



**FEATURE ADDRESS BY DR. THE HONONOURABLE D. ORLANDO SMITH, OBE, PREMIER OF  
THE VIRGIN ISLANDS, ON THE OCCASION OF THE LAUNCHING OF THE VIRGIN ISLANDS  
NATIONAL RISK ASSESSMENT COUNCIL**

**Maria's By the Sea  
Thursday, 10<sup>th</sup> April, 2014  
10:00am**

Good Morning.

Our assembly here this morning represents a pinnacle in the history of the Virgin Islands' continuing efforts over many years in stemming the tide of criminality associated with the activities of money laundering and terrorist financing.

But this time around, we extend those efforts to include the fight against the financing of proliferation of weapons of mass destruction (otherwise referred to as proliferation financing).

Indeed it is important for the public to know that the Virgin Islands was the first Overseas Territory to put a legislative regime in place to combat proliferation financing when in 2009 the House of Assembly enacted the Proliferation Financing (Prohibition) Act.

Proliferation financing was not an established standard then, but we saw it coming and we dealt with it at the appropriate time to safeguard the interests and reputation of our Territory. Proliferation financing is now a global standard under the revised Recommendations of the Financial Action Task Force (FATF).

In order to better understand the reason for our gathering here today to formally launch the National Risk Assessment Council (NRAC), and more so to have an appreciation why this Territory, whether under the present Government or under previous administrations, takes the issue of money laundering seriously, it might be helpful to consider a few issues and reflect on our compliance history.

The activities of money laundering and terrorist financing, if allowed to go unchecked, can pose a serious danger to our reputation and to our economy and, by extension, the livelihoods of our people.

Such activities are a scourge and they permeate every national boundary.

Money launderers and terrorist financiers have no friends; in fact they care about none, and certainly they do not care about national reputation or the protection of any economy. They care only about their interests.

The Virgin Islands is a global financial services centre and a popular tourist destination.

Those who engage our financial services in good faith and those that visit our shores expect a clean environment – one in which they can invest with confidence and walk about freely.

It is precisely for these reasons and, in recognition of the dangers posed by the activities of money laundering and terrorist financing, that we welcome a regular review and assessment of our regimes to identify not only the strengths, but also the weaknesses, in those regimes.

These in turn help us to review and reform those regimes.

It is important therefore to note that the Virgin Islands has always been undergoing reviews and assessments for anti-money laundering and countering the financing of terrorism (AML/CFT) compliance.

In 1999 the Caribbean Financial Action Task Force (of which the Virgin Islands is a founding member) conducted a mutual evaluation of the Territory and we fared well in our compliance obligations.

In 2000 the Virgin Islands was assessed by the FATF to establish whether the Territory should be included in the list of Non-cooperative countries and territories (commonly referred to as the NCCT List).

Our systems were found to meet the established international standards of AML/CFT compliance and, accordingly, the Virgin Islands was never placed on that list.

In 2008, the Virgin Islands' anti-money laundering and terrorist financing regime was again evaluated against the FATF standards on AML/CFT. The result of that evaluation placed the Territory amongst the most compliant jurisdictions, both in the Caribbean Basin Region and globally.

The Territory was found compliant or largely compliant with thirty-three of the then Forty Recommendations and Nine Special Recommendations on terrorist financing.

In addition to that, when the FATF developed in 2009 its Core and Key Recommendations (a total of 16 Recommendations of the standards considered to be the most critical to an effective anti-money laundering and terrorist financing regime), the Virgin Islands performed impressively, netting a compliant score of 14 out of 16 – the second highest score globally, the first being a score of 15 out of 16.

Again in 2010 when the IMF reviewed the Territory for compliance with established international standards, including AML/CFT standards, they reviewed and agreed with the CFATF mutual evaluation of 2008.

These results should come as no surprise to the Territory.

We recognise the central role we play in international finance and the obligation we owe ourselves to maintain a clean and stable society and the responsibility of cross border cooperation we share with other countries and territories.

As an International Finance Centre, the Virgin Islands understands that it is only as good as its reputation, and that persons wishing to use the various corporate vehicles and other services offered by our financial services industry will only continue to do so if they can be assured of the Territory's ongoing commitment to the highest standards of compliance, be it in relation to anti-money laundering and countering the financing of terrorism, regulation, international co-operation or tax matters.

The Territory's sterling performance over the last ten to fifteen years has proven such commitment; however, as we all know we do not live in a static environment, and there will always be an ongoing desire to improve on the systems that have been put in place to protect our economy, in an effort to deter those ethically challenged persons who may wish to abuse the legitimate business and other services we offer as a Territory.

The global standards against money laundering and terrorist financing continue to be reviewed and reformed. This has culminated recently in the FATF publishing, in 2012, its revised *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*.

This new global standard has been endorsed, not only by the FATF, but by all FATF Styled Regional Bodies, including the CFATF, as well as the G8 and G20.

The revised standards bring with them a consolidation and revision of the old Recommendations as well as the introduction of some new Recommendations.

As part of these new standards each country is required to be able to identify, assess and understand its money laundering and terrorist financing risks, and put measures in place to effectively mitigate these risks.

