

Unpacking Anti-Money Laundering, Countering the Financing of Terrorism and Countering Proliferation Financing Risk: BVI Business Companies

Understanding the risks associated with BVI Business Companies (BVIBC) is critical for service providers and financial institutions who engage with these entities as their clients. While legal persons, particularly BVIBCs, offer significant opportunities for legitimate global commerce, they also present vulnerabilities that can be exploited for illicit purposes.

The Virgin Islands (VI) is deeply committed to combating money laundering (ML), terrorist financing (TF), proliferation financing (PF), and sanctions evasion. This commitment requires a clear understanding of the Territory's exposure to financial crime and the ways in which BVIBCs may be misused. By identifying and addressing these risks, stakeholders can help preserve the integrity of the jurisdiction, ensure compliance with international standards, and maintain global confidence in the VI's financial system.

What is a BVIBC?

BVIBCs are a type of **legal person** (LP) incorporated and registered under the BVI Business Companies Act (BVI BC Act). As a legal person, it has the power to carry on any legal business activity, may enter into any type of transaction and conduct financial transactions.

BVIBCs are popular among businesses and investors for several reasons, primarily stemming from the flexibility they bring to corporate structuring. The BVI is also a globally recognised International Financial Centre with a well-established legal framework and commitment to international standards. This contributes to the credibility and wide use of BVIBCs among global investors and financial institutions. Such advantages, however, have increased the inherent vulnerability of BVIBCs and heightened their risk for being misused for ML, TF and PF.

Money Laundering Risk

The 2025 National Risk Assessment of Legal Persons and Legal Arrangements (LP/LA RA) identified BVIBCs as being at a medium-high risk " for ML. This risk is the product of factors that make BVIBCs more vulnerable to being misused for the purposes of ML and the controls in place to offset these vulnerabilities. These include:

Vulnerability	Rationale
The global nature of BVIBCs, exposure to cross border activities and wide geographic dispersion of clientele;	BVIBCs operate in major global economies including Asia, South America, Europe, North America, and to a lesser extent Africa
Sector size - the large number of BVIBCs on the company register	BVIBCs represent approximately 99% of all legal entities on the company register.
Complex corporate/ownership structures and delivery channels	Enhances ability to be used to facilitate the movement of illicit funds and obscure identity of ultimate beneficial owner(s)(BOs) and controller(s) making it difficult to trace the source of funds.
Exposure to high-risk clients i.e. Politically Exposed Persons (PEPs) and high-risk jurisdictions	Risk assessment data reflects that across all types of BVIBCs, 53% have beneficial owners in high-risk

	jurisdictions for ML; and 4% of BVIBCs have BOs that are PEPs.
TCSP reliance on introduced business when onboarding BVIBC clients	Allows for a higher degree of anonymity. A registered agent may unknowingly be used to facilitate the creation of a BVIBC or conduct other services for bad actors seeking to advance illicit activities.
Ability to appoint corporate directors	Increases the potential for opacity and dissimulation of beneficial ownership and control.

Additionally, data from the LP/LA RA shows that Suspicious Activity Reports (SARs) filed with the Financial Investigation Agency frequently involve BVIBCs in transactions related to fraud and money laundering (ML). This suggests that BVIBCs are vulnerable to being exploited for illicit transactions linked to ML and other predicate offenses.

Terrorist Financing Risk

The risk of BVIBC being used to collect, receive and move funds for TF is recognised as “medium-high”. Similar factors which make BVIBCs vulnerable to ML (as detailed in the Table above) overlap with the vulnerabilities of BVIBCs relative to TF. On the basis of data reflected in the LP/LA RA, BVIBCs can potentially be exploited to obscure beneficial ownership and control and facilitate the movement of funds for terrorist purposes. This risk is amplified by the increasing use of BVIBCs as virtual asset service providers (VASPs) and VA platforms, as well as the potential for complex structures to disguise BOs and fund sources.

Proliferation Financing Risk

Similar to the level of ML and TF risk identified in the LP/LA RA, the PF risk associated with BVIBCs has been assessed as medium-high. The assessment of law enforcement data, including suspicious activity reports (SARs), investigations, mutual legal assistance requests and targeted financial sanctions revealed that between 2020 and 2024, there were 15 cases of alleged PF involving BVIBCs and the Democratic People's Republic of Korea (DPRK). Information from the Governor's Office and law enforcement agencies, as well as requests from the United Nations Panel of Experts confirm that BVIBCs are vulnerable to abuse within PF networks, with some cases alleging BVIBCs owned vessels used to illegally supply goods to the DPRK.

Mitigation and ongoing efforts

Notwithstanding the challenges, the VI continues to undertake comprehensive reforms to address the identified vulnerabilities and mitigate the risk of the misuse of BVIBCs for ML, TF and PF, by committing to a risk-based national AML/CFT/CPF framework, the ongoing conduct of robust national and sectoral risk assessments and risk-based regulatory oversight of TCSPs.

These measures further reinforce the BVI's efforts to combat financial crime. Specifically, legislation introduced in January 2025 amended the BVI Business Companies Act, mandating the direct filing of beneficial ownership information and registers of members with the Registrar of Corporate Affairs, thereby enhancing BO transparency. Additionally, a new VASP Guide to the Prevention of ML, TF and PF outlines unique risk factors associated with BVIBCs operating as VASPs and the necessary

mitigation measures, such as record keeping, transaction monitoring, enhanced due diligence, adherence to the VA travel rule, and targeted financial sanctions and screening.

Upholding the integrity of the VI financial services sector is a shared commitment and requires the collective efforts of Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) to mitigate against ML, TF and PF. By incorporating the information identified in the various national and sectoral risk assessments into their operational frameworks, FIs and DNFBPs can strengthen their ability to reduce the ML, TF and PF risks associated with BVIBCs and other legal persons and arrangements.