ANNUAL REPORT 2021

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

FSC

CONTENTS

About Us

Services

Regulatory

Non-Supervisory

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:

PROTECT
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 legitimate business transaction

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

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

ACCOUNTABILITY
To be responsible for addressing the financial needs and concerns of the business community

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 entities we authorise and supervise are operating in compliance with BVI legislation, 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

ongoing review of financial services legislation and make recommendations for changes, where applicable.

TO ENSURE

that the FSC operates effectively and efficiently.

TO IDENTIFY

and deter abuses and breaches of legislation.

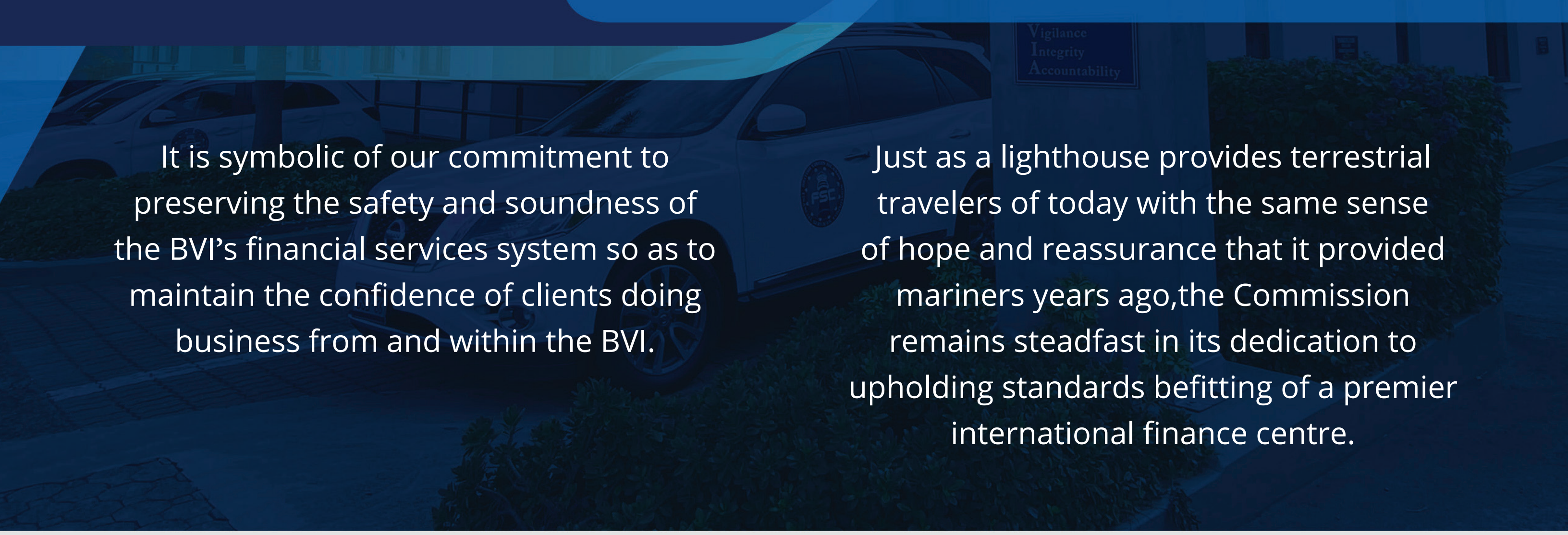
TO RAISE

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



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.

Just as a lighthouse provides terrestrial travelers of today with the same sense of hope and reassurance that it provided mariners years ago,the Commission remains steadfast in its dedication to upholding standards befitting of a premier international finance centre.

ORGANISATIONAL STRUCTURE

CABINET

BOARD OF COMMISSIONERS

Board Secretary
Annet Mactavious

FSC (HK) Ltd.
Asia Representative
Burton Chalwell

Kenneth Baker
Managing Director/ CEO

Jennifer Potter-Questelles
Deputy Managing Director- Corporate Services

Glenford Malone
Acting Deputy Managing Director- Regulation

Corporate Services Division
Director
Jennifer Potter-Questelles

Finance
Director
Sheldon Scatliffe

Registry of Corporate Affairs
Registrar
Myrna Herbert
Deputy Registrar
Lydia George
Deputy Registrar
Kamika Forbes

Banking, Insolvency and Fiduciary Services
Director

Deputy Director: Fiduciary
Yolanda McCoy
Deputy Director: Insolvency
Shakuntala Yamraj
Deputy Director: Compliance
Inspection Unit
Leon Wheatley

Insurance Division
Director

Deputy Director
Trevecca Hodge

Investment Business Division
Director
Glenford Malone
Deputy Director
Kishelle Blaize-Cameron

AML Unit
Deputy Director
Alva McCall

Cherno Jallow, QC
Policy, Research and Statistics Division

Policy, Research and Statistics Division

Director
Cherno Jallow, QC

Deputy Director
Allene Gumbs

Annet Mactavious
Human Resources Director

Human Resources Division

Director
Annet Mactavious

Deputy Director - Benefits
Solika Carey

Deputy Director
Training & Development
Trecia Dawson

Stephen Grayson
Legal Division

Legal Division

Director
Stephen Grayson

Deputy Director
Dian Fahie-DeCastro

Brodrick Penn
Enforcement Division

Enforcement Division

Director
Brodrick Penn

Deputy Director
Shane Baptiste

BOARD PROFILE

Robin Gaul
Chairman

Kharid Fraser
Deputy Chairman

Melvin Stoutt
Commissioner

Johanna Boyd
Commissioner

Paul Carty
Commissioner

William C. Gilmore
Commissioner

Ramnarine Mungroo
Commissioner

Kenneth Baker
Ex Officio

Chairman's
STATEMENT

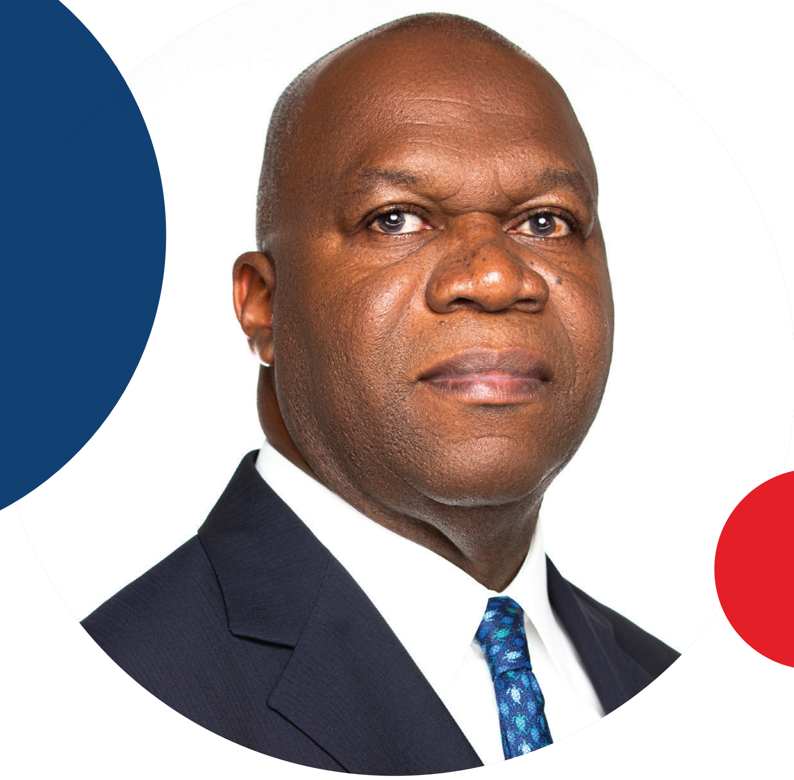
It is my pleasure to report to the Government and people of the British Virgin Islands concerning the activities of the Commission during 2021.

The results for 2021 reflect total fees collected on behalf of Government of $222 million, up from $217 million the previous year, out of which direct payments to Government were made of $196 million, up from $190 million previously.

The Commission's net income has covered operational costs – however, with the need to expend substantial monies in the implementation of new technology to permit the recording of beneficial ownership information by the Registry of Corporate Affairs with effect from late 2023, prudence has been exercised in determining the amount of funds available, and a distribution to Government out of surplus in the amount of $1 million, matching that for the previous year, has been agreed.

In accordance with section 27 of the Act, I present this report on the operation and activities of the Commission for 2021, together with the enclosed auditor's report and accompanying financial statements.

Robin Gaul
Chairman



Managing Director's **STATEMENT**

Welcome to the British Virgin Islands Financial Services Commission's 2021 annual report, which describes our approach, priorities, activity and achievements.

This February, I had the honour of taking over as the new MD/CEO of the Commission from my illustrious predecessor Dr. Robert Mathavious, OBE.

Through his inspirational leadership, his determination to create opportunities for BVIslanders, his belief in collaboration and his resolve that the BVI should never be found wanting when it came to financial services regulation, Dr. Mathavious created a financial services house that has enriched our Territory in countless ways and for which he has all our gratitude.

As an integrated body, the Commission supervises, regulates and inspects all financial services activities and institutions operating in and from within the Territory. We operate the Registry of Corporate Affairs, advise the government on financial services, and help authorities locally and overseas to detect and prevent financial crime.

The Commission has an essential role in maintaining the VI's position as a well-regulated jurisdiction. Without compliance, we know that the BVI will not remain competitive. Hence, we work hard to prevent, identify, deter and address risks – and to ensure our industry complies actively with international standards and supervisory requirements.

Underpinning the BVI's success is a long-standing partnership between the regulator, government and industry. This has stood our Territory in good stead in 2021, with the financial services sector continuing to bolster the territory's economy while other sectors have suffered from Covid-related shutdowns and border closures.

The BVI continued this year to be a preferred jurisdiction for company incorporation, with an increase in BVI Business Company incorporations and continuations into the BVI, as well as in limited partnerships, license holders and registered funds. In March, the Global Financial Centres Index named the BVI the most competitive financial centre in the Caribbean and Latin American region.

A strategic priority for the Commission is ensuring that BVI laws and regulations are compatible with international standards. A priority this year was continuing to prepare for a mutual evaluation by the Caribbean Financial Action Task Force (CFATF) in 2022. This included the publication of a National Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Strategy for 2021-2023.

A raft of new and amended legislation focusing on AML, CFT and combating the financing of proliferation (CFP) came into force this summer. Among other improvements, this gives the authorities more power to investigate such crimes, strengthens the Financial Investigation Agency, allows for tougher prosecution, amends the definition of property to include virtual assets and formalises the National Anti-money Laundering and Terrorist Financing Coordinating Council.

In other areas, we worked this year with the BVI branch of the Society of Trust and Estate Practitioners (STEP) to modernise and streamline the Territory's domestic trust legislation, and we enhanced our insurance laws to promote fairness and transparency for customers. We also streamlined our banking, trust and insolvency legislation to protect consumers better in times of crisis.

Our VIRRGIN registry system has been improved to make it more user friendly, prior to a major revamp next year to make it even more accessible. Given advances in RegTech, the Commission will also be looking at a comparable platform to provide for end-to-end license application submission, approval and management.

In Hong Kong, while it suspended outreach activities due to the Covid pandemic, our office continued to print certificates and respond to enquiries. At home, our local Money Matters financial literacy programme provided online education to schools, banks, insurers and others, reaching 38,930 persons.

In 2022, the Commission's four key strategic areas of focus will be supervision, enforcement, promotion of cooperation, and stakeholder awareness and outreach. We will be aiming to finalise our draft supervisory regime for Virtual Asset Service Providers. We will also focus on fit-and-proper licensing on the principle that it is better to say no upfront rather than to have to withdraw a license later.

In achieving all we do, the dedication and commitment of the Commission's tremendous staff and new Board of Commissioners are second to none and I am most grateful to them.

Finally, one of the great pleasures of 2021 for me came in November, when I took part in an event to honour the life and legacy of Dr. Mathavious, after whom the Institute of Financial Services at the H. Lavity Stoutt Community College has now been renamed. Dr. Mathavious has left us the strongest of legacies to build on and we look forward with confidence to the challenges ahead.

Kenneth Baker

MD/CEO, BVI Financial Services Commission

HIGHLIGHTS OF PERFORMANCE

THE COMMISSION'S 2021 ANNUAL REPORT OUTLINES THE COMMISSION'S ACTIVITIES, PERFORMANCE OF ITS REGULATED SECTORS AND DETAILS ITS OPERATIONS DURING THE 2021 CALENDAR YEAR, WHICH WERE ALL AFFECTED BY THE GLOBAL EVENTS OF 2021, INCLUDING THE PREVAILING COVID-19 PANDEMIC.

This report summarizes the activities of each Division and Unit, details the Commission's approach to supervision for the year 2021, using its established Risk Based Framework as well as provides its outlook and priorities for 2022.

Key highlights found within this report are:

- How the Commission adapted its operations to manage the global challenges and interruptions to business caused by the lingering COVID-19 Pandemic;
- Implementation of flexible work arrangements to promote improved work-life balance while keeping the health, safety and welfare of its employees at the forefront;
- Explanation of the operation of the Commission's recently developed Risk-Based Approach to supervision and the categorization of risk levels.
- Implementation of legislation to protect the fair treatment of customers within the Insurance Sector and promote good market conduct;
- The Commission's contributions to the developments of the Territory's Anti-Money Laundering and Counter Terrorist Financing measures and its implementation of policies and the strengthening of its AML/CFT regime;
- Records of the Commission's international cooperation activities;
- Details of amendments to the legislative frameworks which govern the financial services sectors and implementations of policies to ensure that the Commission remains an effective regulator while promoting the development of emerging technologies within financial services;
- Introduction of industry engagement mechanisms to promote and facilitate the receipt of feedback by industry participants and inform monitoring practices;
- Changes to the operational structures for improved efficiency;
- Preparations for the upcoming Mutual Evaluation of the Territory by the Caribbean Financial Action Task Force;
- Training and development of the Commission's employees;
- Activities of our Asia Representative Office in Hong Kong;
- Upcoming developments and technological advancements including changes to the Registry of Corporate Affairs' flagship registration system VIRRGIN;
- The Commission's activities to promote and encourage greater financial literacy within the Territory through its Money Matters BVI programme;
- People movement and other human resources activities within the Commission;
- Statistical data and comparative analysis on annual performance of the regulated business sectors and as corporate registration data; and
- The Commission's financial standing as at the end of 2021.

COVID-19

The Commission: Impact and Response

The Commission

In 2021 the COVID-19 global pandemic continued to disrupt operations both at the Commission and within the entities regulated by the Commission. The Commission implemented its business continuity plans and made adjustments in line with government health protocols and mandated guidelines.

The Commission was able to rely on its robust technology to facilitate remote processing in most of its Divisions and Units. The Pandemic presented an opportunity for the Commission to fast track its digital transformation initiatives. Employees adapted to hybrid work schedules and were overall efficient in carrying out its duties.

The Commission's primary concern during the ongoing pandemic was the safety and wellbeing of its employees. The key initiative adopted by the Commission to help keep employees safe was to significantly reduce the numbers of persons within the offices. As such, the Commission extended remote working to more than 80% of its employees and provided for rotational in office attendance.

The Human Resources Division spearheaded the drafting of the Commission's Remote Work Policy, which emphasized creating a greater work-life balance for employees who were now faced with additional pressures of managing remote school arrangements for dependents while ensuring that the organisation could meet its goals and objectives.

Having minimalist teams in office assisted in curtailing any possible spread of the virus within the Commission by employees and ensured that any employee exposure to the virus could be quickly contained without detrimental effects on the employee population or the Commission's activities.

Some units like the Compliance Inspection Unit experienced setbacks in the achievement of annual objectives, which involved a measure of in person engagement with industry participants. Other units experienced ebb and flows in their levels of productivity, based on ability and availability of personnel who were exposed to the virus.

Additionally, in such circumstances the Commission adopted strict health protocols for testing, isolation and return to work, and which in turn invariably impacted overall productivity.

Travel and Training

There was an increased reliance on technology to accommodate training for employees. Ordinarily employees within the Commission would be afforded opportunities for in person training, locally and internationally. Given the pandemic many of these conferences were held virtually, and professional organisations offered webinars. The Commission's teams were able to participate and benefit from an increased number of their virtual training engagements.

Industry Stakeholder Engagement

In person meetings were suspended since the initial outbreak of COVID-19 within the Territory, as a result industry stakeholder meetings were minimal. However, the Commission continued to utilize electronic meeting platforms which were used to communicate with industry stakeholders.

Industry Impact and Response

The impact of the Pandemic varied among the sectors. Trust and Corporate Services Providers were impacted similarly to the Commission with many firms implementing remote working policies, although throughout 2021 there was a gradual return to the workplace. On the other hand, the Banking sector was most recognizably impacted owing to the human impact that any disruption of its services caused.

Banking Business - Customer Relief and Mitigation Initiatives

During 2021, the Covid-19 pandemic continued to affect the banks' operations significantly as they were forced to close periodically or offer reduced services due to Covid exposure among staffers. Disruptions to the level of services lead to long lines and extended time frames to complete or receive services. This lead to regular reporting and engagement with the Banking supervisors where they monitored, assessed, and required the Banks to explain and implement plans for the improvement in services.

Additionally, to help alleviate the situation, in December 2021, in collaboration with Money Matters BVI, the BVI Bank Association ran a two-week campaign via radio promoting the advantages of using smart banking to conduct transactions. This programme targeted persons within the community who relied heavily on traditional face-to-face banking services. Services highlighted included: signing up for direct deposits, depositing cheques via ATMs or using smartphones, paying for goods using debit or credit cards, and carrying out withdrawals and transfers between accounts via the ATMs.

One bank continued to offer COVID-19 support to customers in 2021 where their income or business remains negatively impacted. The bank has extended its moratorium program into 2022 at the request of some clients while other clients have commenced amortized repayments.

Insurance Sector

The insurers confirmed that there was a minimal impact from COVID-19. Two claims were reported and a potential for another, as a result of a COVID-19 related death. There appeared to be no substantial loss of business, although insurers indicated that some losses were seen as a result of cancellation of policies given the lockdown and unemployment. Some insurers also made changes to their insurance policies and confirmed that COVID-19 is covered under the existing medical policies and Communicable disease endorsement applied to all General policies.

REGULATORY

RISK MANAGEMENT

The Commission's approach to supervision assumes both a micro and macro view when evaluating risk and therefore industry trends, peer comparisons, the economic environment among other factors are constant considerations. Likewise, monitoring of entity-specific identified risk and its incremental or subsiding risk changes, its risk trends and the directional path of such trends, its systemic importance are also factors weighed in when assessing risk.

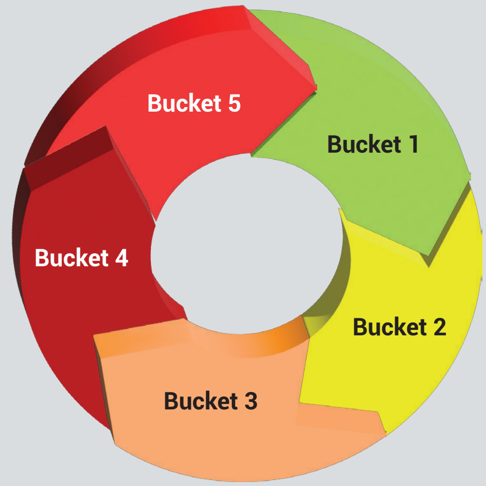
As guided by the Framework, the Commission expends the highest amount of its resources to the supervision of entities in higher risk buckets. This will be further strengthened in 2022 with the restructuring of regulatory units, where all higher risk entities (Buckets 3, 4 and 5) will be subject to enhanced supervision by the Specialized Supervision Unit Whilst entities in the lower risk categories (Bucket 1-2) are primarily subjected to pooled supervision.

Lower Risk Entities: Buckets 1 and 2 Supervisory Risk Treatment Plan

During 2021, Licensees falling in to Buckets 1 & 2 continued to be subject to event driven or thematic inspections and routine desk-based monitoring which includes being subjected to submission of operating reports, compliance reports and audited financial statements. The Commission's primary goal regarding these lower risk buckets is to monitor risk levels (for the possibility of increasing risk) of each licensee placed in these buckets.

Higher Risk Entities: Buckets 3 and 4 Supervisory Risk Treatment Plan

During 2021, licensees who were risk rated as higher risk and/or systemically important continued to be subjected to enhanced monitoring via escalated monitoring mechanisms. This includes the appointment of Relationship Managers ("RM") and bespoke supervisory plans for each of the Licensees placed in to Buckets 3 & 4. These licensees also continued to be subjected to thematic and full scope inspections, as necessary, amongst other supervisory actions.



