THE BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

ANNUAL REPORT

2015

Vigilance, Integrity, Accountability

CONTENTS

Mission STATEMENT

To uphold the integrity of the British Virgin Islands (BVI) as a well-regulated international finance centre and safeguard the economic interests of the territory by:

Protecting the interest of the public and market participants

Ensuring industry compliance with the highest international regulatory standards and best business practices

Ensuring that the BVI plays its part in the fight against cross-border white collar crime, while safeguarding the privacy and confidentiality of legimate business transactions

We PLEDGE

Vigilance
to remain keenly alert in our regulation and supervision of the financial services industry to protect and enhance the BVI's reputation and integrity as a leading destination for legitimate cross-border business

Integrity
to always endeavour to do the right thing, recalling the values and principles of the FSC in every action and decision

Accountability
to be responsible for addressing the financial needs and concerns of the business community

Leadership
to aspire to lead the industry with innovative, flexible legislation, deliver high quality service and maintain a clear vision of where we are going

Strategic **AIMS**

- To be fully aware of international standards and their application to the BVI and issue guidelines to the industry as necessary
- To ensure that all entries we authorise and supervise are operating within BVIlegislation and regulation and international standards of best practice
- To ensure that all entities we authorise and supervise meet “fit and proper” criteria at the licensing stage and on an ongoing basis
- To conduct an ongoing review of financial services legislation and makere commendations for changes where necessary
- To ensure that the FSC operates effectively and efficiently
- To identify and deter abuses and breaches of legislation
- To raise public awareness of the BVI financial services industry and develop and implement a system of continuing education for industry practitioners
- To ensure that the Registry of Corporate Affairs provide world class services to ensure the international competitiveness of the BVI

Our Logo:

The Lighthouse

Just as a lighthouse provides terrestrial travellers of today with the same sense of hope and re-assurance that it provided mariners years ago, the Commission's logo bears testimony to the Commission's dedication to upholding standards befitting a premier international finance centre.

It is symbolic of our commitment to preserving the safety and soundness of the BVI's financial services system so as to maintain the confidence of clients doing business from and within the BVI.

CHAIRMAN'S **STATEMENT**

I am pleased to report to the Government and people of the British Virgin Islands through the Honourable Premier and Minister of Finance concerning the activities of the Commission during 2015.

The Territory has been adversely impacted by the continuing pressures on the Territory and the offshore world generally for increased transparency in operations, for the introduction of a central registry of beneficial owners for companies and trusts, and the expanding demands and requirements of other countries. Those pressures, combined with the continuing negative publicity to which offshore centers have been subject, has depressed revenues, while at the same time it has increased the scope and breadth of compliance and reporting procedures for the Commission and Government alike.

Against this backdrop, the results for 2015 reflect total fees collected on behalf of Government of $205.7million, down $2 million from the previous year, and net payments to Government of $180.5 million. The Commission's operational costs have once again been held in check, and a resulting surplus has permitted a distribution to Government.

I take pleasure each year in commending the staff of the Commission for their hard work and dedication in the performance of their duties, and our more senior personnel in providing exemplary service as ambassadors for the Territory in their many presentations made at and participation in conferences and seminars at the international level – particular mention is made this year of the many persons who have been involved in the Territory's National Risk Assessment exercise which, while time-consuming, has nevertheless been beneficial in indicating areas in which improvements need to be made.

Robin Gaul
Chairman

BOARD OF
COMMISSIONERS

BOARD OF **COMMISSIONERS**

MR. ROBIN GAUL
Chairman

—

MR. COLIN O'NEAL
Deputy Chairman

—

MR. JONATHAN FIECHTER
Member

—

MR. ROBERT MATHAVIOUS
Managing Director/CEO

—

MR. RICHARD PETERS
Member

—

MR. EDWARD PRICE
Member

MS. DENISE REOVAN
Member

MR. IAN SMITH
Member

The Board of Commissioners is the Commission's governing and policy-setting body and meets at least once every month. Board meetings are presided over by the Chairman and in his absence the Deputy Chairman. The Board comprises the Managing Director/ CEO as an ex-officio member and not fewer than six or more than nine other Commissioners, two of whom must be from outside the Territory with a financial services background as legislated for by the Financial Services Commission Act, 2001.

In October 2014, the Board welcomed new members as long-serving inaugural members retired from service. The Premier and the Chairman extended heartfelt gratitude to the retiring members. New members attended their first meeting on the morning of 21 October. The composition below represents the Board of Commissioners at the close of 2014.

MANAGING DIRECTOR'S **STATEMENT**

It's an honour and a privilege to welcome you to our 2015 Annual Report, which chronicles the priorities, activities and accomplishments of the British Virgin Islands Financial Services Commission (the "Commission") in our 14th year of operation.

The Commission was established by statute, the Financial Services Commission Act in 2001. Our role has evolved over the years in tandem with ever-changing international regulatory standards and the needs of the BVI financial services sector.

Today, as an integrated regulatory and supervisory body, the Commission supervises, regulates and inspects all financial services activities and institutions operating in and from within the jurisdiction; operates the Registry of Corporate Affairs; advises the Government of the British Virgin Islands on matters pertinent to the financial services sector; and assists other authorities – both local and overseas – with the detection and prevention of financial crime.

For the year under review, operating under the theme of PRIDE – Personal Responsibility In Delivering Excellence, the Commission focused on formulating and implementing broad strategies and key initiatives to ensure that its regulatory and supervisory regime was consistent with international standards and best practices and to uphold the safety, soundness and integrity of the financial services sector.

Mindful of the multiple risks to which the BVI was exposed and the increased international scrutiny of financial centres everywhere, our engagement with the industry and with Government focused on enhancing the image and reputation of the BVI as a legitimate centre of excellence for cross-border finance, trade and investment opportunities. We also made it clear to all stakeholders that this vision for the financial services sector can only be achieved if everyone plays an active role in the process.

As a gatekeeper and facilitator, much is expected of us and we are mindful of the fact that what the Commission does has significant impact on the BVI and the financial services industry. The Commission is committed to operating transparently and to being held fully accountable for its activities by its external stakeholders: the Government, industry and people of the BVI, and international standard-setters.

Each year, our annual report, audited financial statements and strategic work plan are presented to the Minister of Finance and Cabinet for tabling before the House of Assembly. They are also posted on the Commission's website. These documents and the information on the following pages set out our activities in 2015 in detail.

This was a challenging year, with ups and downs. The volatile and uncertain global economic climate moderated demand for BVI corporate structures and there was a seven per cent fall off in new incorporations.

Notwithstanding this, the Registry of Corporate Affairs successfully launched a new, premium, extended-hour service, providing express responses to time-sensitive matters and making the BVI a more competitive jurisdiction for transactional and other complex issues. The Registry of Corporate Affairs also rolled out a modern trademark regime, implementing the new Trademarks Act, 2013.

The Securities and Investment Business Act was amended to cement further the BVI's reputation as a flexible, innovative and cost-effective jurisdiction for new fund structures. The evidence is that the new Incubator Fund and Approved Fund are already appealing to startups.

The Commission remained vigilant this year in providing a conducive and stable environment for business to thrive. We began a comprehensive review of the BVI's sector-related laws, rules, codes, protocols and policies regarding regulation, supervisory oversight, law enforcement, international cooperation and the combatting of money laundering and the financing of terrorism.

The Commission also continued to review and refine its risk-based supervisory framework to embed appropriate, industry-wide risk management systems and ensure that the Commission's modalities remain fit for purpose. Alongside this, to maintain compliance with our programmes, protocols and procedures, the Commission intensified its enforcement activities and published action taken on its website.

At the start of the year, the Commission was asked by the Government to incubate and strategically advise the recently established International Arbitration Centre, which positions the BVI to provide and manage modern commercial dispute resolution services.

Throughout 2015, the global focus on transparency intensified, as did internationally coordinated efforts to combat tax evasion and money laundering. The Commission continued to foster collaboration and cooperation with other regulatory authorities through the exchange of information.

The Commission believes in participating actively in regional and international groups and associations to give the BVI a say in shaping standards and policies that affect us. As a member of a number of standard-setting bodies, the Commission actively participates in international fora, including IOSCO and the IAIS, GIFCS and CFATF.

This enables us to fulfil our role of advising and assisting the Government and industry around emerging regulatory issues. To the same end, the Commission's staff continued to lead and champion the Territory's comprehensive National Risk Assessment exercise, which aims to identify and rectify any gaps in the AML/CFT regime in preparation for the CFATF's mutual evaluation exercise in 2017/2018.

In the area of corporate social responsibility, the Commission continued to work on promoting public understanding of the financial system and its products through its financial literacy programme, Money Matters BVI. In 2015, this donated copies of The Four Money Bears, a book which introduces children to basic financial principles, to all public and private primary schools. It also administered a second national survey to gauge the financial literacy level of adults in the BVI.

The Commission continued to support the work of the Financial Services Institute, an educational body which administers professional qualifications and other professional development for the BVI financial services industry. A number of our employees served as instructors for FSI legal, financial and compliance courses. They also continued to serve on various governmental boards, committees and task forces, as well as not-for-profit organisations.

I must extend heartfelt thanks to the Chairman and the Board of Commissioners for their support and guidance throughout 2015. I also want to thank our invaluable employees, whose continued dedication and commitment to the Commission's mission does not go unnoticed.

We look forward to the continued support of the Government, the financial services industry and other key stakeholders as we transition into 2016.

Robert A. Mathavious

Managing Director/CEO

Organisational Profiles

Cabinet

Board of Commissioners

Robin Gaul (Chairman), **Colin O'Neal** (Deputy Chairman), **Denise Reovan**, **Ian Smith**

Kenneth Baker
Deputy Managing Director, Regulation

Banking and Fiduciary Services Division
Director: Kenneth Baker
Deputy Director: Fiduciary Simone Martin

Insolvency Services Division
Director: David Abednego
Deputy Director: Shakuntala Yamraj

Insurance Division
Director: Stanley Dawson
Deputy Director: Trevecca Hodge

Investment Business Division
Acting Director: Glenford Malone
Acting Deputy Director: Leon Wheatley

Robert Mathavious
Managing Director/CEO

Cherno Jallow, QC
Policy, Research and Statistics Division

Policy, Research and Statistics Division
Director: Cherno Jallow, QC
Deputy Director: M. Alva McCall

Annet Mactavious
Human Resources Division

Human Resources Division
Director: Annet Mactavious
Deputy Director: Carolin Romney-Peters

, Richard Peters, Jonathan Fiechter, Edward Price

Board Secretary
Annet Mactavious

Jennifer Potter-Questelles
Deputy Managing Director, Corporate Services

FSC (HK) Ltd

Asia Representative
Michelle Georges

Corporate Services Division
Director:
Jennifer Potter-Questelles

Finance
Director:
Sheldon Scatliffe

Registry of Corporate Affairs
Director:
Myrna Herbert
Deputy Director:
Lydia George

Dawn Smith
Legal and Enforcement Division

Legal and Enforcement Division
Director:
Dawn Smith
Deputy Director, Legal:
Lynette Ramoutar
Deputy Director, Enforcement:
Diana Nedvidek

Executive Management Team

Robert Mathavious
Managing Director/CEO

Jennifer Potter-Questelles
Deputy Managing Director,
Corporate Services

Kenneth Baker
Deputy Managing Director,
Regulation

Dawn Smith
Director, Legal and Enforcement
Legal Counsel

Cherno Jallow, QC
Director, Policy, Research and Statistics

Annet Mactavious
Director, Human Resources
Secretary, Board of Commissioners

REGULATION AND SUPERVISION

LICENSING AND SUPERVISORY COMMITTEE

The primary function of the Commission is include to receive, review and determine applications for licensing and to monitor compliance by licensees. Authorisation of entities and persons to conduct financial services business in the BVI and on-going supervision of licensed financial services providers are the remit of the Commission's Licensing and Supervisory Committee (LSC). The LSC is created by the Financial Services Commission Act (FSCA) as the authorisation and licensing arm of the Commission. The LSC functions as a college of regulators, comprised of the Managing Director, both Deputy Managing Directors, Supervisory area Directors and the Directors of Legal and Enforcement and Policy, Research and Statistics. The LSC is guided by its published Guidelines and Operating Procedures and most of its decisions may be appealed through the process covered in Part VI of the FSCA concerning the Financial Services Appeal Board.

