2023
ANNUAL REPORT

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Strategic Overview

OUR MISSION

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

Protecting

the interests of the general public and market participants by fostering a stable financial services environment.

Ensuring

that the financial services industry complies with domestic and internationally accepted regulatory standards and best business practices.

Enhancing

and protecting the reputation of the Territory by combating the misuse of BVI legal persons and legal arrangements.

OUR 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

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

Integrity

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

Accountability

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

Our 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 symbollic 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 in and from within the BVI.

Just as a lighthouse provides terrestrial traveler 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.

CABINET

BOARD OF COMMISSIONERS

Board Secretary
Annet Mactavious

Kenneth Baker
Managing Director/ CEO

Brodrick Penn
Deputy Managing Director
Operations

Glenford Malone
Deputy Managing Director
Regulation

Myrna Herbert
Registry of Corporate Affairs

Director
Myrna Herbert

Deputy Director
Lydia George

Operations

Director
Brodrick Penn

Deputy Director
Kamika Forbes

Information Technology

Deputy Director
Michael George

Authorisation and Supervision

Director
Vacant

Deputy Director
Prudential Supervision
Yolanda McCoy

Deputy Director
Authorisation
Trevecca Hodge

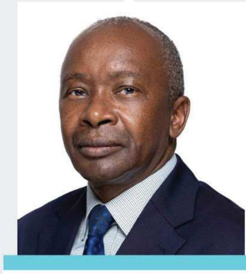
Deputy Director
Specialised Supervision
Kishelle Blaize-Cameron

AML Unit

Deputy Director
Alva McCall

Compliance Inspection Unit

Deputy Director
Leon Wheatley



Cherno Jallow, KC
Policy Development and External Relations Division

Policy Development and External Relations Division

Director
Cherno Jallow, KC

Deputy Director
Allene Gumbs

Deputy Director
Rhonda Hodge-Smith

FSC (HK) Ltd.
Asia Representative
Shane Baptiste

Annet Mactavious
Human Resources Division

Human Resources Division

Director
Annet Mactavious

Deputy Director
Staffing & Benefits
Solika Carey

Deputy Director
Training & Developement
Trecia Dawson

Sheldon Scatliffe
Finance Division

Finance Division

Director
Sheldon Scatliffe

Deputy Director
Sharifa Maloney-Smith

Stephen Grayson
Legal Division

Legal Division

Director
Stephen Grayson

Deputy Director
Diana Fahie Decastro

Vacant

Vacant
Enforcement Division

Enforcement Division

Director
Vacant

Deputy Director
Vacant

Simone Martin
Special Projects

Director
Simone Martin

Burton Chalwell Jr.
Internal Audit

Director
Burton Chalwell Jr.

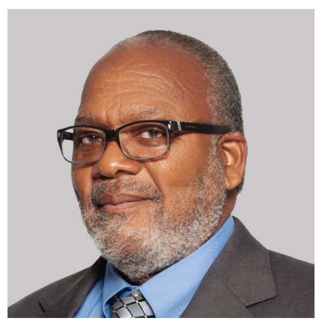
Board of
Commissioners

Robin F. Gaul
Chairman

Paul O.S. Carty
Commissioner

Johanna M. Boyd
Commissioner

Kharid T. Fraser
Deputy Chairman



Melvin N. Stoutt
Commissioner

William C. Gilmore
Commissioner

Ramnarine Mungroo
Commissioner

Kenneth B. 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 BVI Financial Services Commission during 2023.

The Commission entered 2023 with great anticipation after focusing much of its efforts in 2022 on preparations for the Fourth Round Caribbean Financial Action Task Force (CFATF) Mutual Evaluation. The Commission's Teams worked tirelessly with other Competent Authorities in the Territory to complete preparations and maintain engagement with the assessment team after the on-site assessment in March 2023. The nature of the engagement required the Commission to prioritise efforts towards the alignment of legislation, policies and procedures and the provision of additional data and clarifications.

Additionally, the Commission continued its internal restructuring, which began in 2022. The Development of a merged Policy Development and External Relations Division and the emergence of a new Governance, Risk and Compliance function within the Legal Division were some of the key 2023 milestones achieved under this initiative for 2023.

High on the list of priorities was recruitment of additional human resources to assist the Commission in meeting its strategic objectives.