Bucket 1,
Lowest Risk, Routine Acceptance of Risk

Bucket 2,
Moderate Risk, Actions Taken to increase Monitoring of Licensee

Bucket 3,
High Risk, Actions Taken to Remedy Deficiencies and/or Regulatory Concerns

Bucket 4,
Extreme Risk, Immediate action required

Bucket 5,
Critical

BANKING, INSOLVENCY AND FIDUCIARY SERVICES

The Banking, Insolvency & Fiduciary Services Division (the "Division") has supervisory responsibility for all banks, authorised custodians, financing and money services providers, trust and corporate service providers ("TCSPs") and insolvency practitioners operating in and from within the Virgin Islands. The Division operates as four separate Teams, who are dedicated to administering the Banking, the Trust and Corporate Service and Company Management, the Insolvency regimes and also the Approved Personal Regime Unit ("APRU").

Achievements

Licensing, Reclassifications and Cancellations

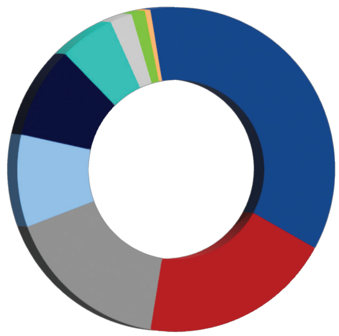
At the end of 2021 there were 293 licensees, a 3% reduction compared to 2020. This is because the number of cancellations, twenty[1] (20), outpaced the number of licences issued, twelve (12). There were various reasons for the cancellations, including: obtaining a different class of licence, merging, restructuring, lack of economic feasibility, the re-domiciliation of the licensee's business and the Commission's phasing out of the authorised custodian regime. Twelve (12) licences were issued, including (1) licence which was issued to a bank that previously held a restricted Class I banking licence, and one (1) licence was reclassified.

Licensees by Licence Type 2019 - 2021

Licence Type	31-Dec-2020	as at 31-Dec-2021	Change YoY
General Banking	6	7	↑
Restricted Class I Banking	1	0	↓
Financing and Money Services	5	4	↓
Class I Trust	58	57	↓
Class II Trust	31	27	↓
Class III	23	27	↑
Class IV	0	0	●
Class V	0	0	●
Restricted Class II Trust	54	49	↓
Restricted Class III	105	105	●
Company Management	16	16	●
Authorised Custodian	3	1	↓
Total	**302**	**293**	↓

[1] Includes one (1) revocation

No. of Licensees as at 31-Dec-2021



Desk-based Assessment – The Commission's desk-based compliance inspection monitoring has yielded favourable results. Seven (7) Licensees were released from all reporting requirements which were imposed by the Commission's Enforcement Committee, following the completion of a compliance inspection. The Division was satisfied that the licensees took the necessary corrective actions to mitigate the identified risks.

Regulatory Search Requests – The Division regularly participates in the internal exchange of information to assist other Divisions in conducting due diligence as needed. During 2021 the Division processed requests for information on 250 individuals and entities with just over half (52%) emanating from legal, 44% from APRU and the remainder from Investment Business and ROCA.

International/Regional Affairs

The Division continued to be engaged in addressing the deficiencies identified in the Group of International Finance Centre Supervisors First Round Mutual Evaluation Report on the British Virgin Islands (BVI) adopted on 20th October 2020. There were four key findings identified and several recommendations were made to satisfy the requirements of the GIFCs Standards as it relates to the oversight of Trust and Company Service Providers ("TCSPs"). A copy of the full Report is published on the Commission's website. Based on the Report, the overall ratings received by the Commission against the Standards were satisfactory. The Division worked in consultation with the Policy Division of the Commission in proposing legislative amendments to the Banks and Trust Companies Act and other relevant legislation.

Banking Sector Analysis

The Commission regulates seven (7) commercial banks. Three (3) of the banks operate as branches of American and Caribbean banks. Two (2) of the banks operate as subsidiaries of Caribbean and European banks and there are two (2) domestic banks.

The Table below presents the "Key Financial Stability Indicators" used to measure and monitor the stability and performance of the banking sector and compares performance over the last 5 quarters.

Regulatory Search Requests Q1 – Q4 2021

Financial Stability Indicator	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Capital Adequacy					
Tier 1 Capital to Adjusted Risk Weighted Assets	46.01%	45.88%	44.29%	44.29%	43.55%
Tier 1 Capital to Total Assets	21.12%	21.95%	25.73%	24.37%	24.65%
Asset Quality					
Non-Performing Loans (net of Provisions) to Capital	18.67%	19.82%	26.77%	20.20%	30.70%
Non-Performing Loans to Total Loans	9.33%	9.66%	13.15%	10.01%	9.66%
Earnings and Profitability					
Return on Assets	1.08%	1.28%	1.11%	0.61%	1.00%
Return on Equity	5.11%	5.98%	4.87%	2.51%	4.05%
Net Interest Margin to Gross Income	78.84%	78.73%	78.68%	78.80%	95.01%
Non-Interest Expense to Gross Income	47.15%	52.52%	49.84%	54.97%	53.62%
Liquidity					
Liquid Assets to Total Assets	31.49%	28.96%	33.97%	37.46%	33.80%

Notable Highlights

Capital levels continued to exceed requirements throughout 2021 and ended the year at 46.01%, a 2.46% increase from 2020. BVI commercial banks remain adequately capitalized well above the minimum requirement of 12%.

Asset quality ratio: At the end of 2021, non-performing loans represented 9.33% (2020: 9.66 %) of total loans. This ratio remains well within acceptable levels.

Return on equity and Return on assets increased YoY: in 2021, the Banks reported an overall increase in shareholders' equity and net income figures taking into consideration the fiscal years end of 31 October for two banks.

Liquidity levels decreased marginally YoY but remain acceptable: The Banks continue to demonstrate the ability to repay liabilities that can be claimed at short notice.

Liquidity condition of the banking sector 2019 - 2021

Liquidity condition of the banking sector 2019-2021

	Q4 2021	Q4 2020	Q4 2019
Liquid Assets to Total Assets	31.49%	33.80%	34.38%
Liquid Assets to Total Deposits	41.12%	38.60%	40.58%
Total Loans to Total Assets	44.64%	55.72%	57.09%
Total Loans to Total Deposits	58.30%	63.63%	67.37%

Balance Sheet - On a consolidated basis, the banking sector's total asset size at the close of 2021 was approximately $2.8 billion, an increase of 24%[2] over 2020 ($2.26 billion). The balance sheet reflected changes YoY as shown below.

Aggregate Balance Sheet - US$ Millions

	Q4 2021	Q4 2020	%Change
Cash Items	823.7	740.2	**11%**
Marketable Securities (up to 1 yr. original maturity)	58.9	23.1	**155%**
Loans and Advances	1,251.3	1,258.5	**-1%**
Investments	18.2	12.1	**50%**
Other Assets	650.7	224.6	**190%**
Total Assets	**2,803.0**	**2,258.7**	**24%**
Liabilities			
Deposits	**2,146.4**	**1,977.7**	**9%**
Long-Term Debt	4.1	4.1	**0%**
Acc. Liabilities	9.5	12.3	**-23%**
Other Liabilities	42.3	(301.8)	**-114%**
Loss Reserve	11.7	14.8	**-21%**
Total Liabilities	2,214.0	**1,707.2**	**30%**
Shareholders' Equity	591.9	**556.7**	**6%**
Total Liabilities & Shareholders' Equity	2,803.0	**2,258.7**	**24%**

Totals may not add due to rounding

[2] A percentage of the reported growth was due to reclassifications and a change in the treatment of accounts.

Income Statement – Retained earnings for Q4 2021 was $37.3 million, a 34% increase compared to 2020 ($22.5 million). This was due mainly to increases in non-interest income and operating income.

US $ Millions	Q4 2021	Q4 2020	Q4 2019	Q4 2018	Q4 2017
Interest Income	48.6	53.3	60.1	59.2	54.3
Interest Expense	3.7	7.8	10.9	6.8	4.9
Net Interest Income	**44.8**	**45.5**	**49.2**	**52.4**	**49.4**
Provisions for losses	-3.3	5.0	-2.4	-3.0	13.6
Non-Interest Income	16.9	7.4	8.2	6.6	6.6
Operating Income	**65.1**	**47.9**	**59.8**	**62.6**	**42.5**
Non-Interest (Overhead) Expenditure	27.9	25.7	25.4	27.2	82.0
(Net Gain/(Loss	2.	0.3	0.3	0.5	0.5
Income before Taxes	**37.3**	**22.5**	**34.6**	**35.2**	**(39.0)**
Net Income	**37.3**	**22.5**	**34.6**	**35.2**	**(39.0)**
Net Income Retained	**37.3**	**22.5**	**34.6**	**35.2**	**(39.0)**

Regulatory Outlook

For the Year 2022, the Government will recommend the enactment of the following economic legislative measures[3]:

- The Financial Services Commission (Amendment) Act, 2022 addresses how banks and insurance companies function during catastrophic natural disasters such as earthquakes, hurricanes, and pandemics, inclusive of their procedures and applied costs.
- In addition, the provisions of the Banks and Trust Companies (Amendment) Act, 2022 and the Insolvency (Amendment) Act, 2022 will be streamlined with those of the Virgin Islands Deposit Insurance Corporation Act to better address issues relating to banks and other key financial institutions that may fall into financial distress. This will be aimed at ensuring better protection for consumers of financial services businesses.

Authorised Custodian Regime

The Commission continues to phase out the bearer share regime. Two licences were cancelled in 2021. Thus, at year-end, there was one (1) authorised custodian licensee (2020: 3). The remaining custodian has not applied for cancellation due to ongoing litigation involving entities for whom Custodial Services are provided.

Legislative Amendment

SI No 13 of 2021 - Financial Services (Prudential and Statistical Returns) (Amendment) Order, 2021 came into force on 15th February 2021. It entails, inter alia, a new filing deadline for the Prudential Return from Banks. Banking licensees are now required to file prudential returns 15 days after the quarter instead of 1 month as was previously legislated.

Financing and Money Services Business

The Financing and Money Services sector continues to be a significant area of the financial services industry. In large measure the licensed money transmitters are of critical importance to the expatriate community and to a lesser extent domestic communities to facilitate retail trade and sales.

As at 31st December 2021, there were two (2) financing services licensees and two (2) licensed money transmitters (Class A) that conduct business. One entity operates the Western Union franchise and the other operates the MoneyGram franchise in the Virgin Islands.

In 2021, funds transmitted abroad by money transmitters decreased by $9 million (17%) from $53.7 million in 2020 to $44.6 million. The number of transactions from the BVI to foreign countries also fell from 168,306 transactions in 2020 to 153,867 transactions in 2021. This could be attributed to the downturn in the economy due to the pandemic and persons using alternative transfer services to avoid the 7% transaction levy.

The BVI received $7.1 million from abroad in 2021 (2020: $5.7m). Thus, there was a net outflow of $37.5m (2020: $47.7 m) from the BVI via money services businesses.

7% Transaction Levy

Money Transmission 2020-2021				
	2021		2020	
	Incoming to BVI	Outgoing from BVI	Incoming to BVI	Outgoing from BVI
Total Amount	$7,136,783	$44,640,078	$5,714,711	$53,661,894
Number of Transactions	18,759	153,867	16,482	168,306
Annual Average Value	$380	$290	$347	$319

The Financing & Money Services (Amendment) Act 2020 introduced a 7% transaction levy on funds transmitted outside of the Virgin Islands via Class A licensees under the Financing and Money Services Act, 2009.. For 2021, the total transaction levy collected was approximately $3.1 million.

[3] Source: Speech from The Throne delivered on 18th February 2022

Insolvency Business

As at the end of 2021, the Unit supervised 26 (2020: 27) licensed insolvency practitioners ("IPs"), all holding the appropriate licences.

Five new licences were granted to applicants for licences to act as insolvency practitioners. Three of the applications were from new applicants who were not previously licensed in the BVI, while the other two applicants were both existing practitioners who changed BVI firms. There were also seven voluntary surrender/revocation of licences processed during 2021. Five of those were due to persons leaving the territory while two changed BVI firms.

The statistical summary of cases by classification for the year showed that the territory began the year with 396 cases in progress. During the year, 117 cases were opened, 80 cases closed, 25 cases were transferred from other IPs and 12 were transferred to other IPs. At the end of 2021 446 cases were still in progress. Over 80 percent of the cases are liquidations, with some 52% of all cases being court appointed liquidations and 30% being members liquidations. This caseload was handled by 26 licensed IPs and the Official Receiver. Overall, the number of cases remained relatively stable. This is further set out in the table below.

Summary of Classification of Cases from Insolvency Practitioners' Annual Returns

CASE TYPE	B/F	OPENED	CLOSED	TRANSFERRED FROM	TRANSFERRED TO	IN PROGRESS
Receiverships	50	24	27	0	0	47
Admin Receiverships	1	5	0	0	0	6
Company Creditor Arrangements	12	0	0	0	0	12
Provisional Liquidations	7	13	1		0	19
Liquidations – Members	118	38	28	13	10	131
Liquidations – Court	208	37	24	12	2	231
TOTALS	396	117	80	25	12	446

Regarding the types of insolvency cases, the Unit noted that there was an increase in both Liquidations by Court, as well as Liquidations by Members in the "In Progress" category. As in previous years, since inception, there have not been any administrations, bankruptcies or individual creditors arrangements.

Insolvency Surplus Account

The balance at the end of the year 2021 amounted to $786,157.04 (2020: $785,764.06) which included interest earned for the year in the amount of $392.98 (2020: $2,629.47). There were no deposits or disbursements for the year.

Reports to Official Receiver from Insolvency Practitioners

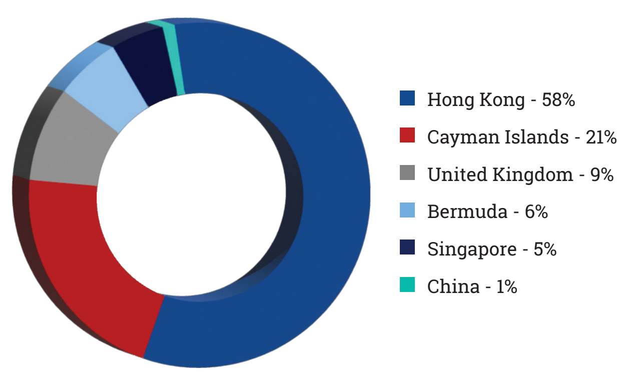
There were seven reports to the Official Receiver from IPs during the year 2021. Five of the reports were Preliminary Reports. Additionally, there was one Final Report to Creditors and one Director's Conduct Report. After review, there was no need for further action.

Overseas Joint Appointments

The implementation of the Amendment Regulations requires Overseas Practitioners to be appointed jointly with BVI Practitioners since August 2020. This is intended to mitigate the inherent risk in asset recovery within the jurisdiction in which the assets are located. Joint appointees must have similar qualifications as required locally, from a recognized jurisdiction. In some instances, more than one overseas IPs may be appointed to a case.

The jurisdictions of the cases to which joint overseas liquidators were appointed are as follows:

Jurisdiction	No. of Cases	%
Hong Kong	81	58%
Cayman Islands	29	21%
United Kingdom	12	9%
Bermuda	9	6%
Singapore	7	5%
China	1	1%
Total	**139**	**100%**



Approved Persons Regime Unit

This Approved Persons Regime Unit (the "Unit") or ("APRU") processes all applications for approval for the appointment of directors, senior officers, compliance officers, money laundering reporting officers, actuaries, auditors and other independent officers of regulated entities which are supervised by the Commission. The Unit also processes applications from entities seeking an exemption from the requirement to appoint a compliance officer. The Unit was established in 2009.

APRU 2021 Activities

2021 saw the lowest numbers of approvals since the inception of the regime and may be attributed in large measure to be a result of the deepening of the pandemic. Directorship approvals account for approximately 60% of all approvals granted by the Unit and approvals for officers with compliance functions account for approximately 27% of approvals.

Approvals Granted 2020 - 2021

Approved Person	2021	2020
Director	109	141
Compliance Officer	13	13
Compliance Officer & Money Laundering Reporting Officer	38	58
Senior Officer	22	40
Auditor	3	12
Total	**185**	**264**

Corporate Compliance Regime

APRU is also responsible for the corporate compliance function regime. The legal framework, which was created in 2018, enables the Commission to approve corporate bodies to perform compliance functions once certain conditions are met. The employees of the corporate body also require formal Commission approval to be appointed as compliance officers by licensees. However, even if they engage a separate company to perform compliance, licensees are required to identify a senior officer who must be responsible for overseeing compliance. This person will be held personally accountable for any compliance failures.

Since the implementation of the corporate compliance regime, four (4) entities were approved to undertake the duty of performing corporate compliance function services as at 31st December 2021.

INVESTMENT BUSINESS

The Investment Business Division's key functions are the licensing and the supervision of licensees which conduct Investment Business, as well as approval of other post licensing activities

The Division administers the Securities and Investment Business Act, 2010 ("SIBA") and is responsible for the regulation and supervision of Investment Business licensees, approved investment managers, authorised representatives and mutual funds (private, professional, public, foreign, incubator and approved funds).

In 2021, the Division assessed and authorised a large number of licensees and a myriad of other post licensing activities. 466 new license-holders (273 funds, 5 licensees and 188 Approved Managers) to conduct investment business in or from the BVI. This resulted in market expansion for the funds and approved managers industry by 9.6% and 44% respectively.

The Division's supervisory activities are underpinned by the Commission's Risk-Based Approach to Supervision Framework (the "Framework") and is used to guide the ongoing supervisory work of the Division. Under the Framework, the Division applies a continuous risk monitoring strategy to determine whether, at any given time, a licensee's operations, business model, and culture will lead to unacceptable levels of risk. During 2021, the Division noted that its overall risk distribution varied marginally and that the higher risk entities remained unchanged.

External Stakeholder Engagement

During 2021, the Division collaborated with its Virtual Assets Working Group in creating and amending draft instructions for the VASP legislation which will govern the regulation and supervision of virtual assets service providers and related businesses. Additionally, the Division continues to be actively involved with various international organisations including the International Organization of Securities Commissions (IOSCO) and the Caribbean Group of Security Regulators (CGSR). The Division recognises the importance of collaboration with external stakeholders and during 2021 was able to build on existing relationships between various groups and organisations. Additionally, timely and meaningful engagement with external stakeholders remains a crucial factor to ensuring that the Commission's expectations are properly communicated.

Commission Wide Contributions

Members of the Division continued to play critical roles in assisting the Commission to advance its mandate by achieving wider strategic objectives. Their contributions included representations in:

- the implementation of the National Risk Assessment;
- the development of the Risk Based Supervisory Framework;
- the Financial Literacy Programme;
- the FinTech Working Group;
- IOSCO Core Principles Review Group; and
- Digitsation projects within the Commission.

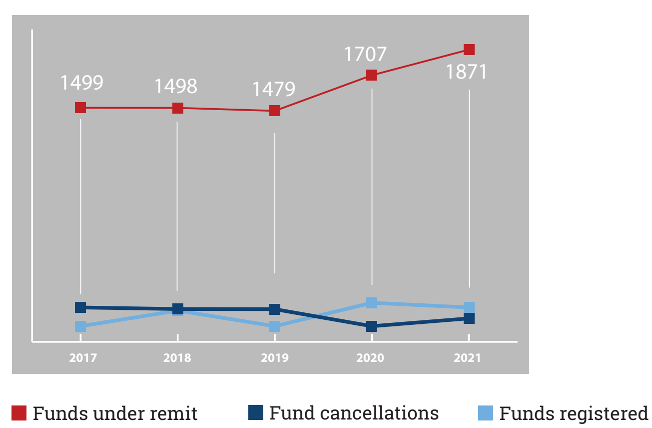
Authorisation

Investment Funds Statistics and Analysis

The BVI continues to be a highly competitive fund jurisdiction and the Division noted significant growth within the fund industry during the reporting period of January 1, 2021 to December 31, 2021.

In 2021, the number of funds increased by 9.61%, bringing total funds under regulatory remit to 1871. It was further noted that over the last 2 years (since 2020), the number of funds registered surpassed the number of funds cancelled by 40%.

Funds authorised, cancelled and supervised at year-end 2021

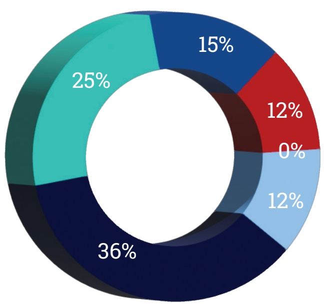


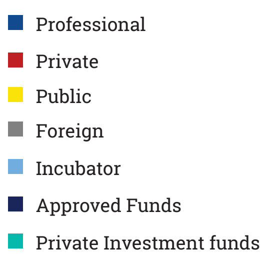
The growth has largely been driven by the enactment of the Private Investment Fund ("PIF") Regime in 2020. Growth in the industry is also attributed to the popularity of the lighter touch fund products (Approved and Incubator Funds) which were introduced in 2015.