In 2015 the Commission's Supervisory divisions submitted 894 matters for deliberation or the general attention of the LSC. The most active division appearing before the LSC was the Investment Business Division with over 350 submissions during the year.
The LSC also considered and deliberated general issues related to regulation and supervision of financial services entities including the independence of directors, investor complaints against investment business licensees, the number of director appointments undertaken by individuals approved by the Commission in that capacity, professional indemnity insurance coverage for licensees and regulated persons and investment guidelines for assets held on behalf of regulated entities.
In compliance with the provisions of the FSCA, refusals by the LSC for matters other than the grant of a licence were forwarded to the Board of Commissioners for its information. __ matters were refused by the LSC during 2015. Refusals were in the areas of issuance of a licensee or certificate grant of an exemption, and grant of an appointment to act.

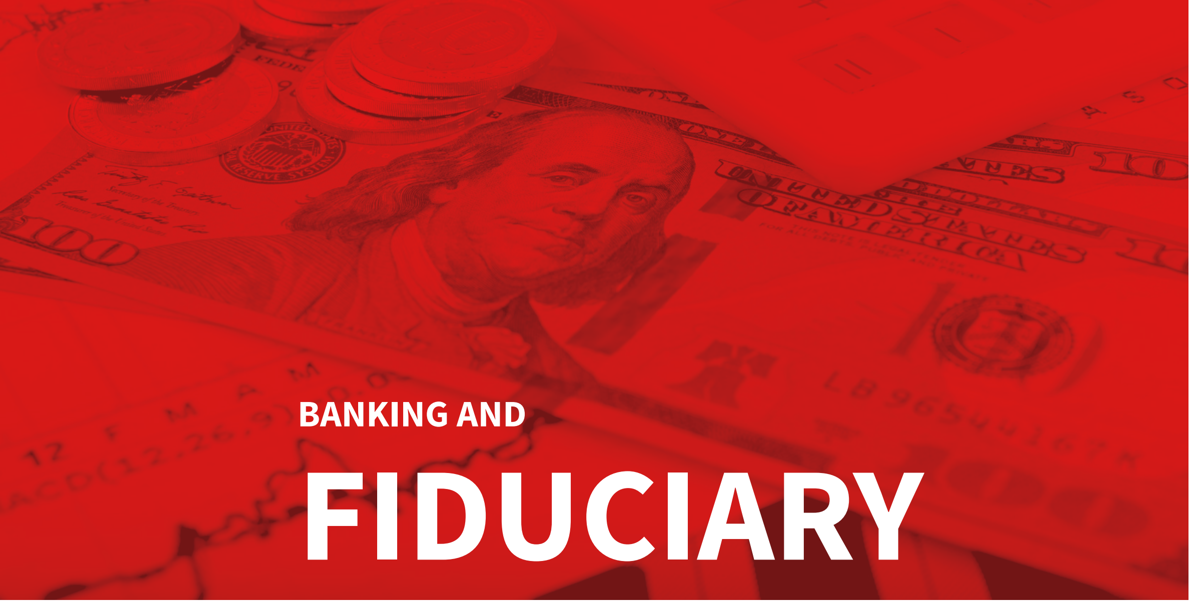
ENFORCEMENT COMMITTEE

Effective enforcement of relevant financial services legislation is a key objective of the Commission and an essential tool in any focused regulatory environment. On behalf of the Commission, the Enforcement Committee established under section 14 of the FSCA considers and determines the exercise of the Commission's powers to take enforcement action. The Enforcement Committee comprises the Managing Director as Chairman, the two Deputy Managing Directors and the Directors of Legal and Enforcement and Policy, Research and Statistics. Like the Licensing and Supervisory Committee, the Enforcement Committee is guided by its published Guidelines and Operating Procedures.

A total of 91 matters were brought before the Enforcement Committee in 2015 compared with 179 in 2014. _% (_) of the cases before the Enforcement Committee arose from on-site inspections conducted on licensees by the Compliance Inspection Unit. The Committee imposed penalties mainly for AML/CFT contraventions. It also issued a total of 5 warning letters (compared to 25 in 2014), 6 advisory warning (compared to 1 in 2014)and 6 public statements (compared to 5 in 2014). A total of _ licences were cancelled.

Licensing Activity – Renewals and Licences Granted

Class or Type of License	No. of Licensees
General Banking	6
Money Services and/ or Financing Business	3
Restricted Class 1 Banking	1



BANKING AND FIDUCIARY

REGULATORY OUTLOOK

Monitoring of the banks in regards to growth, profitability, asset quality, liquidity and capitalization continues to be exercised, including requests for information on large variances.

Balance Sheet Analysis - The BVI's banking assets were recorded at $2.2 billion year end 2015. Loans and Advances remained the largest segment of the Territory's banking assets at $1.3 billion, with Deposits leading in banking liabilities and shareholder's equity at $1.6 billion or 72% of total liabilities and shareholder's equity.

Income Statement Analysis - Retained earnings rose to $29.1 million, but remains fairly consistent over the past 4 years. The contributing factors include the reduction of interest expense in the market, a decrease in provisions for losses and growth in non-interest income.

Asset Quality Analysis - Asset quality is good, evidenced by the reduction in NPLs as a percentage of total loans to 4%.

Liquidity and Capital Analysis –Shareholders'Equity at $479 million remained relatively unchanged quarter on quarter and increased 11% year on year. All banks remain adequately capitalized and well over the regulatory requirement of 12% Tier 1 capital with the average Tier 1 capital to risk weighted asset ratio reported at 35%. All banks continue to report liquidity levels adequate for sustaining their operations.

Engagement with the industry - Industry engagement for 2015 included individual supervisory meetings with the licence holders under the supervision of the Banking Unit in addition to meetings convened with focus groups such as the BVI Banker's Association on Basel II implementation which is due to commence in 2016.
The division also continued engagement with Regional and International Bodies on matters related to future regime changes including the Basel II Implementation. The Caribbean Technical Assistance Committee's (CARTAC) assistance to the Caribbean Group of Banking Supervisors (CGBS) with Basel II implementation within the Caribbean continued throughout 2015 and will continue in 2016. The BVI is able to use the resources and the progress of the CARTAC/CGBS initiative for its own adoption of the Basel II Standard. The division also convened a meeting during the year with the BVI Banker's Association to further sensitize and discuss the upcoming Basel II implementation. Implementation of this standard is expected to begin with a parallel run of Basel II compliant prudential returns and the existing prudential returns for prudential reporting.

FIDUCIARY SERVICES

The Division received and processed seven applications for licensing of new entities during 2015. Of the seven applications submitted, two of the applicants, both seeking a Class III trust licence, were licensed as managed trust companies.

The Fiduciary Services unit continued its monitoring of the a specific segment of incorporators (based on a risk perspective). During 2015, one Supervisory Review was carried out by the Division.

SUPERVISORY REVIEW AND REGULATORY ENGAGEMENT

The Division continued heightened regulatory engagement with 2 licensees that presented with material compliance challenges. One licensee holds a Class I trust licence, the other holds a Company Management licence. Both licensees were subject to enforcement action following onsite inspections undertaken in prior years. Subsequent to the inspections and ongoing regulatory engagement, the licensees' non-compliance with numerous statutory requirements continued to be compounded. These cases have now been taken up by the Legal and Enforcement Division as escalation procedures dictate.

Onsite Inspections–During 2015, the Commission undertook an aggressive schedule of onsite inspections with a total of 33 inspections, which included 25 thematic inspections of TCSPs.

These thematic inspections reviewed: (i) Introduced Business; (ii) Requirements of Customer Due Diligence; (iii) Requirements to Update Customer Due Diligence; (iv) Requirements of Enhanced Customer Due Diligence; and (v) Records, Record Keeping and Retrieval.

RESOURCING

During 2015, there was some movement in resources available to the division owing to both medium absences and transfers to other internal supervisory divisions. Additionally, the recruitment processes commenced during the fourth quarter for additional permanent staff who are expected to join the division's complement in the new year. Resources allotted to Fiduciary Services as at the end of 2015 was as follows: - the Deputy Director, Fiduciary Services, Regulator II –2 persons, Regulator –2 persons, and 1 Administrative Assistant.

Professional Development Training of the Division's staff is carried out on an ongoing basis to enhance core supervisory skill sets, continue professional development as well as in keeping with the Commission's commitment to actively participate in international fora.

The Commission was represented by the Deputy Managing Director, Regulation and Deputy Director, Fiduciary Services at the plenary of GIFCS in April 2015. Relevant discussions at the GIFCS meeting included international initiative on beneficial ownership, FATCA, and the FSB Americas Working Group on Shadow Banking. One key aspect of attendance to this Plenary was to continue the work being done on the international standards for Trust and Corporate Service Providers by the Working Group. The division also attended the 2015 STEP Caribbean Conference which was hosted by STEP Anguilla on 4th –6th May.

ENGAGEMENT WITH THE INDUSTRY

In January, Fiduciary Services licensees participated with general Commission licensees in focus groups hosted by the Commission. The focus groups were designed to elicit feedback on proposed changes to the AML/CFT Regime. The possible changes would specifically enhance the Introduced Business regime. These sessions took place on 9th January, 2015, with attendees providing their feedback for consideration.

CONTINUED ENGAGEMENT WITH INTERNATIONAL BODIES

Fiduciary Services continued work on the development of the international standard for Trust and Corporate Service Providers being undertaken by the Group of International Financial Centres Supervisors (GIFCS) during 2015. The Deputy Director, on behalf of the Commission, submitted a briefing paper to both GIFCS and Overseas Territories Regulators in March to propose the establishment of Supervisory Colleges for TCSPs. The Deputy Director Fiduciary Services also assisted the Chairman of the TCSP Working Group with the presentation of work undertaken for the completion of a self-assessment questionnaire against the GIFCS TCSP Standard. The completed questionnaire was approved at the GIFCS Fall Plenary and sent to all GIFCS members in November 2015.

STRATEGIC WORK PLAN 2015

The Deputy Managing Director, Regulation and Deputy Director, Fiduciary Services continued to contribute to the work of the National Risk Assessment (NRA) Steering Group, towards the production of a National Risk Assessment Report for the Virgin Islands

INVESTMENT BUSINESS

The Investment Business Division (the "Division") administers the Securities and Investment Business Act (SIBA), which covers all Securities and Investment Business including mutual funds. SIBA serves as principal legislation for the investment business sector. The Division oversees the entities operating in this area and their compliance with SIBA and relevant ancillary legislation. The Division currently executes its mandate with a staff complement of 14.

INSERT as CALL OUT BOX - title applicable legislation: Mutual Funds Regulation, 2010 ("the Regs"), the Public Funds Code, 2010 ("the PF Code"), the Regulatory Code, 2009 ("the Code"), the Investment Business (Approved Managers) Regulations, 2012 ("the IB Regs") and the Securities and Investment Business (Incubator and Approved Funds) Regulations, 2015 ("the IAF Regs").

Work in the Investment Business area during 2015 primarily centered on international developments for funds, improving compliance levels of licensees and administering younger regimes. Funds continue to constitute the majority of investment business licensees at about 76%. Overall, the number of investment business licensees has remained relatively constant since SIBA's introduction 5 years ago.

In an effort to assist licensees with a compliant transition to SIBA, the division has also devoted additional resources to education of licensees as well as introduced initiatives aimed at reviewing and monitoring compliance. Efforts have been concentrated on newer provisions to ensure that the new scope of provisions are fully realized.

APPROVED INVESTMENT MANAGERS

At the end of the third year of administering the Approved Manager's regime (which was introduced in 2012), the Commission had recorded 120 license-holders. As an option for suitably qualified investment managers and advisors, based on nature, size and complexity of their business operations, the Approved Managers' regime delivers a lighter regulatory touch aimed at facilitating startup operations.

The regime provides a regulatory carve out modeled on the Commission's risk-based approach for entities carrying on specific and limited business activities servicing both BVI funds and those domiciled in other jurisdictions. . Some existing entities already licensed under SIBA opted to seek approval using the new regime to take advantage of more flexible options for operating. The performance standard delivered by the Commission for this approval has also made the regime more attractive to service providers.

