Dissecting the 2022 Money Laundering Risk Assessment:

Higher Risk Sectors

The 2022 Money Laundering Risk Assessment (***MLRA***) provided a critical look at the key Money Laundering (ML) threats to the Virgin Islands and the specific risks posed by each financial services sector. The report identified Trust and Company Service Providers (***TCSPs***), Investment Businesses and Virtual Asset Service Providers (***VASPs***), along with Legal Persons and Legal Arrangements, as being of higher risk to these ML threats.

These findings were also confirmed in the recently published Mutual Evaluation Report (***MER***) of the Virgin Islands.

Risk factors supporting the elevated risk within the TCSP, Investment Business and VASP sectors, as identified in both the 2022 MLRA and the MER, include:

- **a)** Size and/or nature of the sectors;
- **b)** complexity of available structures used;
- **c)** complexity of transactions executed;
- **d)** transaction sizes and values;
- **e)** wide geographic dispersion of clientele;
- **f)** heavy dependence on third-party introducers for maintenance and verification of
    - a. beneficial ownership (***BO***) and control information;
- **g)** execution of a large number of non-face-to-face transactions; and
- **h)** exposure to high-risk customers and jurisdictions.

Legal persons and legal arrangements also carry an elevated risk due to the wide scope of business activities these entities facilitate and the availability of accurate and up-to-date BO information to properly identify ownership and control, and facilitate domestic and international regulatory, civil and criminal investigations as noted in the MER.

When dealing with entities in these higher-risk sectors licensed entities should be mindful of clients:

- **a)** engaging in high-risk activities;
- **b)** operating from or having ties to high-risk jurisdictions;
- **c)** wanting overly complex structures with no clear or apparent purpose; and
- **d)** using nominee directors and shareholder arrangements to obfuscate ownership and control.

The Commission expects all licensed entities to know their customers and understand the type of business they are involved in when onboarding and throughout the business relationship. This is a critical step in mitigating risk. To further mitigate risk licensed entities are also expected to:

- **a)** conduct institutional risk assessments to gauge their own risk appetite;
- **b)** conduct proper client risk assessments;
- **c)** engage in proper ongoing client monitoring based on assessed risk;

d) ensure identification and verification procedures are robust enough to identify the
  a. beneficial owner and controller(s) of the client, including those sourced through
  b. third party relationships;

e) fully implement provisions within relevant legislation including the Anti-Money
  a. Laundering and Terrorist Financing Code of Practice (including explanatory notes)
  b. and the Anti-Money Laundering Regulations; and,

f) ensure relevant and adequate training for all staff.

Licensed entities falling within these higher-risk sectors should take into account all identified national and sectoral threats and vulnerabilities and should ensure the findings of the MLRA and the MER are considered when implementing their own risk assessments. They should also use these findings to improve their day-to-day operations.

Licensed entities should also be mindful of the results of other sectors' identified risks as entities within those sectors may be their clients.

As part of our ongoing efforts to ensure proper implementation of risk mitigation measures within our financial services sector, the Commission will continue to undertake regular evaluations of such implementation through its onsite and desk-based supervisory models.

For any questions about the 2022 MLRA, please email aml@bvifsc.vg.