The Commission has achieved fee collections in 2023 were slightly higher than those projection for the year. Coupled with lower than anticipated expenditures (resulting primarily from protracted recruitment efforts) provided an unanticipated surplus from which we were pleased to make a distribution to Government.
Going forward, the need for additional staffing and the completion of recruitment efforts, together with the planned review of salaries will bring operational costs back in line with those previously forecasted.

The success of the Commission is credited to the contributions, engagement and commitment of its competent employees, who continue to deliver above expectations notwithstanding geo-political and global economic challenges.

The Commission remains resilient and strives to continue its approach to regulatory innovation, risk-based supervision and greater operational efficiency.

In accordance with section 27 of the Act, I present this report on the operation and activities of the Commission for 2023, together with the enclosed auditor's report and accompanying financial statements.

Robin Gaul
Chairman

Managing Director's **Statement**

2023 has been a year of transitions. The year brought stabilization to the global economy, with countries taking actions to stabilize inflationary effects and businesses restabilizing supply chains. While global growth was modest for G7 countries, the growth projections for countries that form a part of the expanded BRICS membership are tremendous. The impact of unrest in several parts of the world also presented challenges to the stabilization efforts of several sovereign nations. These global developments have impacts on the global economy, and more specifically the Virgin Islands.

As the global landscape changes, countries have had to bolster several elements of their supervisory and law enforcement mechanisms. Increased imposition of sanctions resulted in heightened scrutiny of due diligence processes employed by service providers. Criminal attacks on the public and all sectors of business and government were accelerated in scope and speed through tactics leveraging newer technologies resulting in changing typologies regarding cybercrime. The Commission contributed to forward-looking strategies to mitigate criminality. In addition to ongoing international cooperation efforts, officers of the Commission contributed materially to the UK and Overseas Territories joint initiative – The Illicit Financing Dialogues. For 2023, these Dialogues were co-chaired by the Virgin Islands and the United Kingdom.

Strengthening our engagements with regional partners was also a highlight of 2023. During the year, the Virgin Islands underwent its Mutual Evaluation process to assess its level of compliance against the Financial Action Task Force's 40 Recommendations and Methodology in 2023. This evaluation, conducted by the Caribbean Financial Action Task Force and the International Monetary Fund, was a part of the 4th Round of Evaluations. The Commission, as one of the Virgin Islands' Competent Authorities responsible for AML/CFT/CPF oversight. Collaborative efforts with other Competent Authorities in the preparatory work necessary for the Mutual Evaluation was led by the Commission's Deputy Managing Director, Regulation during 2022 into 2023 ahead of the evaluation. This work included outreach to the industry and other stakeholders on topical issues arising from the findings of the 2022 National Risk Assessments. The ancillary impact of this review included updating legislation. This legislative reform ensured that the Virgin Islands continues to be a leader amongst international financial services centers.

To ensure that the Commission's mandate is fully met during increasingly challenging times, greater focus was placed on enhancing our management team, as well as capacity building. Key appointments from within signals the continued importance of growing and developing our most valuable assets – our people. In addition, increased training was delivered or supported to better equip staff to address the evolving threats and vulnerabilities that we may face. Capacity building through training to address the incredible pace of technological developments in and around financial services within the operations of firms, as well as from the vantage point of a regulatory authority.

In advancing the Commission further into the 21st century, the restructuring process continued during 2023. The work undertaken to maximize supervisory efforts will result in an increase in our numbers. In addition, the envisaged outcome of a more functionally aligned will allow for the Commission to develop greater resilience and depth needed to become a more nimble regulatory authority.

Deepening ties with our international partners continued to be an important element of our engagements. These organisations and international standard setting bodies such as the Financial Stability Board, the Group of International Financial Centers Supervisors and others are critical for evolving supervisory modalities. The Commission's participation in their work has also ensured that the Virgin Islands remain strategically positioned to contribute to the refinement of international standards, particularly from the vantage point of smaller island states.

Looking forward to 2024 and beyond, maintaining stability in a changing world will be essential to the Virgin Islands remaining as a leading offshore jurisdiction. A resilient regulatory regime that enhances business growth while minimizing increasing threats is a key facet to this objective. Building our resilience in an ever-changing world has been essential to weathering external shocks, which the Commission ably demonstrated in the past. As we proceed onwards to 2030, our engagements will be driven by the continuing need to build even greater resilience. It is my vision that the Commission will continue to represent a beacon of reliability, strength and fortitude that is symbolized by the Commission's logo – The Lighthouse.