INVESTMENT BUSINESS LICENSEES

The number of investment business licensees has remained relatively constant since the introduction of SIBA in 2010.

Approved Managers & Investment Business Licensees	2015
Approved Investment Manager Applications	60
Approved Investment Managers Approvals Granted	70
Approved Investment Managers Cancelled	5
Active Approved Investment Managers	120
Investment Business License Applications	11
Investment Business Licensees Granted	9
Investment Business Licensees Cancelled	62
Investment Business Active Licensees	476

As part of its focus on continually raising the quality and level of interaction with the industry, the Division engaged industry liaison groups including BVI Investment Funds Association and the Securities and Investment Business Advisory Committee during the year. There were several tangible benefits and the Division realized marked improvement in the quality of the investment business applications received.

Authorised Representatives

The Authorised Representative regime was introduced at the advent of SIBA to provide a specific intermediary between investment business licensees and the Commission. Forty-eight Authorised Representatives have been approved by the Commission and they continue to act on behalf of the nearly 3,000 BVI funds in operation. The Commission is pleased to note that in 2015 compliance with the requirement to appoint an Authorised Representative is near 100%. Those licenses who were not in compliance have been pursued using available enforcement tools.

In Q2, funds with 20 investors or less and maximum investments of $20-100 million were granted exemption from the requirement to appoint certain functionaries, based on the introduction of Incubator and Approved Funds regulations. Careful monitoring of the new arrangements in an effort to evaluate suitability of the products and regulatory environment will continue in 2016; a number of entities had taken advantage of the new arrangements by the end of the year.

Approvals Granted (For Public Funds)	No. of Private Funds
Exemption from Preparing & Submitting Audited Financial Statements	3
Appointment of Functionaries	1
Registration of Amended Prospectus	57
Extension of Time for Submission of Financial Statements	1

Approvals Granted (For Private & Professional Funds)	No. of Private Funds	No. of Professional Funds
Exemption from Preparing & Submitting Audited Financial Statements	22	30
Exemption from the Requirements to Appoint an Auditor	6	4
Exemption from the requirement to appoint a Custodian	2	23
Exemption from the Requirement to Appoint a Fund Manager and Custodian	1	1
Extension of Time for Submission of Financial Statements	50	104
Incorporating as an SPC	0	3

Approvals Types (For Investment Business Licensees)	No. of Investment Business Licensees
Amendment & Imposition of Terms & Conditions of Licence	4
Issuance of Amended Licence	4
Change in Ownership Structure	21
Exemption from Preparing & Submitting Audited Financial Statements	20
Change in Initial Financial Year	4
Extension of Time for Submission of Financial Statements	22
Change in Ownership Structure	16
Change of Licensees Name	2
Appointment of Auditor	10
Appointment of Compliance Officer	7
Exemption from the Requirement to Appoint Compliance Officer	31
Cancellation of Regulatory Status	32

The Segregated Portfolio Companies' (SPC) Regime was under review by cross functional teams within the Commission and industry liaison groups in 2015 and proposals have been advanced for suggested legislative amendments to expand the current offering to benefit a wider range of entities.

As part of the review of the risk-assessment framework, the division undertook additional development of prudential returns for SIBA licensees.

Division team members also collaborated on the development of regulations for the oversight of foreign funds. Foreign funds more particularly describe funds domiciled outside BVI which wish to operate from within the BVI as mutual funds. The team working on this effort expects to deliver its recommendations by Q2 2016.

Additional work in progress for delivery in 2016 includes:

1. Recommendations on capital and professional indemnity coverage for entities licensed under SIBA;
2. Recommendations in relation to the Alternative Investment Fund Managers Directive (AIFMD) based on the ESMA review on whether the marketing passport regime should be extended to BVI (and other Third countries);
3. Pursuit of MOUs with some EU member states for the purpose of securing approval for passporting of BVI funds
4. Revision of the Mutual Funds Annual Returns (MFAR) platform to assist with more efficient statistical reporting by licensees

Active participation in international membership groups and associations is a constant feature in the objectives of the Commission. The division through its Director and others participated in regular meetings and initiatives of IOSCO

including attending the Annual General Meeting, Emerging Markets Committee, Inter-American Regional Committee and Presidents Committee Meetings during the year.

INSURANCE

The Insurance Division of the Commission is responsible for the regulation and supervision of persons licensed by the Commission through the Insurance Act and other applicable pieces of legislation. Those licensed to conduct insurance business and related activities include: domestic insurers, captive insurers, and insurance intermediaries (insurance agents, brokers, managers, and loss adjusters). Regulation and supervision of the sector involves desk-based (off-site) and on-site monitoring to ensure compliance by licensees BVI legislation, prudential standards and internationally accepted best practices.

[CALL OUT-titled relevant legislation] Insurance Act, 2008 ("Insurance Act"), the Insurance Regulations, 2009 ("Insurance Regulations") and the Regulatory Code, 2009 ("Code").

CAPTIVE INSURANCE

BVI licensed captives licensees now stand at 142.

Regulatory changes have been proposed for the captive insurers' regime in particular which will provide more flexibility. Changes include creation and introduction of two new classes of captives. With these two new offerings the Commission will expand the types of captive licenses.

Approval was granted during the year by the Commission's enforcement committee for the appointment of a joint liquidator to a licensed captive insurer who was in contravention of the legislation. The contravention was significant to the division who recommended and supported the enforcement action.

DOMESTIC INSURANCE

Domestic insurance continues to maintain its strength with indicators pointing to potential further development. The Commission continues to receive inquiries from new potential entrants to the market.

Noteworthy transitions in the sector this year included:

1. The grant of an exemption to a license for permanent health and life insurance coverage
2. Steps to remove a previously issued 'cease and desist' order; and
3. Assisting with liquidation process for an insurer.

The division introduced changes in procedure related to domestic business trusts during the year. A number of trust deeds were completed during the year amidst some challenges is properly affecting the required establishment of trust assets within the jurisdictions.

Companies	No. of Insurance Licensees
Captives	142
Domestic	37

Intermediaries	No. of Insurance Licensees
Agents	15
Brokers	5
Managers	14
Loss Adjusters	5

INTERMEDIARIES

The insurance agents cancelled licences during the year. The number of licensed agents at the end of the year was 15.

In 2015 the division utilised a team of 9 to fulfill its mandate including: post licensing activities, financial statement analysis, and monitoring of high risk entities.

Licensed insurers have untimely sought extensions of time in which to submit audited financial statements. Their frequency coupled with the number of requests to approve changes in auditors is a matter the Commission will continue to monitor. In cases where extensions are granted for additional hire to submit audited financials, the total extensions according to current Commission policy may not exceed nine months.

In pursuit of the Commission's objectives to support and provide continuing education and improve compliance levels, the division participated in discussions with liaison groups including the Domestic Insurance Advisory Council (DIAC). The DIAC which was constituted early in 2015 held discussions on proposed amendments to the Insurance Act and Insurance Regulations, work of the Insurance Association, conduct of a thematic survey- on automobile insurance and /catastrophe preparedness and the proposed National Health Insurance.

The division also worked with the Captive Insurance Advisory Council (CIAC) as part of its liaison efforts and tackled matters including the aforementioned proposed legislative amendments and plans for international promotion of the strength and quality of the Territory's approach to insurance regulation.

Division team members worked to improve skills through training provided by a number of events conducted by regional and international bodies including: International Association of Insurance Supervisors (IAIS), Group of International Insurance Centre Supervisors (GIICS), and Caribbean Association of Insurance Regulators (CAIR).

Participation in events hosted by the same bodies also afforded insurance division personnel the opportunity to be a part of policy development, review of and changes to regulatory approaches in the insurance sector. Through this participation with regional and international counterparts, the division is able to maintain relationships with key persons in the insurance arena and stay current on insurance industry matters.

During 2015 the division collaborated with BVI Finance, the Government department responsible for promotion of the financial services sector, and made presentations on regulatory issues at conferences hosted by Risk and Insurance Management Society (RIMS), Captive Insurance Companies Association (CICA), and American Society for Healthcare Risk Management (ASHRM).

The division continued quarterly meetings with the Captive Insurance Advisory Council (CIAC). The members represent the insurance, legal and accounting industry. Key items tackled during the year include:

- Proposed amendments to the Insurance Act and Insurance Regulations.
- Marketing of the jurisdiction in collaboration with BVI Finance
- Contributions towards the development of VIRRGIN III
- Plans of the Association of Insurance Managers

The Division continued progress against the objectives of the strategic work plan by contributing to the risk assessment framework, implementation of International Monetary Fund (IMF) recommendations, amendments to legislation and contributing to an electronic platform for prudential returns.

REGISTRY OF CORPORATE AFFAIRS

The Registry of Corporate Affairs (the "Registry") administers the BVI Business Companies Act (BCA) the Partnership Act, the Trade Marks Act, and the Registration of UK Patents Act. Given the volume of BVI business companies, the Registry's primary activities center around administration of the BCA and related subsidiary legislation.

[INSERT LIST OF APPLICABLE LEGISLATION]

SECTOR OVERVIEW

At the close of 2015, The BVI Business Companies (Amendment) Act, 2015 was enacted with the expectation that it would go into force in January, 2016. The amendment Act requires all BVI business companies to file a register of current directors, including specific director details, with the Registry. Several of the amendments translate to improvements in service delivery to clients. A business company will be able to acquire its own shares for no consideration along with the ease of electronic transfer of company shares on a recognized exchange. The requirements for companies to continue outside the BVI are greatly clarified and the Commission now has the power to revoke the appointment of authorized or recognized custodians as holders of bearer shares.
In recognition of the priority of certain types of transactions and to facilitate the efficient use of BVI business companies as part of a global network of transactions, the Registry launched and introduced its Premium Services Department during the year.

The department is headed by a newly appointed Deputy Registrar and extends daily operations to a 14 hour day. The Premium Services department provides express service for time sensitive transactions such as Application for Continuation, Discontinuations, Notice of Change in Shares, Registration of Articles of Merger, application for registration of charge, and Amendment to Memorandum and/or Articles of Association. The Premium Services primarily supports transactional business driven largely by legal firms facilitating mergers and acquisitions, lending and multi-jurisdictional trade deals.

VIRRGIN Lite was also announced as a new initiative with implementation expected by the end of the third quarter of 2016. This expansion of services builds on the original VIRRGIN platform, which provides automated, electronic filing for pre and post-incorporation transactions. VIRRGIN Lite will provide limited access for service providers located outside of the BVI, beginning with Hong Kong, where the Commission maintains a presence through its office at BVI House Asia. The Registry expanded its operating time to add six additional hours daily to support these expanded services.

In continuing the Commission's efforts to modernize the Territory's suite of Intellectual Property legislation, new Trade Marks Rules came into force on 1st September, 2015. The Trade Marks Rules complement the Trade Marks Act, 2013 and specifically require that applications and filings be made by an approved trademarks agent. The Registry fielded a number of applications and ultimately approved trademarks agents to service clients using the legislation.

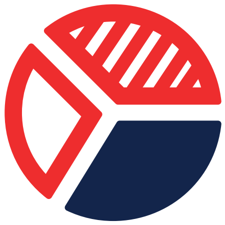
The Commission also announced additional services for VIRRGIN Software. This additional service, VIRRGIN Lite benefits those BVI licensed registered agents with a physical presence in Hong Kong. It affords them the opportunity to initiate specific services from the HK Office and to request dispatch of certain documents in HK to reduce time. The services is particularly facilitated by the Commission's HK Office at BVI House Asia.

STATISTICS

BVI Business Companies remain the dominant vehicle by volume in the Registry's operations.

45,490

NEW COMPANIES IN 2015



144 **NEW LIMITED PARTNERSHIPS**

375 **NEW TRADEMARKS**

The activity surrounding trademarks is notably higher since the introduction of the new Act.

Company registrations by company types.

Registration by Company Types	2013	2014	2015
Company Limited by shares	53,266	50,760	45,852
Unlimited Companies	32	30	36
Companies Limited by Guarantee	49	32	35
Foreign Company	32	13	17

POST INCORPORATIONS

The after incorporation transactions listed below include some of the more frequently filed transactions.

Registration renewals in 2015 were 420,771.

