SARs filed between 2020 and 2024 relating to ML involving legal persons and legal arrangements. Table 2 shows the total number of SARs received for various types of legal persons and arrangements.

54. The FIA’s data capture processes at the time did not distinguish between the different subtypes of BVIBCs. However, given the minuscule proportion of BVIBCs other than companies limited by shares, the lack of distinction is not material for the purpose of the threats assessment. Similarly, the FIA data does not distinguish between VISTA trusts and other types of trusts but this is also not relevant given the very small number of SARs filed in relation to trusts.

Table 2 – ML SARs relating to Legal Persons and Legal Arrangements

	2020	2021	2022	2023	2024
BVIBCs received	118	46	25	17	6
VA SARs ⁴ received (TOTAL)	N/A ⁵	N/A	861	1678	491
VA SARs which had a nexus and indirectly or directly identified a subject involving a VI legal person or arrangement	N/A	N/A	3	0	0
Partnerships	0	0	0	0	0
Trusts	2	1	2	2	0
NPOs	0	0	0	0	0
PTC	0	0	0	0	0
SPC	0	0	0	0	0

55. Overall, the level of SARs involving legal persons is significant. The majority of the SARs received were received from a BVIBC and the subject of the SAR was not a VI legal person or arrangement. Given the VI’s reputation as a jurisdiction for company incorporation, this result is not unexpected.

⁴ A VA SAR is a SAR filed by a VASP, which in this case relates to a BVIBC

⁵ The VA SAR log was created in 2022

56. The FIA also provided data relating to outgoing international requests relating to ML and legal persons and legal arrangements made to financial intelligence units in other jurisdictions. In 2023, the FIA made 4 outgoing requests relating to potential ML by legal persons and legal arrangements, and in 2024, 15 such outgoing requests were made.

Investigations

57. The RVIPF provided data relating to the number of ML investigations between 2020 and 2024 relating to legal persons and legal arrangements. These data are provided in Table 3.

58. The only investigations opened between 2020 and 2024 that related to legal persons and legal arrangements related to BVIBCs. There were no investigations into foreign companies, trusts or other types of legal persons.

Table 3 – ML Investigations relating to Legal Persons and Legal Arrangements

	2020	2021	2022	2023	2024
BVIBCs	0	0	3	1	2
Other LPLA	0	0	0	0	0

Mutual Legal Assistance Requests between 2020 and 2024

59. Between 2020 and 2024, a total of 301 mutual legal assistance requests were received for information related to ML and BVIBCs. Of these, 55 requests originated from third countries, with one specifically concerning a non-VISTA trust. During the same period, five outgoing requests were issued concerning three BVIBCs. No additional requests were made in relation to other types of legal persons or legal arrangements.

Case Study 3 – Mutual Legal Assistance Request

The request involved the investigation of allegations of bribery and corruption concerning a company (“Company X”) and its former and current employees and advisers in relation to its commercial business.

An overseas company released a Request for Proposal detailing its requirements for the purchase of a specified amount of Company X’s merchandise.

Investigators believed that the overseas company took the decision to purchase the merchandise only after Company X agreed to pay an additional commission (millions) to close the deal to the exclusion of its competitor.

The arrest and conviction of individuals in another jurisdiction led to the exposure of Company X’s involvement and culture of bribes for contract and other harmful competition practices.

Payment structures associated with the mentioned companies were linked to two BVI registered companies.

i. Conclusion on ML Threat

60. Law enforcement figures and the ML case studies relating to legal persons suggest a high ML threat level for BVIBCs in the VI. This conclusion stands even though there is no breakdown in the law enforcement data between the different types of BVIBCs or indeed between BVIBCs and other types of legal persons, given that BVIBCs represent the great majority of the types of legal persons in the VI.

61. Law enforcement data, including SARs filed and mutual legal assistance requests received, show that other types of legal persons as well as legal arrangements may potentially be misused for ML purposes but this is more limited. Both law enforcement data and the review of cases show there are fewer cases of misuse of legal arrangements than of legal persons. This results in a medium low threat level for legal arrangements and medium low for other types of legal persons.

Case Study 4 – Misuse of Companies to Launder the Proceeds of Corruption

Company B was incorporated in the VI by the director of a government agency in Country 2. The director was the sole beneficial owner of this BVIBC. The director failed to list the ownership of the BVIBC in his public declaration of business interests.

The government agency of Country 2 issued a public procurement notice for the provision of machinery.

Company C was a holding company that owned Company D, which manufactured machinery. Company D, which was a joint venture between Company E and Company F, won the procurement contract.

Two shell companies, in countries 3 and 4, were owned by Company F. The shell companies had bank accounts in multiple jurisdictions.

When bidding for the procurement contract, Company F overpriced the machines. The excess money was deposited into the bank accounts belonging to the shell companies. Fake contracts were created and provided to the bank to justify the bank transfers. The shell companies then sent two \$500,000 payments to Company's B bank account in Country 3. These payments were disguised as fictitious loans provided to Company B. The Director was subsequently indicted for corruption and money laundering.

This case provides a typology on money laundering the proceeds of corruption through fictitious inter company transactions and loans.

B. Terrorist Financing

i. Assessment of Typologies

62. Open source typologies research uncovered seven cases involving suspected TF involving BVIBCs. The terrorist organizations represented included Hamas, ISIS, Hezbollah, Muslim Brotherhood and the Syrian regime. Moreover, three of these cases relate to the potential misuse of a BVIBC providing virtual asset services to facilitate TF. In two cases, the BVIBCs were part of a larger multinational corporate group, while in one case the BVIBC was a standalone entity. The number of suspected cases and the fact that different terrorist organisations are named suggests that BVIBCs may be misused by terrorist financiers.
63. No typologies or cases were found relating to other types of legal persons or to legal arrangements.

Case Study 5 – Misuse of Companies to Facilitate Terrorist Financing

An individual resident in Country 1, a country known to support terrorism, operated several companies around the world in the real estate, food processing and diamond industries. The individual used the profit from his companies to purchase properties to be used by known terrorist organizations and to engage in trade based money laundering.

The individual incorporated a BVIBC, which shared a name and was a subsidiary of a company in Country 1, as part of the worldwide corporate structure to facilitate the transfer of funds to the terrorist organization. The individual became designated under a counter-terrorism targeted financial sanctions regime.