Kenneth Baker
MD/CEO

2023 – Highlights

Key Appointments:

- Brodrick Penn appointed as the Deputy Managing Director, Operations - 1 July, 2023
- Tanya Dawson appointed as the Deputy Director, Governance Risk Compliance – 1 January, 2023
- Rhonda Hodge-Smith appointed as the Deputy Director External Relations – 1 May 2023

Legislative Highlights:

- Financial Returns Order

  Trustees to maintain beneficial ownership information
- Companies to collect and file up to date BO information with their registered agents
- Streamlined definitions of significant and controlling interests across all FSC legislation
- New regulatory transaction fees and introduction of VASP fees
- Requirements for enhanced collaborative feedback with competent authorities

Training and Development:

In 2023, 62% of employees participated in 181 training engagements. Training activity in 2023, was recorded at a 202% increase over events in 2022.

181 Training Events

2022 Money Laundering Risk Assessment completed

AMLU (Anti-Money Laundering Unit)

Since 2021, the AMLU has issued 195 penalty notices for late filing of AML Returns totaling $153,400. In 2023 the AMLU issued 60 penalty notices. The value of these penalties totaled $61,100

1

Full scope compliance inspection on a Banking licensee

6

Thematic Compliance Inspections of Fiduciary Investment and Money Services Licensees

Mutual Evaluation Exercise

CFATF 4th Round Completed

Money Matters BVI:

In 2023, MMBVI hosted the following financial literacy activities:

- Adolescent Financial Literacy Perspectives Forum;
- FSC Economic Empowerment Club Lunch & Learn Forum;
- Wills and Estate Planning Forum;
- Global Money Week Tours of Financial Institutions;
- Delivery of MMBVI presentations to Rotary Club of the BVI and Facilities Department (Government of the Virgin Islands) Retreat;
- 2023 Piggy Bank Pageant;
- Trade Marks Registry feature and Buy BVI Trade Expo;
- Outreach visits to 21 schools.

55

VASP licencing applications recieved

12

VASP Authorised Representative Applications Approved

$662,550

Issued in words Regulatory Enforcement Administrative Penalties and Fines

Registry of Corporate Affairs

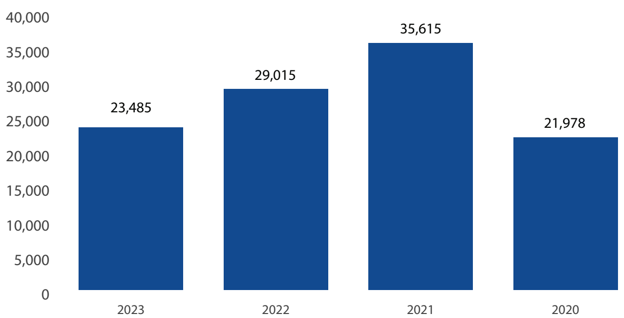
Registry of Corporate Affairs

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 post registration transactions. The Registrar preserves the integrity of the registers by updating and maintaining the registers in accordance with BVI legislation.

The BVI Business Companies Act, 2022 (“BC Act”) was amended and came into force on 1 January, 2023. Among other key changes were changes to the fees charged for incorporation which increased from $450 to $550. This resulted in a significant increase in revenue as detailed in the finance section of this report.

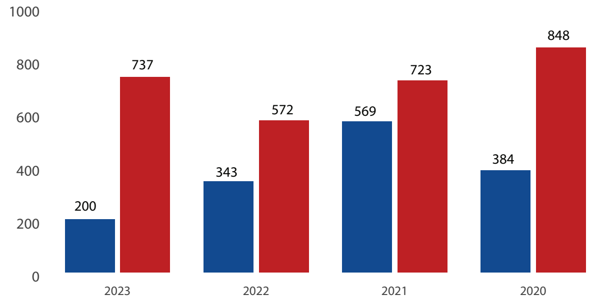
New incorporations however, declined by 19% in 2023 when compared to 2022. The chart below details the incorporation numbers from 2020 to 2023.