Approved funds comprised the majority of applications received (accounted for 36%) followed by PIFs which contributed 25% of total fund applications filed. Similarly, PIFs and Approved Funds had the highest number of funds registered in 2021, which accounted for 30% and 27% consecutively.

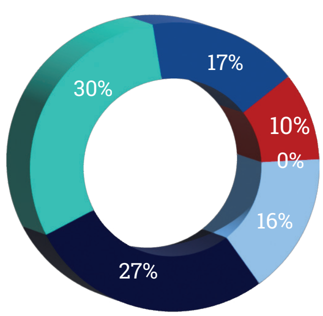
Distribution of fund applications received and registered in 2021

Funds Applications Received in 2021



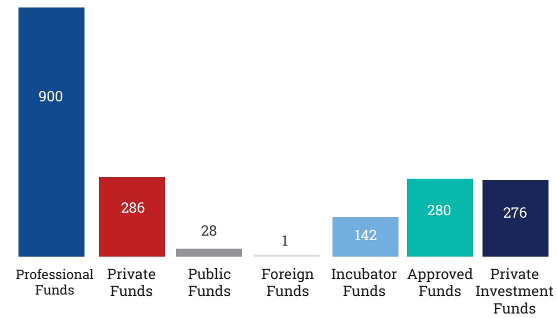


Funds Registered in 2021 by fund type



It is expected that the recent growth rate seen will begin to taper off, as the new requirement for PIFs to be authorised has been in place for 2 years. However, the Division expects the number of funds to remain consistent as the number of funds recognized in classes such as the Approved Funds and Incubator Funds continue to outpace their respective cancellation numbers.

Recognised funds by fund type in 2021



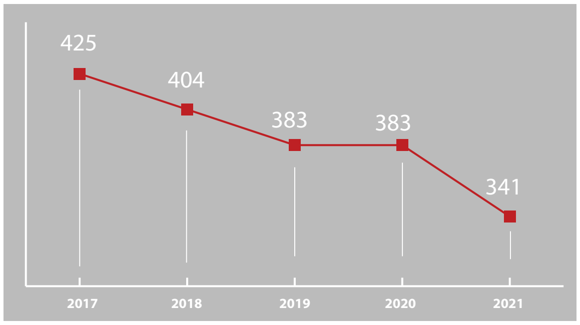
Forty-eight percent of all funds recognized are Professional Funds whilst Foreign Funds represent the fund class with the lowest number of funds recognized (1 fund registered). Approved Funds and Incubator Funds continue to exhibit consistently high growth rates.

Growth Rate by Fund Type from 2019		
Fund Type	**2020-2021**	**2019-2020**
Professional Funds	1%	-3.15%
Private Funds	-4.98%	-5.54%
Public Funds	-6.67%	-9.09%
Foreign Funds	-83%	No Change
Incubator Funds	39%	% 29.11
Approved Funds	41%	62.29%
Private Investment Funds	54%	N/A

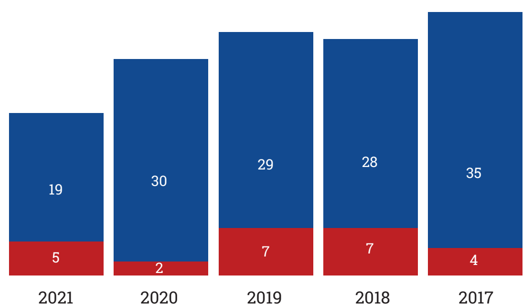
Investment Business Licensee Statistics and Analysis

Investment Business Licensees such as investment managers, advisers, and administrators continue be a large and important part of this sector, with investment managers having the largest volumes. During 2021, the number of Investment Business licensees decreased by 11%. There continues to be a consistent decline in this subsector which is expected to continue as the division progresses its cancellation project. Additionally, the Division noted a shift in the preference of the industry to lighter touch regimes away from the traditional investment business products. The Division does not anticipate any significant redirection of the market that would allow for growth in the short term.

Licensees under remit at year-end 2021



Licenses granted vs Licensed cancelled during 2021



The Division anticipates that there will continue to be significant disparity in the ratio of license granted to the cancellations given the appetite and preferences of the industry. This is a trend that has remained consistent since 2015.

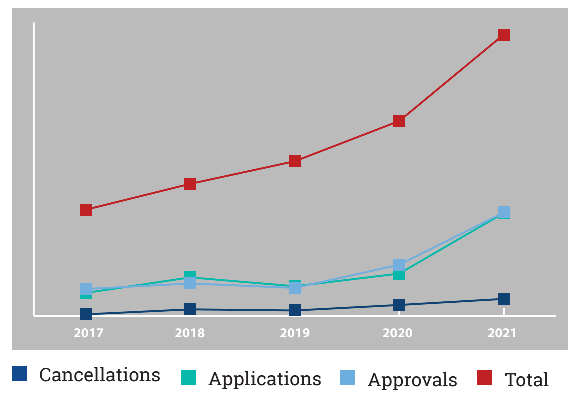
Full statistical data which expounds upon the number of licence applications received, granted, cancelled and the total number of licensees for 2017-2021 are included in the table below.

	2021	2020
Licence Applicants	10	5
Licensees Granted	5	2
Licensees Cancelled	19	30
Licensed Entities	341	383

Approved Investment Managers Statistics and Analysis

The Approved Investments Regime provides an alternative "light touch" regime for BVI Investment Advisors/ Managers who would otherwise require licensing under SIBA. The regime is popular among small to midsize Investment Managers and Investment Advisors and has risen to the most popular Investment Business product within the sector. Application rates in 2021 increased by 142% when compared to 2020. Additionally, lower cancellation numbers and high numbers of approvals have led to total number of Approved Investment Managers increasing by 44% in 2021.

Approved Managers from 2017 to 2021



Summary of Approved Investment Managers (2017 -2021)

	2021	2020	2019	2018	2017
Applications	187	77	54	70	42
Approvals	188	93	51	59	49
Cancellations	31	20	10	12	3
Total	**511**	**354**	**281**	**240**	**193**

Supervision

In 2021, the Division supervised 2,723 entities (1871 funds, 341 licensees and 511 approved managers) using both desk-based monitoring and on-site inspections. The Division's ability to engage in effective desk-based supervision relies significantly on varying returns and submissions required to be filed with the Division. In 2021, the Financial Services (Prudential and Statistical Returns) (Amendment) Order, 2021, introduced two new returns for the Investment Business sector. The returns require relevant entities to file Prudential Returns and AML Returns which significantly assist the Division's desk-based assessments. Having access to information from a wider range of sources has allowed the Division to be better placed to prioritize supervisory interventions.

The Division's supervision of the sector also helps to inform the Commission's assessment and ongoing supervisory strategies. A critical part of this assessment considers the ML and TF sector assessments for the Investment Business Division. The Commission has identified the Investment Business Sector to be highly susceptible to the risks of Money Laundering, however, it has noted through its supervision that the sector was able to demonstrate a satisfactory level of understanding of requirements relative to general CDD and BO identification and verification, and the identification of sources of wealth and funds of its clients.

Given the mitigating controls, the Investment Business sector has been generally assessed as having a medium-high ML risk.

Achievements

Improved oversight capabilities in the Securities industry to ensure the regulatory response is appropriate, tailored and bespoke through the issuance of monitoring mechanisms like the AML Returns which must be completed by Investment Business Licensees, Approved managers and other relevant entities.

Improved application of the Risk Based Assessment framework to the supervision of Investment Business licensees which enabled the Division to better identify emerging risks as well as monitor ongoing risks and better scope the Division's regulatory priorities.

Key Issues and Challenges

Modernizing Supervisory Models

The investment business industry continues to evolve, introducing increasingly complex business products. Further, current market dynamics have resulted in an increased interest in licensing under the Division's Category 7 regime. The Commission will integrate Regulation Technology which supports the analytical efforts of the supervisory team.

Increasingly complex business models will challenge traditional approaches to supervision and would require a shift in the regulatory approach to mitigate the inherent risks.

Market Conduct & Resiliency

Market resiliency is also an emerging concern of the Division. Recent events, including pandemic outbreaks, and natural disasters such as catastrophic hurricanes, have demonstrated licensees' vulnerabilities to disruption, which affects their ability to continue business. Understanding licensees' ability to recover from such disruption as well as understanding the potential for market-wide disruption given contagion issues and licensees' interconnectedness to other service providers will therefore be a priority going forward to encourage the strengthening of operational resiliency in licensees. A further priority for Investment Business Licensees will be the testing of the internal audit function to ensure that it is appropriate and effective given current market environments and emerging enterprise risk.

Leveraging of Technology Virtual Assets/ Regulatory Capacity

In transitioning to a data-intensive, risk-based supervisory model, the implementation of regulatory technology for data gathering, validation, storage and analysis is essential. It is anticipated that with the increasing transition to technically driven business models, the limitations of existing data architectures will become even more antiquated.

Outlook & Strategy for 2022

The Commission will commence restructuring of its regulatory units in 2022. In this regard, the responsibility for supervision of the Investment Business sector will be risked based and therefore be included in the supervisory mandates of both Specialized and Prudential Supervision. All authorization transactions will be carried out from the centralized Authorisation unit.

Nevertheless, supervision of this sector will continue to focus on a few central themes which are currently emerging which include:

- development of regulation that is efficient for new risks stemming from technology and business model innovations;
- operational resilience reviews which will encapsulate several factors, including a review of whether current solvency/ capital models continue to be appropriate as well as a review of licensee's control frameworks for identified risk; and
- ensuring that licensees are required to operate with a specific standard for market conduct.

Staff training and capacity building will continue to be a priority in 2022 and will be necessary to effect the evolving regulatory agenda for Supervision.

In 2023 the Division will focus on adapting the current regulatory frameworks to new business models which are currently emerging in the securities space and utilising advanced technological systems to support a more modernized approach to supervision.

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 financial services legislation. The regulation and supervision of the sector comprise desk-based (off-site) and on-site monitoring to ensure compliance by licensees of BVI legislation, prudential standards and internationally accepted best practices. Entities licensed to conduct insurance business and related activities in or from within the British Virgin Islands include domestic insurers, captive insurers, insurance intermediaries (insurance agents and insurance brokers), insurance managers and loss adjusters.

Achievements

In 2021 claims statistical information continued to be submitted quarterly. At the end of 2021, over 99% (99.79%) of the claims in relation to the 2017 Hurricanes were settled.

In the 3rd quarter of 2021, the Regulatory (Insurance Code of Conduct) Code, 2021 relating to the fair treatment of customers and market conduct good practices came into force.

Captive Insurance

The number of captive insurers declined from 52 in 2020 to 49 at end of 2021.

Three (3) captive insurer licenses were cancelled in 2021 as the licensees ceased conducting insurance business having reached their useful or intended purpose. The captive insurers market continued to face challenges with the declining industry coupled with changes in the international landscape for captives. The Commission did not issue any new captive insurer licensees in 2021.

The declining captive industry was reflected in the premiums written between the years 2019 and 2020. Further, financial data shows that virtually all of the strength indicators declined. Gross Written premiums and Net Written premiums decreased by $166,740,284 and $171,459,510, respectively; while Gross Assets declined by $704,654,876; Allowable Assets by $26,182,389, Claims Incurred by $3,294,251. Underwriting Results was the only indicated which increased (by $7,720,048), when compared to 2019.

Captive Insurers Business Written Summary

Comparison of Captive Insurers Business Written [6]

	2020	2019
Gross Written Premiums	$392,499,897	$559,240,181
New Written Premiums	$390,788,518	$562,248,028
Claims Incurred	$663,686	$3,957,937
Underwriting Results	$22,581,294	$14,861,246
Gross Assets	$1,356,566,441	$2,061,221,317
Allowable Assets	$739,107,810	$765,290,199
Net Worth	$96,891,728	$1,392,351,515

Domestic Insurance

Domestic insurers licensed at the end of 2021 remain unchanged with a total of 37 as in 2020.

Domestic Insurers Gross Written Premiums Summary[7]

Domestic Insurance Companies Total Gross Written Premiums

Line of Business	2020Annual Returns	2019Annual Returns
Motor	$9,710,840	$10,854,807
Property	$55,574,658	$56,402,805
Liability	$17,927,074	$21,703,164
Marine & Aviation	$15,954,307	$17,356,890
Financial Loss	$735,107	$0
Health	$2,901,820	$12,029,875
Accident	$39,621,373	$40,839,883
Annuities	$122,386	$0
Life	$20,036,057	$7,293,179
Other Property & Casualty	$8,711,396	$10,996,140
Totals	**$171,295,018**	**$177,476,743**

[6] 2021 financial statements are due in 2022
[7] 2020 financial statements are due in 2021

Aggregate Exposures for Domestic Insurers

- **2020** - Property $13,411,576,273 and Marine/Aviation $11,377,529,002
- **2019** - Property $11,672,125,413 and Marine/Aviation $12,363,532,044

Domestic Insurers Gross Claims Paid Summary

Domestic Insurance Companies Total Gross Claims Paid		
Line of Business	**2020Annual Returns**	**2019Annual Returns**
Motor	$3,530,357	$4,580,985
Property	$19,118,064	$83,509,859
Liability	$4,385,213	$5,518,264
Marine & Aviation	$10,294	$0
Financial Loss	$6,238,836	$13,459,836
Health	$566,313	$4,662,020
Accident	$18,052,309	$22,281,528
Annuities	$96,743	$0
Life	$7,921,906	$3,445,717
Other Property & Casualty	$28,176,722[8]	$4,882,086
Totals	**$63,756,751**	**$140,340,295**

Insurance Managers, Intermediaries (Agents and Brokers) and Loss Adjusters

The Insurance Intermediary market remained relatively stable. Insurance Managers decreased by one in 2021 while Loss Adjusters declined by 2 resulting from the Insurance Intermediary ceasing to carry on insurance intermediary business and the loss adjusters having completed the assessment of Hurricane Irma claims. The number of licensed Insurance Managers remained the same as in the prior year.

Regarding new licenses issued, none were issued in 2021 for insurance intermediary (insurance agent and insurance broker), insurance manager and loss adjuster licenses.

Aggregate Claim Statistics as of 31 December 2021

Domestic Insurance Companies Total Gross Claims Paid				
	August 7 2017 Flood	**Hurricane Irma**	**Hurricane Maria**	**Total**
Total Claims	388	8,841	3,034	12,263
Total Claims Closed	388	8,818	3,031	12,237
% Claims Closed	100%	99.74%	99.90%	99.79%
% Total Claims Open	0	23	3	26
% Claims Open	0%	0.26%	0.10%	0.21%
Total Claimed	$11,558,738.80	$819,910,864.86	$80,526,892.25	$911,996,495.91
Total Reserves	$11,560,883.89	$823,345,253.61	$85,057,372.93	$919,963,510.43
Total Paid	$9,457,967.92	$787,641,043.99	$83,310,780.36	$880,409,792.27
Total Outstanding Liabilities	$-	$18,276,258.36	$1,684,818.89	$19,961,077.25

Of the less than 1% (26) unsettled claims, (23) are related to Hurricane Irma comprising of five (5) homeowners, seven (7) commercial properties and eleven (11) motor claims. The remaining three (3) unsettled claims are related to Hurricane Maria comprising of (2) homeowners and one (1) marine claim.

International/Regional Affairs

Members of the Division participated in several virtual meetings with other regulators throughout the Caribbean region to discuss amongst other things the pending implementation of IFRS 17 and the continuation of the discussion on the impact of COVID-19 on each jurisdiction.

The Division also participated in the Group of International Insurance Centre Supervisors ("GIICS") session hosted by the Bermuda Monetary Authority ("BMA") on CAT risk supervision, BMA's presentation on "Insurtech and Fintech – A Bermuda Case", the Caribbean Association of Insurance Regulators and Caribbean Regional Technical Assistance Centre ("CAIR/CARTAC") Financial Stability workstream training on Insurance Stress Testing, Access to Insurance Initiative ("A2ii") webinars on Accounting Standards & IFRS 17: The role of Insurance Supervisors; IAA Seminar Mini-Series: Risk based Financial Management and Supervision on the topic of ORSA – The Core Tool of Risk-Based Supervision; Using Actuarial Reports and Proportionate Risk Assessment; and the Public Dialogue

[8] approximately $21M attributed to a single claim with an insurer

on Pandemic Risk: Opportunities to Improve Insurability. Additionally, in 2021 the Division participated in the International Association of Insurance Supervisors ("IAIS") Market Conduct Survey on Use of Key Indicators to Assess Conduct of Insurers and completed the IAIS Peer Review on ICP 9: Supervisory Review and Reporting and ICP 10: Preventative Measures, Corrective Measures and Sanctions.

Outlook

The captive insurance industry continues to experience a decline. Collaboration with local stakeholders such as the Insurance Associations and BVI Finance in marketing and promoting the jurisdiction may assist.

The domestic insurance sector outlook is expected to remain stable with an increasing outlook, having received an application in 2021. Additionally, with the Regulatory (Insurance Code of Conduct) Code, 2021 enacted in 2021, the domestic insurance sector is enhanced as licensees comply with the requirements for market conduct including treating customers fairly.

Generally, the Division anticipates the impending internal restructure of the regulatory divisions into Authorisation and Supervision as a means of cross training and capacity building as staff is exposed to other product lines.

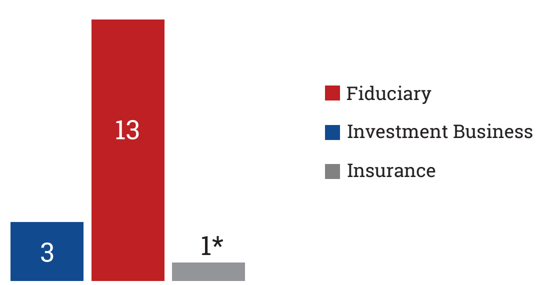
COMPLIANCE INSPECTIONS UNIT

Compliance Inspections remain a significant aspect of the Commission's regulatory monitoring framework. Since 2002, the various divisions within the Commission have conducted compliance inspection for entities which are licensed to carry out business under the Commission's suite of Financial Services legislation. In 2012, the Commission established a unit solely dedicated to execute this function.

In 2021, almost 10 years after its formalization, in concert with the Commission's push for more effective supervision, the Unit conducted an increased number of inspections, with a notable 60% increase in the number of inspections completed than the previous year.

Compliance Inspections by type	
Thematic	14
Follow Up	2
Total	**16**

2021 Inspections by Licensee



One licensee that was inspected holds both an Insurance License and Investment Business License

Thematic Inspections conducted in 2021 focused on the following areas:

- Risk Assessment;
- Updating of Customer Due Diligence;
- Enhanced Customer Due Diligence;
- Sanctions Monitoring; and
- Record-keeping Transaction Records.

The Unit also conducted 2 full scope inspections on Fiduciary Licensees. The scope of the assessment was extended to address recommendations of the Group of International Finance Centre Supervisors ("GIFCS") assessment and assess newly introduced provisions of the Regulatory (Amendment) Code 2019. Accordingly, the full scope inspections included examination of the following:

- Existence of mechanism for delegation of functions of the Board of directors;
- The conflicts of interest policy;
- The conduct of self-assessments by the Board of Director of Licensees;
- The internal audit function;
- Expanded disclosure requirements for the register of breaches and compliance officer reports;
- Consideration of timeliness and fairness of complaints handling process as well as establishment of requirement to disclose complaints handling mechanism to clients; and
- Safekeeping of client monies.

Regulatory Developments – Impact on CIU Approach

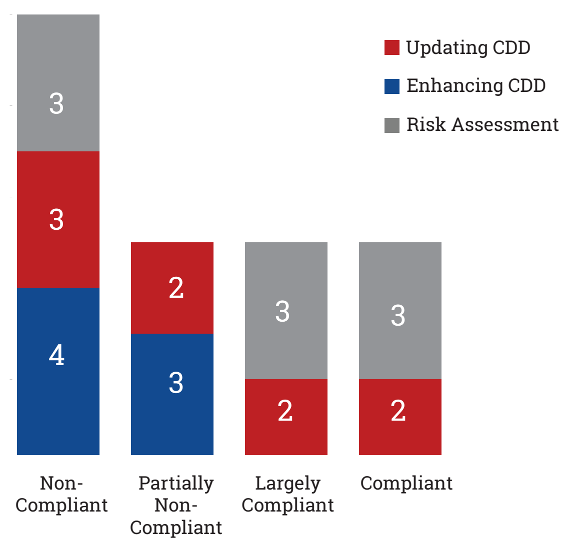
With the introduction of the Counter-Terrorism Act 2021 and the Proliferation Financing (Prohibition) Act, 2021 during the year, the Unit must continue to conduct assessments to determine the appropriateness of Licensees' systems, procedures and processes as relates to monitoring compliance with Terrorist Financing Sanctions. Among other things, the assessment will focus on:

- adequacy of employee training;
- licensees' mechanism for detecting breaches;
- licensee's compliance with legislation and guidelines;
- adequacy of reporting mechanisms to competent authorities; and
- compliance with Terrorist and Proliferation Financing requirements (reviews and audits).