However, the individual's name did not appear on the ownership records for the VI entity. This example shows how terrorist financiers and designated persons seek to obscure the beneficial ownership of legal persons and obscure the flow of funds through complex multi-national corporate structures.

ii. Assessment of Law Enforcement Data

Suspicious Activity Reports

64. Between 2020 and 2024, the FIA received 13 TF SARs relating to BVIBCs and all the TF SARs that involved a legal person or arrangement related to a BVIBC (and not another type of legal person or arrangement). The FIA disseminated 17 SARs relating to TF connected to BVIBCs to the FCU⁶. 12 of the 17 SARs disseminated were filed by a BVIBC that was carrying out activities involving virtual assets. The subject of 1 of the SARs was a BVIBC which involved TF.

⁶ More disseminations were made than SARs received because following an initial analysis of certain SARs, additional disseminations were made to the FCU on those SARs.

65. The FIA also provided data relating to outgoing international requests relating to TF and legal persons and legal arrangements made to overseas financial intelligence units. In 2023, the FIA made 11 outgoing requests relating to potential TF by VI legal persons and legal arrangements, and in 2024, 4 such outgoing requests were made. In addition, the FIA received 2 international requests relating to TF and BVIBCs. Only one of those requests related to the misuse of cryptocurrencies.

Investigations

66. The RVIPF data indicates that 14 investigations were commenced between 2020 and 2024 relating to TF involving legal persons and legal arrangements, including 1 TFS investigations. These data are provided in Table 4. One of the 14 investigations related to a suspected sanctions breach with a TF element, relating to one BVIBC. As with ML, the only investigations related to BVIBCs and there were no investigations involving other types of legal persons or arrangements.

Table 4 – TF Investigations relating to Legal Persons and Legal Arrangements

	2020	2021	2022	2023	2024
BVIBCs	0	0	3	8	3
Other LPLA	0	0	0	0	0

Mutual Legal Assistance Requests between 2020 and 2024

67. Mutual legal assistance figures for requests received from third countries between 2020 and 2024 show 1 incoming request relating to terrorism and 1 relating to TF involving BVIBCs. There were no other requests relating to any other types of legal persons and none for legal arrangements in relation to TF.

Targeted Financial Sanctions for TF – Sanctions breaches between 2020 and 2024

68. During the reporting period, the Governor’s Office was notified by a Competent Authority of the designation of a beneficial owner of 9 BVI Companies on the USA’s OFAC Sanctions List. The said sanctioned individual was said to be potentially linked to a terrorist organisation. The 9 BVI Companies associated with this designated person have not been sanctioned by any UK or the UN Sanctions Regimes. Investigations are ongoing in this matter. There were no similar notifications in relation to any other type of legal person or legal arrangement.

i. Conclusion on TF Threat

69. The number of SARs received, investigations commenced, and information received by the Governor’s office shows that terrorist financiers are attempting to misuse BVIBCs for TF. This suggests a medium-high TF threat level for BVIBCs.

70. Conversely, in relation to other types of legal persons and legal arrangements, no cases were found when carrying out open source research that related to VI partnerships or legal arrangements being misused for TF purposes. In addition, no SARs, investigations or mutual legal assistance requests related to TF and other types of legal persons or legal arrangements from 2020 to 2024. This suggests a low threat level for TF in relation to other types of legal persons and legal arrangements.

C. Proliferation Financing

i. Assessment of Typologies

71. Research revealed 15 cases between 2020 and 2024 of alleged proliferation or PF involving BVIBCs and the DPRK. All but one of these cases involved BVIBCs that were set up to own vessels that brought goods to the DPRK in contravention of international sanctions. In one case, a BVIBC was set up to conceal the flow of payment for goods between companies incorporated in other jurisdictions and a purchaser in the DPRK.

72. In addition, two cases of PF were identified that related to Iran, whereby BVIBCs were set up as part of multi-jurisdictional complex structures that helped conceal the origin and destination of payments used to supply goods to Iran in contravention of international sanctions.

73. No cases of PF were found that related to other types of legal persons or legal arrangements.

ii. Assessment of Law Enforcement Data

Suspicious Activity Reports

74. The FIA received 5 SARs relating to PF and BVIBCs between 2020 and 2024 and made 14 disseminations to local law enforcement and foreign financial intelligence units⁷. Two of these SARs were filed by BVIBCs that were involved in virtual asset activities. There were no SARs relating to PF that involved legal persons or arrangements other than BVIBCs.

75. In addition, the FIA made outgoing requests relating to PF and potential involvement of legal persons and legal arrangements to foreign financial intelligence units. In 2023, 1 such request was made and 4 requests were made in 2024.

Case Study 6 – Transactions via a Designated Company

⁷ Note: In two cases, a SAR related to more than 1 dissemination

In February 2017 information was obtained by the UN Panel of Experts showing that two sanctioned North Korean banks were operating in Country 1 through representative offices.

A director of these offices simultaneously served as a director of a designated company, Company D, registered in the VI. Company D shared several officers with the representative offices, and when the bank's correspondent accounts were closed, Company D was set up to undertake wire transfers and business transactions on its behalf.

The representative in Country 1 undertook transactions in US Dollars, using the account of Company D, with single transactions occasionally exceeding the \$1 million mark. He also facilitated payments and loans between companies linked to the representative offices and exchanged large quantities of bulk cash into US Dollar notes of higher denomination.

Investigations

76. Table 5 shows the number of investigations that were commenced by the FCU between 2020 and 2024 relating to PF and involving a BVIBC. There were no cases involving other types of legal persons or arrangements.

Table 5 – PF Investigations relating to Legal Persons and Legal Arrangements

	2020	2021	2022	2023	2024
BVIBCs	0	0	2	1	0
Other LPLA	0	0	0	0	0

Mutual Legal Assistance Requests between 2020 and 2024

77. In the period 2020 to 2024, the Attorney General's Chambers received no incoming requests for mutual legal assistance for information on any legal person or legal arrangement relating to PF.

Targeted Financial Sanctions for PF – Sanctions notifications between 2020 and 2024

78. Between 2020 and 2024, the Governor's Office received 6 requests from the UN Panel of Experts (established pursuant to United Nations Security Council resolution 1874 (2009)) in relation to 50 BVIBCs incorporated in the VI, as a part of their investigations into suspected PF violations. In some cases, it is alleged that these companies own vessels that illegally supply goods to the DPRK. The UN Panel of Expert Reports published between 2020 and 2024 relating to the DPRK

identify companies incorporated in the VI that own vessels that ship materials to the DPRK in contravention of international sanctions⁸.

Case Study 7 – Ownership of a Vessel by a Company

Company K was listed as the registered owner of an oil tanker that was suspected of smuggling fuel to North Korea.

In 2019, ownership and management of the oil tanker were transferred to two companies registered in the VI. The address of these companies was the same address as another company that has been known to engage in fuel and cigarette smuggling to North Korea.