Registration by Company Types	2012	2013	2014	2015
Request for Certificates of Good Standings	52,978	59,247	59,288	53,124
Filing Notice of Completion of Liquidation	6,458	7,531	7,994	9,375
Filing Notice of Appointment of Liquidator	6,436	7,776	8,236	9,134
Request for Certifications	7,266	7,908	7,563	6,569
Notice of Change of Registered Agent	6,447	10,477	10,019	9,249
Application for Registration of Charge	8,120	8,723	7,393	8,603
Register of Directors & Members	1,356	1,767	1,410	1,320
Notice of Continuation out of the Virgin Islands	207	402	345	443
Request for Special Certificates	701	891	703	923

FOCUS FOR 2016

- Continue employment development programme to ensure all Registry staff are fully versed in the functions and processes of the Registry.
- Propose new Intellectual Property offerings with succession for revised Patents and Copyright legislation.
- Issue additional guidance and practice notes to reduce errors and omissions in industry filings.
- Facilitate filings to satisfy BVIBC Amendment Act, 2015 (filing of practitioners of directors)

NON SUPERVISORY DIVISIONS

LEGAL AND ENFORCEMENT

LEGAL AND ENFORCEMENT

The Legal and Enforcement Division comprises 13 Counsel, Enforcement Officers and administrative staff. Functionally, it is divided into the Legal and Enforcement Units each of which is headed by a deputy to the Director of Legal and Enforcement.
The Legal Unit functions as in-house counsel to the Commission providing advice across all divisions and to the Managing Director and the Board of Commissioners. It also has primary responsibility for the Commission's local and international cooperation with other competent authorities arising from, for example, the Commission's obligations under the Financial Services Commission Act, 2001, the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information and the Memorandum of Understanding between Authorities of the Inter-Governmental Committee on Anti-Money Laundering and Countering the Financing of Terrorism.

ENFORCEMENT

The Enforcement Unit gathers intelligence and conducts investigations into breaches of the Territory's financial services laws. In addition to its investigative and intelligence operations during 2015, it provided secretariat support for the Enforcement Committee until 31 December, 2015 when a dedicated Commission Secretariat was established.

LEGAL

The principal responsibilities of the Legal Unit include:

a) Providing regulatory, corporate, commercial and general legal advice and assistance to the Commission;
b) Handling all administrative, civil, regulatory and other litigation involving the Commission, and
c) Executing the Commission's local and international cooperation obligations

The Legal unit handled 92 new litigation matters in 2015. As usual, the large majority of the applications involved the Registrar of Corporate Affairs and were mainly applications to restore dissolved companies to the Register. The Commission brought only one proceeding and this was an application - BVIHC (COM) 109/2015: Financial Services Commission v. AAUG Insurance Co Ltd - to wind up an insurance licensee.

The Legal unit received more than 200 requests for advice from the Commission's regulatory divisions and the Registry of Corporate Affairs. These involved mainly breaches of financial services legislation and compliance inspections. The Legal Unit also provided advice on the law and practice relevant to the Commission's general operations including governance, various agreements and human resources matters.

INTERNATIONAL COOPERATION MATTERS

The Commission received 253 cooperation requests from international counterparts in 2015. The Commission itself made a total of 61 requests for cooperation or information from local and international partners.

In 2015, there was also a very strong focus on professional development with 2 Counsel each undertaking a very successful 6-month secondment to the private sector and 2 attorneys from the private sector being seconded into the Commission. Both inward and outward secondments were completed with very good results and to the satisfaction of the Commission. Additionally, 3 team members received training in trademark law and practice in preparation for the implementation of the Trade Marks Act, 2013.

POLICY, RESEARCH AND STATISTICS

The Policy Research & Statistics Division is the strategic intelligence gathering and policy development arm of the Commission. The Division is responsible for the development of regulatory policies, monitoring international regulatory and legislative developments, conducting research on financial services related topics and producing industry guidelines and statistics. The Division also takes the lead in all anti-money laundering and counter-terrorist financing related matters, including the training of staff. It also coordinates international assessments relative to the work of the Commission and takes the lead in effecting necessary reforms arising from recommendations contained in assessment reports.

NATIONAL RISK ASSESSMENT (NRA)

In 2014, the Division put forward a policy paper to the Board for approval and onward transmission to the Government of the Virgin Islands outlining a strategy for the conduct of the Territory's first NRA. This initiative was in response to the FATF's Fourth Round of Mutual Evaluation requirements for countries to be able to identify, assess and understand their money laundering and terrorist financing (ML/TF) risks. This is supported in Recommendation 1 of the FATF's 40 Recommendations on AML/CFT.

COMPOSITION OF THE NRA

The policy established the foundation for the creation of a National Risk Assessment cohort, which includes:

- The National Risk Assessment Council
- The National Risk Assessment Steering Group
- The Joint Anti-money Laundering and Terrorist Financing Committee (JALTFAC)
- The Inter-governmental Committee on AML/CFT (IGC) Trained Assessors
- The Virgin Islands National Risk Assessment Public Education Committee (PEC)
- The Virgin Islands National Risk Assessment Communications Committee

The National Risk Assessment process is guided by the decisions of the National Risk Assessment Council, which oversees all immediate and indirect bodies involved in the National Risk Assessment exercise. The National Risk Assessment Steering Group carries out the mandate of the Council and has been responsible for designing and driving the National Risk Assessment Process. They, along with the assistance of other bodies, namely, JALTFAC, the IGC, Trained Assessors, the Public Education Committee and the Communications Committee of the NRA have sought to identify and suggest ways to mitigate the weak areas in the Territory's AML/CFT regime.

The National Risk Assessment Steering Group was also tasked with the preparation of a National Risk Assessment Report. At the close of 2015, the Steering Group submitted its first draft of the National Risk Assessment Report to the Local Reviewer. It is anticipated that the Report would be finalized and then submitted to the External Assessor for comments. The document would then be finalized once more and handed over to the National Risk Assessment Council and Government, which will then make determinations on the publication of the Report (possibly in a redacted form).

CARIBBEAN FINANCIAL ACTION TASK FORCE (CFATF)

The Commission remains an active member of the CFATF. Among its delegation is the Deputy Director of the Policy Research and Statistics Division (PRSD). The Deputy Director PRSD is a trained CFATF Assessor. As a CFATF Assessor, trained in the Methodology for assessing compliance with the FATF standards, the Deputy Director PRSD is actively involved in the Mutual Evaluation process whereby persons assess other jurisdictions' compliance with the FATF's 40 Recommendations. This entails planned jurisdictional visits by assessment teams, continual follow-up and monitoring of the jurisdictions' key industries relative to AML/CFT and the writing of reports.

CFATF Assessors are also tasked with training and developing additional assessors within their jurisdiction for the purposes of expanding the pool of assessors available to the CFATF as well as to aid in the implementation of a National Risk Assessment.

In July 2014, 44 persons received training in the Methodology to assess FATF compliance. From that number 41 persons were selected as assessors. Of the 41, 35 worked as assessors during the NRA process. The assessors completed their assignments in December 2015; however, the assessment Team Leaders continued their work with the NRA Steering Group into the ensuing year.

LEGISLATIVE DEVELOPMENTS

The Division plays a pivotal role in the development of financial services legislation and works hand in hand with the Attorney General's Chambers on these matters. Among its work in legislative developments the Division drafts Bills, Regulations and other subsidiary legislation for review by the Attorney General's Chambers and onward transmission to Cabinet and the House of Assembly for enactment. Amendments to existing legislation relevant to the regulation of the financial services sector are also executed by the Policy Research and Statistics Division.

Summary of Legislation Prepared in 2015 included:

- Regulatory Code (Recognised Exchanges) Notice, 2015
- Financial Services Commission (Amendment) Act, 2015
- Trade Marks (Amendment) Act, 2015
- BVI Business Companies (Amendment) Regulations, 2015
- BVI Business Companies (Amendment) Act, 2015
- Trade Marks Rules, 2015
- Financing and Money Services (Exemptions) Regulations, 2015
- Financial Services Commission (Fees) (Amendment) Regulations, 2015
- Anti-money Laundering (Amendment) Regulations, 2015
- Anti-money Laundering & Terrorist Financing (Amendment) Code of Practice, 2015
- Securities and Investment Business (Amendment) Act, 2015
- Securities and Investment Business (Incubator and Approved Funds) Regulations 2015
- BVI Business Companies (Restricted Company Names) (Amendment) Notice, 2015

In addition, the Division prepared guidelines to assist practitioners in the financial services industry in their understanding and application of the relevant laws and rules governing adherence to regulatory and registry legislation.

SUMMARY OF GUIDELINES DEVELOPED IN 2015 INCLUDED:

- Guidelines in relation to Extension of Compliance Period under the Schedule in the Anti-Money Laundering Regulations, 2008 (as amended in 2015)
- Guidelines and Operating Procedures of the LSC (Amendment) 2015
- Trade Mark Agents Guidelines
- SIBA Incubator and Approved Funds Guidelines
- Amendments to and Consolidation of the Guidelines and Operating Procedures of the Enforcement Committee 2015
- Amendments to and Consolidation of the Guidelines and Operating Procedures of the LSC 2015

REGULATORY DEVELOPMENTS (SUMMARY OF LEGISLATIVE AND POLICY DEVELOPMENTS)

To stay on the cutting edge and be up-to-date with international regulatory standards, the Commission often reviews legislation and regulatory guidelines and policies. In 2015, the Division consolidated the Guidelines and Operating Procedures of the Licensing and Supervisory Committee. These were further amended to expand the delegation of authority given to Directors with respect to decision making powers relative to financial services legislation and related activities pursuant to section 17 (2) of the Financial Services Commission Act, 2001.

Other noteworthy regulatory developments that had taken place in 2015 included the amendments to the Anti-Money Laundering Regulations (AMLR) and Anti-Money Laundering Terrorist Financing Code of Practice (AMLTFCOP) to comprehensively address the issue of beneficial ownership and third party relationships in relation to BVI business companies.

The amendments to the BVI Business Companies (Amendment) Act, 2015 (amongst other things) ushered in the requirement for the Registration of Register of Directors and accordingly expands on the particulars of directors to be registered. The date on which the provisions take effect, relate to both new and existing BVI business companies.

The Trade Marks Act, 2013 and the Trade Marks Rules, 2015, were brought into force on September 1st 2015. The Trade Marks Rules, 2015 were developed to ensure the proper and effective implementation of the provisions of the Trade Marks Act by, amongst other things, providing necessary forms to facilitate transactions relative to trade marks registration and processes generally. The enactment of these two pieces of legislation represents the first step in the modernization of the Territory's suite of intellectual property legislation. Both enactments respectively repeal the Trade Marks Act, 1887 and the Trade Marks Rules, 1947. The new Trade Marks legislation, unlike the previous regime, requires that the registration of trademarks be carried out through Trade Marks Agents who must be approved by the Commission. Any individual, corporate entity or partnership may apply to act as a Trade Mark Agent. At the end of 2015, there were 12 registered Trade Marks Agents.

SUPPORT TO THE REGULATORY AND REGISTRY DIVISIONS OF THE FSC

During 2015 the PRSD continued to provide policy support to the regulatory Divisions. Much of the support related to the review of documents produced by the Divisions to ensure policy consistency and advising on matters not directly addressed by the regulatory laws and therefore needed policy direction. Similar action was also undertaken in relation to the Registry of Corporate Affairs, in addition to advising and responding to industry queries regarding the application of provisions of the BVI Business Companies Act, the Registry's queries regarding content of memorandum and articles of association and the suit of intellectual property legislation.

COORDINATION OF FINANCIAL SERVICES LIAISON GROUPS

The Division coordinates substantive amendments to legislation and the issuance of guidelines with several advisory bodies which comprise Commission staff and industry professionals. Among these advisory bodies are the Company Law Review Advisory Committee (CLRAC), the Intergovernmental Committee on AML/CFT (IGC) and the Joint Anti-money Laundering and Terrorist Financing Advisory Committee (JALTFAC).

COMPANY LAW REVIEW ADVISORY COMMITTEE

The Company Law Review Advisory Committee is comprised of Commission staff and industry professionals. As the name of the Committee suggests, it was established as a consultative body for the review of legislation and guidelines pertaining to company law within the British Virgin Islands. The Committee meets throughout the year to discuss the effectiveness of various company law provisions and also serves as a catalyst to change and improve existing legislation, guidelines and policies. Being comprised of industry practitioners, it also provides a platform through which industry representations concerning company law can be made and reviewed.

