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Getting financial services licensees in shape for the Caribbean FATF inspection

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The BVI is expected to undergo its fourth round of mutual evaluation by the Caribbean Financial Action Task Force (**CFATF**) in 2018 based on the Financial Action Task Force's (**FATF**) international standards on combating money laundering and the financing of terrorism and proliferation.

Each member country of the FATF and its associated regional bodies is now required to ensure that they can identify and assess the risks associated with money laundering and terrorist financing and take action, including designation of an authority or mechanisms to coordinate the assessment of the identified risks, and apply resources aimed at effective risk mitigation.

In order to effectively manage this process, the BVI Cabinet established the National Risk Assessment Council to serve as the policy-making body responsible for leading the way on significant policy issues in relation to the conduct of the National Risk Assessment (**NRA**). The National Risk Assessment Steering Group has also been established to act as the central coordinating body for the NRA with full responsibility for the preparation of the NRA framework and the conduct and review of the NRA. This exercise was designed to help prepare the BVI for its 2018 CFATF mutual evaluation, at which time the results of the NRA will play a key role. In addition, the Public Education Committee (**PEC**) has been established and charged with the task of educating the public on Anti-money Laundering and Countering the Financing of Terrorism (**AML/CFT**) matters. In accordance with this mandate, the PEC has created a brochure which provides essential information on the NRA exercise, background on the origins and the framework of the FATF and details of the BVI's legislative framework as regards AML/CFT.

The resulting report of the NRA was issued to participating organisations in the BVI. Risk assessment was conducted on the financial services sector to assess whether local and international AML standards are being met by licensees in the sector.

The BVI Financial Services Commission (**FSC**) has already commenced a preliminary exercise to ensure that all relevant persons conducting relevant business have complied with the

AML/CFT requirements. Specifically, the FSC is testing relevant persons on four of the FATF's Recommendations, namely:

1. the development and implementation of policies and procedures that provides for senior management oversight functions to ensure that they are fit for the trust and corporate service providers (**TCSP**); the functions should be provided in a properly written document and shared with all key staff to ensure consistency of approach in dealing with AML/CFT risks
2. the development and implementation of control measures (as outlined in section 11 of the Anti-Money Laundering and Terrorist Financing Code of Practice 2008) are reviewed and updated periodically and that its procedures are consistently and regularly used to risk assess its business relationships to identify areas of risk; risk areas identified must be appropriately classified as high or low and appropriate resources channelled to the areas identified as posing high risk in the business relationships
3. the development and implementation of appropriate record-keeping measures to ensure that relevant data is properly and consistently recorded, readily accessible and easily retrievable
4. the development and implementation of a training programme on AML/CFT issues to guide its staff in identifying high risk business relationships, identifying red flags in relation to customers and business transactions, and knowing what matters should be advanced to senior management for decision (mere training on the law and principles governing AML/CFT issues without providing an appropriate nexus to the TCSP's business and how that business may be abused for AML/CFT purposes may create a loophole whereby AML/CFT red flags are missed)

To the extent any relevant person needs assistance with looking at their internal policies and procedures to meet and satisfy the four recommendations above in addition to any internal audit assessments, please do get in touch with us. Harneys' dedicated Regulatory Department advises on all aspects of BVI regulatory law. We would be happy to assist any stakeholder with a review of their AML/CFT documentation and provide the necessary legal advisory services that may be required to ensure each stakeholder is in compliance with the AML/CFT obligations under applicable law and regulations.

For more information and key contacts please visit www.harneys.com/BVI.

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