On 29 May 2020, as soon as the oil tanker crossed the boundary between South Korea and North Korea, the vessel made a sharp left turn toward North Korea's east coast. The vessel maintained this heading for five hours before its AIS signal apparently disappeared for over six days. When the AIS signal reappeared on 5 June 2020, the vessel was sailing south toward the Korea Strait.

iii. Conclusion on PF Threat

79. There are a number of cases identified in open source research that implicate BVIBCs with sanctions evasion activities, particularly with respect to the DPRK. While the number of SARs relating to PF is not large relative to ML, the number of PF SARs in the VI is high due to the fact that PF is more difficult to detect. In the VI, data from law enforcement agencies and the Governor's Office provides evidence that BVIBCs are susceptible to abuse in PF networks. The threat level for BVIBCs in the VI relating to PF is therefore high.

80. In relation to other types of legal persons and legal arrangements, no cases were found when carrying out open source research that suggested that these entities are being misused for PF purposes. In addition, there were no SARs, investigations or mutual legal assistance requests related to PF and other types of legal persons and to legal arrangements from 2020 to 2024 in the VI. This suggests a low threat level for PF relating to other types of legal persons and to legal arrangements.

E. Conclusions on Threats

81. The threat level for ML and PF is high, and TF threat is medium high, for BVIBCs. The threat level for ML for legal arrangements is medium high and for other types of legal persons it is medium low. In relation to TF and PF, the threat level is low for legal arrangements and all types of legal persons except for BVIBCs.

⁸ See for example the March 2021 Panel of Experts Report submitted pursuant to resolution 2515, which identified four VI registered companies that own vessels.

Figure 1 – Summary of Threats Assessment

	ML=	TF	PF
BVIBCs	High	Medium High	High
Other Legal Persons	Medium Low	Low	Low
Legal Arrangements	Medium Low	Low	Low

9. VULNERABILITIES

82. The national vulnerability assessment consists of two elements:

- a. Assessment of the size and characteristics relating to the population of legal persons and arrangements in the VI; and
- b. Assessment of controls implemented by the private and public sectors to reduce the vulnerabilities.

83. The assessment of size and characteristics is divided into four categories of indicators. Each indicator is scored on a scale of Low (1), Medium Low (2), Medium High (3) and High (4) in respect of each type of legal person or legal arrangement, for each of ML, TF and PF. Indicators in each group are averaged and then the scores between the different categories are again averaged.

A. Legal Persons

Size and Control Characteristics

84. The table below presents the risk factors for each type of legal person formed in the VI, as well as foreign companies. BVIBCs limited by shares represent by far the largest portion of all legal persons formed in the jurisdiction. In addition, the number of BVIBCs limited per 1,000 residents is high compared to other types of legal persons. In addition, BVIBCs limited by shares have by far the highest number of corporate directors. Corporate directors pose a higher level of vulnerability, as they can be used to obscure the beneficial ownership or control of a legal person.

Table 6 – Size and Ownership Characteristics – Locally formed

Size and Ownership Indicators	# per 1,000 population	Proportion of all types of LP	% corporate directors
BVIBC - Limited by Shares	12,240	99%	21%
BVIBC - Limited by Guarantee (shares)	2.77	0.022%	0.01%
BVIBC - Limited by Guarantee (non shares)	7.9	0.064%	0.01%
Unlimited Company	8.1	0.065%	0.01%

Unlimited company (non shares)	0.27	0.0022%	0.01%
Segregated Portfolio Company	4.33	0.035%	0.006%
Restricted Purpose Company	0.6	0.0048%	0.001%
Private Trust Company	38.4	0.31%	0.11%
Limited Partnership	80.97	0.65%	N/A
International Partnership	0.3	0.003%	N/A
Partnership without Legal Personality	32	0.36%	N/A

85. Foreign companies represent only a very small percentage of the total number of legal persons in the jurisdiction, and there is a very small number of foreign companies per 1,000 VI residents. In addition, approximately 10% of foreign companies are incorporated in a jurisdiction that is high risk for ML, and none in a jurisdiction that is high risk for PF or TF. Most foreign companies are insurance companies. These companies do not have nominee arrangements and shareholding structures are known. Likewise, corporate directors are not used in the insurance sector. These characteristics lower the vulnerability rating of foreign companies.

Table 7 – Size and Ownership Characteristics – Foreign Companies

Size and Ownership Indicators	# per 1,000 population	Proportion of all types of LP	# foreign companies incorporated in high risk jurisdictions		
			ML	TF	PF
Foreign Companies	0.133	0.014%	5	0	0

86. No data is available yet about the extent to which each type of legal person listed in the tables above uses nominee shareholders. However, overall, there are 89 VI licensed TCSPs that provide nominee shareholder services for approximately 1500 legal persons. It is possible that, in addition to VI TCSPs being nominee shareholders, nominee shareholder services are provided by foreign persons and entities which are not required to be licensed in the VI. However, they are not yet required to report nominee arrangements in the beneficial ownership registry. Their number is therefore unknown as at the date of this report, and this data gap increases the vulnerability score.

87. Legal persons, including limited partnerships, can have bodies corporate as their directors or, in the case of partnerships, their partners. There is no data on the jurisdiction of these corporate directors. These features increase the potential for opacity and dissimulation of beneficial ownership and control, thereby increasing

the vulnerability of these legal persons to being misused for financial crime. This applies to all the legal persons listed in Table 6 above.

88. There are 14,757 politically exposed persons who are a beneficial owner of a legal person. While this data is not broken out by type of legal person, this is not seen as a large data gap given that BVIBCs make up over 99% of all the legal persons in the VI. In addition, one politically exposed person can be a beneficial owner for more than one entity. As such, the data shows that approximately 4% of BVIBCs have a beneficial owner that is a politically exposed person. The typologies for ML discussed in the Threats section of this Risk Assessment indicate that the beneficial ownership by PEPs presents an elevated level of vulnerability. However, the percentage of BVIBCs beneficially owned by a PEP is small, which mitigates this exposure. The typologies did not show that PEPs increase the vulnerability of legal persons to PF or TF and as a result, the presence of PEPs does not increase the vulnerability in relation to these two financial crimes.
89. The other risk factor for legal persons in the VI is the reliance on introducers by TCSPs when onboarding clients. Approximately 28% of legal persons are onboarded via eligible introducers, which is known to increase the risk of structures being misused for ML, TF and PF.