External Stakeholder Engagement

The unit prioritized stakeholder engagement. One key output of this priority initiative was the preparation and publication of sector reports. The 2020/2021 Investment Business Sector Report which focused on the AML areas of Risk Assessment, Enhanced Customer Due Diligence and Updating of Customer Due Diligence detailed the findings of inspections conducted on Investment Business licensees between September 2020 and March 2021. Eleven (11) licensees were reviewed.[4] The table below includes a breakdown on the ratings assigned by section. [5]The aggregate findings demonstrate that the most deficient area was section 21 of the AMLTF Code of Practice as it relates to updating customer due diligence The highest level of compliance was observed with section 12 of the AMLTF Code of Practice which covers conduct of Risk Assessments.

Summary of Ratings for Investment Business Sector Report (2020/2021)



The Unit also made presentations on customer due diligence and the purpose and objectives of post inspection corrective actions as well as implications for failing to enact them as part of the Commission's AML Outreach programme.

The Unit introduced a post Inspection Feedback Form for licensees in 2021 to receive feedback on each stage of the inspection process. Feedback received will be used to improve efficiency and effectiveness of the inspections.

Although there has only been a 30% response rate, the Licensees appear to be satisfied with the process but raised concerns in relation to the FTP protocol for the transfer of information and the timeliness and accuracy of reports.

Key Initiatives in 2021

The Unit continued to work towards achieving more efficient and effective operations. Revisions of the Commission's Onsite Inspection Manual are currently under review and it is anticipated that the revised document will be completed and ready for publication in 2022.

The Unit also continued its contributions to the Money Laundering Risk Assessment, through the production of sector reports for consideration by the AML Unit. These sector reports are used to identify key issues within the sector, and inform the Commission's approach to supervision. The sector reports also provide relevant sectorial insights to all Licensees.

International Participation

The Unit participated in training opportunities with international and regional organisations which exposed staff of CIU to:

- current issues in operational risk supervision;
- additional tools be utilized to make the inspection process more efficient and transparent;
- best practices involved in Countering Proliferation Financing hence better preparing individuals for administering the Proliferation Financing (Prohibition) Act, 2021; and
- key risks involved with technology sector thus widening regulators' knowledge base and allowing them to be of better assistance to specialist regulators that focus on the areas of Business Continuity Management and Information Technology.

Outlook

The Unit will continue to focus on the conduct of thematic inspections. Future thematic inspections will draw themes from, and place specific focus on the findings of the Risk Based Framework and the findings of the Money Laundering and Terrorist Financing Risks Assessments. It is anticipated that the topics of Sanctions Handling, Maintenance of Transaction Records will continue into 2022 and that the areas of Internal Audit and Suspicious Activity Reporting Procedures and Reports will be assessed in 2022.

[4] The report was included in the FSC's August newsletter and can also be accessed on the Commission's website.
[5]It should be noted that two of the eleven Licensees included in the scope of the assessment were only assessed for their level of technical compliance as each Licensee did not have an active client base to allow for the implementation of its procedures.

The work of CIU continues to evolve and increase in complexity as a result of the many amendments/advancements in legislation and recommendations of organisations such as GIFCS, FATF etc. The Commission recognizes such and has already committed to increasing resources in order to keep pace with the changes in the global and local industries.

The Unit expects to continue its production and publication of sector reports for inspections conducted in 2020 and 2021. Specifically, a Fiduciary Sector report will be produced focusing on the area of Enhanced Customer Due Diligence with a second report to follow focusing on the area of Maintenance of Transaction Records. In addition, the Unit looks forward to the implementation of the Commission's revised Onsite Inspection Manual in 2022.

ENFORCEMENT DIVISION

The Enforcement Division ("the Division") receives and analyses intelligence on behalf of the Commission and conducts investigations of serious breaches of financial services legislation. The Division's investigation work ranges from regulatory breaches to cases where non- regulated BVI Business Companies are being used for unlawful purposes. Complaints lodged with the Commission are also received and investigated by the Division.

Key Strategic Achievements

Although the global pandemic continued to cause disruptions in business operations a gradual lessening of its impact on day-to-day operations (among other factors) led to increases in the Division's work load with several notable achievements including key outcomes below:

Implementation of revised operational structure of the Enforcement Regime

Following on from its 2020 initiative to deliver a more robust and efficient enforcement regime, the Division implemented a new operational structure where the responsibility for implementation of decisions of the Enforcement Committee ("EC") was transferred from the EC Secretariat, to the Division The new structure allows for greater oversight of the implementation process by the Enforcement Division, committed more human resources to the processes, and allowed for further harmonization of the varying processes throughout the enforcement cycle. This has resulted in greater efficiency in the progress of enforcement cases and the implementation of EC decisions and actions.

Assessment of the Effectiveness of the Enforcement Regime

The Division commenced a project to assess the effectiveness of its enforcement regime. The project aimed to:

1) assess the effectiveness of the regime (through an internal survey of relevant stakeholders in senior management);
2) identify deficiencies;
3) set benchmarks for determining it effectiveness; and
4) make recommendations for improvements.

The project is ongoing but has already identified a number of changes to be recommended including adapting the Commission's enforcement practices to deliver enforcement actions and outcomes that are stronger and more dissuasive in their impact.

Enforcement Workload 2021

In 2021, the Division handled 475 matters of varying complexity. The workload is generated internally through inquiries and referrals from supervisory and non-supervisory divisions, and externally through inquiries, complaints, and other referrals from external sources. There was a 47% increase in the Division's workload from the previous year. The primary sources and triggers for investigations continue to flow from inquiries and complaints[9].

	2021	2020
Investigation Source	**Matters Opened**	**Matters Opened**
Inquiries	372	228
Complaints	75	53
Internal Referrals	23	20
External Referrals [10]	5	22
Total	**475**	**323**

Inquiries

83% of the inquiries were fielded from internal Divisions. The additional inquiries were actioned from external sources, which most often relate to entities or individuals purporting to carry on financial services business in or from within the territory or requests from external sources seeking to confirm regulatory status of entities. Inquiries and certain complaints typically result in the Commission issuing public statements that warn the general public of the likelihood of financial loss due to the fraudulent activity.

Complaints

In 2021 there were 75 complaints fielded by the Division. This represents a 20% increase when compared to the 53 matters handled in 2020. A further breakdown of the 75 complaints fielded reveals that half (50%) were in relation to non-regulated BVI Business Companies, with the other half being split evenly

[9] Inquiries increased by 63% year over year whereas Complaints grew by 42% post 2020.
[10] Excludes referrals local and regional regulatory counterparts

between unregistered entities purporting to be registered in the BVI and BVI licensees.

There was a marked increase in circulation of forged copies of Commission issued licenses, primarily targeting persons in the securities and investment business space.These schemes are typically perpetrated through fictitious websites promoting forex or securities trading and more popularly, cryptocurrency trading.

This has led to a marked increase in public statements and advisory warnings, which are normally issued in relation to complaints regarding BCs and other unauthorized business. The primary function of a public statements is to alert and warn the public about potential schemes or fraudulent activities.

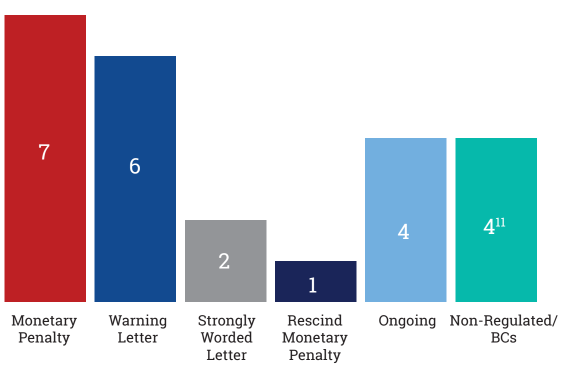
In 2021 a total of 31 public statements were issued in response to complaints and inquiries. Of those 31 statements issued, 13 (42%) related to forged licenses where entities purported to be licensed in the BVI, and an additional 15 (48%) also purported to be licensed in the BVI.

Referrals

In 2021, twenty-three (23) cases were referred to Enforcement, of which 18 were regulated entities, and 5 were in relation to non-regulated Business Companies. These types of referrals are predominantly regulatory breaches that were identified and assessed by the Supervisory Divisions. Some referrals include complex matters that require focused investigative work to confirm and assess breaches and to pursue any necessary enforcement action.

In 2021, the referred matters were in relation to conducting unauthorized business, breaches for failure to submission or reporting required information, as well as other regulatory and other AML breaches by Trust and Corporate Service Providers.

Summary of internal referrals and resulting actions taken



Law Enforcement and regulatory cooperation remain key sources of referrals and intelligence for the Commission's enforcement team. Sixteen (16) referrals were received from external sources. Thirteen (13) of the referrals were from BVI Financial Investigation Agency and three (3) from an international regulatory counterpart. Intelligence received most often relates to non-regulated BVI Business Companies and is used to inform the risk assessment and supervision of the relevant Registered Agents. The FIA referrals mainly stem from allegations of money laundering, fraud, regulatory breaches and sanctions violations.

Enforcement Activity 2021

Enforcement Decisions

The number of decisions taken by the EC (referred to as Enforcement Activity) in 2021 (166 decisions) increased from a total of 150 in 2021. The majority of these decisions fell within the category of "Aides to Enforcement" and "Other" (See footnote 12 and 13 below).

Total enforcement activity undertaken in 2021

Enforcement Activity	Total
Enforcement Action	20
No Enforcement Action	10
Aides to Enforcement	73[12]
Other	63[13]
Total	**166**

Enforcement Action

2021 saw a rise in the number of decisions which resulted in enforcement action to 20. Overall, there was an uptick in referrals into the Division and the EC, which can be attributed to the Commission slowly returning to full productivity due to the waning effects of the pandemic.

2021 also saw a marked shift in enforcement action meted out against licensees for AML non-compliance. The EC levied a total of 11 administrative penalties and fines for breaches ranging from AML/CFT non-compliance to regulatory violations. This shift in philosophy and action netted a large ($232,000) increase in monetary penalties and fines issued when compared to 2020 (2 imposed penalties with a total value of $10,000).

[11] Public Statements were issued in relation to BVIBCs purporting to be licensed and/or regulated by the Commission
[12] Public Statements, Releases from Monitoring, Corrective Action Plans etc).
[13] Other EC's deliberations were in relation to other administrative matters such as information updates provided to the Committee on ongoing litigation and critical regulatory matters, referrals to the Board of Commissioners, review of draft inspection reports and suggested penalties for breaches identified.

Characterises enforcement actions effected in relation to AML and Non-AML breaches in 2021

Types of Enforcement Actions	Total	AML	Non-AML
Warning Letters	5	4	1
Directives	1	1	0
Revocation Notices	3	0	3
Penalties/Fines	11	6	5
Total Enforcement Actions	**20**	**11**	**9**

For the first time in three years, the Warning Letter was not the most widely used enforcement action with a total of 5 warnings issued during the year. The highest category of enforcement action (11) was penalties and fines.

Key Activities and Select Investigations

Media Monitoring

The Division is also tasked with protecting the general public from fraudulent activity as well as safeguarding the reputation of the jurisdiction through monitoring the perimeter for unauthorised financial services activity or other unlawful acts. The Division continues its media monitoring programme where it monitors the reported activities of BVI BCs purported to be involved in nefarious activities, where applicable performs investigations, and analyses the monitored data for referrals to the supervisory and inspection teams.

Fraudulent Websites

Enquires from the public regarding entities with websites that purport to have their contact addresses in Virgin Islands have led to a number of investigations. In majority of the cases, the entities were neither registered nor licenced to conduct financial services business in or from within the Territory. There has been a notable uptick in these types of cases where fraudsters shelter behind domain privacy services to frustrate investigations into the registered ownership of the fraudulent websites. Usually, the investigations result in swift issuance of Public Statements that warn the public of the potential fraudulent scheme and to refrain from conducting business through the fraudulent website. Further work on establishing protocols and pursuing mechanisms to shut-down those websites where entities purport to be registered and or licenced to operate in or from within the Territory must be undertaken, including an assessment of the legal and other constraints in taking action.

Cryptocurrency Trading and Exchanges

There is an ongoing trend for virtual asset trading platforms to be operated using BVI Business Companies. Whilst the activity is currently unregulated, because of the nature and complexity of the business, it carries significant risk. The Commission conducted a very resource intense and complex investigation into one such group. In 2022, the investigation was concluded with the production of a comprehensive 44-page Investigation Report detailing key findings and high-level recommendations requiring action. The report was delivered to the Enforcement Committee and the Board of Commissioners during the first quarter of 2022 and shared with the FIA for collaborating efforts.

With the proliferation of this type of activity, it is expected that the Commission's Virtual Assets Services Providers legislation and regime will be shortly developed and implemented to bring the activities under the Commission's remit.

Outlook

Enforcement's priorities for 2022 include among others:

1) Completion of the assessment of the effectiveness of the enforcement regime;
2) Developing Commission enforcement philosophy to be informed by the results on effectiveness;
3) Reporting on the Analysis and Compilation of EC Decisions;
4) Finalising its enforcement manual;
5) Increasing Division resourcing to effectively deliver on increasing responsibilities; and
6) Exploring measures to mitigate the risk posed by unregulated BVI companies, specifically, extension of enforcement powers to this group among others.

ANTI-MONEY LAUNDERING UNIT

The Anti-money Laundering Unit (AMLU) is responsible for developing and implementing the Commission's anti-money laundering supervisory strategy while ensuring an efficient, effective, professional operation that meets international standards. AMLU's strategic purpose is to enhance the Commission's role and credibility as the main anti-money laundering supervisor for the financial services industry.

The AMLU also serves as Secretariat to the Commission's statutorily established AML/CFT related committees and is responsible for coordinating the Commission's AML training programme, its preparations for the 2022 CFATF Mutual Evaluation, and addressing the deficiencies identified in the Territory's Risk Assessment Reports relative to the work of the Commission as the Territory's financial services regulator.

Policy Enhancement

Commission's AML Policy, Strategy and Action Plan

The Unit continues to ensure the execution of the Commission's AML/CFT Policy and AML/CFT Strategy 2020-2022 through the implementation of its AML Strategic Action Plan.

Training

The Unit monitors training offerings from regional and international bodies, particularly the CFATF, to ensure all relevant agencies are aware of these opportunities, at times coordinating submissions at a national level. In 2021 the Unit assisted the Secretariat for the Council of Competent Authorities in facilitating a training for the Territory's law enforcement agencies, competent authorities, magistracy and judiciary.

At the end of 2021 the Unit assisted the Human Resources Training Unit in executing the Commission's annual AML training for the Commission's staff. The training served as a refresher of the 2020 introductory AML programme. The training provided an introduction to the Territory's AML/CFT regime, focusing in particular on the requirements of the Commission as a supervisor, and of financial institutions operating within the jurisdiction.

Immediate Outcomes Action Plan

The Unit conducted an assessment to measure the Territory's current level of effectiveness against the FATF's 11 Immediate Outcomes (IOs).The assessment identified the actions already taken to satisfy the effectiveness criteria as well as the actions that are still required to be taken by the responsible agencies.

Actions identified for the Commission were integrated into the Commission's overall Mutual Evaluation preparation plan. At the end of 2021 2% of the required actions were not addressed whether partially or fully. The Unit will continue to provide support and guidance to the various Divisions and Units in 2022 to ensure the outstanding action items are appropriately addressed.

CFATF Mutual Evaluation Preparations

Based on the key issues identified, the Unit previously developed individual Action Plans for each of the Divisions or Units which outlined the areas to be addressed. These actions were consolidated with those identified as needing to be addressed from the Commission's Strategic Action Plan and the assessment of the FATF's Immediate Outcomes relevant to the Commission as a supervisor (IOs 3, 4 and 5).

At the end of 2021 the Commission was able to recognise, amongst others, the following achievements:

- finalisation, approval and implementation of Commission's AML/CFT Strategic Action Plan;
- completion of TF risk assessment for financial services sectors;
- completion of Immediate Outcome effectiveness assessment;
- full implementation of the Commission's Risk Assessment Framework;
- publication of inspections findings report for the Investment Business sector;
- implementation of new processes and procedures to streamline the compliance inspection reporting process; and
- finalisation of all outstanding compliance inspection reports;

- finalisation of key pieces of AML/CFT legislation which allowed for enactment during 2021;
- establishment of service standards to ensure timely completion of quarterly enforcement action reports;
- updating the sanctions space on the Commission's website to address post-Brexit requirements; and
- compliance inspections conducted based on risk and other contexts.

The Unit continues to monitor the progress being made on the outstanding action items.

Terrorist Financing Risk Assessment

In early 2021, the Unit was able to complete the Virgin Islands Financial Services Sector Terrorist Financing Risk Assessment 2020. This assessment took an in-depth look at the terrorist financing (TF) risks within the various financial services sectors from both a domestic and international perspective through the interrogation of data from multiple sources. The identification of the TF risks within each sector will allow for the strengthening of the Territory's AML/CFT regime through the implementation of proper mitigation strategies by both the Commission and industry practitioners.

AML/CFT Returns

In March 2021 the Financial Services (Prudential and Statistical Returns) (Amendment) Order, 2021 was issued making it mandatory for every licensed entity to complete an AML Return as a way of gathering data on the AML/CFT practices of the entities regulated by the Commission. The data collected will be used to identify trends that may highlight areas of concern and risks which may require supervisory intervention or trigger considerations for legislative or policy reforms. 692 returns were filed for the 2020 reporting period.

AML/CFT Outreach

AML/CFT outreach is a key function of the AML Unit carried out to demonstrate effectiveness by the Commission in bringing awareness to, facilitating better understanding of and increasing compliance within the industry on relevant AML/CFT matters. Key engagements included

- Update of the Commission's AML Web Space;
- Production and publication of guidance videos and webinars;
- Publication of Articles; and
- Industry presentations informing and sensitising on the upcoming CFATF Mutual Evaluation.

External Representation

Caribbean Financial Action Task Force (CFATF)

Employees of the Unit continued to represent the Commission at the CFATF Plenary and Working Group meetings held in May and November 2021. The Commission's attendance provides for a greater understanding of some of the potential issues that the Commission as supervisor, and the Territory generally, may face during its own Mutual Evaluation.

The Commission led negotiations with the Foreign and Commonwealth Development Office to provide technical assistance to the Territory in its preparations for the upcoming CFATF Mutual Evaluation.

Employees of the Unit continue to lend their expertise to various bodies throughout the Territory to assist in addressing issues which may relate to the Territory's response to Anti-Money Laundering and Terrorist Financing threats. In 2021 the Commission was represented on the following bodies by persons from within the AML Unit:

Group	2021 Primary Objective
Financial Investigation Agency Review Committee (FIARC)	Review operational deficiencies in the processing of SARs
AML Supervisory Committee (ASC)	Foster greater collaboration and cooperation between Commission an FIA and ensure issues identified in FATF's Immediate outcomes (IOs 3, 4 and 5) were reviewed and that measures were put in place.
Council of Competent Authorities (CCA) and other Sub-Committees	In addition to serving on the CCA to facilitate coordination of domestic and international cooperation matters and other relevant AML/CFT issues relating to of affecting the Territory representation also included on the following sub-committees: • Counter-Terrorism Committee • NPO (Amendment) Act Committee • Sanctions Review Committee
National Anti-money Laundering Coordinating Council (NAMLCC)	To act as a resource and assist DMD Regulation with the supervision of the Implementation Unit of the Ministry of Finance, which serves as the Committee's Secretariat. Accomplishments included: • Draft the National AML/CFT Strategic Action Plan • Review Progress Report on Implementation of Recommendations from the 2016 National Risk Assessment • Assessment of the FATF's 11 Immediate Outcomes with identification of actions to be addressed to ensure a reasonable level of effectiveness with the IOs
Joint Anti-money Laundering and Terrorist Financing Advisory Committee	Secretariat
Inter-governmental Committee on AML/CFT matters (IGC)	Secretariat responsibilities including the collation and analysis of relevant data provided by member agencies.

2022 Outlook

The Unit's primary focus in 2022 will be on closing any gaps identified in the Commission's AML/CFT regime and finalising preparations for the Mutual Evaluation. One of the main priorities for the Unit will be the execution of the Virgin Islands Proliferation Financing Risk Assessment. The PF Risk Assessment will be geared towards identifying the Territory's level of exposure to PF in order to provide a clearer understanding of the overall risk of PF to the Territory.