INTER-GOVERNMENTAL COMMITTEE ON AML/CFT MATTERS (IGC)

Established under section 50 of the Anti-money Laundering and Terrorist Financing Code of Practice, 2008 ("the Code"), the Inter-governmental Committee on AML/CFT Matters (IGC) promotes cooperation between the Territory's law enforcement and regulatory authorities in the fight against money laundering and terrorist financing. The IGC meets at least once a quarter to share information on activities which might have AML/CFT implications, to provide updates on any AML/CFT matters encountered by members and to deliberate on how best to coordinate efforts to effectively combat financial crime.

The Division is responsible for coordinating the activities of the Committee, and for the collection and analysis of AML/CFT statistics submitted by its members. The Committee comprises the following members: The BVI Airport Authority; The Attorney General's Chambers; Her Majesty's Customs; The Financial Investigation Agency; The Financial Services Commission; The Immigration Department; The Office of the Director of Public Prosecutions; Her Majesty's Post Office; The Royal Virgin Islands Police Force; The BVI Shipping Registry; The Department of Trade and Consumer Affairs and The BVI Land Registry.

JOINT ANTI-MONEY LAUNDERING AND TERRORIST FINANCING ADVISORY COMMITTEE

JALTFAC is established under section 27A of the Proceeds of Criminal Conduct (Amendment) Act, 2008 (POCCA). JALTFAC is an advisory body on matters concerning the Territory's anti-money laundering and terrorist financing regime. Among JALTFAC's activities have been its involvement in the preparation, design and issuing of the Anti-money Laundering Terrorist Financing Code of Practice, 2008, ("the Code"). To that end, JALTFAC was intricately involved in the passage of the Anti-money Laundering (Amendment) Regulations, 2015 (AMLR) and the Anti-money Laundering & Terrorist Financing (Amendment) Code of Practice, 2015 (AMLTFCOP).

Several consultative meetings and documents were prepared to facilitate discussion on proposed amendments to the AMLR and the AMLTFCOP. Members of JALTFAC led industry discussions and provided the reasons and rationale behind the proposed changes. They also considered representations given, which were further evaluated at Committee meetings. The Committee also facilitated and led industry discussions on struck off Companies.

JALTFAC is comprised of the Managing Director of the Financial Services Commission, the Attorney General, Commissioner of Police, Comptroller of Customs, Director of the FIA and the Financial Secretary, together with members of reporting institutions and other stakeholder organisations such as the Association of Registered Agents, The BVI Compliance Association, The BVI Bankers Association, The BVI Accountants Association, The BVI Bar Association and Society of Trusts and Estate Practitioners.

OTHER LIAISON GROUPS

The PRSD also sits in, and provides necessary guidance to, the Securities and Investment Business Advisory Committee (SIBAC) and the Captive Insurance Advisory Committee (CIAC) respectively coordinated by the Investment Business Division and the Insurance Division. During 2015 the work of these committees resulted in the development of the Securities and Investment Business (Incubator and Approved Funds) Regulations and amendments to the Insurance Act and insurance Regulations by the PRSD.

INDUSTRY MEETINGS AND CONSULTATION

Consultative meetings were held throughout the year with stakeholders within the financial services industry through the various liaison groups established by the Commission. In addition, the PRSD continued to field questions from the industry relating to clarifications on the implementation of the regulatory legislation and the application of guidelines.

In April 2015, the Division prepared and presented the findings of the 2014 Thematic Inspection on Beneficial Ownership Information and Introduced Business at the scheduled Meet the Regulator Forum. Conducting the Thematic Inspection and the preparation of a report to the industry was pivotal in bringing greater understanding to the relationship of Introducers with local Trust and Cooperate Services Providers and the attainment of Beneficial Ownership Information.

STATISTICS

Production of the Commission's quarterly Statistical Bulletin is the responsibility of the Policy Research and Statistics Division. The Bulletin is a compilation of key statistical indicators collected by each regulatory Division. The statistics are used to illustrate the growth and performance of each sector of the industry, as well as data related to regulatory enforcement and international cooperation matters.

The compilation of the various AML/CFT statistics required to be maintained by the members of the Inter-governmental Committee on AML/CFT Matters is another important facet of the Division's statistical responsibilities. These statistics are maintained to ensure compliance with the FATF's 40 Recommendations on Anti-money Laundering and Terrorist Financing.

The Division has expanded its mandate where it comes to the collection of statistics for IGC members to providing in depth analysis of the different trends and connections that can be seen among the various IGC members.

ESTABLISHMENT OF THE BVI INTERNATIONAL ARBITRATION CENTRE

The Board of the BVI International Arbitration Centre held its inaugural meeting in Road Town, Tortola, British Virgin Islands on Thursday 12 November, 2015. The Board of the BVI International Arbitration Centre was appointed under section 95 of the Arbitration Act, 2013. The Creation of the BVI International Arbitration Centre is the culmination of work done by the Focus Group on the Development of New Legislation on Arbitration (AFG) coordinated and led by the PRSD. The focus group commenced its work in 2011, bringing about the Arbitration Act, 2013, which revised and updated the BVI's arbitration laws. With the creation of the BVI International Arbitration Centre, it is hoped that the British Virgin Islands would be in a prime position to take advantage of the growing need for a centre to manage and administer commercial dispute proceedings in the region. In order to facilitate the work of the BVI International Arbitration Centre and, in particular, the operations of the provisions of the Arbitration Act, the PRSD drafted and presented to the Arbitration Board the Arbitration Rules, 2015 (revised from 2014).

POLICY SUPPORT TO THE GOVERNMENT

The Division, through the Director, continues to lend policy support to the Government of the British Virgin Islands on issues pertaining to or affecting the financial services industry. In particular, much needed support is provided in relation to matters concerning beneficial ownership, including the writing and reviewing of documents in relation thereto. The issue of beneficial ownership information and how the British Virgin Islands could properly cooperate on the UK's initiatives, continues to be an ongoing engagement between the BVI and the UK Governments. Several discussions were held in 2015 to formulate the Territory's position on the issue.

CORPORATE

SERVICES

FACILITIES

During 2015, the Facilities department deployed innovative technology across several initiatives. The aim was to improve security and functioning of key physical assets supporting the Commission's operations. One such initiative was the installation of a modern computerised cooling system to ensure the protection of the Commission's information technology servers.

Business needs have dictated staff increases across the Commission and the Facilities department began pre-work to add two additional building workspaces. Acquisition of the additional leased space is planned in part to allow the Commission to convert some of its current training centre to provide more full-time workspaces.

Changes were also made to the Commission's physical security systems to provide additional security for physical records and assets housed on premises.

The Facilities Department has also contributed significantly to the Commission's efforts to incubate the International Arbitration Centre which is currently commissioning brand new premises.

INFORMATION TECHNOLOGY

The IT Infrastructure is the operations backbone of the Commission and provides the framework and support for critical business functions. The IT team ensures that the Commission, currently in excess of 170 employees, is able to execute business objectives through use of the IT network complemented by email and necessary document access and management services. With a second physical office now operated from Hong Kong, during 2015 the Commission expanded IT services and the services being offered through its Asia office.

VIRRGIN is the Commission's proprietary online software application for the processing managed by the Registry of Corporate Affairs. With uptime of near 100%, VIRRGIN was able to provide the needed capacity as a critical enterprise software application. Enhancements were made to the application based on user feedback and a review of internal processing information. These continuous enhancements allow the Commission to continue to deliver a high quality user platform.

The Commission began the implementation of an expanded VIRRGIN application, VIRRGIN 3. This will allow for the full automation of the pre and post licensing process of the regulatory arm. These enhancements push the Commission to continue to deliver exceptional client services as it forges ahead with the updates to its Registry and Regulatory divisions.

Internal and External audits were conducted of the IT infrastructure to ensure that the Commission is able to maintain the required level of information and asset security. Technological and administrative resources such as access control and work flow improvements were engaged to mitigate risk from top to bottom within the organisation. This collaboration between IT and Operations, improved the use of technology and service delivery in processing.

FINANCE

The Finance Division is responsible for monthly financial reporting to management and to the Board of Commissioners on the Commission's financial resources and activities. Finance is tasked with proposing and enforcing policies and procedures to ensure compliance with international accounting standards and best business practices, and to achieve overall financial management optimisation.

The division's monthly financial summary provides comprehensive reports on revenue, expenditure, cash flow, the performance of investment products and the overall financial position of the Commission. The contributions from the staff of the Finance Division were key in ensuring that the Commission maintained its financial soundness.

The Commission posted total assets of $40.9 million at the end of 2015; 57.5% of which were sourced from reserves.

At the end of 2015 the Commission maintained approximately US$8.7 million in regulatory deposits. These deposits are held in respect of licensees and invested in accordance with a board approved investment policy aimed at retaining the value of the investment. Legislation prescribes the levels of regulatory deposit required, provisions for return and how regulatory deposits may be used.

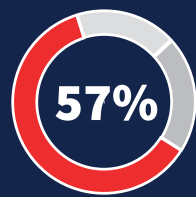
For the period ending 31 December, 2015, the Commission recorded revenues of $205.7 million on behalf of Government. The revenue was collected from usual business operations including the licensing and approval of entities and persons to conduct financial services business pursuant to relevant financial services legislation. Revenue collection in 2015 decreased slightly, 1.07% compared to 2014 and 1.55% within budget projections.

From its retention of revenue collected (2015: 11.5%, 2014: 11.0%), the Commission had available $26.3 million in direct revenue to fund its operations. Total operating expenses for 2015 are reported at $20.8 million, a 6.3% increase over expenses in 2014, namely due to staff cost and funding the operations of the BVI International Arbitration Centre. In addition to the funding to the International Arbitration Centre, the Commission made financial contributions to the National Risk Assessment, Financial Investigation Agency, and the Financial Services Institute at the H.L. Stoutt Community College.

Revenue and expenditure for the fiscal year 2015 are reflected in the financial statements which have been reviewed by the Commission's auditors BDO British Virgin Islands.

40.9M

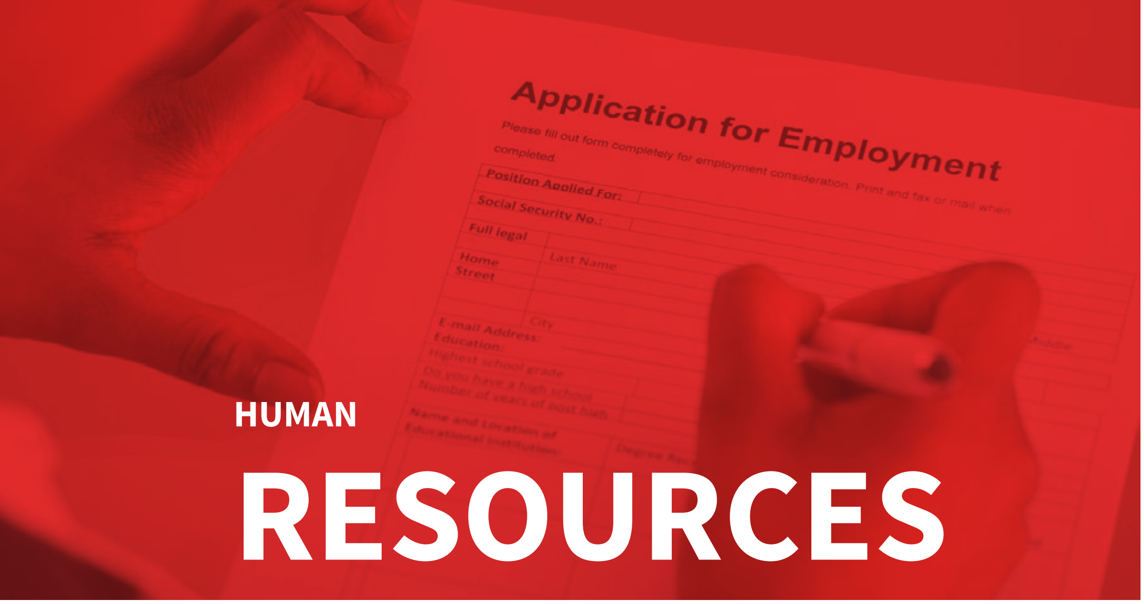
AT THE END OF 2015



SOURCED FROM RESERVES

205.7M

ON BEHALF OF GOVERNMENT



HUMAN RESOURCES

Investing in employees remains of paramount importance to the Commission. In pursuit of providing the best possible return on investment, the Human Resources division continues to provide leadership in managing human capital; devoting efforts to retain, motivate and develop employees to use their skills and experiences to assist the Commission in meeting its strategic objectives and to capitalize on opportunities in the business environment. To this end the Commission has provided financial scholarship for those attaining qualifications offered by International Compliance Association (ICA), Society of Trust and Estate Practitioners as well as meet the financial obligations for membership in those and other professional associations. The Commission's investment in employees also extends to external short and medium training opportunities and private sector internships and attachments.