Practitioners' Perspectives – Introduced Business

Practitioners who participated in the focus groups demonstrated a keen awareness of the risk in introduced business. Many stated that they do not accept introduced business without carrying out the full onboarding themselves. One firm stated that when it relies on introducers, those are only domestic introducers regulated for AML/CFT. One respondent firm relies on a network of approximately 1000 introducers. However, the firm has implemented a sophisticated know-your-introducer compliance framework, including testing and risk assessing. Most firms interviewed stated that they do not allow other firms to rely on them for customer due diligence (in other words, most firms interviewed indicated they would not act as an eligible introducer). Many practitioners also opined that the ability to rely on eligible introducers is being phased out due to enhanced obligations relating to beneficial ownership and customer due diligence. The conversation with the focus group shows that VI practitioners are less willing than previously to rely on introducers and when they do, they have increased their compliance to manage this risk.

Business Characteristics

90. Various business characteristics can make a legal person more or less vulnerable to misuse for ML, TF and PF.

Entities Regulated for AML/CFT/CPF

91. Generally, entities that are regulated for AML/CFT/CPF are less likely to be deliberately misused for nefarious purposes, given their status as entities that are supervised by a competent authority. Except in the case of foreign companies, less than 4% of legal persons registered in the VI carry out business that requires supervision for AML/CFT/CPF purposes in the jurisdiction. However, almost two-thirds of foreign companies carry out regulated business and as a result their vulnerability on this factor is low.
92. Although PTCs are not required to be regulated, they are required to appoint a registered agent that holds a Class I Trust license. Moreover, PTCs can only carry out limited trust business. As PTCs are monitored by a licensed TCSP, PTCs are seen as having fewer risk exposures by their nature of business.

Other High Risk Industries

93. Three industries for which data is available are also more vulnerable to be misused for ML, TF and PF, as seen in the typologies examined in the threats sector. These three industries are mining, shipping (as it concerns PF) and VASPs.
94. There are 1514 legal persons in the VI that have indicated that their nature of business is ownership of a vessel and approximately 1000 stated that the nature of their business is mining. In addition, 64 BVIBCs have applied to be licensed as a VASP by the FSC. While these are high risk activities, the number of such companies is very low. However, data gaps about the nature of business of legal persons remain, as the current list of nature of business in TCSPs' annual return is very general, and requiring legal persons themselves to notify ROCA of their nature of business could yield more information. As a result, legal persons, other than foreign companies and PTCs, score medium high on this factor for ML, TF and PF, while the score for foreign companies is low and medium low for PTCs.

Cross-Border Links

95. This group of indicators relate to having beneficial owners and directors in high risk jurisdictions. Data broken down by types of legal person was not available.
96. In relation to beneficial owners, across all types of BVIBCs, 53% of BVIBCs have beneficial owners in a high risk jurisdiction for ML, 7% have beneficial owners in a high risk jurisdiction for TF and 33% have a beneficial owner in a country known to aid or facilitate proliferation in the high risk jurisdictions of primary concern for PF⁹ (but none in DPRK or Iran themselves).
97. In terms of directorships, table 8 shows the percentage of directors of each type of BVIBC that are resident in a country that is a high risk jurisdiction for ML, TF and

⁹ For the purpose of this assessment these jurisdictions were considered high risk jurisdictions for PF in addition to the FATF identified jurisdictions of Iran and DPRK.

PF. In relation to PF, statistics show that some directors are based in a country that is neighbouring or sympathetic to the countries of primary concern. However, no director is resident in a country of primary concern (i.e. Iran or North Korea).

Table 8 – Foreign Directorships of BVIBCs

	ML	TF	PF
Limited by Guarantee- Authorised to issue shares	49%	3.6% (Tier 2 countries)	10%
Limited by Guarantee – Not authorised to issue shares	36%	1.8% Tier 1 5% Tier 2	27%
Unlimited Company	25%	5% Tier 2	23%
Company Limited by Shares	72%	0.7% Tier 1 7% Tier 2	30%

98. Data on the regions where VI legal persons operate is available in aggregate. However, data related to specific countries was not available.

99. Given the data on BVIBCs on their cross-border links, as well as the lack of granular data on where BVIBCs operate, BVIBCs are rated as highly vulnerable to ML. The vulnerability to TF is medium low and the vulnerability for PF is medium high. The lack of data in relation to partnerships, while it may signal the need for an elevated vulnerability rating, has been considered against the size of the sector in proportion to all types of legal persons (less than 1%) and the use of partnerships to facilitate international trade. Based on these factors the cross-border link vulnerability of partnerships for ML is considered medium high, while the vulnerability for TF and PF is medium low.

Accessibility

100. This risk category examines the following factors:

- a. Ease and speed of incorporation
- b. Costs of formation
- c. Costs and ongoing burden of company administration
- d. Operational flexibility
- e. Formation via a gatekeeper
- f. International promotion of the type of company

101. The ease with which criminals can set up legal persons may increase the vulnerability to misuse of legal persons in a jurisdiction. In the VI, all types of legal persons can be incorporated within 24 hours. There are no onerous regulatory restrictions or requirements that legal persons must comply with at the time of incorporation, for example having minimum capital or having a VI resident director. Only PTCs have a more difficult set up process, as they must appoint a trust company as its registered agent. All legal persons are incorporated via a

TCSP. Moreover, all types of legal persons are advertised internationally. Given these features, all types of legal persons except PTCs are rated as highly vulnerable on this factor and PTCs are rated as Medium High.

B. Legal Arrangements

Size and Control Characteristics

102. Express trusts in the VI represent over 86% of all trusts in the jurisdiction. Assets under management for all types of trusts is 13% of GDP, which is significant. This results in a medium high level of vulnerability for VISTA trusts and high vulnerability for express trusts for ML, TF and PF.

Trust Features

103. No data is collected in the VI about features of trusts, including where assets are located, the governing law of the trust, how many trusts formed in the jurisdiction are revocable, how many have flee clauses, where settlors have reserved powers or trusts that are part of international corporate structures, for example, situations where a VI trust is part of a group of legal persons and legal arrangements spanning two or more jurisdictions. Given the flexibility provided by trust arrangements and the private nature of those arrangements, trusts could be created with such features that would make it easier for a settlor to create a trust specifically to misuse the trust in a ML, TF or PF scheme. Given this lack of data, all VI legal arrangements are assessed as high on this vulnerability factor for ML. However, generally, the features of trusts do not make trusts attractive for PF or TF and as such trusts are assessed as not being vulnerable to PF or TF due to their potential characteristics.

Cross-Border Exposures

104. In relation to VISTA trusts, 16% of settlors are from a high risk jurisdiction for TF, 46% are from a high risk jurisdiction for ML and 22% are from a country known to aid or facilitate proliferation relating to the jurisdictions of primary concern.
105. With regard to express trusts, 10% of settlors are from a high risk jurisdiction for TF, 39% are from a high risk jurisdiction for ML and 4% are from a country known to known to aid or facilitate proliferation relating to the jurisdictions of primary concern.
106. The available data shows a high level vulnerability for ML for both express and VISTA trusts. Cross border exposures of VISTA trust reveal a high level of vulnerability to PF and TF, while express trusts have a medium low vulnerability for PF and medium high vulnerability for TF based on their geographical exposures.