Chart 1: New Incorporations



The number of companies continuing into the British Virgin Islands also had a significant decline of 41% compared to the two previous years. Equally, the number of companies continuing out of the Virgin Islands increased by 29%.

Chart 2: Companies Continuation



The number of dissolved companies increased drastically from 8,721 in 2022 to 292,577 in 2023. This is a result of an amendment to the BVI Business Companies Act which went into force on 1 January 2023, which fundamentally changed the struck off and dissolved regime.

Under the BC Act Amendments, struck off companies are now automatically dissolved on the date the notice of striking off is published in the gazette. This replaced the provision whereby companies were dissolved 7 years after being struck from the Register. The BC Act Amendments also dissolved existing struck off companies that were not restored by 30 June 2023.

Going forward, the number of dissolved companies is expected to be lower than those dissolved in 2023. However, the number of dissolved companies is expected to be higher than previous years as companies will now be dissolved once they are struck-off.

The BC Act Amendments also provided for the list of directors of companies to be requested with payment of a prescribed fee. The availability of this list lead to a 45% increase in the number of company searches from international clients when compared to 2022.

Chart 3: Searches

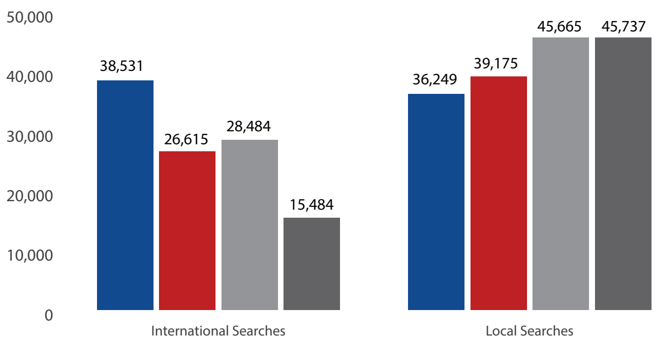


Table 1: The table below sets out details of key transactions conducted by the Registry of Corporate Affairs from 2020 – 2023

Description	2023	2022	2021	2020
New Incorporations	23,485	29,015	35,615	21,978
Annual Fee Renewals	328,293	333,270	329,219	333,116
Continuations into BVI	200	343	569	384
Continuation Out of the VI	737	572	723	848
ROD Registrations	24,031	29,015	36,177	23,158
L.P. Registrations	287	371	636	196
International Searches	38,531	26,615	28,484	15,484
Local Searches	36,249	39,175	45,665	45,737
Premium Service Transactions	242	312	379	335
Dissolutions	5,543	8,721	9,438	9,687
Request for certificate of Good Standings	36,711	39,020	44,820	43,075
Register of Members	357	419	415	473

The Registry continued its digitisation efforts and other initiatives to improve the efficacy of the Registry in its operations and delivery of its services.

The Registry's Imaging project to scan and upload legacy company files to VIRRGIN was expanded in 2023 in an effort to expedite the project to allow files to be readily available in VIRRGIN. As of December, 2023 40% of company files have been digitized.

A total of 153,970 files were digitized in 2023. The Project is expected to be completed by the first quarter of 2025. This will allow both local and international clients to conduct company searches immediately without having to wait for physical file uploads.

Upgrades to the Registry's flagship electronic filing platform were completed to accommodate the fee adjustments under the BC Act Amendments.

Office of the Registrar of Trade Marks, Patents and Copyright

Office of the Registrar of Trade Marks, Patents and Copyright

The Office of the Registrar of Trade Marks, Patents and Copyright noted a decrease in Trade Mark Registrations in 2023 by 13% when compared to 2022. At the end of 2023, there were 26 Registered Trade Mark Agents.

The most frequent trade mark registration class for 2023, was Class 35: Advertising; business management, organization and administration; office functions, having been identified within 67 applications for registration.

Table 2: Frequent Trade Mark Registration Classes

	Trade Mark Registration Class	Frequency of Registrations
2023	35	67
2022	9	113
2021	36	63

The Office issued 289 Certificates of Registration of Trade Marks in 2023.

A significant achievement for the Office was the progress made to advance the scanning and digitisation of the Trade Marks Register, which was 84% complete at the end of the year.