NEW HIRES

During the course of 2015 14 new recruits were welcomed into full-time positions at different levels of the Commission. Of the 14 new recruits, three were management employees who were hired into existing positions. Under the Commission's Summer Employment Programme, around 14 summer interns were recruited between May and July 2015. Summer interns are traditionally university students with an interest in careers in business, finance and related disciplines.

SECONDMENTS

Three Commission employees embarked on secondment in 2015. Two of the secondees were afforded opportunities within the local private sector for periods of about 6 months each. The professional attachments provided a view of the industry and commercial business environment to complement their exposure to regulation and the workings of the public sector. One other employee was seconded to BVI Financial Services Commission (HK) Limited; the Commission's Asia office located in Hong Kong.

SEPARATIONS

Employee-separation from the Commission in 2015 totaled eight (8 – two (2) at management level and six (6) non management personnel, which includes two (2) employees with temporary status.

STAFF COMPLEMENT

The Commission's total staff complement at the end of 2015, excluding temporary appointments, was 169, an increase by 12

when compared to the total staff population at the end of 2014.

EMPLOYEE BENEFITS AND WELLNESS

In 2015 the HR division continued to promote health awareness among the staff and organised an annual health walk in October to coincide with Territorial (and global) recognition on Breast Cancer Awareness. The Division focused on raising funds for donation to the BVI Cancer Society; a number of staff members contributed to the cause.

The HR Division planned and hosted another successful FSC Kids Christmas Party in early December 2015.The event is an annual one and this year additional activities were included, which added new excitement for the kids. The kids party is a full family event with a carnival/fair theme including a visit from Santa.

EMPLOYMENT AND COMPENSATION

In 2015, there were 6 formal promotions of employees to new roles within the Commission. Two of the promotions resulted in employees transferring between departments; generally there were 3 transfers in 2015.

EMPLOYEE RELATIONS

HR continued to offer employee relation service to staff through our EAP Programme. Utilisation of this service was minimal in 2015.

TRAINING AND DEVELOPMENT

In 2015, staff attended a number of seminars and conferences which provided training and developmental opportunities. These included the following:

- BVI Business Annual Conference
- Technology Risk Supervision Seminar
- 13th Offshore Alert Conference
- 2015 RIMS Annual Conference
- Enforcement in the 21st Century
- International Programme for Insurance and Pension Supervisors

The Commission is keen on employees pursuing and attaining professional qualifications that are recognized and relevant to financial services business. During 2015, employees undertook studies in or attained professional designations/certifications in areas covered by the following associations and bodies:

- Institute of Chartered Secretaries and Administrators (ICSA) – 3;
- International Compliance Association (ICA) – 1;
- Society of Trust and Estate Professionals (STEP) -10

2016 PLANS

Looking ahead to 2016, the HR Division seeks to assist in retaining, developing and continuing to attract candidates with the requisite skills to improve the efficiency and functioning of the Commission and foster employees' engagement and motivation as new processes are implemented.

Staff Complement

Category	Total
Regulatory	54
Non-Regulatory	115
Total	**169**

Employee by Years of Service

10+	70
8 - 9	29
6 - 7	14
4 - 5	15
Less than 4	41
Total	**169**

FINANCIAL STATEMENTS

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For The Year Ended December 31, 2015

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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For the Year Ended December 31, 2015

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For the Year Ended December 31, 2015

BOARD OF COMMISSIONERS

Mr. Robin Gaul	Chairman
Mr. Colin O'Neal	Deputy Chairman
Ms. Denise Reovan	Commissioner
Mr. Richard Peters	Commissioner
Mr. Ian Smith	Commissioner
Mr. Edward Price	Commissioner
Mr. Jonathan Fiechter	Commissioner
Mr. Robert Mathavious	Managing Director/CEO, ex officio Commissioner

REGISTERED OFFICE

P.O. Box 418
Pasea Estate
Road Town, Tortola
British Virgin Islands

COMMISSION SECRETARY

Ms. Annet Mactavious

INDEPENDENT AUDITORS

BDO Limited
P.O. Box 34
Sea Meadow House
Tobacco Wharf
Road Town, Tortola
British Virgin Islands

Tel: (284) 494 3783
Fax: (284) 494 2220
www.bdo.vg

PO Box 34
Sea Meadow House
Tobacco Wharf
Road Town
Tortola VG1110
British Virgin Islands

Independent Auditor's Report

To the Board of Commissioners
British Virgin Islands Financial Services Commission
Tortola, British Virgin Islands

We have audited the accompanying consolidated financial statements of the British Virgin Islands Financial Services Commission and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2015, and the related consolidated statements of comprehensive income, changes in reserves, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Limited

Tortola, British Virgin Islands
September 20, 2016

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2015
Expressed in United States Dollars

	Notes	2015	2014
ASSETS			
Non-current assets			
Property and equipment	4	5,648,340	5,149,196
VIRRGIN project under development	5	1,758,944	1,354,354
		7,407,284	6,503,550
Current assets			
Regulatory deposits	7	8,672,854	8,602,586
Cash and cash equivalents	8	16,145,893	13,407,768
Time deposits	9	5,079,996	5,032,475
Financial assets at fair value through profit or loss	10	3,039,586	3,052,536
Other receivables and deposits	11	532,363	1,028,001
		33,470,692	31,123,366
TOTAL ASSETS		$40,877,976	$37,626,916
RESERVES AND LIABILITIES			
Capital reserves			
Contributed capital	12	3,993,900	3,993,900
Property and equipment reserve	12	7,407,284	6,503,550
Total capital reserves		11,401,184	10,497,450
Revenue reserves			
Training reserve	12	400,000	400,000
Loan revolving reserve	12	165,000	165,000
Future capital expansion reserve	12	7,500,000	7,500,000
Refunds reserve	12	50,000	50,000
Enforcement reserve	12	2,000,000	2,000,000
Contingency reserve	12	1,988,382	1,470,595
Total revenue reserves		12,103,382	11,585,595
Total reserves		23,504,566	22,083,045
Current liabilities			
Trade and other payables	13	2,231,513	2,223,754
Deposits on account	14	2,469,043	1,717,531
Distribution payable to Government	15	4,000,000	3,000,000
Regulatory deposits from licensed entities	7	8,672,854	8,602,586
Total liabilities		17,373,410	15,543,871
TOTAL RESERVES AND LIABILITIES		$40,877,976	$37,626,916

Signed on behalf of the Commission on September 20, 2016

Chairman *Managing Director*

The accompanying notes form an integral part of these consolidated financial statements

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Comprehensive Income
For The Year Ended December 31, 2015
Expressed in United States Dollars

	Notes	2015	2014
INCOME			
Fees collected on behalf of the Government	8	205,674,937	207,890,300
Less: Fees due to the Government	8	(180,524,498)	(183,617,038)
Fees retained by the Commission		25,150,439	24,273,262
Other income	16	986,438	1,067,220
Interest income		176,351	155,354
Net changes in fair value on financial assets at fair value through profit or loss	10	(42,479)	(12,383)
TOTAL INCOME		26,270,749	25,483,453
EXPENSES			
Advertising		9,073	9,372
BVI House Asia funding		222,946	235,133
Conferences and seminars		146,373	101,673
Contributions		59,978	42,017
Depreciation	4	599,402	563,853
Financial Investigations Agency funding		500,000	500,000
Financial Services Institute funding		250,000	200,000
Insurance		97,455	94,002
International Arbitration Centre funding		302,103	-
Licenses and fees		63,332	53,512
Literature and reference		122,950	124,020
Maintenance and hire		476,842	481,236
Memberships and subscriptions		84,515	88,566
Miscellaneous		3,825	15,195
Office expenses		254,078	243,714
Professional services		1,139,714	1,311,049
Public relations		44,392	98,056
Rent and lease		1,085,116	1,029,337
Staff costs	17	13,786,515	12,852,921
Travel and subsistence		872,910	789,436
Telephone and communications		533,794	530,146
Utilities		193,915	256,757
TOTAL EXPENSES		20,849,228	19,619,995
SURPLUS BEFORE GOVERNMENT DISTRIBUTION		5,421,521	5,863,458
Distribution to Government	15	(4,000,000)	(3,000,000)
SURPLUS FOR THE YEAR		$ 1,421,521	$ 2,863,458

The accompanying notes form an integral part of these consolidated financial statements

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Changes in Reserves
For The Year Ended December 31, 2015
Expressed in United States Dollars

	Opening balance	Surplus for the year	Transfers	Closing balance
2015:				
Surplus for the year	-	1,421,521	(1,421,521)	-
Contributed capital	3,993,900	-	-	3,993,900
Property & equipment reserve	6,503,550	-	903,734	7,407,284
Training reserve	400,000	-	-	400,000
Loan revolving reserve	165,000	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	7,500,000
Refunds & drawbacks reserve	50,000	-	-	50,000
Enforcement reserve	2,000,000	-	-	2,000,000
Contingency reserve	1,470,595	-	517,787	1,988,382
	$ 22,083,045	$1,421,521	$ -	$ 23,504,566

	Opening balance	Surplus for the year	Transfers	Closing balance
2014:				
Surplus for the year	-	2,863,458	(2,863,458)	-
Contributed capital	3,993,900	-	-	3,993,900
Property & equipment reserve	1,249,062	-	5,254,488	6,503,550
Training reserve	400,000	-	-	400,000
Loan revolving reserve	165,000	-	-	165,000
Future capital expansion reserve	10,000,000	-	(2,500,000)	7,500,000
Refunds & drawbacks reserve	50,000	-	-	50,000
Enforcement reserve	2,000,000	-	-	2,000,000
Contingency reserve	1,361,625	-	108,970	1,470,595
	$ 19,219,587	$2,863,458	$ -	$ 22,083,045

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
For The Year Ended December 31, 2015
Expressed in United States Dollars

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	1,421,521	2,863,458
Adjustment to reconcile net surplus to net cash		
from operating activities before working capital changes:		
Depreciation	599,402	563,853
Interest income	(176,351)	(155,354)
Gain or loss on disposal of property and equipment	(23,560)	-
Net changes in fair value on financial assets at fair value through profit or loss	42,479	12,383
Operating surplus before working capital changes	1,863,491	3,284,340
Decrease (increase) in other receivables and deposits	495,638	(587,674)
Increase (decrease) in trade and other payables	7,759	(189,874)
Increase (decrease) in deposits on account	751,512	(393,483)
Increase in distribution payable to Government	1,000,000	500,000
Net cash generated from operations	4,118,400	2,613,309
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase) decrease in time deposits-net	(47,521)	32,791
Purchase of financial assets at fair value through profit and loss-net	(29,529)	(67,714)
Acquisition of property and equipment-net	(1,503,136)	(5,818,341)
Proceeds from sale of property and equipment	23,560	-
Interest received	176,351	155,354
Net cash used in investing activities	(1,380,275)	(5,697,910)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,738,125	(3,084,601)
CASH AND CASH EQUIVALENTS		
At beginning of year	13,407,768	16,492,369
At end of year	$ 16,145,893	$ 13,407,768

The accompanying notes form an integral part of these consolidated financial statements

1. ORGANISATION AND OBJECTIVES

The British Virgin Islands Financial Services Commission (the "Commission" or the "Parent") was established under the Financial Services Commission Act, 2001 (the "Act") on December 31, 2001. The Act established the Commission including its subsidiaries (collectively referred to as the "Group") as an autonomous regulatory authority responsible for the regulation, supervision and inspection of all financial services in and from within the British Virgin Islands. Such services include insurance, banking, insolvency, fiduciary business, company management, mutual funds business as well as the registration of companies, limited partnerships and intellectual property. The registered office of the Commission is located at Pasea Estate, Road Town, Tortola, British Virgin Islands.