Accessibility and Barriers to Entry

107. Trusts are generally much more difficult and costly to set up than legal persons, especially BVIBCs, as they require significant involvement of lawyers in the set-up phase and ongoing administration by a trustee. However, trust structures offer significant flexibility in terms of control and direction and the VI is promoted internationally as a center for trust formation. For these reasons, the score on this risk factor is medium-low for ML. The score is low for TF and PF, given that typologies show limited use of trusts by terrorist financiers and persons involved in proliferation, and high barriers to entry are potentially another deterrent for this type of crime.

C. Vulnerability and Likelihood Score

108. Table 9 below summarizes the vulnerability ratings of each type of VI legal person and arrangement. The vulnerability rating is the average of the risk rating of each legal person and legal arrangement on the risk categories discussed above. In relation to the first factor above, namely size and control characteristics, the indicators relating to size were weighted at an increase compared to the other indicators in that group of indicators. This ensures that the large disparity in the sizes of the sub-sectors is taken into account, particularly the fact that BVIBCs limited by shares account for over 97% of all legal persons. The scores for the indicators in the other three categories were averaged. It is also important to note that where data for a particular indicator was not available, the maximum score was attributed to that indicator on the basis that the risk is unknown. As such, some vulnerability scores might be lower once the data gaps are remediated.

109. The vulnerability is rated on a scale of Low, Medium Low, Medium High and High for each of ML, TF and PF. The ratings are set on the parameters set out in the accompanying methodology.

Table 9 – Vulnerability Scores for Legal Persons and Legal Arrangements

	ML	PF	TF
BVIBC - Limited by Shares	H	MH	MH
BVIBC - Limited by Guarantee (shares)	MH	MH	MH
BVIBC - Limited by Guarantee (non shares)	MH	MH	MH
Unlimited Company	MH	MH	MH
Unlimited company (non shares)	MH	MH	MH
Segregated Portfolio Company	MH	MH	MH
Restricted Purpose Company	MH	MH	MH

Private Trust Company	MH	MH	ML
Limited Partnership	MH	MH	MH
International Partnership	MH	MH	MH
Partnership without Legal Personality	MH	MH	MH
Foreign companies	MH	ML	ML
Vista Trusts	MH	MH	MH
Express Trusts	H	MH	MH

110. The likelihood score is the combination of threats and vulnerabilities. In order to arrive at the likelihood score, the vulnerability score for each type of legal person and legal arrangement (as shown in Table 9) has been grossed up by the threats score, as per the table below, up to a maximum of 4, which indicates high likelihood of misuse of legal persons and legal arrangements. The likelihood scores for each type of legal person and legal arrangement are shown in Table 11.

Table 10 – Amplification Factors

Threats Score	Amplification - % of vulnerability score
Low	0%
Medium Low	5%
Medium High	10%
High	25%

Table 11 – Summary of Ratings of Threat and Vulnerability

	ML	PF	TF
BVIBC - Limited by Shares	H	H	H
BVIBC - Limited by Guarantee (shares)	H	H	MH
BVIBC - Limited by Guarantee (non shares)	H	H	MH
Unlimited Company	H	H	MH
Unlimited company (non shares)	H	H	MH
Segregated Portfolio Company	H	H	MH
Restricted Purpose Company	H	H	MH
Private Trust Company	MH	ML	ML
Limited Partnership	MH	MH	MH
International Partnership	MH	MH	MH
Partnership without Legal Personality	MH	MH	MH
Foreign companies	MH	ML	ML
Vista Trusts	H	MH	MH
Express Trusts	H	MH	MH

111. In sum, before the consideration of any controls or mitigants, all types of legal persons and legal arrangements are at high or medium high inherent risk to be misused for ML. All types of legal persons and legal arrangements, except Private Trust Companies and Foreign Companies, have a high or medium high inherent risk of being misused for TF or PF. It should also be noted that in some cases, there was not sufficient data to assess the level of vulnerability of a type of legal person or arrangement to a particular factor (e.g. there was limited data available on the vulnerabilities of partnerships), which led to an automatic high score on those factors for those types of legal persons and arrangements. Once more data becomes available, it is likely that there will be more differentiation in the level of inherent risk between the different types of legal persons and legal arrangements.

B. CONTROLS

112. The assessment of controls involves an assessment of regulatory requirements applicable to types of legal persons and legal arrangements (as described in FATF Recommendations 24 and 25) as well as an assessment of how well financial institutions and DNFBPs comply with their regulatory obligations to prevent and detect financial crime (e.g. implementing customer due diligence measures, recordkeeping, ongoing monitoring, staff training, SAR reporting, risk understanding, reliance on third parties, measures relating to politically exposed persons). It is envisaged that most of the controls assessed will be applicable to all of ML, TF and PF, with the exception of certain controls (e.g. implementation of TFS), which might not apply to all financial crimes. Controls are scored on a four point scale: Good, Satisfactory, Weak and Very Weak.

113. The Assessment of Controls is divided into 4 parts:

- a. Controls for each type of legal person¹⁰
- b. General Controls
- c. Accessibility of information by competent authorities
- d. Level of compliance with AML/CFT/CPF measures taken by FIs and DNFBPs

A. Controls for each type of legal person

114. All legal persons are required to comply with the requirements noted in Table 12, except that the requirement to provide shareholder information only requires legal persons to provide this information to their registered agent. In addition, the requirement to update beneficial ownership on a timely basis has

¹⁰ There are no corresponding controls for legal arrangements

been codified into law but not implemented as of the date of this report. Therefore, the strength of this control is rated satisfactory.

Table 12 – Controls for each type of legal person

Requirement to register with a company registry
Compliance with the requirement to provide beneficial ownership information
Requirement to update BO information on timely basis
Requirement to appoint local person or DNBFP to provide beneficial ownership information
Requirement to provide basic information
Requirement to update basic information on a timely basis
Requirement to provide shareholder information
Basic information publicly available
Company required to maintain basic information in country
Beneficial ownership is accurate and adequate

B. General Controls

115. The next step involves assessing the controls that are in place in the country for all types of legal persons and arrangements. The extent of the controls required in a country are described in R. 24 and R. 25. In addition, the resources and capacity of the registrar are also assessed in this group.