Chart 4: Trade Mark Certificates Issued 2022-2023

TRADE MARKS	
2023	2022
289	332

Patent Re-registration

The Office also noted a downturn in the number of UK/EU Patent being re-registered in the BVI for added protection during 2023.

Public Education and Outreach

In October 2023, the Office participated in the BUY BVI Trade Show to raise awareness of IP rights protection in the Territory. The engagement was effective and underscored the need for more public promotion campaigns as many persons seemed unaware of the IP protection offered through registration in the BVI.

OVERVIEW AND PERFORMANCE OF REGULATED SECTOR

Banking

The BVI's banking sector currently remains healthy and stable. Total Asset size of the BVI had a slight quarter on quarter (QoQ) decrease of 3.76%. Further, the aggregate balance sheet for the banking sector in the jurisdiction decreased by 3.76% percent quarter on quarter (QoQ).

The Territory's banking market size (by asset) grew by 4.5% between 31 December 2022 and 31 December 2023. Capital levels were reported at 42.13% in 4th Quarter 2023 and all Banks' capitalization exceeded regulatory requirements. The liquidity ratio, also at 4th Quarter 2023, was 16.87%. The banks continue to demonstrate the ability to repay liabilities that can be claimed at short notice.

In December 2023, combined total assets stood at USD2, 994, 450, 000, compared to USD2, 863, 530, 000 in December 2022. Table 3, immediately below, summarizes the growth/decrease of assets for the years 2023 and 2022.

Table 3: Market Size in Asset (2022- 2023)

Market Size	Quarter 4	Quarter 3	Quarter 2	Quarter 1
2023 Combined Market Size	2,994,450,000	3,111,999,000	3,108,236,000	3,006,492,000
2022 Combined Market Size	2,863,530,000	2,833,837,000	2,875,476,000	2,812,774,000

The Commission compiles Financial Soundness Indicators to monitor the health, stability, soundness, and performance of regulated entities holding a banking licence. The table shows the banks' performance for 2023 and the 3rd and 4th Quarters of 2022.

Key Financial Stability Indicators QoQ Summary

Table 4: Financial Soundness Indicators

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Capital Adequacy					
Tier 1 Capital to Adjusted Risk Weighted Assets	42.13%	47.70%	46.93%	45.82%	48.05%
Tier 1 Capital to Total Assets	19.88%	21.86%	21.29%	21.36%	22.07%
Asset Quality					
Non-Performing Loans (Net of Provisions) to Capital	16.83%	14.37%	13.45%	13.31%	14.36%
Non-Performing Loans to Total Loans	6.67%	6.58%	6.45%	6.34%	6.75%
Earnings and Profitability					
Return on Assets	1.27%	1.86%	1.37%	0.76%	0.99%
Return on Equity	6.37%	8.52%	6.43%	3.55%	4.50%
Net Interest Margin to Gross Income	86.39%	81.55%	78.72%	82.23%	86.17%
Non-Interest Expense to Gross Income	45.50%	44.46%	44.30%	45.71%	51.92%
Liquidity					
Liquid Assets to Total Assets	16.87%	21.84%	20.30%	19.51%	20.20%

Aggregate Balance Sheet

The Aggregate Balance Sheet, at Table 3, compares assets, liabilities and shareholders' equity.

The Aggregate Balance Sheet, at Table 5 below, compares assets, liabilities and shareholders' equity.

Table 5: Banking Sector Trends (Q4 2022 - Q4 2023)

Aggregate Balance Sheet (USD Millions)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
ASSETS					
Cash Items	496.7	649.2	612.6	559.7	559.6
Marketable Securities	8.4	30.3	18.5	26.9	18.9
Loans & Advances	1657	1632.0	1633.6	1611.3	1588.1
Investments	134.3	134.4	134.5	139.0	26.9
Other Assets	698.4	666.0	709.0	669.5	670.0
Total Assets	**2994.4**	**3111.9**	**3108.2**	**3006.4**	**2863.5**
LIABILITIES					
Deposits	2353.6	2378.3	2390.0	2312.4	2177.6
Long-Term Debt	4.5	4.5	4.5	4.5	5.0
Accrued Liabilities	14.6	15.1	14.3	11.9	10.8
Other Liabilities	22.4	25.7	23.3	20.7	23.8
Loss Reserves	3.6	8.3	14.5	15.0	14.7
TOTAL LIABILITIES	2398.7	2431.9	2446.6	2364.5	2231.9
TOTAL SHAREHOLDER'S EQUITY	**595.7**	**680.0**	**661.6**	**641.9**	**631.6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2994.4**	**3111.9**	**3108.2**	**3006.4**	**2863.5**