Other areas the Unit intends to focus on to aid in achieving its strategic purpose in 2022 include:

a) Establishment of an AML Secretariat;

b) Continued development of data management capabilities;

c) Facilitating staff AML/CFT training;

d) Expanding its AML/CFT Outreach programme;

e) Updating the Commission's AML/CFT Strategy;

f) Implementing the recommendations of the ML and TF Risk Assessments;

g) Updating Sectoral ML and TF Risk Assessments;

h) Monitor regional and international AML/CFT spaces; and

i) Advise on ML/TF risk mitigation.

NON-SUPERVISORY

REGISTRY OF CORPORATE AFFAIRS

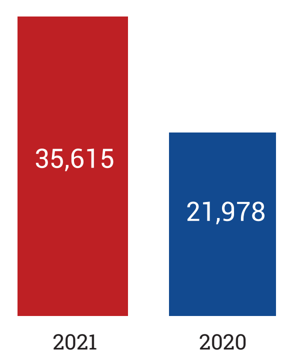
The Registry of Corporate Affairs is responsible for the incorporation and registration of BVI Business Companies, Limited Partnerships, Trade Marks and the re-registration of UK/EU Patents, and all other related post-incorporation and registration transactions. However, the focus remains on new incorporations and registrations.

2021 was a productive year for the Registry. Transaction volumes exceeded projections by 18% as the BVI continued to be selected as a preferred jurisdiction for the incorporation of corporate structures. The significant increase in new incorporations in 2021 compared to the two previous years was welcomed.

BVI Business Companies

The Registry incorporated 35,615 new BVI Business Companies in 2021. This represents a 62% increase from 2020 where 21,978 business companies were incorporated. This is a major increase for incorporations compared to previous years despite the challenges and various international initiatives faced this year.

Incorporation 2021 vs 2020



2021 continued the declining trend in annual renewals dating back several years, and is down 1.5% from 2020. However other post incorporation transactions - Continuations in and out of the British Virgin Islands, Register of Director registrations, and Premium Service transactions increased year over year.

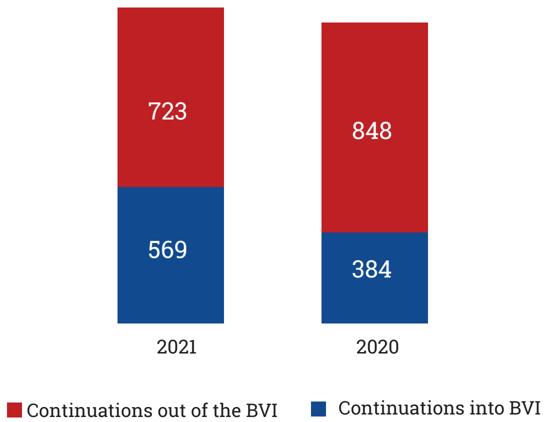
The comparison of the Registry's transactions from 2020 to 2021 is displayed below.

Transactions 2020-2021

Transactions	2021	2020
New Incorporation	35,615	21,978
Annual Fee Renewals	329,219	334,116
Continuations into BVI	569	384
Continuation Out of the BVI	723	848
ROD Registration	36,177	23,158
L.P. Registration	636	196
International Searches	28,489	15,484
Local Searches	45,665	45,737
Premium Service Transaction	379	335
Dissolutions	9,438	9,687
Request for certificate of Good Standing	44,820	43,075
Register of Members	415	473

Continuations into the BVI saw a 48% increase above 2020, by some 185 companies , while continuations out of the BVI declined by almost 15% over 2020. Although continuations into the BVI increased materially compared to previous years, and continuation out of the BVI declined, continuations out continue to outpace continuations in, year over year, resulting in an overall net decrease in continuations. Continuation numbers remain marginal compared to the BVI's overall book of business, but it is important to note that the three leading jurisdictions where BVI Companies continued in 2021 are established financial services jurisdictions. On the other hand, the two jurisdictions where largest number of companies continuing to the BVI from are less popular incorporation jurisdictions.

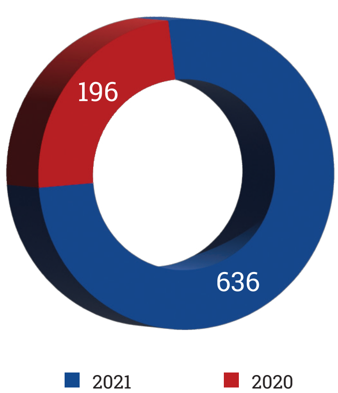
Continuations in/out of the BVI



Limited Partnerships

There was a major increase in Limited Partnership registrations in 2021 compared to previous years. The number of Limited Partnerships more than tripled in 2021 above 2020 and 2019. There appears to be an increased appetite in preferring Limited Partnerships to other corporate structures within certain financial services sectors, especially in the venture capital space and for use in the recently introduced Private Investment Funds regime. This activity is encouraging and is a testament to the confidence which industry participants have in BVI business products.

L.P. Registration



Trade Marks, Patents & Copyright

The Office of the Registrar of Trade Marks, Patents and Copyright (the "Office"), is mandated to administer intellectual property (IP) legislation throughout the Territory. At the end of 2021, the Office maintained its Register of 27 Registered Trade Mark Agents and processed 3,401 transactions. Trade Mark Renewals increased by 26% during 2021, while new applications decreased by 30%.

In addition to transactions, it is important to note that the Registrar also adjudicated two trade mark registration disputes during 2021, which contributes to the jurisprudence and development of the Intellectual Property Sector. The Registrar also provides opinions on the registrability of trade marks within the British Virgin Islands under the governing legislation.

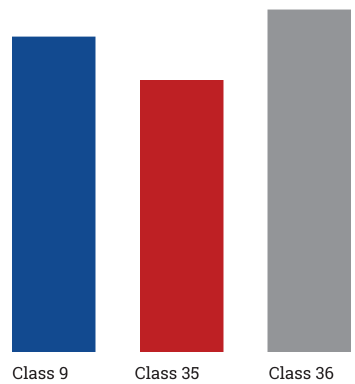
The Office continued the reclassification exercise which would reclassifies all trademarks registered prior to September 2015 under the internationally recognised Nice Classification system for goods and services. In 2021, the Office reclassified 1,172 marks and proposed the reclassification of 578 marks.

Select Trade Marks transactions completed in 2021:

No. of Transactions		
Transaction Type	**2021**	**2020**
Assignments	63	94
Determination of Opposition	2	0
Mergers	12	6
Notice of Opposition	1	0
Post Registration Defective	23	73
Pre-Registration Defective	7	26
Records of Search - Trade Mark	200	165
Registrar's Opinion	4	1
Renewal Notices	317	234
Surrender	4	11

There was a 30% decrease in Trade Mark Registrations during 2021. However the most frequent registration class was Class 36 in respect of financial, monetary and banking services; insurance services; and real estate affairs. This is consistent with 2019 and 2020 registrations.

Most frequent classes of registration for 2021 Trade Mark Registrations in the BVI

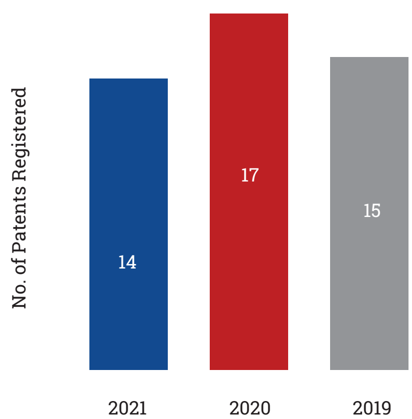


Patents

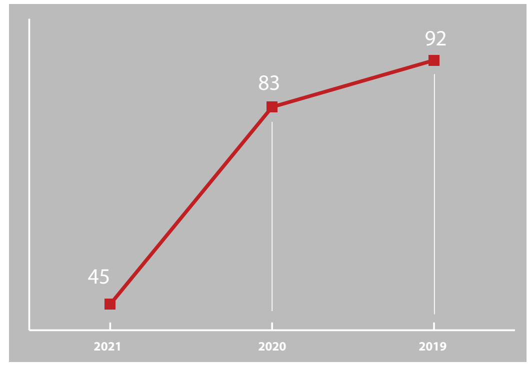
There are no originating patents registered in the BVI. The Office maintains a Patents register of re-reregistered patents from the United Kingdom and the European Union. In 2021 new Patent re-registrations decreased by 17.6% while renewals experienced a more significant decrease of 46%. The decreases are believed to be owing to international service disruptions and the global effect of the Covid-19 Pandemic.

2021 Patent Re-Registrations

The Year 2021 saw a 17.6% decrease in patent re-registrations



Patent Renewals



Transactions

There was a slight reduction in the number of transactions processed in 2021, the Office saw a significant increase in 2020 because of the Covid-19 pandemic. Registered Trade Mark Agents experienced interruptions to their operations, which resulted in decreased filings. However, the Office capitalised on the opportunity to initiate administrative transactions including: reclassifications proposals and confirmations as well as TM 10 notices for Trade Mark Renewals. These office-initiated transactions account for the increased activity since 2019, as members of the Office took advantage of remote work arrangements to continue administrative processing and updating of the Trade Marks and Patents Registers.

No. of Transactions Processed

2021	2020
3,401	3,556

Certificates of Registration Issued

Year	2021	2020
Patents	14	17
Trade Marks	247	353

VIRRGIN: Driving Efficiency and Keeping Pace

A critical element of our work programme is to ensure that our VIRRGIN platform reflects current regulatory reforms, continues to drive efficiency, and keeps pace with the needs of our clientele. As such, changes are made to VIRRGIN system annually to achieve that objective. Among other changes, the following improvements were made in 2021:

- Automatic VIRRGIN subscriptions reminders are sent to users prior to the expiration of their subscription;
- New option for requesting physical copy of certificate when an electronic certificate is issued;
- Creation of new functions under the Limited Partnership Act, 2017 to accommodate the electronic filing requirements of the Act, transactions were temporarily placed in the general filings function. Tranactions are being created for each function to allow for filings directly through the particular functions;
- VIRRGIN was made compatible with additional internet modules which allowed users to use additional and updated browsers to access VIRRGIN;
- Regulatory functions were added to VIRRGIN to provide for electronic filings and handling; and
- Amendment of fees due to legislation changes.

Looking Ahead – 2022

In addition to the review of the legislative framework which governs the formation of entities in the Territory to ensure compliance with international standards, while providing a registration for competitive corporate structures, the Commission is expected to undertake several key projects which will improve the operations of the Registry. These projects include:

- A major upgrade to the Flagship application VIRRGIN It is expected that this upgrade will make VIRRGIN more intuitive with enhanced features and capable of producing better reports for management purposes; and
- Digitisation of Legacy files to allow for easy access, requests and searches of pre-VIRRGIN files.

These projects are expected to transform the way users interact with the Registry in the conduct of business, and will make the services offered by the Registry even more accessible.

BVI FSC (HK) LIMITED

BVIFSC HK is the Commission's representative office in Hong Kong, SAR. BVI FSC collaborates with the Asian public and private sector stakeholders to foster the continuous development of BVI financial services, as a competitive and attractive jurisdiction for business.

BVIFSC HK:

- Develops and maintains effective relationships with regional regulatory authorities to better facilitate supervision of common licenses;
- Manages and monitors the delivery and performance of the functions of the BVI Registry of Corporate Affairs in Asia;
- Disseminates information and responds to enquiries about the services offered by the BVI Registry of Corporate Affairs;
- Responds to media inquiries and participates in media interviews to promote the work of the Commission; and
- Serves as liaison and point of contact between the Commission and its licensees.

BVIFSC HK also works closely with the BVI Government's Hong Kong Office on marketing, business development, and outreach on behalf of the BVI.

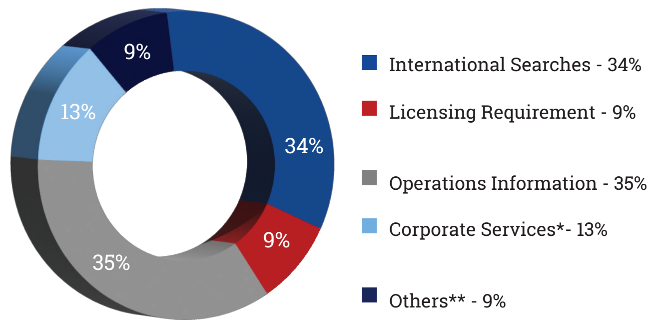
2021 Highlights

Covid-19 Mitigation Initiatives Continued – Contactless Delivery of Certified Documents

While the Covid-19 pandemic presented serious challenges in Hong Kong, BVIFSC HK remained open for business and successfully delivered on its mandate to provide services to Registered Agent offices in Hong Kong electronically and via courier.

Efficient Handling of High-Volume of Enquiries

268 enquires from Registered Agents and the general public were handled by BVIFSC HK in 2021.



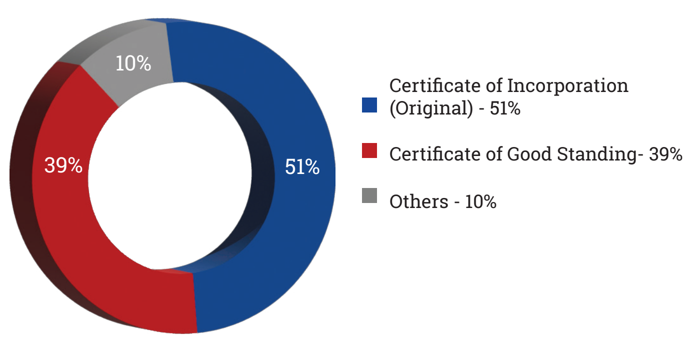
In 2021 BVI FSC HK experienced a 109% increase in enquiries over the average enquiries received since 2019. This increase was primarily driven by Registered Agents about the publication of directorship records, and queries from individuals on the inclusion and availability of directorship information within company searches.

Limitation on Industry Engagement, Outreach and Business Development

Business Development and outreach are typically conducted face-to-face with Agents, regional regulatory counterparts and other key stakeholders. As a result of the ongoing Covid-19 pandemic and preventative measures imposed locally and regionally planned outreach activities for the year were postponed.

Certificate Printing and Delivery

The number of certificates printed in 2021 increased from 15,426 in 2020 to 26,771 in 2021, an increase of 73.4% as Registered Agents' operations are slowly returning to pre-pandemic levels.



Certificates of Good Standing(10,321)and Certificates of Incorporation (13,753) continue to be the most common certificates printed and delivered by BVIFSC HK.

2022 Outlook

BVIFSC HK anticipates a degree of challenge from the ongoing Covid-19 pandemic as a result of increased infection rates within the region and increased preventative measures at the end of 2021. Notwithstanding, the Office anticipates engaging relevant stakeholders digitally and studying emerging opportunities that may arise as a result of a rapidly evolving regulatory and business environment globally.

LEGAL

The Legal Division ("Legal") is in-house counsel to the BVI Financial Services Commission (the "Commission"). Legal provides Advice and Litigation services to the Managing Director, the Board of Commissioners, the Registrar of Corporate Affairs, the Registrar of Trade Marks, Patents and Copyright, the Licensing and Supervisory Committee and Enforcement Committee, Information Technology Division, HR Division and the administrative and regulatory divisions within the Commission. In 2021, Legal Opinions were provided in relation to compliance inspection reports and contraventions of financial services legislation by licensees of the Commission. Legal also undertook the drafting and review of contracts, leases, and agreements to which the Commission is a party. In all cases where enforcement action was proposed, Legal opined on the regulatory and legislative breaches and the powers available to the Enforcement Committee.

Legal achieved its objective in 2021 of providing advice and litigation services in a timely manner, within agreed timescales and to a high professional standard. In appearing as advocates and in-house Counsel for the Registrar of Corporate Affairs and the Commission in the BVI High Court (Civil and Commercial Divisions) the expertise and professionalism of our attorneys was recognized by the judiciary and our advice and counsel was routinely sought on matters of public interest by BVI public bodies. On a number of occasions, and on the direction of the allocated judge, Legal was served with papers in company and insolvency law matters to which the Registrar was not a party in order that Legal could review the matter and, if necessary, apply to intervene to assist the Court.

Legal, together with the BVI Courts and the BVI legal community, continued to face challenges throughout 2021 arising from the global COVID-19 pandemic. Throughout the year all court hearings were conducted by online video link using Zoom. Our attorneys have become adept at conducting trials remotely and using data management skills for preparing and filing evidence, skeleton arguments and bundles of case documents electronically.

Legal dealt with 114 new litigation cases in 2021, slightly down from 118 and 131 in 2020 and 2019 respectively. The litigation cases comprised chiefly of applications to the Court to restore dissolved companies to the Register, typically following the striking-off and dissolution of the company following non-payment of annual registration fees. The companies sought restoration to the Register as active companies to enable them to continue conducting the business of the companies including dealing with assets which had vested in the Crown upon the dissolution. The effect of the restoration Order, which is conditional upon the payment by the Claimant to the Registrar of all outstanding annual registration fees and penalties, is that the company is deemed to have continued in existence as if it had never been struck off and dissolved.

The breakdown and comparison of cases by cause and year are provided in the table below:

Group	2021	2020
Para 57, Sch 2 – BVI Business Companies Act, 2004 ("BCA") Application for restoration of a dissolved company	3	3
Section 207A – BCA Application for the termination of voluntary liquidation of a BCA company	3	11
Litigation outside of the jurisdiction	-	2
High Court Appeal against Financial Sewrvices Appeal Board Decision	-	-
Stop Notice	5	-
Section 218 – BCA Application for restoration of a dissolved company	102	96
High Court Intervention for FSC in proceedings as an interested party	-	-
Freezing injunctions	-	-
Appointment of a Receiver over a BCA company	-	3
Amendment to M & A of a BCA company	-	1
Application to set aside Restoration Order of a BCA company	-	1
Application for removal of Voluntary Liquidator of a BCA company	-	1
Change of Continuance Date for a former BCA company	1	-
Annual Totals	**114**	**118**

Our attorneys also provided advice and drafting services to the Commission on Memoranda of Understanding with other BVI competent authorities.

During 2021, Legal participated in the presentation of Part II of a 5-day course on money laundering and the restraint and confiscation of the proceeds of crime attended by members of the RVIPF, the Financial Investigation Agency and the other BVI competent authorities.

Financial Services Appeal Board Matters

The Financial Services Appeal Board is a statutory body which hears appeals by persons aggrieved by a decision made by the Commission under the Financial Services Commission Act, 2001 (the "FSC Act") or any financial services legislation. There were six outstanding appeals brought forward from 2020, five were completed during 2021 and one appeal remained outstanding at year end. There were no new appeals entered during 2021.

International Cooperation Matters

Legal also has responsibility for dealing with incoming international cooperation requests received by the Commission. The FSC Act requires the Commission to cooperate with information requests received from foreign regulatory and law enforcement authorities and provides for statutory gateways for disclosing protected (non-public) information when a request is received. During 2021, the Commission received and processed 108 incoming requests from foreign regulatory and law enforcement authorities (up from 88 incoming requests in 2020). The requests are chiefly made under our obligations as a signatory and member of the International Organization of Securities Commissions' (IOSCO) Multi-Lateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information. The requests typically concern fitness and propriety checks on authorised persons and licensees of the Commission. In addition, information requests are received from foreign regulatory and law enforcement authorities conducting investigations into suspected fraud, money laundering, insider trading, market manipulation and other types of financial misconduct where a BVI entity has a nexus to the matters under investigation. The value of the Commission's assistance to foreign regulatory investigations is routinely recognised in public statements. For example, in January 2021 the Dubai Financial Services Authority ("DFSA") recognised the assistance provided by the Commission in a matter requiring an urgent response that resulted in a settlement agreement between the DFSA and the person under investigation.

The Commission is a member of the UK-based Financial Crime Information Network ("FIN-NET") an organisation whose members share information and intelligence required in the investigation of serious financial crime. Members include several UK criminal law enforcement agencies and a number of financial services regulatory bodies. In 2021 66 FIN-NET referrals were received (up from 58 referrals in 2020). FIN-NET referrals typically sought information and documents required by UK Law enforcement authorities investigating large-scale money laundering, investment fraud, and other types of financial crime. Whilst only a very small number of the matters under investigation have a nexus to a BVI entity, in cases where there is a connection the FSC Act provides a gateway to disclose protected information to a foreign law enforcement authority subject to the statutory disclosure requirements being satisfied.

Outlook for 2022

During 2022 it is anticipated that the volume of new litigation cases will be similar to the previous year. After dealing with court hearings by remote video-link during the period of the global COVID-19 pandemic, we expect the BVI courts to move back to "in person" hearings in 2022. The number of internal referrals to Legal at the Commission for advice is expected to be similar to the previous year, however we expect an increase in the number of contracts referred to Legal for drafting and review.

POLICY, RESEARCH AND STATISTICS DIVISION

The Policy, Research and Statistics Division (the "Division") ensures that the Commission complies with established international standards in areas surrounding the financial services sector. It is also responsible for researching emerging and innovative financial products and services and trends in the local, regional and international financial services sector and monitoring any international developments and initiatives.