116. The controls assessed in this category are:

- a. Nominee shareholders need to be registered
- b. Nominee shareholders need to disclose their status
- c. Nominee directors' registration requirement
- d. Bearer shares prohibited or immobilised or dematerialized
- e. AML/CFT/CPF regulation of company formation agents and professional trustees
- f. Recordkeeping requirement for DNFBNs or natural persons keeping BO information
- g. Companies registry ensures accuracy of BO info
- h. Companies registry imposes sanctions for failure to provide or update BO information
- i. Companies registry imposes sanctions for failure to provide or update basic information
- j. Companies registry is sufficiently well resourced

117. In the VI, nominee shareholders must disclose their status to the registered agent of the legal person for which they act as nominee. As of the date of this report, the ROCA does not verify the accuracy of beneficial ownership information provided and does not impose penalties for failure to provide or update beneficial ownership information. Recent legislative changes have made this a requirement, and processes are currently being put into place to implement these amendments.

118. The FSC, however, does require TCSPs to maintain BO information on their clients in keeping with AML/CFT/CPF legislation and this requirement is tested through

the FSC's compliance inspection process and penalties are imposed for failure to maintain adequate, accurate and up to date BO information. The concept of nominee director does not exist in the VI. Bearer shares are prohibited.

119. All types of legal persons and legal arrangements are rated as satisfactory on this indicator.

C. Access to Information

120. The third step in the assessment of controls involves assessing the effectiveness with which local and foreign competent authorities can access basic and beneficial information. In relation to domestic authorities, the IN to R. 24 states: "competent authorities (...) should have all the powers necessary to be able to obtain timely access to the basic and beneficial ownership information held by the relevant parties."

121. As it relates to international cooperation, the IN to R. 24 states: "countries should rapidly, constructively and effectively provide the widest possible range of international cooperation in relation to basic and beneficial ownership information". Moreover, countries should "designate and make publicly known the agency(ies) responsible for responding to all international requests for BO information."

122. As such, the following factors are assessed:

- a. LEAs and competent authorities can access basic information on a timely basis
- b. LEAs and competent authorities can access beneficial ownership information on a timely basis
- c. Foreign authorities can access basic information
- d. Authorities can exchange information on shareholders
- e. Avenue for foreign counterparts to access BO information
- f. Agencies responsible for international requests are publicly known
- g. FIs and DNFBPs in country can access basic information on a timely basis

123. The assessment revealed that law enforcement agencies, competent authorities, FIs and DNFBPs can always access the information listed above on a timely basis. The rating on this factor is Good.

D. Compliance Levels

124. This risk assessment also considered the compliance levels of entities in gatekeeper roles, including TCSPs and the legal profession, with the following AML/CFT/CPF requirements, as gatekeepers that are compliant with AML/CFT/CPF obligations can detect bad actors and prevent them from operating a legal person or legal arrangement in the VI:

- a. Entities carry out entity-level Risk Assessment and implement corresponding, targeted controls
- b. CDD Measures implemented for beneficial ownership, including holding adequate, accurate and up to date information
- c. Recordkeeping measures (5 years)
- d. Ongoing Monitoring
- e. Quality of Policies and Procedures

- f. Controls for Reliance on Third Parties
- g. Internal Controls
- h. Quality of Reporting of Suspicious Transactions
- i. Measures relating to PEPs

125. For FI’s and TCSPs, compliance with controls was rated as generally good or satisfactory, with the exception of ongoing monitoring and reporting of suspicious activities, which were rated as weak. Overall, the level of compliance for this group is satisfactory.
126. The compliance level of the legal and accounting professions was weaker than for TCSPs and FIs. The compliance of the legal profession was rated as weak or very weak on the issues of business risk assessments, CDD measures, reliance on third parties, internal controls and SAR filings. The accounting profession was assessed as having the same weaknesses as the legal profession with the addition of weakness in ongoing monitoring. Overall, the level of compliance for entities in the legal and accounting sectors is weak.
127. Given that TCSPs and FIs are more likely to be involved in company formation and ongoing monitoring than lawyers and accountants, the satisfactory rating for FIs and TCSPs was given more weight than the rating for lawyers and accountants, for an overall rating of satisfactory on this factor.

Practitioners’ Perspectives – Upgrades in Compliance

Focus group participants stated that the TCSP industry has changed significantly in the past 20 years. One participant said “everyone thinks about compliance all the time” and another stated that it is important for compliance to be involved in the business, as compliance drives many decisions.

Practitioners mentioned that they are less likely to take risks with clients and that, in their opinion, the industry is more selective in choosing its clients. The driver for this increased selectivity is to minimize risks that could occur, including reputational risk, financial risk and regulatory risk.

Some practitioners are starting to rely on automated solutions for customer due diligence and ongoing monitoring. They mentioned that AI and data analytics tools are making risks easier to monitor using technology but data gathering frameworks must be set-up correctly to manage the technology properly.

E. Control Score

128. The average score for each of the four groups of factors is averaged for each type of legal person and legal arrangement. The same control score is used

for purposes of ML, TF and PF, given that similar controls apply to each of the three financial crimes. This results in a rating of Satisfactory for the controls score.

129. Table 13 shows the final risk rating, namely the residual risk rating, for ML, TF and PF for each type of legal person and legal arrangement. The result was derived from weighting the likelihood score from Table 11 at .6 and the control score at .4 (as controls can never mitigate all risks) and adding the weighted control score with the weighted vulnerability score to arrive at the residual risk score.

Table 13 – Residual Risk Scores

	ML	PF	TF
BVIBC - Limited by Shares	MH	MH	MH
BVIBC - Limited by Guarantee (shares)	MH	MH	ML
BVIBC - Limited by Guarantee (non shares)	MH	MH	MH
Unlimited Company	MH	MH	MH
Unlimited company (non shares)	MH	MH	ML
Segregated Portfolio Company	MH	MH	ML
Restricted Purpose Company	MH	MH	ML
Private Trust Company	ML	ML	ML
Limited Partnership	MH	ML	ML
International Partnership	ML	ML	ML
Partnership without Legal Personality	MH	ML	ML
Foreign companies	ML	ML	ML
Vista Trusts	MH	ML	ML
Express Trusts	MH	ML	ML

130. In summary, the risk of misuse for ML is medium high across all types of BVIBCs except private trust companies, international partnerships and foreign companies. This result is due to the extremely limited number of international partnerships, the increased cost and regulatory burden to set up a private trust company and the type of business carried out by most foreign companies.

