



Regulatory Compliance

British Virgin Islands

March 2018



Concerns over money laundering and sanctions have never been higher on board agendas. Globally the levying of multi-million dollar fines, restrictions being placed on business activities and actions taken against individuals now the norm, 90% of boards now consider controls over anti-money laundering (“AML”) and countering the financing of terrorism (“CTF”) to be a high risk area for their business.

This climate of enforcement and fines is as relevant to the BVI as to any other jurisdiction.

So are you compliant with AML & CTF guidelines? Are you fulfilling your fiduciary obligations? How are you managing your company’s risk?

We understand that many local professional service providers are still facing significant challenges following Hurricane Irma whether that is staff resourcing, office space, document recovery or other issues.

These difficulties are challenging enough, but they can also exacerbate the risk of fraud and money laundering going unnoticed within a financial service provider. Regulators worldwide are under increased pressure to be more vigilant when examining licensees and the BVI Financial Services Commission (“BVI FSC”), as the BVI regulator, is no different. Any leniency, therefore, that may have been shown in the wake of devastation the BVI has faced should be considered to be at an end.

We predict a significant increase in onsite inspections and general scrutiny by the BVI FSC of regulated licensees following the EU blacklisting determination to place the BVI on the “Grey List”, and more specifically, the Caribbean Financial Action Task Force visit in late 2018.

We are also aware that previous Financial Action Task Force visits to other jurisdictions have requested evidence of fines and actions as a demonstration that the regulatory authority is actively regulating. As of today’s date, the latest fine published on the BVI FSC’s website was July 2017. This suggests that the BVI FSC will be looking to demonstrate the robustness of their approach over the coming months.

Overall, therefore, it is critical that BVI professional service providers have appropriate policies, procedures and systems in place to ensure their compliance with AML & CTF regulations and the appropriate performance of their fiduciary responsibilities.

To summarise, in 2018, we expect the BVI FSC to be focusing on the following:

1. Client and mandate acceptance procedures
2. Ongoing client due diligence processes
3. Maintenance of their client’s books and records
4. Evidence of a robust internal audit or compliance functions
5. Consideration of tax risk/transparency requirements
6. Sanction checking

How does this affect you?

- Expect more visits and communications from the BVI FSC
- Expect more instances of regulatory actions for non-compliance
- Expect increased penalties for continued non-compliance or failure to remediate
- Expect greater regulatory scrutiny of your internal audit and compliance function

Under the regulations, you are required to have appropriate and effective mechanisms to allow for periodic evaluations of the implementation of your AML & CTF internal framework.

This tests the reliability, integrity and completeness of the design and effectiveness of the AML & CTF risk management function, the AML & CTF internal controls framework, and the level of AML & CTF compliance in accordance with the applicable laws of the BVI.

The audit must also be conducted independently of any general financial statements audit and should be undertaken by a person functioning independently. This may be your compliance person(s) providing they can demonstrate objective, independent assessments in a transparent or fair manner – something we anticipate the BVI FSC will seek to confirm.

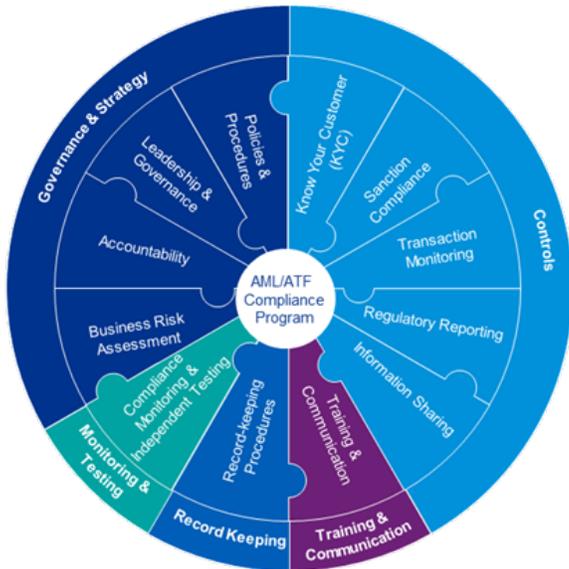
Alternatively, this function is often outsourced.

The requirements to establish and maintain an AML & CTF audit function also create an obligation to provide and document an independent and objective evaluation of the robustness of the AML & CTF framework.

How can KPMG help?

KPMG can assist you in meeting your AML & CTF requirements. Whether this is your business’ independent audit requirements, industry best practice, dealing with pre-inspection queries or other AML post-inspection remediation requirements, we can help. We can provide you with this assistance in a cost effective and efficient manner.

Our team is experienced in performing AML & CTF audits using KPMG’s global AML & CTF methodology. Our methodology focuses on the twelve key areas, outlined below, of an effective AML & CTF program, allowing us to gain an understanding of the elements of your AML & CTF compliance program and how these elements interface to effectively meet your AML & CTF regulatory requirements.



A typical assignment to assist with an AML and CTF audit or review may initially mean the performance of a desk-top review of your policies and procedures, making comparisons to industry requirements and best practice. This may lead to a review on those policies to actual practices and ultimately, to assisting with design and implementation of remedial steps. In summary, a process that improves your systems, allowing for more effective, efficient and client friendly delivery model whilst taking as many steps as possible to protect against adverse findings during a regulatory inspection.

We are also experienced and able to assist with:

- Drafting your updated business risk assessment
- Updating your AML/CTF/Sanctions Policies and Procedures
- Develop AML compliance remediation and implementation roadmap
- Training of MLROs and all staffing levels across a number of specific industries
- Providing ad hoc advice and assistance as needed

Assisting you undertaking AML/CTF client file remediation (whether identified internally or mandated by the BVI FSC)

Why KPMG BVI?

- Our experienced BVI based AML team has a deep understanding of the local BVI regulatory requirements, including the expectations of the BVI FSC.
- We have a global and local footprint to allow us to partner with clients in dealing with national, regional and international AML risk management at both strategic and operational levels.
- Our structured approach has been developed based on the knowledge gained from working with leading financial institutions and service providers in the BVI and elsewhere.

We are passionate about our clients, our people and our communities. We are committed to working with you to improve your business and improve the BVI.

We are here to support your business. Please let us know if you would like to discuss these issues with us.



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