The Division also collaborates with other Divisions and Units to deliver legislative and administrative reforms, development of policies and guidelines, and undertaking of industry or public consultations.

The division also produces the Commission's quarterly statistical bulletins.

During the last quarter of 2021, the Communications Unit joined the Policy, Research and Statistics Division. This Unit is responsible for orchestrating communication on behalf of the Commission to all relevant stakeholders.

Notwithstanding continued challenges posed by the Covid-19 pandemic during 2021, the Division was able to discharge its functions including: progressing key AML/CFT and other financial services legislation, interacting with local, regional and international organisations and producing quarterly statistical bulletins.

Achievements

Legislative Developments

The Division leads the Commission in legislative reform and development efforts to ensure compliance with international standards and establish appropriate supervision and regulation of financial services business. The Division's research also informs the Commission's recommendations to the Cabinet of the Government on new legislation and proposed revisions or amendments of financial services legislation.

Legislation passed and enacted in 2021, following initiation by the Commission, are detailed below.

AML/CFT Legislation

The Division, in conjunction with other Divisions within the Commission and other Governmental agencies with responsibilities for AML/CFT continued to develop legislation that address technical gaps in compliance with the FATF Recommendations. These efforts resulted in the enactment of the following AML/CFT related legislation in 2021:

Legislation	Key Date(s)	Objective
Criminal Code (Amendment) Act, 2021	Passed: 11 May, 2021 In Force: 9 July, 2021	Created a new criminal offence that includes tax crimes and penalties.
Criminal Justice (International Cooperation) (Amendment) Act, 2021	Passed: 11 May 2021 In Force: 13 August, 2021	Statutorily establishes the Council of Competent Authorities ("CCA") and outlines its membership and defines its functions roles and powers.
Customs Management and Duties (Amendment) Act, 2021	In Force: 9 July, 2021	• Extends the scope of cash declaration requirements to include mail an cargo; and • Requires the Commissioner of Customs to submit reports to the Financial Investigation Agency ("FIA") on various cash declaration matters.
Drug Trafficking Offences (Amendment) Act, 2021	In Force: 9 July, 2021	• Heightens AML/CFT measures relating to drug trafficking. - Requires police or the FIA to simultaneously investigate any related drug money laundering offence and drug trafficking offence; Formally establishes the FIA as the Territory's central authority for receiving suspicious transaction reports relating to drug money laundering; and - clarifies that police and Customs officers may seize and detain any amount of cash found suspected to be related to drug trafficking or drug money laundering.
Financial Investigation Agency (Amendment) Act, 2021	In Force: 13 August, 2021	• Strengthens the functioning and efficiency of the FIA in relation to its enforcement, supervisory and international cooperation obligations; and • Ensures technical compliance with the FATF Recommendations.

Legislation	Key Date(s)	Objective
Proceeds of Criminal Conduct (Amendment) Act, 2021	Passed: 11 May, 2021 In Force: 9 July, 2021	Inserts definitions of money laundering and terrorist financing; - Requires police or the FIA to simultaneously investigate any related money laundering offence and an offence of criminal conduct; - Formally establishes the FIA as the Territory's central authority for receiving suspicious transaction reports; - Statutorily establishes the National Anti-money Laundering and Terrorist Financing Coordinating Council, as the jurisdiction's focal point for coordinating policies relating to money laundering, terrorist financing and proliferation financing; and - Clarifies that police and Customs officers may seize and detain cash found and suspected related to drug trafficking or drug money laundering.
Proliferation Financing (Prohibition) Act, 2021	In Force: 9 July, 2021	Repeals and replaces the Proliferation Financing (Prohibition) Act, 2009.

Trust Legislation

The Division engaged with the BVI branch of the Society of Trusts and Estate Practitioners ("STEP") to modernise and streamline the Territory's domestic trust legislation. This resulted in the enactment of the following legislation on 9th July 2021.

Legislation	Objective
Administration of Small Estates (Amendment) Act, 2021	• Increases the value of small estates from a maximum of $240 to $25,000; • Restricts applications for grants of letters of administration to persons domiciled in the Territory at time of death; and • Increases the penalty for the offence under the Act to $5,000 or 12 months imprisonment.
Financial Services (Exemptions) (Amendment) Regulations, 2021	• Removes reference to 'professional director' and replaces with 'director' in relation to private trust companies; and • Removes provision which restricts private trust companies from carrying on business other than trust business.
Probates (Resealing) Act, 2021	• Repeals and replaces the Probates (Resealing) Act; and • Creates new schedule of jurisdictions recognised for the purposes of resealing grants.
Property (Miscellaneous Provisions) (Amendment) Act, 2021	Updates laws relating to the disposition of property and strengthens the trusts law regime.

Legislation	Objective
Trustee (Amendment) Act, 2021	• Confers power on High Court to vary trust without consent of beneficiaries where considered expedient by court; • Gives High Court jurisdiction to set aside exercise of fiduciary power; • Reforms rules relating to conflicts of law for certain trusts and dispositions; and • Imposes duty to maintain appropriate records and documentation.
Virgin Islands Special Trusts (Amendment) Act, 2021	made to reference the new section 58B introduced in the Trustee (Amendment) Act, 2021 which relates to the powers of the High Court to vary a trust.

Insurance Legislation

Insurance related legislation was issued throughout the year to promote fairness and transparency to customers. The following legislation were issued on 7 April, 2021 and came into force on 6 July, 2021:

Legislation	Objective
Regulatory (Insurance Code of Conduct) Code, 2021	• Establishes a market conduct framework for domestic insurance market; • Promotes fair treatment of insurance customers; • Improves transparency in the domestic insurance sector; • Enhance customers' understanding and expectations; and • Increases public trust and customer confidence.
Regulatory (Amendment) Code, 2021	• Prescribes maintenance of claim handling records; and • Outlines the standards by which a licensee's financial statements must be audited (non-insurance provision).

Corporate Structures

Legislation	Key Date(s)	Objective
BVI Business Companies (Amendment of Schedule 1) Order, 2021	In Force: 1 July, 2021	•Applies new fees to BVI BC transactions; and •Streamlines existing fees.
Limited Partnership (Restricted Limited Partnership Names) Notice, 2021	Issued: 11 August, 2021	• Prescribes restricted words and phrases for Limited Partnerships.
Financial Services (Limited Partnership Fees) (Amendment) Regulations, 2021	In Force: 1 July, 2021	•Assigned new fees to Limited Partnership transactions.

General Legislation

Legislation	Key Date(s)	Objective
Financial Services Commission (Amendment) Act, 2021		• Grants the Commission the flexibility to waive imposition of penalties for breaches caused by authorised or registered agents or acts of God.
Financial Services (Prudential and Statistical Returns) (Amendment) Order, 2021	Into Force: 15 February, 2021	• Requires filing of specific returns by licensees in the insurance and investment business sectors; and • Requires all licensees to file with respect to AML/CFT matters.
Notices extending the operation of Financial Services (Exceptional Circumstances) Order, 2020	In Force: 1 July, 2021	• Notices extending operation of the Order to enable the functioning of the financial services industry during the pandemic from 31 March, 2021, until 31 December, 2021.

Ongoing Legislative Development

As the jurisdiction prepares for the CFATF mutual evaluation, the Division continues to develop new and review existing legislation to ensure the highest level of technical compliance with the FATF Recommendations. During 2021, the Division, in consultation with regulatory Divisions, developed an initial draft of legislation aimed at creating a supervisory regime for Virtual Assets Service Providers. The draft remains in its developmental stage as at the end of 2021, with the intention of finalisation in late 2022. The Division is also reviewing other legislation for compliance with the FATF Recommendations. This should result in amendments to the following legislation:

- Anti-money Laundering Regulations;
- Anti-Money Laundering Code of Practice;
- BVI Business Companies Act;
- BVI Business Companies Regulations; and
- Regulatory Code.

In addition, other legislative reforms drafted by the Division were traversing through the legislative process for approvals and enactment as at the end of 2021. These included amendments to:

- Financial Services Commission Act; and
- Banks and Trust Companies Act.

The Division is also responsible for developing policies, guidelines and forms to assist licensees in complying with regulatory obligations mandated by legislation. During the year, the Division completed the development of the fillable returns, in alignment with the Financial Services (Prudential and Statistical Returns) (Amendment) Order, 2021. These included:

- Insurance Intermediaries Annual Return;
- Domestic Insurance Business Annual Return;
- Captive Insurance Business Annual Return;
- Investment Business Annual Return;
- Insurance Manager Annual Return;
- Fiduciary Services Business Annual Return; and
- AML/CFT Annual Return.

The Returns provide data and information to the Commission that aids in understanding the nature and size of the varying financial services sectors, identifying areas of potential risks and informing supervisory strategies. The Division also created short form guidance to assist the licensees in completing the returns.

Development of Statistical Bulletin

As a part of its statistical functions, the Division is responsible for producing quarterly statistical bulletins. This function continued throughout 2021. The Statistical bulletins provide an informative view of the jurisdictional financial services activities and offer indicators for industry trends along with brief analytical summaries of statistical changes.

Local, Regional and International Engagement

The Commission communicates, collaborates and maintains relations with a range of local, regional and international governmental bodies and departments, as well as regional and international standard setting bodies. The Division plays a key role in executing these engagement functions.

Local Government Engagement

The Commission, as a statutory body of the Government of the Virgin Islands, falls within the portfolio of the Premier and Minister of Finance (the "Premier"). The Division communicates on behalf of the Commission with the Premier, via the Ministry of Finance, in facilitating the approval and enactment of drafted financial services legislation. The Division also works closely with the Attorney General's Chambers in finalising statutory instruments to be issued by the Commission and published in the Gazette. The Division also provides statistical data to the Central Statistics Office on an ongoing basis.

Regional and International Engagement

The Division engages with regional and international bodies through attendance at meetings (virtually for the year 2021), completing reports and surveys and assisting other regulatory divisions in completing reports and surveys. During 2021, the Division engaged with the following regional and international bodies accordingly:

- Caribbean Financial Action Task Force;
- International Association of Insurance Supervisors (IAIS);
- Group of International Financial Centres (GIFCS);
- World Bank; and
- Association of Supervisors of Banks of the Americas.

Corporate Communications Unit

During the last quarter of 2021, the Division welcomed the Corporate Communications Unit as a unit of the Division. The Unit plays a key role in communicating pertinent information to all relevant stakeholders. As the Unit transitioned to the Division, it continued with its communications functions as previously undertaken under the Corporate Services Division, these include publication of FSC monthly newsletters, issuing press releases, facilitating the FSC's Meet the Regulator Forum, responding to media inquiries and keeping industry practitioners and the public informed of developments within the BVI's financial services environment as well as the Commission's day to day operations.

2022 Outlook

One of the Commission's strategic priorities for the years 2020 to 2024 is to ensure that BVI laws and regulations and the scope of supervision are compatible with international standards and appropriate for the sustainability of the BVI financial services. In 2022, the Division will continue to operate with this strategic priority at its forefront. It is anticipated that significant efforts will be placed on ensuring legislative and policy compliance with the FATF standards, given the impending CFATF mutual evaluation,

As the financial services sector continues to evolve, the Division will remain engaged in collaborations with other Divisions and Units in providing support to assist in the monitoring and supervision of the financial services sector and any developments within the sector. The Division also anticipates more collaboration with the industry and the public in issuing consultations on proposed changes in the legislative framework.

It is anticipated that the Communications Unit will enhance communication on pertinent matters in the Commission and in the financial services sector.

The Division will be exploring capacity building measures and recruitment of supplementary staff, as the financial services sector continues to evolve, in order to adapt to the changing environment.

FINANCIAL LITERACY- MONEY MATTERS

Introduction

The Financial Literacy Program (the Program) which goes by the name MONEY MATTERS BVI (Money Matters, MMBVI) was launched in April 2011. The principal mandate for the Program is given to the BVI Financial Services Commission (the Commission) in the Financial Services Commission Act, 2001 section 4 (k), to 'adopt measures as may be necessary to appropriately inform the general public on its functions and matters relating to or affecting any financial services business.

The Program's mission is to develop and implement initiatives that motivate persons of all ages in the Territory to achieve a level of financial literacy and financial education which permits them to make sound decisions regarding spending, saving, protecting, and managing their money in line with their short- and long-term goals.

The tiers (i.e. target groups) served by Money Matters are:

- Youth (Pre-Primary Level Children);
- Young Adults (High School and College Level Youth); and
- Adults (Adult Workers, Entrepreneurs, Retirees).

Money Matters is the only financial literacy programme in the Territory, and is uniquely poised to impact the lives of the BVI residents. Topics covered by the programme include: debt reduction, retirement planning, how to bridge income and savings, and the relevance and application of the myriad of financial products available today in the BVI and other financial markets.

Money Matters adopts the OECD three -stage competency model. The value of this model is harnessed through two main teaching applications:

a) Financial Literacy – support for how well consumers understand and use personal finance related information; and

b) Financial Education – support for the process whereby users of financial services improve their understanding, skills, and confidence in making decisions about financial products.

The Money Matters personal finance life cycle in Figure 2 below, guides our initiative development so that they focus on the age and likely financial profile of the relevant consumer.

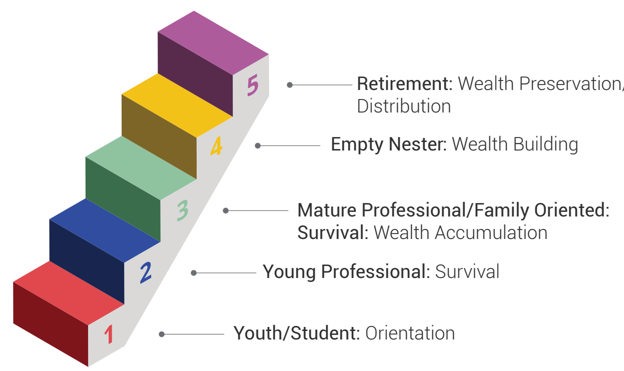


Figure 2 – Money Matters BVI Personal Finance Life Cycle

Highlights of Education Initiatives

While the effects of the Covid-19 global pandemic lingered, MMBVI continued to take advantage of the virtual mode of financial education.

During the reporting period, Money Matters performed structured work with schools, banks, insurance businesses, and members of our financial education network, among others. Our influence on the community continued to be significant, with the quantifiable impact of our 2021 estimated at 38,930 persons.

Quarter	Event/Topic
Q1 2022	**ADVERTISING** Radio Broadcast REACH: 10,000+ Young Professional and Mature Professional/Family Oriented
	PRESENTATION Virtual Presentations to Primary Schools on budgeting, saving and consumer skills REACH: 220 Youth/Students
	TRADE BOOTH Trade booth held at Red Cross's Annual Men's health fair/prostate cancer screening REACH: 150 Mature Professionals/Family Oriented
	VIDEO Interviews with industry professionals on various insurance benefits and estate planning REACH: 2,500+ Mature Professionals/Family Oriented
	E-FORUM 'Women on the frontline of family finances' REACH: 2,000 Young Professional and Mature Professional/Family Oriented
	RIGHT START PRESENTATION Lessons in Personal Finance REACH: 70 Young Professionals
	COMPETITION Piggy Bank Pageant REACH: 400+ Youth/Students, Young Professionals, Mature Professionals/Family Oriented
Q2 2022	**COMPETITION** Live stream of Student's oral analysis of "Rich Dad Poor Dad" REACH: 4,800+ Young Professional and Mature Professional/Family Oriented
	PRESENTATION Virtual Presentation to Pre-Primary and Primary Students on savings, needs, and wants REACH: 374 Youth/Students
Q3 2022	**PRESENTATION** Presentation to teachers on financial independence REACH: 184 Mature Professionals/Family Oriented Estate Planning presentation to the Royal Virgin Islands Police recruits REACH: 20 Mature Professionals/Family Oriented
Q4 2022	**PRESENTATIONS** Reinforce understanding of the value of budgeting REACH: 264 Youth/Students Virtual presentation on combating the impacts of financial fraud REACH: 7,000 Mature Professionals/Family Oriented Financial Resilience Tips REACH: 75 Mature Professionals/Family Oriented Presentation to Grades 4-6 on Bank Accounts and Income Generating REACH: 150 Youth/Students & Young Professionals
	PUBLICATION Published financial literacy flyers during 'Reading is Fun' week REACH: 500 Young Professional and Mature Professional/Family Oriented Financial Disaster Management Planner toolkit of information REACH: 2,000+ Young Professional and Mature Professional/Family Oriented
	TRADE BOOTH Financial Disaster Management Planner distributer in person and via QR Code REACH: 150 Young Professional and Mature Professional/Family Oriented
	VIDEO 90-second video on Smart Banking REACH: 7,200 Young Professional and Mature Professional/Family Oriented

HUMAN RESOURCES

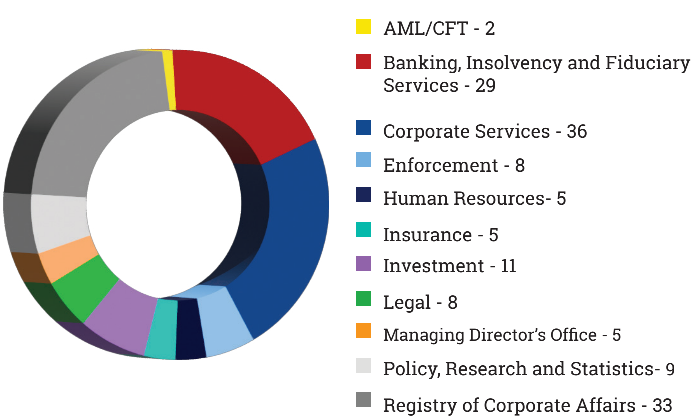
The Commission's continued success is wholly dependent on its employees. The Human Resources Division (the "Division") is committed to providing quality support to the Commission's 150 employees. In 2021, the Division implemented minor reforms to its partnership with divisions/units to improve the quality of services provided.

Workforce Composition and Recruitment

The Commission's workforce includes a combination of regulatory and non-regulatory roles predominantly in full-time capacities. The responsibilities of employees range from managerial and supervisory to administrative and support. The goal is to maintain a dynamic working environment equipped with an evolving workforce that can meet the Commission's growing and changing needs.

The Commission advertised ten (10) vacancies in 2021, but subsequently instituted a temporary hiring freeze during the peak periods of the COVID-19 Pandemic.

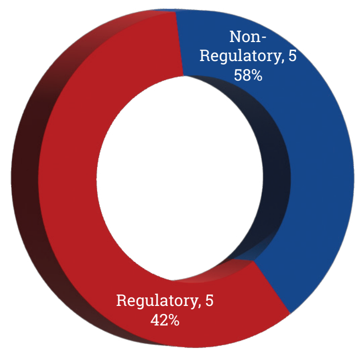
Number of Employees by Division/Unit



Internship Programme

The Commission reinstated its annual summer internship programme (May – September), which was suspended during the peak periods of the COVID-19 Pandemic in 2020. The Programme provides college and university students with valuable work experience and networking opportunities. In 2021 the Commission funded twelve (12) internships in both regulatory and non-regulatory Divisions.

Number of Employees by Division/Unit



Job Rotation and Promotions

At the Commission, we are invested in the growth and shaping of our employees as they continue to advance in their respective careers. Our mission is to create an environment free of complacency where employees are constantly challenged and can progress within the organisation's hierarchy. Opportunities for professional development as well as career advancement are made available. Employees are also welcomed and encouraged to expand their knowledge and skill set through inter-department rotations. In 2021 two employees completed inter-department rotations. Additionally, three (3) employees were promoted and three (3) employees were appointed to new roles via lateral transfers.

Separations

Six (6) employees separated from the Commission in 2021. Sadly, one of these separations stemmed from the loss of a dear colleague who was a valued member of the Commission's staff since its inception in 2002.

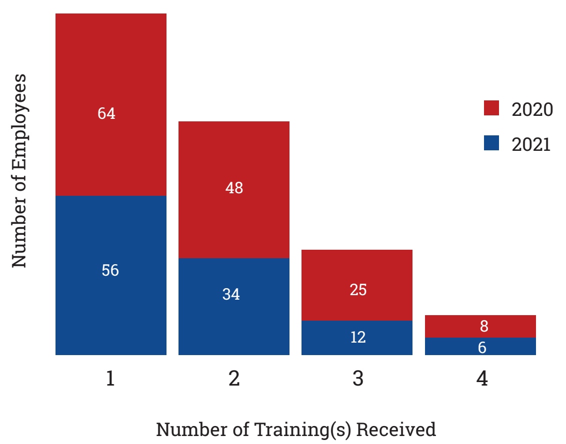
Training and Development

The Commission continued to maximise virtual training opportunities. Training events on strategies for successfully managing remote teams and managing time while working remotely were held in 2021 to assist managers and employees who were engaged in remote work. .