The Commission oversees all regulatory responsibilities previously handled by the Government of the British Virgin Islands (the "Government") through the Financial Services Department with the additional responsibilities of facilitating public understanding of the financial services system and its products, policing the perimeter of regulated activity, reducing financial crime and preventing market abuse.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which comprise standards issued or adopted by the International Accounting Standards Board and interpretations issued by its Standing Interpretations Committee. They have been prepared under the historical cost convention (with the exception of the revaluation of financial assets at fair value through profit or loss) and are expressed in United States ("US") dollars.

2.2 Standards, amendments and interpretations to existing standards effective and relevant to the Group

- Improvements to IFRSs. 2010-2012 Cycle. In the 2010-2012 annual improvements cycle, the International Accounting Standards Board (IASB) issued seven amendments to six standards. The amendments are effective immediately and, thus, for periods beginning at July 1, 2014. Each of the amendments requires either prospective or retrospective application. These improvements include:

  IFRS 13 Fair Value Measurement. Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

  IAS 24 Related Party Disclosures. Clarify how payments to entities providing management services are to be disclosed.
- Improvements to IFRSs. 2011-2013 Cycle. In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards. The amendments are effective immediately and, thus, for periods beginning at July 1, 2014. Each of the amendments requires either prospective or retrospective application. These improvements include:

  IFRS 3 Business Combinations. Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  IFRS 13 Fair Value Measurement. Clarify the scope of the portfolio exception in paragraph 52.

  IAS 40 Investment Property. Clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The application of the above mentioned amendments had no significant effect on the current period or any prior period. None of the other new standards, interpretations and amendments effective for the first time from January 1, 2015, have had a material effect on the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Group

The following new standards, interpretations and amendments, which have not been applied in these consolidated financial statements will or may have an effect of the Group's future consolidated financial statements:

- IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with informative and relevant disclosures. The standard provides a single principles based five-step model to be applied to all contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes the following revenue Standards and Interpretations upon its effective date (effective for annual periods beginning on or after January 1, 2017):

  - *IAS 18 Revenue*
  - *IAS 11 Construction Contracts*
  - *IFRIC 13 Customer Loyalty Programmes*
  - *IFIC 15 Agreements for the Construction of Real Estate*
  - *IFIC 18 Transfers of Assets from Customers;IFIC and*
  - *SIC 31 Revenue-Barter Transactions Involving Advertising Services*

- IFRS 9, Financial Instruments (as revised in 2014). In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The new standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting. IFRS 9 introduces a logical approach for classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

  The new model also results in a single impairment model being applied to all financial instruments. The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

  IFRS 9 introduces a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model aligns the accounting treatment with risk management activities. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of nonfinancial items that are eligible for hedge accounting (effective for annual periods beginning on or after January 1, 2018).

- Annual Improvements 2012-2014 Cycle. These improvements contain numerous amendments to IFRS, which are considered non urgent but necessary. The improvements result in accounting changes for presentation, recognition or measurement purposes; or they are terminology or editorial changes only (mostly effective for annual periods beginning on or after July 1, 2016). These improvements include:

  IFRS 7 Financial Instruments: Disclosures. Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

  IAS 19 Employee Benefits. Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Group (continued)

- Disclosure Initiative (Amendments to IAS 1). Amends Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

    - clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

    - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

    - additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

  This amendment is effective for annual periods beginning on or after July 1, 2016.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1, 2015 and which have not been adopted early, are expected to have a material effect on the Group's future consolidated financial statements.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Commission and its subsidiaries. Control is achieved when the Commission:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Commission reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Commission has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give the practical ability to direct the relevant activities of the investee unilaterally. The Commission considers all relevant facts and circumstances in assessing whether or not the Commission's voting rights in an investee are sufficient to give it power, including:

- the size of the Commission's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Commission, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Commission has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Commission obtains control over the subsidiary and ceases when the Commission loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Commission gains control until the date when the Commission ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are set aside under the reserves accounts. Total comprehensive income of subsidiaries is also closed to the reserves accounts.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated on the straight-line method to write off the cost of each asset over their estimated useful life as follows:

Leasehold land	63 years
Motor vehicle	5 years
Furniture and equipment	5 years
Computer and software	3 years
Leasehold improvements	5 years

At the end of each reporting period, the Group is required to assess whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposals are determined by comparing the proceeds with the carrying amounts of the assets and are recorded in the statement of comprehensive income.

2.7 VIRRGIN project under development

Costs incurred on the Virtual Integrated Registry and Regulatory General Information Network ("VIRRGIN") project are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs for each phase, including licensing costs that have been capitalised, are transferred to fixed assets when each phase of project is completed. Depreciation will be charged on the costs of each phase as each phase is brought into use. Maintenance and support costs relating to the VIRRGIN project are expensed in the period to which they relate.

2.8 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as available-for-sale.

(i) Fair value through profit or loss

This category comprises investments held long and financial contracts in an asset. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income within "Net changes in fair value on financial assets at fair value through profit or loss".

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Group's loans and receivables comprise regulatory deposits, cash and cash equivalents and other receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (continued)

(ii) Loans and receivables (continued)

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three month or less .

Regulatory deposits are carried at costs and consist of current deposits held at commercial banks and US Treasury Bills with maturity dates of one year or less.

(iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity where the Group has the intention and the ability to hold in the long-term or until maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method.

Time deposits with maturities of greater than three months from the acquisition date have been classified as held-to-maturity investments.

2.9 Financial liabilities

Financial liabilities include trade and other payables, deposits on account, distribution payable to Government, due to Government and regulatory deposits from licensed entities.

Financial liabilities are recognised when the Company becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in the statements of comprehensive income.

Accounts payable and accruals and other short-term monetary liabilities are recognised initially at their fair values and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognised from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group measures instruments quoted in an active market at a mid price.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Fair value hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities at fair value through profit or loss to use a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical financial assets and financial liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the financial assets and the financial liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or the financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets are classified in their entirety into only one of the three levels.

2.12 Revenue recognition

Fees and commission income are recognised upon approval of the transaction by the Group. Interest income and expenses are recognised on an accrual basis.

The Group records investment transactions based on settlement date. Realised gain or loss on financial assets and financial liabilities at fair value through profit or loss is determined on the average cost basis.

Dividend income and expense from financial assets at fair value through profit or loss are recognised when the Group's right to receive payments or the Group's obligation is established, usually the ex-dividend date.

2.13 Taxation

In accordance with Section 28 of the Act, the Commission is exempt from the payment of taxes on its income and operations. Certain investment income may be subject to withholding taxes at its source from the country of origin.

2.14 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs in those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Foreign currencies (continued)

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into US Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in the other comprehensive income and accumulated in equity.

2.15 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.16 Pension plan

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Operating and finance leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(b) Key sources of estimate uncertainty

The following are the key assumptions concerning the future, and other key sources of estimate uncertainty at the end of the reporting period, that may have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2015, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2015
Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT

	Freehold land	Leasehold land	Motor vehicles	Furniture and equipment	Computer and software	Leasehold improvements	Total
Cost							
Balance at December 31, 2014	4,500,000	130,000	208,003	2,455,740	10,929,956	2,307,552	20,531,251
Additions	-	-	183,094	177,312	680,843	57,297	1,098,546
Disposals	-	-	(51,500)	-	-	-	(51,500)
Balance at December 31, 2015	4,500,000	130,000	339,597	2,633,052	11,610,799 $	2,364,849	21,578,297
Accumulated depreciation							
December 31, 2014	-	20,638	169,203	2,291,199	10,696,832	2,204,183	15,382,055
Depreciation	-	2,063	46,319	107,214	382,220	61,586	599,402
Disposals	-	-	(51,500)	-	-	-	(51,500)
Balance at December 31, 2015	-	22,701	164,022	2,398,413	11,079,052	2,265,769	15,929,957
Carrying amount							
At December 31, 2014	4,500,000	109,362	38,800	164,541	233,124	103,369	5,149,196
At December 31, 2015	$ 4,500,000 $	107,299 $	175,575 $	234,639 $	531,747 $	99,080 $	5,648,340

Cost							
Balance at December 31, 2013	-	130,000	159,503	2,405,441	10,696,414	2,289,505	15,680,863
Additions	4,500,000	-	48,500	50,299	233,542	18,047	4,850,388
Balance at December 31, 2014	4,500,000	130,000	208,003	2,455,740	10,929,956 $	2,307,552	20,531,251
Accumulated depreciation							
December 31, 2013	-	18,575	159,503	2,203,869	10,288,018	2,148,237	14,818,202
Depreciation	-	2,063	9,700	87,330	408,814	55,946	563,853
Balance at December 31, 2014	-	20,638	169,203	2,291,199	10,696,832	2,204,183	15,382,055
Carrying amount							
At December 31, 2013	-	111,425	-	201,572	408,396	141,268	862,661
At December 31, 2014	$ 4,500,000 $	109,362 $	38,800 $	164,541 $	233,124 $	103,369 $	5,149,196

Expressed in United States Dollars

5. VIRRGIN PROJECT UNDER DEVELOPMENT

As of December 31, 2015, the Commission has an existing contract with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) and Vizor Limited relating to the development of an internet-based information system featuring electronic filing of documents called Virtual Integrated Registry and Regulatory General Information Network ("VIRRGIN").

VIRRGIN will be completed in three phases of development, each of which will be released separately. The VIRRGIN project costs to be capitalised will include (a) registry engine license; (b) implementation and development costs for Phases I, II and III; other additional consultancy and software implementation charges; and airfares, accommodation and other travel expenses incurred relating to the implementation of the project. Cost relating to Phase I and II of VIRRGIN have been capitalised as Computer and Software as part of Property and Equipment (see Note 4). The cost of $1,758,944 (2014: $1,354,354) relates to the uncompleted Phase III which is expected to be finished by December 31, 2016 of which $404,590 were added during the year ended December 31, 2015. The estimated costs to completion of the project, excluding any additional costs, is SGD 102,278 equivalent to $75,324 (2014: SGD 1,161,304; $877,829) and EUR 413,219 equivalent to $464,330 (2014: EUR 737,281; $896,313).

6. SUBSIDIARIES

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2015, two of which are domiciled in the British Virgin Islands and one in Hong Kong. These subsidiaries provide disaster recovery and Hong Kong liaison services to the Parent. Two of the subsidiaries commenced operations in 2014.

Financial support

The Parent is providing financial support to all three subsidiaries which currently do not derive revenue on their own therefore are dependent on the Parent for their operating financial requirements.

7. REGULATORY DEPOSITS FROM LICENSED ENTITIES

By statute, certain entities licensed to operate in the financial services sector within the British Virgin Islands are required to place a deposit with the Group. The Group has undertaken to hold these amounts in a designated interest-bearing account $2,069,918 (2014: $2,001,560) and fixed income securities $6,602,936 (2014: $6,601,026) and distributes interest thereon to the licensees on a semi-annual basis. The deposits are refundable upon surrender of the licence. For the year ended December 31, 2015, the deposits earned interest of 0.08% (2014: 0.06% to 0.08%). Total interest income earned for these deposits amounted to $6,717 (2014: $5,938).

8. CASH AND CASH EQUIVALENTS

	2015	2014
Cash held in Government Trust Account	6,166,500	7,332,746
Payable to Government	(4,004,435)	(5,414,566)
Net cash held in Government Trust Account	2,162,065	1,918,180
Cash in operating accounts	13,641,619	11,148,713
Cash in insolvency account	342,209	340,875
Total cash and cash equivalents	$ 16,145,893	$ 13,407,768

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. Prior to the commencement of the Group's financial year, the Government's Cabinet ("Cabinet") determines the percentage of fees collected on their behalf that is to be remitted to them, with the Commission retaining the balance. For the year ended December 31, 2015, the Commission retained 11.5% (2014: 11.0%) of revenue up to the projected revenue stream and thereafter, the Commission retained 7.5% (2014: 7.5%) of any revenue in excess of the projected revenue stream. This resulted in cash of $4,004,435 (2014: $5,414,566) being held on behalf of the Government as at December 31, 2015.

