



*BVI Financial Services Commission*

---

# **2024-2025 Inspection Plan**

---

# BVI Financial Services Commission Launches its 2024/25 Inspection Plan

## Overview & Context

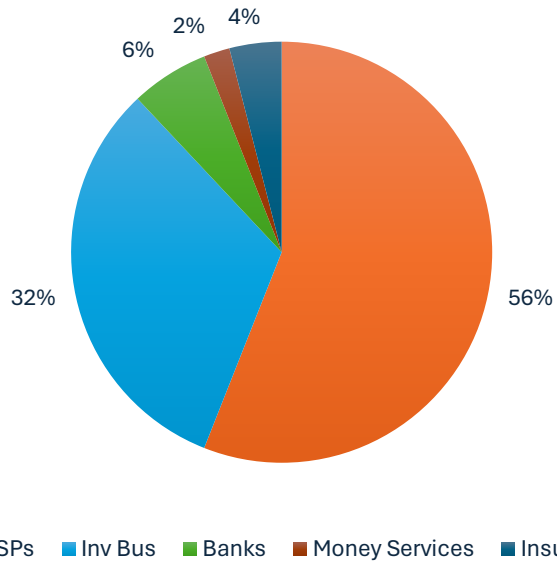
The BVI Financial Services Commission ('the Commission') announces the launch of its 2024/25 inspection Plan. The primary focus of the 2024/25 inspection plan will be on mitigating identified money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risk as identified in risk assessments and other relevant activities across the jurisdiction. The selection of Inspection themes has been informed by regulatory intelligence gathered during the conduct of supervision and other regulatory activities including cooperation with domestic and international competent authorities and law enforcement agencies.

Risks in specific sectors and more broadly within the financial services sector continue to evolve. Therefore, the Commission will carry out a series of thematic inspections to assess ML, TF and PF risks in specific areas in tandem with targeted desk-based reviews, ongoing monitoring and other supervisory activities such as targeted surveys, questionnaires and ad-hoc scheduled meetings with senior personnel in higher risk entities. In addition, full scope inspections (which will primarily focus on banking institutions or larger higher-risk Trust and Corporate Services Providers (TCSPs)) will also be conducted. All inspections will contain an AML/CFT/CPF component, but full scope inspections will include prudential assessments as well. Where deemed necessary the Commission may engage in specific prudential supervision inspections.

For the 2024/25 inspection cycle, the Commission will visit approximately 50 licensees. More inspections may be conducted where reviews and intelligence identify additional risks. The Commission's risk-based framework, with a focus on the ML/TF/PF risk assessment scores, is the main driver for selecting entities for inspection.

Inspections will cover all sectors; however, the majority of inspections will be focused on TCSP and Investment Business (IB) sectors as outlined in Box 1, which pose a higher risk of ML, as identified by the Commission and the 2022 ML risk assessment. Likewise, these sectors are known to pose higher TF and PF risks within the jurisdiction.

## Proposed 2024/2025 Schedule by Sector



**Box 1 – Proposed Inspections by Sector**

## Onsite Inspection Component

The themes to be covered under the Commission's 2024/25 Inspection Plan for onsite visits include:

### **1. *Reliance On Third Parties***

Given the inherent risks within the operations of TCSPs, the Commission has published a separate document regarding the themed inspections and desk-based reviews of these entities, focused on **Reliance on Third Parties**.

### **2. *Customer Due Diligence, Ongoing Due Diligence and Enhanced Due Diligence***

Importantly, inspections that assess **Customer Due Diligence** will extend to issues such as elements of CDD, ECDD, Source of Funds, Source of Wealth, Nature of Business and other critical elements needed for the conduct of a thorough due diligence process.