The aggregate balance sheet[1] for the banking sector in the jurisdiction decreased by 3.7% percent quarter on quarter (QoQ) but saw a 4.57% year on year (YoY) growth rate which is a positive indicator for the sector. Regarding the QoQ decline, the Unit noted two significant changes; a 23.5% decrease in aggregate cash held and a 72.6% decrease in Marketable securities. The decrease in cash is due to the cash management function at one of the banks at the end of the financial year.

Asset Quality- Loan Portfolio

At 4th Quarter 2023, loans and advances amounted to USD1.656 billion and non-performing loans (NPLs) amounted to approximately $110.5 million. Both years compared, the ratio of NPLs as a percentage of total gross loans was 6.75% at 4th Quarter 2022 and 6.67% at 4th Quarter 2023. At 4th Quarter 2022, all banks combined, loans and advances were approximately USD1.588 billion and (NPLs) were approximately USD107.1 million.

Loan loss reserves at 4th Quarter 2023 were approximately USD9.1 million (Reserve Coverage Ratio: 8.24%) and at 4th Quarter 2022 approximately USD14.6 million (Reserve Coverage Ratio: 13.70%).

Capital Adequacy

Capital levels were reported at 42.13% in 4th Quarter 2023 and remained above the regulatory requirements quarter-on quarter [3rd Quarter 2023: 47.70 %[2nd Quarter 2023: 46.93%] [1st Quarter 2023:45.82%]

Liquidity

Liquidity remained satisfactory during 2023. Liquid Asset Ratio [4th Quarter 2023:16.87%][3rd Quarter 2023 21.84%][2nd Quarter 2023:20.30%][1st Quarter 2023:19.51%]. The banks continue to demonstrate the ability to repay liabilities that can be claimed at short notice.

The ratio of liquid assets as a percentage of short-term liabilities as a percentage of total deposits was 21.46% in both cases for 4th Quarter 2023, indicating that the bank sector will be able to satisfy primary short-term liabilities and current obligations, including demands for deposits. Table 24 shows the liquidity condition of the bank sector for the last seven quarters.

Table 6: Aggregate Liquidity Q4 2022- Q4 2023

Banks	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Liquid Assets to Total Assets	16.87%	21.84%	20.30%	19.51%	20.20%
Liquid Assets to Total Deposits	21.46%	28.57%	26.41%	25.37%	26.57%
Total Loans to Total Assets	55.32%	52.44%	52.56%	53.60%	55.46%
Total Loans to Total Deposits	70.39%	68.62%	68.35%	69.68%	72.93%

Profitability

Retained earning for 4th Quarter 2023 amounted to USD37.9 million, an increase from USD28.4 million reported in 4th Quarter 2022.

Average profitability as measured by ROA and ROE ratios increased from 0.99% percent and 4.50% percent in Q4 2022 to 1.27% and 6.37% in Q4 2023 respectively. These key rations demonstrate positive aggregate growth and market value in the sector which is driven by aggregate growth in the sector's net income and an expansion in total banking assets.

Table 7: Ratios

Ratios	Q4 2023	Q4 2022	Q4 2021	Q4 2020
Return on Assets	1.27%	0.99%	1.08%	1.00%
Return on Equity	6.37%	4.50%	5.11%	4.05%
Profit Margin	46.39%	49.67%	62.20%	57.59%
Net Interest Margin to Gross Income	86.39%	86.17%	78.84%	95.01%
Non-Interest Expense to Gross Income	45.50%	51.92%	47.15%	53.62%

[1] Aggregate Balance Sheet- Assets: Cash, Marketable Securities, Loans & Advances Investments and Other Assets
Liabilities: Deposits, Long Term Debt, Accrued Liabilities, Other Liabilities, Loss Reserves

Financing Business

Financing Businesses which physically operate from within the Virgin Islands are regulated under the Financing and Money Services Act, Revised 2020. These businesses offer a range of credit services to the public which include:

- Pay day advances
- Leasing property under financing lease agreements
- Consumer finance loans under a financing agreement to a borrower in the Virgin Islands
- Cheque cashing
- International financing and lending

Aggregate value of Transactions

4,947,122.26

846

Total Clients

2

Licensees

1

Cancelled Licensee

Total Transactions

864

Insurance

The global insurance market continued to harden in 2023 with a notable increase in the severity and frequency of natural disasters worldwide which also correlates to increased reinsurance costs. Following the triggering sequence of increased costs throughout the industry, the Commission has noted an increase in premiums for customers who are now finding insurance coverage to be less affordable. Throughout the region and internationally, governments are exploring alternative insurance products, such as parametric insurance to mitigate rising premiums and provide additional capacity for insurance coverage.

At the end of 2023 there were 106 insurance entities, which consisted of:

Table 8: 2023 Insurance Entities

45	captive insurers; a reduction of 1 captive from 2022 that was discontinued
38	domestic insurers; no change from 2022
6	insurance managers; no change from 2022
12	insurance agents; no change from 2022
2	insurance brokers; no change from 2022
3	loss adjusters; no change from 2022

Key Financial Stability Indicators QoQ Summary

Table 9: Captive Insurers from 2021 to 2023

	2021	2022	2023
Existing Companies	52	49	46
New Companies	0	0	0
Discontinued	3	3	1
Total	49	46	45

Table 10: Table below shows the statistical data for Domestic Insurers from 2021 to 2023

	2021	2022	2023
Existing Companies	37	37	38
New Companies	0	1	0
Discontinued	0	0	0
Total	37	38	38

Captive Insurers Business Written Summary

Table 11: Comparison of Captive Insurers Business Written

Captive Insurers Business Written Summary [1]			
	2022	2021	2020
Gross Direct Written Premiums	$116,804,633	$383,957,520	$392,499,897
Total Assets	$1,358,684,406	$1,224,016,315	$1,356,566,441
Net Worth	$107,641,002	$81,658,530	$96,891,728

[1] 2023 financial statements are due by 30 June 2024 or by an extended deadline, by no later than 30 September 2024

The 2022 premium level decreased significantly by 70% compared to 2021. Several factors have influenced this decrease including:

i. increased competition from traditional insurers offering more competitive rates;

ii. captive owners reducing their risk appetite, opting for higher deductibles, which in turn led to lower premiums; and

iii. economic downturns that led to reduced business activities, which in turn lowered demand for insurance coverage.

The 11% increase in total assets year over year can be attributed to positive returns on premiums invested in various financial instruments and captives retaining profits after paying out claims and expenses, which are added to their total assets.

Domestic Insurers Total Gross Written Premiums

Table 12: Domestic Insurance Companies Total Gross Written Premiums

Domestic Insurance Companies Total Gross Written Premiums [2]			
Line of Business	**2022 Annual Returns**	**2021 Annual Returns**	**2020 Annual Returns**
Motor	$9,349,419	$8,891,222	$9,710,840
Property	$55,861,251	$54,872,717	$55,574,658
Liability	$24,866,129	$22,368,781	$17,927,074
Marine & Aviation	$18,234,249	$13,998,987	$15,954,307
Financial Loss	$548,629	$574,850	$735,107
Accident & Health	$45,484,541	$44,360,776	$42,523,193
Annuities	$650,271	$113,546	$122,386
Life	$18,761,574	$9,302,165	$20,036,057
Goods in Transit	$287,299	$169,013	$0
Other Property & Casualty	$847,258	$4,066,797	$8,711,396
Other Life & Health	$2,610,641	$1,052,141.31	$0
Totals	**$177,501,261**	**$159,770,996**	**$171,295,018**

The increase in gross premiums between 2020 and 2022 was attributed to premium rates increasing 10% to 30%, particularly in the property and casualty business lines [2], due to rising rates in the reinsurance market, which continued to be influenced by the increase in the frequency and severity of catastrophes such as earthquakes, hurricanes, and wildfires. Based on the total premiums written, the top classes of business in 2022 were Property (31%), Accident and Health (26%), and Liability (14%).

Liability insurance exhibited the most substantial growth, surging by 38.7% from $17.9 million in 2020 to $24.9 million in 2022. In contrast, the "Other Property & Casualty" category saw a dramatic decline, plummeting from $8.7 million in 2020 to merely $0.8 million in 2022. This stark variation suggests a significant shift in market dynamics or changes in risk categorization.