Expressed in United States Dollars

9. TIME DEPOSITS

Represents short term placements with the local depository banks whose maturity dates are between 3 and 207 days from the reporting date (2014: between 5 and 205 days), and are more than three months from the placement date with an average interest rate of 0.80% (2014: 0.83%). For the year ended December 31, 2015, total interest earned from time deposits amounted to $21,320 (2014: $21,518).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
Government and agency fixed income securities	951,263	1,182,525
Corporate bonds	2,088,323	1,870,011
	$ 3,039,586	$ 3,052,536

The government and agency securities and corporate bonds are categorised as Level 2 within the fair value hierarchy.

	2015	2014
Realised losses	(22,498)	(25,675)
Unrealised movement	(19,981)	13,292
	($ 42,479)	($ 12,383)

The net realised and unrealised gains and losses are presented under "Net changes in fair value on financial assets at fair value through profit or loss" in the statement of comprehensive income.

11. OTHER RECEIVABLES AND DEPOSITS

	2015	2014
Loan to employees	36,809	24,333
Travel advances	49,842	41,823
Interest receivable	37,706	41,591
Prepaid expenses	346,216	331,382
Receivable from pension plan	-	587,404
Due from BVI House Asia	61,790	1,468
	$ 532,363	$ 1,028,001

Receivable from pension plan represents pension initially paid by the Commission from its own funds to cover pension payments to employees that separated from the Commission. This amount has been recovered from the pension plan during the year ended December 31, 2015.

12. RESERVES

In accordance with Section 26 of the Act, the surplus for the year is allocated to capital and revenue reserve accounts at the discretion of the Commission. The capital and revenue reserves established include:

Capital reserves

(i) Contributed capital represents an initial transfer of capital from the Government of the British Virgin Islands on the establishment of the Commission. It represented approximately 3 months of operating expenses; and
(ii) Property & equipment reserve reflects the investment into property & equipment to date, less amortisation.

Expressed in United States Dollars

12. RESERVES (Continued)

Revenue reserves

(i) Training reserve for long term training/ study leave of staff;
(ii) Loan revolving reserve to facilitate staff loans (personal, medical, etc.) as the Act requires employees transferred from Government at the inception of the Commission to be no less well off than they were with Government;
(iii) Future capital expansion reserve to partly finance the future securing of property, constructing and equipping the Commission's own building;
(iv) Refunds and drawback reserve to provide cash for making refunds when necessary;
(v) Enforcement reserve to establish a fund to address enforcement expenses as they arise; and
(vi) Contingency reserve to establish a fund in the event of unforeseen circumstances.

13. TRADE AND OTHER PAYABLES

	2015	2014
Accounts payable and accrued expenses	690,965	747,045
Insolvency surplus reserve	327,616	327,477
Deferred revenue	301,317	286,265
Employee deductions and benefits payable	911,615	862,967
	$ 2,231,513	$ 2,223,754

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $820,773 (2014: $862,967) payable to the Commission's employees.

Pursuant to the Insolvency Rules, 2005, the insolvency surplus reserve pertains to monies representing unclaimed assets received from liquidators or bankruptcy trustees after the completion of a liquidation or bankruptcy.

Funds are paid out of the reserve to any person the Commission is satisfied to make payment with respect to the insolvency proceedings for which the monies were paid into the reserve.

Deferred revenue pertains to fees collected by the official receiver, held by the Commission for safekeeping, pending administrative arrangements between the Government and the Commission, including whether the benefit of these funds will accrue to the Commission.

14. DEPOSITS ON ACCOUNT

In 2006, the Commission introduced a new internet-based information system (VIRRGIN) that allows companies to administer transactions online. As a result of this development, companies are required to deposit funds with the Commission in advance of effecting an online transaction. As at December 31, 2015, the balance on this account amounted to $2,469,043 (2014: $1,717,531).

15. DISTRIBUTION PAYABLE TO GOVERNMENT

On September 20, 2016, the Board of Commissioners approved a distribution to Government of $4,000,000, (2014: $3,000,000) from surplus earned by the Commission during the year ended December 31, 2015.

Expressed in United States Dollars

16. OTHER INCOME

	2015	2014
Enforcement proceeds	573,730	374,300
Court ordered legal cost receipts	85,500	60,150
Miscellaneous income	327,208	632,770
	$ 986,438	$ 1,067,220

17. STAFF COSTS

	2015	2014
Wages and salaries	10,651,447	10,069,920
Allowances and benefits	2,033,516	1,796,940
Social Security benefits	278,591	253,028
Employment costs	265,101	220,902
Payroll taxes	557,860	512,131
	$13,786,515	$12,852,921

The average number of full time employees in 2015 was 178 (2014: 163).

During the year ended December 31, 2015, the Commission paid $1,322,208 (2014: $1,342,402) for current service costs toward a defined contribution plan (the "Plan"), which has been included in allowances and benefits.

18. RELATED PARTY TRANSACTIONS

The Government's Financial Secretary and Accountant General along with the Chairman of the Board of Commissioners and the Managing Director of the Commission are signatories to a joint account maintained in the names of the Government and the Commission referred to as the Government Trust Account as per Section 19 (1) and (7) of the Act (see Note 8).

19. COMMITMENTS AND CONTINGENCIES

Commitments

As explained in Note 5, the Group is contracted with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) and Vizor Limited to design and implement the VIRRGIN project. The contracted cost to completion of the design and implementation of the project is SGD 102,278 equivalent to $75,324 (2014: SGD 1,161,304; $877,829) and EUR 413,219 equivalent to $464,330 (2014: EUR 737,281; $896,313) as at December 31, 2015, respectively, plus maintenance and support costs of EUR 100,000 equivalent to $112,369 (2014: $121,570) as at December 31, 2015.

The Group has an existing contract with Digicel wherein Digicel will provide the Group with dedicated internet access to and from the Group's data center at a monthly cost of $14,506. The contract commenced in March 2014 and will run for three years.

In a separate agreement, the Group also contracted Equinix Hong Kong Limited to provide the Group with data center services. The contract commenced in 2014 with a monthly cost of $3,886.

The Group currently occupies various properties in accordance with the terms of annual operating lease agreements and is committed to making payments on these leases as agreed in the future.

Expressed in United States Dollars

19. COMMITMENTS AND CONTINGENCIES (Continued)

The future aggregate minimum lease payments under non-cancellable leases are as follows:

	2015	2014
Within one year	1,100,689	686,492
Between one and five years	1,816,485	352,633
Five years and beyond	-	-
	$ 2,917,174	$ 1,039,125

For the year ended December 31, 2015, the Group recognised rent expense amounting to $1,085,116 (2014: $1,029,337).

Contingencies

In the ordinary course of business, the Group is subject to legal proceedings, claims, disputes and litigation as a result of its role as the regulator of the British Virgin Islands financial services industry. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, the Group does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

20. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Commissioners. The management identifies, evaluates and hedges financial risks in close co–operation with the Board of Commissioners. The Board of Commissioners provides guidance for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial assets of the Group include cash and cash equivalents, financial assets at fair value through profit or loss, time deposits, regulatory deposits, other receivables and deposits. Financial liabilities include trade and other payables, deposits on account, distribution payable to Government, due to Government and regulatory deposits from licensed entities.

20.1 Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency risk) or other market factors (other price risk).

(i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In the normal course of business, the Group may enter into transactions denominated in foreign currencies. As a result the Group is subject to transaction and translation exposure from fluctuations in foreign exchange rates.

20. FINANCIAL RISK MANAGEMENT (Continued)

(i) Foreign currency risk (continued)

The Group is exposed to foreign currency risk on the agreement to supply, develop, implement and commission the VIRRGIN project (Note 5). The contracted costs for the project are in Singapore Dollars (SGD) and Euro (EUR). As at December 31, 2015, the foreign exchange rate was $0.7071 (2014: $0.7559) per SGD and $1.0925 (2014: $1.2157) per EUR. Had the Singapore dollar and Euro foreign exchange rates strengthened against the US dollar by 1% (2014: 1%) with all other variables remaining constant, the overall costs to complete the project, including maintenance/support costs, would increase by $6,888 (2014: $25,998). A weakening of 1% in the Singapore dollar against the US dollar, with all other variables held constant, would have an equal but opposite effect.

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk whereas fixed rate instruments expose the company to fair value interest rate risk.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and time deposits. As at December 31, 2015 approximately 61% (2014: 58%) of the Group's assets were held in bank accounts, with floating interest rates.

Cash flow interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Group's surplus would increase by $62,043 (2014: increase by $55,022). A decrease of 25 basis points in the market interest rate, with all other variables held constant, would decrease the Group's surplus by an equal amount.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk on its financial assets at fair value through profit or loss in government and agency securities and corporate bonds. These government and agency securities and corporate bonds bear fixed rates of interest and the fair value of the bonds are inversely affected by movements in market interest rates. The Group does not hedge itself against fair value interest rate risk.

Fair value interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the yield rate of government and agency securities and corporate bonds, the Group's income and surplus would decrease by $28,163 (2014: $30,592). A decrease of 25 basis points in the yield rate, with all other variables held constant, would increase the Group's income and surplus by $28,695 (2014: $31,247).

20.2 Credit risk

Credit risk arises from regulatory deposits, cash and cash equivalents, time deposits, other receivables and deposits and its financial assets at fair value through profit or loss. These financial assets are held with financial institutions with an investment grade credit rating. Other receivables include travel expense advances and unsecured loans extended to various employees of the Commission. The extent of the Commission's exposure to credit risk in respect of these financial assets approximate the carrying values as recorded in the Commission's statement of financial position.

The Group's management addresses credit risk through placement of cash on short term money market placements, financial assets at fair value through profit or loss, interest bearing deposits and U.S Treasury Bills at a variety of regulated BVI and US financial institutions and effective and efficient collection policies.

Expressed in United States Dollars

20. FINANCIAL RISK MANAGEMENT (Continued)

20.2 Credit risk (continued)

The Group's regulatory deposits, cash and cash equivalents (excluding petty cash), time deposits, other receivables and deposits and financial assets at fair value through profit or loss are held by financial institutions with the following rating per Moody's Investors Services.

Moody's	2015	2014
Aa2	243,125	246,820
Aa3	2,546,362	2,533,890
Ba1	15,702,460	13,511,857
Baa1	10,840,511	10,812,969
Ba3	1,070,769	489,801
Total rated	30,403,227	27,595,337
Non-rated	2,721,249	3,196,648
Total	$ 33,124,476	$ 30,791,985

20.3 Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group is exposed to liquidity risk from its financial liabilities which include trade and other payables, deposits on account, distribution to Government, due to Government and Regulatory deposits from licensed entities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet its current operating requirements. The Commission is not exposed to significant liquidity risk as it maintains sufficient cash and cash equivalents to meet its current and foreseeable future obligations.

The table below analyses the Commission's financial liabilities into relevant maturity groupings based on the remaining period at the date of the financial statements to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2015:

	On demand	Within one year	Total
Trade and other payables	2,037,294	194,219	2,231,513
Deposits on account	2,469,043	-	2,469,043
Distribution payable to Government	4,000,000	-	4,000,000
Regulatory deposits from licensed entities	8,672,854	-	8,672,854
Total	$ 17,179,191	$ 194,219	$ 17,373,410

Expressed in United States Dollars

20. FINANCIAL RISK MANAGEMENT (Continued)

20.3 Liquidity risk (continued)

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2014:

	On demand	Within one year	Total
Trade and other payables	2,094,358	129,396	2,223,754
Deposits on account	1,717,531	-	1,717,531
Distribution payable to Government	3,000,000	-	3,000,000
Regulatory deposits from licensed entities	8,602,586	-	8,602,586
Total	$ 15,414,475	$ 129,396	$ 15,543,871

21. DEFINED CONTRIBUTION PENSION PLAN

The Commission has established a defined contribution plan (the "Plan") to provide retirement benefits for all established employees and is administered by trustees appointed by the Commission. Under the Plan, the Commission has an obligation limited to 15% of the participants' basic annual salary, with the participants contributing a minimum of 5%. A participant's interest in the Commission's contributions commences to vest after 7 years employment and is fully vested after 10 years.

22. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2015 and before the date of the report that would have a significant effect on these financial statements other than those already disclosed in the notes.

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