131. The risk exposure to PF is medium high for all BVIBCs, and is medium low for legal arrangements and for legal persons that are not BVIBCs. This is due primarily to the high threat rating for BVIBCs for PF in comparison with a low threat rating for other types of legal persons and all legal arrangements. The risk exposure is similar for TF as for PF with the exception of BVIBCs limited by guarantee (that are permitted to issue shares), segregated portfolio companies and restricted purpose companies. The overall risk exposure to TF for these types

of legal persons is smaller than their exposure to PF particularly because they have fewer cross-border links with high risk countries for TF than high risk countries for PF. The VI recognises that while the methodology correctly identifies BVIBCs collectively as having the highest level of risk, given the limited number of unlimited companies, companies limited by guarantee, SPCs and RPCs on the Register; the overall risk, when all other risk factors are taken into account, is not as elevated as for those BCs classified as companies limited by shares, which make up over 97% of all companies registered. The elevated risk of these sub-classes of BVIBCs, in practical terms, is largely attributed to the lack of specific data that was available for these sub-classes.

132. Finally, it must be acknowledged that VI has already started implementing stronger controls in relation to the risk posed by BVIBCs. In September 2024, amendments to legislation were passed in the House of Assembly that require legal persons to provide beneficial ownership information to the ROCA and ensure this information is kept up to date. This is in addition to the existing requirement to provide such information to their registered agent, which must be a licensed TCSP. These requirements came into force on January 2, 2025 and are in the process of being fully adopted. This new requirement to provide BO information to the ROCA requires disclosure of corporate directors and nominee shareholders, and imposes stronger recordkeeping measures on trusts. These measures, along with continued surveillance, guidance and outreach to the regulated sector to assist them with strengthening their compliance program will result in a reduced risk exposure for the VI once those improvements have been fully implemented.

10. CONSEQUENCES

133. The misuse of a VI LP or LA for purposes of ML, TF or PF could have severe consequences for the jurisdiction. The VI is an international financial center with very strong cross border links. In addition, the financial services industry contributes approximately 60% of government revenue. The VI 2022-2024 Macro-Economic Review and Outlook states that “any shocks to this industry have the potential to immediately affect operations of Government.” Fees collected from the registration of companies represents approximately 95% of all fees collected from the financial services industry. The financial services industry is also one of the most important employers in the VI.

134. Against this backdrop, this report has identified the impacts of an ML, TF or PF event involving a VI legal person or legal arrangement. Table 14 depicts these potential consequences by indicating their relative importance to the VI (on a scale of 1 to 4, 4 being the most important). The importance was determined by assessing the relevance of each consequence given the context in the VI as well

as the impact on business, financial and political institutions if the consequence materialized. All the consequences listed below have the potential to be of a long duration, and permanently negatively affect the VI. The consequences listed below can negatively affect the political institutions in the VI, the VI economy, the environment to conduct business as well as the interests of persons and companies outside of the VI.

Table 14 – Assessment of Consequences

Consequence	Importance
Unfair competition	2
Undermines political institutions	3
Illegal business contaminates legal	1
Risks for financial sector solvency and liquidity	3
Lower profits for the financial sector	4
Negatively impacts financial sector reputation	4
Increases corruption and bribery	3
Changes in foreign direct investment	4
Lower public sector revenues	4
Increases domestic crime	1

135. Table 14 shows that the most important, and likely, consequences of an event involving the misuse of a VI legal person or legal arrangement for the purpose of ML, TF or PF are negative impacts on the VI’s reputation as an international financial center, lower profits for the financial sector and lower public sector revenues. This is due to the wide range of downstream impacts of these impacts on the economy. An event negatively impacting the reputation of the VI could cause a downturn in the VI economy due to lower revenues from company registrations and foreign direct investments, could decrease the public confidence in the political and financial systems and ultimately affect government spending and investments, which would negatively affect VI residents. Depending on the interconnectedness between VI financial institutions and legal persons and arrangements, a downturn in legal persons or arrangements relating to the misuse of VI’s LPLAs could affect the solvency of the banks and securities businesses. Moreover, given that VI legal persons and legal arrangements tend to carry out activities mainly outside the VI, negative consequences could also have an international impact, for example where the predicate offence occurs (such as bribery or corruption) or where the assets are held. As such, the impact of an event could be widespread and not be confined solely to an impact on the VI financial services sector.

136. Depending on the circumstances surrounding the misuse of a legal person or arrangement, an event could undermine political institutions, if it is found that the misuse either should have been discovered and sanctioned, or that the

misuse was committed with the consent of someone in the public sector. The involvement of a VI public servant or elected official in the misuse of a VI legal person or arrangement could also promote domestic bribery and corruption in an attempt to conceal the scheme.

137. The potential consequences that are deemed to be less important include unfair competition, increased domestic criminality and contagion. These have been ranked lower than the other consequences given the predominantly international nature of the legal persons and arrangements formed in the VI and the limited interconnectedness with businesses operating in the VI.

12. EMERGING RISKS

138. The evolution of the governance of legal persons and arrangements, for example through the use of decentralised models of governance or organisation, poses challenges with identifying the persons in control of a legal person or arrangement. New governance models also at times could make it difficult for a legal person to remain compliant with applicable laws, as there may be no central authority in the organisation to enforce this compliance. To date, new governance models have primarily been used in the virtual asset industry and are referred to as “decentralised autonomous organisation.”

139. As at the date of this report, geopolitical risks are rapidly changing and closer relationships between high risk jurisdictions, for example North Korea, Iran and Russia, can forge new pathways for these countries to facilitate the commission of financial crimes by establishing complex structures of legal persons and arrangements, including in countries that may not traditionally be seen as high risk jurisdictions, in efforts not only to evade sanctions but also to facilitate ML, TF and PF.

Practitioners’ Perspectives – Emerging Risks

Most practitioners who were part of the focus groups stated that ML risk has decreased in the VI in the past 20 years, mostly because of increased awareness and compliance efforts. However, emerging risks are coming to the forefront.

Participants see an increase in geographical risk with increased business from parts of Africa and persons who are not used to providing sensitive information about their wealth and history. An increase in global conflicts has also created an elevated risk environment, especially surrounding the Russia/Ukraine conflict and industry also views that there is an increase in power from China. An increase in sanctions could also lead to more risk for VI, as persons seek to misuse VI structures to evade sanctions.

Technology, particularly cryptocurrencies, is another key emerging risks. Practitioners in the VI have seen an increase in clients operating in the cryptocurrency/FinTech industry. Practitioners mentioned that opacity of beneficial ownership is a key risk with those structures, as they are often decentralized. The cryptocurrency and Fintech environment is also becoming more complex and novel, which increases inherent risk for practitioners that are attempting to adapt to this rapidly changing industry.

Finally, one practitioner noted the impact of increased wealth in new generations as increasing the risk, as the young clients are reluctant to interact face to face or physically.