Employees participated in 38 training opportunities. The number represents a 100% increase over the number of events held in 2020. 87% of the training events attended were hosted by external organizations. 83% of employees completed training during 2021. For the first time, members of the Asia Office participated in the Annual AML/CFT Training. About 44% of employees completed one training event, which for the majority, was the mandatory AML/CFT Training.

The chart below compares the number of training events completed by employees in 2020 and 2021.

Comparison of Staff Trained in 2020-2021



Study Leave

The Commission avidly supports employees to achieve their educational goals and recognises that it fosters personal and professional development, and also enhances the capacity of the Commission. In 2021, three (3) employees completed studies in Business Management (BS), Law (LLB, BVC), and Accounting (MS). Two out of three were on full-time study leave and have since returned to full-time work during 2021.

Two other staff members continued full-time study leave, one pursuing a Legal Education Certificate and the other a Bachelor of Business Administration degree.

Continuing Professional Education/Professional Memberships

The Commission endeavours to have members of staff professionally certified in their specialised areas. The Commission covers the cost of professional memberships and continuing professional education (CPE) courses to promote continued memberships. Employees are affiliated with the following organisations: Society of Trust and Estate Practitioners (STEP), International Compliance Association (ICA), Society of Human Resources Management (SHRM), American Institute of Certified Public Accountants, Chartered Global Management Accountant and the BVI Bar Association.

In 2021, four members of staff renewed their professional memberships with various organisations. In some cases, this required them to complete professional education courses.
Benefit Management

A total of 143 eligible employees were enrolled in the Pension Plan programme (the "Plan") which is offered by the Commission; eight (8) employees were enrolled in the Plan in 2021. Disbursements from the Plan were made to two (2) employees who separated from the Commission during the year, one being superannuation payment.

The Commission continues to offer private health insurance which includes medical and dental plans for employees. This insurance, which is provided through CG Insurance, is in addition to the National Health Insurance. Employees may also elect to enrol dependents on their private insurance.

Employee Health and Wellness

The Commission values the holistic health and wellness of employees. The Employee Assistance Programme was developed to promote holistic wellness of employees, including physical and psychological health. Employees may engage in both individual and group arrangements that assist in managing ordinary and extraordinary life stressors. To accommodate the challenges of the pandemic era, special remote sessions were made available for employees. In 2021 eighteen (18) employees enrolled in a gym membership, a notable drop from 2020 which had an enrollment of 31 employees.

Highlights

Employee Social Interaction Event

The Division welcomed employees back into the office following approximately three months of remote work as a result of the COVID-19 outbreak in the territory during the months of June/July by hosting an end-of-year mix and mingle event.

Annual FSC Children's Christmas Party

The 2021 Annual FSC Children's Christmas Party was held in the form of a drive-through and under the theme: "All Aboard the FSC Express," which was intentionally organised to maintain social distancing protocols and limit any possible spread of COVID-19.

Remote Policy

The Remote Work Policy came into force during the second quarter of 2021.

Human Resource Management System Add-on

New features were added to the electronic Human Resources Management System to assist the Commission in effectively conducting contact tracing of employees.

Looking Ahead

In 2022 the Human Resources Division will fully operate under the HR business partner model. This transition will streamline all queries and the needs of each function to their assigned business partner. Employing this model in the provision of HR services, places each business partner in the strategic position to tailor specific HR processes unique to each function. It will also enable the business partner to keep abreast of development and training needs as well as employee relations issues that arise in each function.

Our employees' needs remain our top priority as we transition into another year. Our key objective is to foster an environment that enables persons to be well equipped and positioned to achieve the goals of the BVI Financial Services Commission. We are committed to exploring new mechanisms for talent acquisition, continuing to improve our onboarding processes and enhancing our remote work policy in response to evolving circumstances and achieve optimum results. The Division will also focus on strengthening the compensation and performance assessment/management process, HR's role as a strategic partner as well as play a key role in ensuring a smooth transition to the changes resulting from the restructuring initiative.

CORPORATE SERVICES

The Corporate Services Division is responsible for maintaining the systems, services, physical premises and all other infrastructure required for the effective functioning and operation of the BVI Financial Services Commission. Divisions and Units which formed part of the Corporate Services Division in 2021 include: Information Technology, Facilities, Business Services, Creative Services and for the first half of 2021, the Corporate Communications Unit. Together these units complement the work of the regulatory, supervisory and administrative teams of the Commission by providing invaluable resources required to execute the Commission's mandate.

As key business partners with all functional areas, the members of the Corporate Services team regularly liaise with senior managers within the Commission to determine what systems, procedures and processes may be required to ensure optimum operation and service delivery for both external and internal stakeholders. The Team also conducts audits of operational systems to identify gaps in processes and present efficiency driven solutions to routine and novel challenges which may arise.

The Division also reassessed its ability to deliver its services and worked with the Human Resources Department to outfit its team with motivated and driven members to further advance the Division's objectives on various teams. This resulted in team rotations to meet the Division's needs and provide employees with opportunities for professional development.

Information Technology

The Information Technology Team (the "IT Team") is integral to the daily maintenance and operation of all of the Commission's systems and has primary oversight and responsibility for the function of the Commission's flagship processing platform VIRRGIN.

In 2021 emphasis was placed on assessing the Commission's security which considered infrastructure, physical premises and applications. The IT Team was able to review these assessments and consequently initiated several projects in line with the Commission's strategic objectives. These projects enhanced the Commission's ability to offer premium services to both external and internal users, and included:

- Upgrades to key infrastructure hardware to support VIRRGIN application processing enhancements
- Comprehensive assessment of Disaster Recovery site location to ensure business continuity in the event of a natural disaster or other supervening event
- Implementation of a Document Management Solution
- Elevating the Management Detection and Response solutions
- Establishment of an Internal Security Awareness Programme
- Update telecommunications system and application to further support remote work and hybrid work arrangements by employees

Finance Department

The Finance Department (the "Department") assists the Commission in achieving its objectives in a wide range of areas. Its role is to help the Commission shape and deliver its regulatory remit by providing high-quality advice and services, particularly regarding fiscal and economic matters.

The Finance Department issues monthly reports to management and the Board of Commissioners on the Commission's financial status and activities. They include reports on revenue, expenditure, cash flow, the performance of investment products, and the overall financial position at a given point in time.

The Finance Department is also charged with proposing and enforcing policies and procedures to encourage compliance with accounting standards and best business practices and achieve financial success.

Budget, financial management services, and advice - The Finance Department is responsible for delivering and managing the annual budget. During the year the Finance Department oversaw a $24.2MM (2020: $27.2MM) expenditure budget comprised of $22.9MM (2020: $25.6MM) for operating expenditures and $1.3MM (2020: $1.7MM) for capital expenditures. In 2021 the Commission realized expenditures of $23.5MM. That was $618k or 3% within budget estimates. In 2021 $22.6MM was realized in operating expenditures which was $311k or 1% within budget estimates. Capital expenditures of $943k were 25% below budget estimates.

The Finance Department is also responsible for collecting fees on behalf of the Government. The 2021 budget estimates for those fees were $186.7MM (2020: $207.6MM). Actual receipts (excluding those to the sole credit of the Commission) amounted to $219.9MM (2020: $214.6MM) which was $33.2MM or 18% above budget estimates. Out of those fees, the Finance Department transferred $195.8MM (2020: $190MM) to the Government pursuant to the retention agreement between the Commission and the Government for 2021.

From its 11.5% retention of fees collected on behalf of the Government (2020: 11.5%, 2019: 11.5 %) and other collections, the Commission had available $26.9MM (2020: $27.2MM) in direct revenue to fund the Commission's operations. After operating expenditures the Commission generated an operating surplus of $3.4MM (2020: $2.8MM).

The Finance Department also prepared the 2022 budget that was subsequently approved by the Board and government during the year.

Management and Accountability - The Department's operations are subject to scrutiny from external bodies. In 2021 the Commission's external auditor was engaged to assess the Commission's financial statements for the year ended December 31, 2020. That included considering internal controls, evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made. The auditor issued an unqualified report on those statements on October 8, 2021.

Investment Funds Administration – The Finance Department also administers the Commission's reserves and other assets through investments. At the end of 2021, the Commission's brokerage account had a market value of $13.6MM, of which $8.4MM in time deposits, and cash was attributed to regulatory deposits held on behalf of licensees. The balance of $5.2MM was held in time deposits. An additional $5.4MM was held in time deposits with local retail banks. The average interest rate on time deposits was 0.21% (2020: 0.93%).

Financial support and technical assistance to Government – The Commission is tasked with partially funding several Government initiatives and bodies, and the Department is charged with overseeing those appropriations. The Commission made financial contributions to the Financial Investigation Agency, Robert Mathavious Institute at H. L. Stoutt Community College, the BVI International Arbitration Centre (IAC), and the Financial Services Complaints Tribunal amounting to approximately $2.6MM (2020: $2.5MM).

In addition to the financial support to the IAC, the Department also provided financial management services in the form of accounting and payroll services.

Facilities

The Facilities Team ensures the efficient operation and maintenance of the Commission's infrastructure and physical premises. During 2021 the Team was charged with creating physical accommodations which would facilitate the restructuring of the Commission's functional areas. In doing so the Team expended resources on retrofitting purpose built office spaces in advance of the restructuring to house 30% of the Commission's employees who would be immediately impacted by phase 1 of the restructuring.

While there was limited occupation in the physical premises, due to rotational work arrangements instituted during peak periods of the Covid-19 outbreak in the Territory, the Facilities Team took the opportunity to overhaul key assets which required maintenance.

The Facilities Unit began to review its Emergency Evacuation Procedures as it continued to prioritise the safety and security of employees and other users of the Commission's physical premises. The Team also successfully implemented disaster preparedness plans for the 2021 Hurricane Season.

Business Services

The Business Services Unit executes the following functions on behalf of the Commission and its employees: Office Operations, Event Management, Physical Records and Inventory Management, Supplies Inventory Management and Janitorial Management. One of the primary functions of the unit is the management of over 1 Million Physical files and the secured vaults.

As the Covid-19 Pandemic continued in waves throughout the world, most of the trainings, conferences and meetings attended by the Commission were completed virtually. This resulted in a 100% reduction in business travel of Commission employees as compared to 2020.

The Commission hosted 138 events including: interviews, meetings, conferences, presentations, and video recordings at its campus with the benefit of a multi-room conference facility at the FSC Resource Centre and several internal meeting rooms. 83% of the events hosted, were held at the FSC Resource Centre. The Unit ensured that applicable social distancing and all Government issued protocols were observed.

2022 Outlook

The Division will continue to engage in business partnerships with internal stakeholders to ensure that the systems, processes and procedures required for effective operation are identified, in place and being optimised to fulfil the respective function. In 2022, the Division will also consider the challenge of resourcing to meet the newly identified needs of the Commission and provide strategic guidance to the Commission on the development and implementation of systems, processes and procedures.

One of the biggest projects scheduled for 2022 is the upgrade of VIRRGIN which would see the extension of technological efficiency to additional business lines within the Commission. VIRRGIN presented significant advantages at its introduction and, even now with its recent updates, ensures that the Registry of Corporate Affairs can provide expedient services to international users. Given the many technological advances in the RegTech sphere the Commission is also actively seeking to implement a comparable platform to enhance the performance of its regulatory and supervisory functions. This platform will provide for end-to-end license application submission, approval and management.

FINANCIAL STATEMENTS

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For the Year Ended December 31, 2021

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Table of Contents
For the Year Ended December 31, 2021

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Directory
For the Year Ended December 31, 2021

BOARD OF COMMISSIONERS

Mr. Robin Gaul	Chairman
Mrs. Kharid Fraser	Deputy Chairman
Mr. William Gilmore	Commissioner
Mr. Melvin Stoutt	Commissioner
Ms. Johanna Boyd	Commissioner
Mr. Ramnarine Mungroo	Commissioner
Mr. Paul Carty	Commissioner
Mr. Kenneth Baker	CEO/Managing Director

REGISTERED OFFICE

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

SECRETARY TO THE BOARD

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2021, and the consolidated statements of comprehensive income, changes in contributed capital and reserves and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

Report on the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited

Tortola, British Virgin Islands
October 4, 2022

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2021
Expressed in United States Dollars

	Notes	2021 $	2020 $
ASSETS			
Non-current assets			
Property and equipment	4	6,030,854	6,044,486
Right-of-use assets, leasehold premises	5	5,290,545	6,489,689
Total non-current assets		11,321,399	12,534,175
Current assets			
Regulatory deposits	7	8,946,108	9,367,972
Cash	8	24,107,202	21,809,941
Time deposits	9	10,589,196	10,564,121
Other receivables and deposits	10	504,134	683,441
Total current assets		44,146,640	42,425,475
TOTAL ASSETS		**55,468,039**	**54,959,650**
CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES			
Contributed capital and capital reserves			
Contributed capital	11	3,993,900	3,993,900
Property and equipment reserve	11	6,030,854	6,044,486
Future capital expansion reserve	11	7,500,000	7,500,000
Total contributed capital and capital reserves		17,524,754	17,538,386
Surplus and revenue reserves			
Training reserve	11	400,000	400,000
Loan revolving reserve	11	165,000	165,000
Refunds and drawback reserve	11	50,000	50,000
Enforcement reserve	11	2,000,000	2,000,000
Contingency reserve	11	7,256,023	4,844,797
Administrative penalties fund reserve	11	3,096,907	2,812,644
Total surplus and revenue reserves		12,967,930	10,272,441
Total contributed capital and reserves		30,492,684	27,810,827
Non-current liabilities			
Lease liabilities	5	4,655,978	5,675,672
Total non-current liabilities		4,655,978	5,675,672
Current liabilities			
Lease liabilities	5	1,006,079	1,113,498
Trade and other payables	12	1,438,188	2,330,831
Deposits on account and other deposits	13	7,929,002	7,660,850
Distribution payable to the Government	14	1,000,000	1,000,000
Regulatory deposits from licensed entities	7	8,946,108	9,367,972
Total current liabilities		20,319,377	21,473,151
Total liabilities		24,975,355	27,148,823
TOTAL CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES		**55,468,039**	**54,959,650**

Signed on behalf of the Commission on September 27, 2022

Chairman

Managing Director / CEO

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, 2021
Expressed in United States Dollars

	Notes	2021 $	2020 $
INCOME			
Fees collected on behalf of the Government	15	222,368,422	216,946,278
Less: Fees due to the Government	15	(195,791,342)	(190,001,117)
Fees retained by the Commission	15	26,577,080	26,945,161
Other income	16	331,599	265,833
Gains on disposal of property and equipment		-	8,000
TOTAL INCOME		26,908,679	27,218,994
EXPENSES			
Staff costs	19	14,416,008	15,399,986
Professional services		1,417,471	1,477,119
International Arbitration Centre funding	22	1,294,113	1,223,345
Lease amortization	5	1,199,144	1,190,272
Depreciation	4	956,758	1,080,172
Maintenance and hire		850,369	791,360
Financial Investigations Agency funding	22	750,000	750,000
Telephone and communications		595,597	521,264
Robert Mathavious Institute funding	22	450,000	450,000
Licenses and fees		302,101	221,975
Office expenses		227,054	239,081
Utilities		220,969	218,551
Insurance		129,371	136,819
Literature and reference		115,116	129,833
Financial Services Complaints Tribunal funding	22	88,500	97,245
Conferences and seminars		73,260	2,202
Memberships and subscriptions		63,373	68,481
Public relations		57,454	18,552
Travel and subsistence		42,731	84,075
Rent and lease		35,577	22,467
Miscellaneous		7,257	72,418
TOTAL EXPENSES		23,292,223	24,195,217
FINANCE COST			
Interest expense related to lease liability	5	(342,703)	(398,189)
Interest income	17	80,539	197,369
NET FINANCE COST		(262,164)	(200,820)
SURPLUS BEFORE GOVERNMENT DISTRIBUTION AND ENFORCEMENT PROCEEDS		3,354,292	2,822,957
Government allocation	14	(1,000,000)	(1,000,000)
SURPLUS BEFORE ENFORCEMENT PROCEEDS		2,354,292	1,822,957
Enforcement proceeds	18	327,565	91,060
SURPLUS FOR THE YEAR		**2,681,857**	**1,914,017**

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Changes in Contributed Capital and Reserves
For the Year Ended December 31, 2021
Expressed in United States Dollars

	Opening balance $	Surplus for the year $	Transfers $	Utilisation of reserve $	Closing balance $
For the year ended December 31, 2021:					
Surplus	-	2,681,857	(2,681,857)	-	-
Contributed capital	3,993,900	-	-	-	3,993,900
Property and equipment reserve	6,044,486	-	(13,632)	-	6,030,854
Training reserve	400,000	-	-	-	400,000
Loan revolving reserve	165,000	-	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	-	7,500,000
Refunds and drawbacks reserve	50,000	-	-	-	50,000
Enforcement reserve	2,000,000	-	-	-	2,000,000
Contingency reserve	4,865,728	-	2,390,295	-	7,256,023
Administrative penalties fund reserve	2,791,713	-	327,565	(22,371)	3,096,907
	27,810,827	**2,681,857**	**22,371**	**(22,371)**	**30,492,684**

	Opening balance $	Surplus for the year $	Transfers $	Utilisation of reserve $	Closing balance $
For the year ended December 31, 2020:					
Surplus	-	1,914,017	(1,914,017)	-	-
Contributed capital	3,993,900	-	-	-	3,993,900
Property and equipment reserve	6,456,068	-	(411,582)	-	6,044,486
Training reserve	400,000	-	-	-	400,000
Loan revolving reserve	165,000	-	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	-	7,500,000
Refunds and drawbacks reserve	50,000	-	-	-	50,000
Enforcement reserve	2,000,000	-	-	-	2,000,000
Contingency reserve	2,610,857	-	2,254,871	-	4,865,728
Administrative penalties fund reserve	2,720,985	-	91,060	(20,332)	2,791,713
	25,896,810	**1,914,017**	**20,332**	**(20,332)**	**27,810,827**

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021
Expressed in United States Dollars

	2021 $	2020 $
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	2,681,857	1,914,017
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Depreciation	956,758	1,080,172
Amortisation of right-of-use asset, leasehold premises	1,199,144	1,190,271
Gains on disposal of property and equipment	-	(8,000)
Interest expense on leases	342,703	398,189
Interest income	(80,539)	(197,369)
Operating surplus before working capital changes	5,099,923	4,377,280
Decrease in other receivables and deposits	179,307	128,150
(Decrease) increase in trade and other payables	(892,643)	216,441
Increase in deposits on account and other deposits	268,152	1,451,384
Decrease in distribution payable to the Government	-	(3,000,000)
Net cash flows from operating activities	4,654,739	3,173,255
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in time deposits – net	(25,075)	(207,856)
Acquisition of property and equipment	(943,126)	(668,590)
Proceeds from sale of property and equipment	-	8,000
Interest received	80,539	189,183
Net cash used in investing activities	(887,662)	(679,263)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest payments on leases	(342,703)	(398,189)
Principal payments on leases	(1,127,113)	(1,019,871)
Net cash used in financing activities	(1,469,816)	(1,418,060)
NET INCREASE (DECREASE) IN CASH	**2,297,261**	**1,075,932**
CASH, At beginning of year	21,809,941	20,734,009
CASH, At end of year	**24,107,202**	**21,809,941**

Cash is comprised of:

	2021 $	2020 $
Restricted cash (see Note 8)	11,062,690	11,711,069
Unrestricted cash	13,044,512	10,098,872
Total	24,107,202	21,809,941

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 as a statutory corporation. 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 ("BVI"). 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 at Pasea Estate, Road Town, Tortola, BVI.

The Commission is governed by a Board of Commissioners which comprises an independent Chairman, six independent commissioners and the Managing Director/CEO as an *ex officio* commissioner ("the Board"). The Government of the British Virgin Islands (the "Government") is the sole interest holder in the Commission and appoints the Board.

2. BASIS OF PREPARATION

2.1 Presentation of financial statements

(i) International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies have been consistently applied to all the years presented unless otherwise stated.

(ii) Accounting convention

The consolidated financial statements are prepared under the historical cost convention.

(iii) Presentation and functional currency

The consolidated financial statements are presented in United States Dollars ("$"), which is the Group's functional and presentation currency.

(iv) Significant accounting estimates and judgement

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Management is also required to exercise its judgement in the process of applying the Group's accounting policies. Significant judgements, estimates and assumptions made by management in the preparation of these consolidated financial statements are disclosed in Note 3.

(v) Going Concern

The Board has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements

2.2 Adoption of New Standards, Amendments and Interpretations

(i) Standards, amendments and interpretations to existing standards effective and relevant to the Group

The adoption of new standards or amendments effective January 1, 2021 by the Group did not have a significant effect on the consolidated financial statements.