### **3. *Verification of Legal Persons and Arrangements***

**Verification** is a vital component of the due diligence process. Legal structures are an integral part of the products and services offered within the Fiduciary Services Industry. These structures can become complex and develop degrees of opacity in some cases, which can obscure beneficial ownership and control. To ensure TCSPs are effectively identifying beneficial owners (inclusive of controllers) of legal structures within their book of business, the Commission will assess the policies and procedures of TCSPs pertaining to the verification of legal persons and legal arrangements.

### **4. *Risk Assessments***

The **Risk Assessment** focused themed inspections will assess two elements of risk as it relates to licensees: the customer risk and the institutional risk. An understanding of the risk framework within a Licensee guides the CDD and ECDD efforts and helps the appropriate controls to be applied. This theme will allow for an assessment as it relates to the Licensees process for risk identification and assessment within its customer base, as well as the Licensee's processes and procedures for identifying its institutional ML/TF risk and designing appropriate risk-based controls.

## 5. Overall AML/CFT Compliance and Operations

The theme of **AML/CFT Compliance and Operations** is scoped to consider the inherent ML/TF risks within Investment Business licensees. Under the AML and Operations themed inspections, the following areas will be covered: (i) Customer Due Diligence; (ii) Verification; (iii) Ongoing Monitoring; (iv) Suspicious Reporting Procedures; (v) Sanctions Compliance; (vi) Information Security/Record Keeping; and (vii) Risk Management – Operational Controls. This theme takes into consideration the AML/CFT risks within the sector, with a view to assessing the controls to mitigate such risks as well as examining the licensees' operational resiliency.

In addition, full-scoped inspections will be conducted in relation to Banks and Money Services Businesses which will include overall AML/CFT compliance. Insurance Businesses will be subjected to Focused inspections (with focus on prudential risks and conduct as well as overall AML/CFT compliance).

### Desk-based Reviews Component

To complement onsite inspections the Commission will conduct its desk-based reviews to obtain a view of the practices in place and general compliance with existing requirements of core issues that deal with control and ownership of entities and structures. Three themes have been identified as priority areas for desk-based reviews under the Commission's 2024/25 Inspection Plan:

1. **Nominee Shareholder Services** can erode the usefulness of Registers of Members, as well as obscure true ownership of a legal structure. While legitimate business reasons exist for the use of such services, the thematic review will assess business practices and the level of compliance relating to identification of beneficial owners and controllers, as well as whether a sufficient risk-based approach is being applied to such services.
2. **Corporate Directorship Services and acting in a nominee capacity (i.e. nominee directorship services)**, The risks that legal structures utilizing corporate directors and nominee director arrangements attract heightened risk exposures. The thematic review will assess business practices and the level of compliance relating to understanding and mitigating the relevant risk as well as whether a sufficient risk-based approach is being applied to such services.
3. **Sanctions Compliance**, the Commission will review how effectively licensees are implementing the requirements of targeted financial sanctions applicable in the Territory and will look at compliance with sanctions guidelines and relevant legislation. Specific focus will be placed on an entity's ability to identify clients who may be sanctioned persons and to take steps to freeze without delay any assets held by those individuals. Timing of screening and monitoring of clients

will also be a priority for review. The process will include review and testing of actual systems in place and how these systems are working to achieve the desired results. As with all inspections this will be an evidence-based assessment. To ensure effective sanctions compliance processes, licensees should ensure that their systems capture key data points that can be searched to detect sanctioned subjects in a timely manner.

## Consequences of Non-Compliance

Licensees are reminded to ensure that their policies and procedures are sufficiently robust to mitigate as well as to detect ML/TF/PF and other financial crime risks, and are guided to review their policies, procedures and current business practices to ensure effective compliance is being achieved in their engagement with clients. Licensees must take steps to ensure and measure the effective implementation of their controls, and where issues are found they are timely remedied.

In keeping with the Commission's Enforcement Philosophy, identified deficiencies will be factored into enforcement actions taken where there are observations of poor compliance or non-compliance. In such instances, enforcement actions and penalties will be taken that are proportionate and dissuasive.

END.