13. RECOMMENDATIONS

140. The primary limitation of this risk assessment was the unavailability of some data, which could have assisted in a more refined assessment of the ML, TF and PF risks, particularly in the differentiation of risk between BVIBCs and partnerships. However, sufficient quantitative, qualitative and typological information was collected to be able to assess the exposure of the VI corporate sector to ML, TF and PF. The process of risk assessing the ML, TF and PF risks of legal persons and legal arrangements in the VI leads to the following recommendations for VI:
- a. Implement more detailed and better representative statistics by law enforcement agencies to allow VI to more accurately assess the actual risks detected in relation to VI legal persons and arrangements. This should include maintaining easily retrievable statistics in relation to the different types of legal persons and arrangements featuring in a SAR or investigation, other involved jurisdictions, predicate offences and other features, including for example, the presence of nominee arrangements.
 - b. Collect more data relating to legal persons and legal arrangements, including but not limited to nature of business (particularly business that is considered high risk for ML, TF and PF), extent of nominee shareholder arrangements and more detailed information on the use of introducers (for example, the nature of business of introducers and risk level assigned to the introducer).
 - c. Identify and consider the risks of foreign legal arrangements that have sufficient links to the VI;
 - d. Ensure that all the elements of FATF Recommendations 24 and 25 are covered within VI legislation and implemented, particularly those relating to the collection and maintenance of accurate and up to date beneficial ownership information.

- e. Once the beneficial ownership registry for legal persons is established, the ROCA should implement a risk-based programme to verify the accuracy of the information in the registry.
- f. Once the beneficial ownership registry is established, the ROCA should implement effective and dissuasive penalties for non-compliance with filing obligations, including false, incomplete or inaccurate filings.
- g. ROCA should ensure that all shareholder nominee arrangements for legal persons be registered in the corporate registry and impose penalties for non-compliance with this requirement.
- h. Improve compliance with AML/CFT/CPF requirements particularly for the legal and accounting professions through increased outreach, onsite inspections and sanctions for non-compliance, leading to increased compliance by entities, as evidenced in onsite inspections.
- i. Provide outreach to the regulated sector, primarily TCSPs, and legal and accounting professionals, on the risks relating to legal persons and legal arrangements in the VI and their role in mitigating that risk.
- j. Continue to develop and enhance understanding of risk of legal persons and legal arrangements through typologies and other means, and sharing this information with the private sector on a regular basis through JALTFAC, newsletter, outreach sessions and other fora.
- k. Regulators and law enforcement agencies to receive training on how VI legal persons and legal arrangements can be misused to commit the offences of ML, TF and PF.

Appendix A

Focus Group Questions

1. How has the risk environment changed in the past 5-7 years?
2. What are some emerging risks for legal persons and legal arrangements formed in the VI?
3. How does this link to beneficial ownership?
4. How do the risks differ between types of companies?
5. How do risks differ between companies and trusts?
6. How do the risks differ between ML, TF and PF?
7. What features in your view relating to legal persons or legal arrangements in your practice which could increase the risk of those structures being misused for ML, TF or PF? (e.g. part of complex structures, high risk jurisdictions, non face to face business)
8. In your experience, how often do they have to go to management or other ways of control (where there is no BO by voting shares)? (specify per type of company)
9. How do you determine who the BO is? How often do you find this challenging?
10. How often do you interact with PEPs?
11. How often do you see trusts in the ownership structure?
12. What do you consider as a complex structure? How often do you interact with complex ownership structures? What do you consider as a complex structure?
13. How do you view the risks of trusts for ML, TF and PF
14. How often do you see trusts with these clause (flee clauses, revocability, reserve powers, bare trusts)
15. What percentage of your trusts are commercial
16. How often do you encounter nominee arrangements relating to legal persons?
17. Can you provide examples of how you see these arrangements being used?
18. Do you think nominee arrangements increase or decrease the ML, TF, PF risk relating to legal persons?
19. Tell me your experience with using business introducers? (e.g. are they in-group or outside, another professional e.g. law firm, countries, etc.?)
20. What are some ways used to satisfy yourself about the quality of an introducer? How do you satisfy that the introducer continues to meet the requirements of introduced as prescribed by legislation?
21. Do you act as introducer? Tell me about some circumstances? In BVI or outside?

Appendix B

Information Sources Used

- FATF Guidance on National Money Laundering and Terrorist Financing Risk Assessments (2013)
- FATF Guidance on Transparency and Beneficial Ownership (2014)
- FATF Terrorist Financing Risk Assessment Guidance (2019)
- FATF Guidance on Proliferation Financing Risk Assessment and Mitigation (2021)
- FATF Guidance on Beneficial Ownership of Legal Persons (2023)
- FATF Guidance on Beneficial Ownership and Transparency of Legal Arrangements (2024)
- FATF – Egmont Group Report on Concealment of Beneficial Ownership (2018),
- United Nations Panel of Expert Reports relating to North Korea from 2020 to 2024
- Data from VI Law Enforcement Agencies for the 5 years preceding the risk assessment (as described in section 8 of the report)
- Data from VI FI and DNFBP supervisors and ROCA for the 5 years preceding the risk assessment
- Data from the Governor’s Office on targeted financial sanctions, reported breaches and other information received
- Typologies gathered by the VI law enforcement agencies
- Statistics from mutual legal assistance requests relating to VI legal persons and legal arrangements received by the Attorney General’s Chambers
- VI Money Laundering Risk Assessment 2022
- VI Proliferation Financing Risk Assessment 2022
- VI Terrorist Financing Risk Assessment 2020
- VI Terrorist Financing Typologies report 2024
- VI Non-Profit Organisations Terrorist Financing Risk Assessment 2024
- Open-source case studies and typologies relating to ML, TF and PF involving legal persons and arrangements
- Interviews and questionnaires with private sector participants
- Interviews with LEAs, the FIA and the FSC
- Government of the Virgin Islands 2022-2024 Macro-Economic Review and Outlook

Appendix C

Acronyms

BVIBC	British Virgin Islands Business Companies
DNFBP	Designated non-financial businesses and professions
DPRK	Democratic People's Republic of Korea
FATF	Financial Action Task Force
FCU	Financial Crimes Unit (of the Royal Virgin Islands Police Force)
FI	Financial Institution
FIA	Financial Investigation Agency
FSC	Financial Services Commission
JALTFAC	Joint Anti-Money Laundering and Terrorist Financing Advisory Committee
LA	Legal arrangement
LP	Legal person
MER	Mutual evaluation report
ML	Money Laundering
PEP	Politically Exposed Person
PF	Proliferation Financing
PTC	Private Trust Company
ROCA	Registry of Corporate Affairs
SAR	Suspicious Activity Report
SPC	Segregated Portfolio Company
TCSP	Trust and Corporate Services Provider
TF	Terrorism Financing
VISTA	Virgin Islands Special Trust