In so doing, countries must look at all sectors of their economy to determine where the greatest money laundering and terrorist financing risks lie, and identify ways in which to mitigate these risks.

In order to meet this standard, countries have been encouraged to conduct National Risk Assessments and to develop a structure to effectively steer this National Risk Assessment process, including designating an authority to coordinate these actions - from the planning and development stage, through to the effective conduct of the National Risk Assessment, and the mitigation of any and all risks identified during the Assessment process.

In this regard, I wish to declare publicly my Government's continued commitment to compliance by the Territory with the global AML/CFT standards.

I reiterate the importance of the tradition of the Territory's continuing efforts in cooperating with our global partners in fighting the activities of money laundering, terrorist financing, proliferation financing and all forms of organised crime.

In order to steer forward and prepare the Territory for what is to come, not only in 2017 but beyond, the Cabinet approved on 12<sup>th</sup> March 2014 the establishment of the National Risk Assessment Council.

The National Risk Assessment Council will effectively take on the responsibility of steering the Territory's National Risk Assessment process.

It will be responsible for all policy matters related to the development and conduct of the National Risk Assessment, as well as providing any necessary policy guidance in relation to addressing recommendations comprised in the final National Risk Assessment report to be developed in due course.

The constitution of the National Risk Assessment Council confirms the highest political commitment of this Territory, and brings together experts from both the public and private sectors.

The Council will draw on the knowledge of persons who currently play a key role in the Territory's fight against money laundering and terrorist financing.

To support the National Risk Assessment Council, the Cabinet has also established a National Risk Assessment Steering Group. This Steering Group comprises experts on AML/CFT issues and will effectively have the responsibility of coordinating all relevant technical work relating to the preparation and conduct of the National Risk Assessment.

In the coming months, assessors will be identified and trained to carry out the actual National Risk Assessment.

These persons will be taken from a wide cross-section of the public and private sectors and will include members of the Inter-governmental Committee on AML/CFT and the Joint Anti-money Laundering and Terrorist Financing Advisory Committee, both of which are statutorily established, as well as independent local and external assessors.

I ask the Territory's business community and the general public to give this team their full support during the conduct of the National Risk Assessment. For those who have already confirmed their availability as assessors and for those who will do similarly in due course, I thank you for taking on this vital duty on behalf of the Territory.

One important issue in this entire process is ensuring you the public are made aware and kept informed of not only the National Risk Assessment process, but also the Territory's AML/CFT regime, and the effects money laundering and terrorism financing could have on the Territory.

To achieve this, a Public Education Committee has been established with the sole responsibility of ensuring the public is so duly informed and educated.

I thank them as well for agreeing to serve in this noble endeavour.

Ladies and gentlemen, the importance of the National Risk Assessment cannot be underrated.

Under the Revised FATF Recommendations countries will no longer be evaluated solely on their technical compliance with the Standards. That is to say, it is no longer acceptable to merely have laws in place to address money laundering and terrorist financing.

Countries are now required to show that the systems they have in place to combat money laundering and terrorist financing are sufficiently effective to do so.

By conducting a national risk assessment we will be able to determine whether our current systems are indeed sufficiently effective, and where such effectiveness is found to be lacking the National Risk Assessment Council will ensure that the required policy changes are effected to allow any such deficiencies to be rectified before the Territory's next Mutual Evaluation is conducted in 2017.

But as I indicated earlier, we must aim beyond 2017; we must aim for a money laundering-free, terrorist financing-free, proliferation financing-free and generally organised crime-free society.

Yes, some will call this a tall order and unrealistic. It is unrealistic only if we let it be that way by failing to expend time, effort and resources in effectively combating these criminal activities.

We must work with law enforcement; we must work with the regulator of financial services business; we must work with our business community; and we must work with each other as a people – all to advance the interests of these beautiful Virgin Islands.

Failure in our continuing efforts to remain compliant with the FATF standards is not an option for any one of us. The National Risk Assessment Council will work closely with the National Risk Assessment Steering Group to carry out Cabinet's mandate.

My Government is serious about its political commitment to observing the established AML/CFT standards; I call on all to join us in this endeavour.

Before I close, I should just mention that late last year my Government committed to a public consultation process on beneficial ownership. That process concluded in mid-March. We have received a good number of responses.

We shall carefully review all the responses and commit to a policy position that is in the best interests of the Virgin Islands and one that does not offend against established international standards.

We will not rush, but shall carefully review with a view to arriving at an objective and a fair position.

We will continue to engage Her Majesty's Government in the United Kingdom on this and other matters that concern and impact our Territory and the current and future livelihood of the people of this Territory.

Finally, Ladies and gentlemen, the launch today of the National Risk Assessment Council, and the establishment of the structure to guide this national risk assessment process that I have just outlined is the first step in ensuring that the Territory will be able to successfully meet the FATF standards and continue to maintain the high level of AML/CFT compliance it is recognised for internationally.

This initiative further amplifies the Virgin Islands' commitment to meeting its international obligations and playing its part in the global fight against money laundering, terrorist financing, proliferation financing and other types of financial crime.

It now gives me great pleasure to introduce the members of the National Risk assessment Council – a team that I, as Chairman of the Council, will be relying on heavily to ensure that we do what we are supposed to as a Territory.