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

There are no standards, interpretation and amendment that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 25, the Board is 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 Group has 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.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of all office buildings. These renewal options range from 3 years to 10 years. The Group typically exercises its option to renew these leases because there will be a significant negative effect on operations to relocate and the Group has incurred significant leasehold improvements on the premises.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a 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 and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2021, there is no change in the 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.

Borrowing rate used for leases

The Group estimates the incremental borrowing rate used in the calculation of its lease liabilities in relation to its adoption of IFRS 16. IFRS 16 requires that lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate shall be used. The borrowing rate was determined to be 5.25% (2020: 5.25%).

Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT

The movements of the carrying amounts of the Group's property and equipment are as follows:

	Freehold land $	Leasehold land $	Motor vehicles $	Furniture and equipment $	Computer and software $	Leasehold improvements $	Total $
Cost							
Balance at December 31, 2020	4,500,000	130,000	268,097	3,571,460	18,110,818	3,129,004	29,709,379
Additions	-	-	-	217,940	626,791	98,395	943,126
Balance at December 31, 2021	4,500,000	130,000	268,097	3,789,400	18,737,609	3,227,399	30,652,505
Accumulated depreciation							
Balance at December 31, 2020	-	33,017	244,257	3,176,294	16,239,222	2,678,143	22,370,933
Depreciation	-	2,063	5,960	179,551	631,171	138,013	956,758
Balance at December 31, 2021	-	35,080	250,217	3,355,845	16,870,393	2,816,156	23,327,691
Accumulated impairment							
Balance at December 31, 2020	-	-	-	-	1,293,960	-	1,293,960
Balance at December 31, 2021	-	-	-	-	1,293,960	-	1,293,960
Carrying amount							
Balance at December 31, 2021	4,500,000	94,920	17,880	435,555	573,256	411,243	6,030,854

	Freehold land $	Leasehold land $	Motor vehicles $	Furniture and equipment $	Computer and software $	Leasehold improvements $	Total $
Cost							
Balance at December 31, 2019	4,500,000	130,000	264,797	3,464,834	17,644,634	3,063,023	29,067,289
Additions	-	-	29,800	106,625	466,184	65,981	668,590
Disposal	-	-	(26,500)	-	-	-	(26,500)
Balance at December 31, 2020	4,500,000	130,000	268,097	3,571,460	18,110,818	3,129,004	29,709,379
Accumulated depreciation							
Balance at December 31, 2019	-	30,954	264,797	2,988,613	15,499,771	2,533,126	21,317,261
Depreciation	-	2,063	5,960	187,681	739,451	145,017	1,080,172
Disposal	-	-	(26,500)	-	-	-	(26,500)
Balance at December 31, 2020	-	33,017	244,257	3,176,294	16,239,222	2,678,143	22,370,933
Accumulated impairment							
Balance at December 31, 2019	-	-	-	-	1,293,960	-	1,293,960
Balance at December 31, 2020	-	-	-	-	1,293,960	-	1,293,960
Carrying amount							
Balance at December 31, 2020	4,500,000	96,983	23,840	395,166	577,636	450,861	6,044,486

Expressed in United States Dollars

5. LEASES

The Group has lease contracts for its various office buildings both in the British Virgin Islands and in Hong Kong.

(a) Right-of-use assets, leasehold premises

The following tables detail the Group's right-of-use assets, leasehold premises as at December 31:

	Building $
Cost	
Balance at December 31, 2020	8,844,926
Balance at December 31, 2021	8,844,926
Accumulated amortization	
Balance at December 31, 2020	2,355,237
Amortisation	1,199,144
Balance at December 31, 2021	3,554,381
Carrying amount	
Balance at December 31,2021	5,290,545

	Building $
Cost	
Balance at December 31, 2019	8,688,639
Impact of modification	156,287
Balance at December 31, 2020	8,844,926
Accumulated amortization	
Balance at December 31, 2019	1,164,965
Amortisation	1,190,272
Balance at December 31, 2020	2,355,237
Carrying amount	
Balance at December 31, 2020	6,489,689

Expressed in United States Dollars

5. LEASES (Continued)

(b) Lease liabilities

	2021 $	2020 $
Balance at January 1	6,789,170	7,652,754
Impact of modification	-	156,287
Lease payments for the year	(1,469,816)	(1,418,060)
Interest expense	342,703	398,189
Balance at December 31	5,662,057	6,789,170
Less: Current portion	(1,006,079)	(1,113,498)
Non-current portion	4,655,978	5,675,672

The undiscounted analysis of the lease liabilities is disclosed below:

	2021 $	2020 $
Up to 3 months	329,364	320,169
Between 3 and 12 months	960,507	960,507
Between 1 and 2 years	1,280,676	1,280,677
Between 2 and 5 years	3,835,623	3,842,029
Over 5 years	86,240	1,360,510
	6,492,410	7,763,892

The following are the amounts recognised in the consolidated statement of comprehensive income.

	2021 $	2020 $
Amortisation of right-of-use asset	1,199,144	1,190,272
Interest expense	342,703	398,189
Expenses relating to short term lease	29,600	67,669
Total	1,571,447	1,656,130

6. SUBSIDIARIES

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2021, two of which are domiciled in the BVI and one in Hong Kong. These subsidiaries provide disaster recovery and Hong Kong liaison services to the Parent.

Financial support

The Parent provides financial support to all three subsidiaries which primarily depend on the Parent for their operational financing.

Expressed in United States Dollars

7. REGULATORY DEPOSITS

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 Commission. The Group has undertaken to hold these amounts in the following designated interest-bearing instruments:

	2021 $	2020 $
Cash in bank	3,386,008	2,421,530
Time deposits	5,560,100	4,193,849
Treasury bills	-	2,752,593
	8,946,108	9,367,972

Interest earned on these instruments is distributed to the licensees on a semi-annual basis.

The investments in treasury bills have maturities within twelve months from the acquisition date.

The deposits are refundable upon surrender of the licence. For the year ended December 31, 2021, the deposits earned an average rate of interest of 0.10% (2020: 1.11%). Total interest income earned for these deposits amounted to $12,658 (2020: $100,781). These regulatory deposits are restricted and not available for general use.

8. CASH

	2021 $	2020 $
Cash held in Government Trust Account	13,645,440	12,747,044
Payable to Government	(5,420,540)	(5,097,819)
Net cash held in Government Trust Account	8,224,900	7,649,225
Cash in operating accounts	15,096,145	13,374,952
Cash in insolvency account	786,157	785,764
Total cash	24,107,202	21,809,941

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. This resulted in cash of $5,420,540 (2020: $5,097,819) being held on behalf of the Government as at December 31, 2021.

Restricted cash

The cash held in Government Trust Account above is restricted and not available for general use by the Group.

The cash disclosed above and in the consolidated statement of cash flows includes $3,133,688 (2020: $2,812,644) which is held in a separate bank account. This relates to funds received for administrative penalties and are not available for general use by the Group (see Note 12 for restrictions on the administrative penalties fund reserve).

In addition, the Group's cash balance includes restricted funds for deposits on account (held in Government Trust Account), insolvency surplus reserve and deferred revenue transactions totalling $7,929,002 (2020: $7,660,850), see note 13.

9. TIME DEPOSITS

Time deposits represent short term placements with local depository banks whose maturity dates are between 37 and 131 days from the reporting date (2020: between 140 and 368 days), and are more than three months from the placement date with an average interest rate of 0.21% (2020: 0.93%). As at December 31, 2021, the total time deposits amounted to $10,589,196 (2020: $10,564,121). For the year ended December 31, 2021, total interest earned from time deposits amounted to $21,845 (2020: $111,925).

Expressed in United States Dollars

10. OTHER RECEIVABLES AND DEPOSITS

	2021 $	2020 $
Prepaid expenses	411,238	350,331
Due from BVI Hong Kong Office	-	245,210
Travel advances	30,845	39,487
Loan to employees	39,536	25,165
Other receivables	17,559	15,062
Interest receivable	4,956	8,186
	504,134	683,441

BVI Hong Kong Office is a related party by virtue of common control by the Government. This balance is unsecured and has no fixed re-payment terms.

11. CONTRIBUTED CAPITAL AND RESERVES

Contributed Capital

The Commission was established as a statutory corporation and no share capital was assigned to it. The Commission was funded by the Government through a contributed capital amount which at that time represented approximately 3 months of operating expenses.

Surplus and reserves

In accordance with Section 26 of the Act, the surplus for the year is allocated to reserve accounts at the discretion of the Commission unless otherwise agreed upon by the Cabinet of the Government ("Cabinet"). The capital and revenue reserves established include:

Capital reserves

(i) Property and equipment reserve reflects the investment into property & equipment to date, less amortisation.

(ii) Future capital expansion reserve to partly finance the acquisition of property, construction and equipment of the Group's own building in the BVI at a future date;

Revenue reserves

(i) Training reserve for long term training / study leave of staff;
(ii) Loan revolving reserve to facilitate staff loans (personal, medical, etc.);
(iii) Refunds and drawback reserve to provide cash for making refunds when necessary;
(iv) Enforcement reserve to establish a fund to address enforcement expenses as they arise; and
(v) Contingency reserve to establish a fund in the event of unforeseen circumstances.
(vi) Administrative penalties fund reserve is funded by administrative penalties' proceeds imposed and received by the Group and is restricted for administration of public awareness and education in salient areas identified by the Group.

12. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Accounts payable and accrued expenses	868,174	1,085,261
Employee deductions and benefits payable	570,014	1,245,570
	1,438,188	2,330,831

Employee deductions and benefits payable

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $570,014 (2020: $1,245,570) to the Group employees.

Expressed in United States Dollars

13. DEPOSITS ON ACCOUNT AND OTHER DEPOSITS

	2021 $	2020 $
Deposits on VIRRGIN accounts	6,619,802	6,351,650
Insolvency surplus deposit	760,698	760,698
Fees from the Official Receiver	548,502	548,502
	7,929,002	7,660,850

Deposits on VIRRGIN accounts

In 2006, the Group implemented VIRRGIN that allows licensees to administer transactions online. As a result of this development, licensees are required to deposit funds with the Group in advance of effecting an online transaction.

The bank account associated with deposits on VIRRGIN accounts is a separate bank account that is not available for general use.

Insolvency surplus deposit s

Pursuant to the Insolvency Rules, 2005, an Insolvency surplus reserve (the "Insolvency surplus deposit") pertains to monies representing unclaimed assets received from liquidators or bankruptcy trustees after the completion of a liquidation or bankruptcy proceeding. The bank account associated with the insolvency surplus reserve is a separate bank account that is not available for general use.

Amounts are paid out of the reserve to any person that the Group is satisfied to make payment with respect to an insolvency proceeding for which the monies were paid into the deposit account.

Fees from the Official Receiver

Under the Insolvency Act, the Commission can appoint an Official Receiver. Fees collected by the Official Receiver are held by the Group for safekeeping, pending agreement with the Government and the Group including which entity is entitled to the benefit of the fees collected.

14. ALLOCATION PAYABLE TO THE GOVERNMENT

The Board approved a total allocation to the Government of $1,000,000 for the year ended December 31, 2021.

The Board approved a total allocation to the Government of $1,000,000 for the year ended December 31, 2020.

15. FEES COLLECTED ON BEHALF OF THE GOVERNMENT

	2021 $	2020 $
Fees from the Registry of Corporate Affairs	215,085,722	209,717,173
Regulatory fees	7,282,700	7,229,105
	222,368,422	216,946,278

Prior to the commencement of the Group's financial year, the Cabinet determines the percentage of fees collected that should be remitted to the Government, with the Group retaining the balance. For the year ended December 31, 2021, the Group retained 11.5% (2020: 11.5%) of revenue up to the projected revenue stream and thereafter, the Group retained 7.5% (2020: 7.5%) of any revenue in excess of the projected revenue stream.

Expressed in United States Dollars

16. OTHER INCOME

	2021 $	2020 $
Receipts of court ordered legal costs	132,980	134,700
Rental income	90,466	77,443
Receipts of miscellaneous income	108,153	53,690
	331,599	265,833

Rental income pertains to rent charges earned by the Group from BVI Hong Kong Office, which shares office space in Hong Kong.

17. INTEREST INCOME

	2021 $	2020 $
Interest income from time deposits	21,845	111,925
Interest income from cash	58,694	85,444
	80,539	197,369

18. ENFORCEMENT PROCEEDS

Enforcement proceeds relate to fees imposed and received for enforcement actions against licensees. These fees are classified as other comprehensive income and are not available for general use by the Group. Refer to Notes 8 and 11.

19. STAFF COSTS

	2021 $	2020 $
Wages and salaries	10,809,005	11,507,914
Allowances and benefits	2,200,511	2,457,614
Payroll taxes	567,570	564,112
National health insurance	331,339	339,766
Social Security benefits	270,506	271,072
Employment costs	237,077	259,508
	14,416,008	15,399,986

The average number of full-time employees in 2021 was 160 (2020: 174).

During the year ended December 31, 2021, the Group paid $1,459,366 (2020: $1,454,398) for current service costs toward a defined contribution plan (see Note 20), which has been included in allowances and benefits.

20. DEFINED CONTRIBUTION PENSION PLAN

The Group established a defined contribution plan (the “Plan”) to provide retirement benefits for all established employees which is administered by trustees appointed by the Group. Under the Plan, the Group 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 Group’s contributions commences to vest after 7 years of employment and is fully vested after 10 years.

21. RELATED PARTY BALANCES

The Financial Secretary and Accountant General of the Government along with the Chairman of the Board and the Managing Director /CEO are signatories to a joint bank 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).

Key Management Personnel and Board of Commissioners Remuneration

During the year ended December 31, 2021, the salaries and allowances paid to the Group's key management personnel and Board of Commissioners amounted to $811,875 (2020: $1,045,646).

22. COMMITMENTS AND CONTINGENCIES

Commitments

The Group 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. In 2017, the Group's commitment with Equinix Hong Kong Limited expired and the contract is now on an automatic renewal term of two years that can be terminated by either party.

The Group is committed to providing funding to the Financial Investigation Agency, Robert Mathavious Institute, International Arbitration Centre and Financial Services Complaints Tribunal as support for their operations. The Board of Commissioners and the Government determine necessary funding requirements of these entities on an annual basis as part of the Commission's budget discussion. The total funding recorded during the year amounted to $2,582,613 (2020: $2,520,590). All commitments were fully paid as at reporting date. These are recorded as part of the expenses in the consolidated statement of comprehensive income of the Group.

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.

23. 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. Management identifies, evaluates and hedges financial risks in close co-operation with the Board. The Board provides guidance for overall risk management 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, time deposits, regulatory deposits, other receivables and deposits. Financial liabilities include lease liabilities, trade and other payables, deposits on account and other deposits, distribution payable to Government, and regulatory deposits from licensed entities.

All of the Group's financial instruments are measured at amortised cost. This includes regulatory deposits, cash, time deposits, trade and other payables, lease liabilities, deposits on account and regulatory deposits from licensed entities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

23.1 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).

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

23.1 Market risk (Continued)

(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.

As at December 31, 2021, the Group did not have any significant foreign currency denominated assets or liabilities.

(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 Group to fair value 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, regulatory deposits and time deposits. As at December 31, 2021 approximately 72% (2020: 68%) of the Group's assets were held in bank accounts, with floating interest rates.

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Group's surplus would increase by $100,324 (2020: $92,905). 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.

23.2 Credit risk

Credit risk arises from regulatory deposits, cash, time deposits, other receivables and deposits. Other receivables include travel expense advances and unsecured loans extended to various employees of the Group. The extent of the Group's exposure to credit risk in respect of these financial assets approximates the carrying values as recorded in the Group's consolidated statement of financial position.

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

The Group's cash (excluding petty cash), time deposits, other receivables and deposits (excluding prepayments) are held by financial institutions with the following rating per Moody's Investors Services.

Moody's	2021 $	2020 $
Aa2	-	1,031
A2	99,684	45,230
Ba1	-	21,017,237
Ba2	1,724	1,392,504
Ba3	24,566,807	-
Total rated	24,668,215	22,456,002
Non-rated	19,056,842	16,955,646
Total	43,725,057	39,411,648

23.3 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.

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

23.3 Liquidity risk (Continued)

The Group is exposed to liquidity risk from its financial liabilities which include lease liabilities, trade and other payables, licence fees and other deposits, distribution payable to the Government and regulatory deposits from licensed entities. Prudent liquidity risk management implies maintaining sufficient cash 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 excluding lease 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, 2021:

	On demand $	Within one year $	Total $
Trade and other payables	1,438,188	-	1,438,188
Deposits on account and other deposits	7,929,002	-	7,929,002
Regulatory deposits from licensed entities	8,946,108	-	8,946,108
Distribution payable to the Government	-	-	-
Total	18,313,298	-	18,313,298

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2020:

	On demand $	Within one year $	Total $
Trade and other payables	2,330,831	-	2,330,831
Deposits on account and other deposits	7,660,850	-	7,660,850
Regulatory deposits from licensed entities	9,367,972	-	9,367,972
Distribution payable to the Government	1,000,000	-	1,000,000
Total	20,359,653	-	20,359,653

24. UNCERTAINTY OF EVENTS

COVID-19

On March 11, 2021, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Group's operations have not been significantly impacted as the Commission continued the implementation of its business continuity protocols; However, the Group continues to monitor the situation. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgement regarding this could change in the future. In addition, while the Group's results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

25. SIGNIFICANT ACCOUNTING POLICIES

25.1 Basis of consolidation

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

- 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 Group 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent. 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.

25.2 Financial instruments

(i) Recognition and measurement

The Group initially recognises financial instruments on the trade date at which it becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. For financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabilities are included in the initial fair value.

Financial assets are derecognised when the contractual rights to receive cash flows and benefits related from the financial asset expire, or the Group transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognised when obligations under the contract expire, are discharged or cancelled. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to either settle on a net basis or realise the asset and settle the liability simultaneously.

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.2 Financial instruments (Continued)

(ii) Financial assets

On initial recognition, all financial assets are classified to be subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The Group's financial assets comprised of regulatory deposits, cash and cash equivalents, time deposits and other receivables are classified at amortised cost. The Group has no significant assets measured at fair value.

The Group recognises loss allowances for expected credit losses ("ECLs") on accounts receivable. The change in ECLs is recognised in net earnings and reflected as an allowance against accounts receivable. The Group uses historical trends, timing of recoveries and management's judgement as to whether current economic and credit conditions are such that actual losses are likely to differ from historical trends. Certain receivables are also individually assessed for lifetime ECLs.

(iii) Financial liabilities

On initial recognition, financial liabilities are classified to be subsequently measured at amortised cost or fair value. The Group's financial liabilities comprised of trade and other payable distribution to government payable, regulatory deposits from licensed entities and lease liabilities. Interest expense is recorded using the effective interest rate ("EIR") method and included in the statements of comprehensive income as interest expense. The Group has no significant liabilities measured at fair value.

25.3 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 vehicles	5 years
Furniture and equipment	3 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 consolidated statement of comprehensive income.

25.4 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.4 Leases (Continued)

In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term as follows:

Leasehold premises	3-8 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 26.2.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

Nature of leasing activities (in the capacity as lessee)

The Group leases office spaces in the jurisdictions from which it operates. In the BVI, it is customary for the periodic rent to be fixed over the lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy,
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount,
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

5.5 Revenue recognition

Revenue Streams, Performance Obligations and Revenue Recognition Policies

The Group derives revenue from the collection of fees and charges payable under the Act and financial services legislation in the following area:

- Fees from the Registry of Corporate Affairs; and
- Regulatory fees:
    - Banking and Fiduciary Services;
    - Investment Business;
    - Insurance Business; and
    - Insolvency Services.

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.5 Revenue recognition (Continued)

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised at the point in time as the services are provided. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the time.

In addition, the Group collects revenue from the imposition of penalties and enforcement fees which are recognised on an accrual basis at the time the penalties and enforcement fees are imposed.

The Group also generates revenue through interest income from its investments and deposits with banks. Interest income is recognised as interest accrued on a time basis by reference to the principal outstanding and to the effective interest rate applicable.

25.6 Expense recognition

All expenses are recognised in the consolidated statement of comprehensive income on the accrual basis.

25.7 Taxation

In accordance with Section 28 of the Act, the Commission is exempt from the payment of all taxes, levies and license fees on its income and operations and from the payment of all taxes, duties and rates on its property and documents. Taxes payable by the Commission pertain to payroll taxes. Certain investment income may be subject to withholding taxes at its source from the country of origin.

25.8 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 recognised 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 recognised 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 recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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 recognised in the statement of comprehensive income.

25.9 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 recognises any related restructuring costs.

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.9 Pension plan (Continued)

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.

26. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2021 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 and the below.

Produced and Published by the BVI Financial Services Commission