The greatest variation amongst the leading lines of business occurred in the Life insurance sector. There was a sharp decline from $20 million in 2020 to $9.3 million in 2021, then rebounded to $18.8 million in 2022.

Table 13: Domestic Insurance Companies Total Gross Claims Paid

Domestic Insurance Companies Total Gross Claims Paid			
Line of Business	**2022 Annual Returns**	**2021 Annual Returns**	**2020 Annual Returns**
Motor	$2,911,735	$3,765,739	$3,530,357
Property	$606,846	$3,987,459	$19,118,064
Liability	$197,046	$1,910,378	$4,385,213
Marine & Aviation	$880,484	$3,405,319	$6,238,836
Financial Loss	$152,913	$293,526	$10,294
Goods in Transit	$62,852*		
Accident & Health	$3,555,48	$2,861,718	$18,618,633
Annuities	$38,064	$0	$96,743
Life	$6,036,474	$5,243,380	$7,921,906
Life (Investment Related)	$1,773,096*		
Permanent Health	$13,637*		
Other Property & Casualty	$3,533	($3,801,251)	$28,176,722
Other Life & Health	$832,787		
Totals	**$17,064,952**	**$17,666,268**	**$63,756,751**

* Reporting requirement changed in 2022.

[2] 2023 Returns are due by 31 March 2024. Figures reflect domestic business (i.e. premium collected from policyholders residing in the BVI only)
[3] Motor, Property, Liability, Financial Loss, Marina & Aviation, Goods In Transit, Accident and Health

Table 14: Aggregate Exposures for Domestic Insurers

Line of Business	2022	2021	2020
Property	$14,129,788,506	$8,497,074,706	$13,411,576,273
Marine & Aviation	$7,364,053,961	$7,735,916,866	$11,377,529,002

The BVI domestic insurance market experienced a dramatic shift in claims patterns from 2020 to 2022. Total gross claims paid plummeted by over 73%, dropping from $63.7 million in 2020 to just $17 million in 2022. This decline was primarily driven by massive reductions in property and "Other Property & Casualty" claims, which fell by 96.8% and 99.9% respectively.

A hardening insurance market, characterized by reduced capacity and higher premiums due to the increased severity of natural disasters, has led to changes in aggregate exposures as insurers adjust their strategies for managing and bundling risks.

Table 15: Domestic Business Trusts and Regulatory Deposits

Domestic Business Trusts and Regulatory Deposits		
Year	**Total Amount of Domestic Business Trusts held by Trustees on behalf of nine (9) foreign insurers**	**Total Amount of Regulatory Deposits lodged with the Commission on behalf of four domestic insurers**
2023	$20,232,226	$930,000
2022	$19,501,292	$900,000

A specified foreign insurer must establish a domestic business trust or a regulatory deposit with the Commission (a) for $250,000 or (b) equal to its domestic liabilities. All domestic insurers are required to pay a regulatory deposit (a) in the amount of $250,000 or (b) in an amount that is equal to the total of its domestic liabilities.

Investment Business

The regulation and supervision of investment business that is carried on in and from within the Virgin Islands is classified under the following categories:

- Investment business licensees
- Approved investment managers
- Authorised representatives
- Mutual funds (private, professional, public, foreign, incubator and approved funds)

Funds Industry

The investment business sector continued to see an upward trend in fund registration, which was attributed to the attractive regulatory landscape. In particular, a significant portion of the 2023 growth has been driven by the Private Investment Fund and Approved Fund regimes.

Table 16: Funds Industry Growth

	2023	2022	2021	2020
Funds Under Remit	2016	1923	1871	1707
Funds Registered	170	268	273	333
Funds Cancelled	134	205	135	105

As shown at Table 17, Professional funds continued to hold the top position in the funds category year over year followed by Private Investment Funds, Approved funds, Private funds, Incubator funds, Public Funds and foreign funds, which remained at one (1).

Table 17: Funds Under Remit

	2023	2022
Professional Funds	848	859
Private Funds	290	288
Private Investment Funds	366	299
Approved Funds	328	296
Incubator Funds	162	156
Public Funds	21	24
Foreign Funds	1	1

Chart 5: Fund Applications

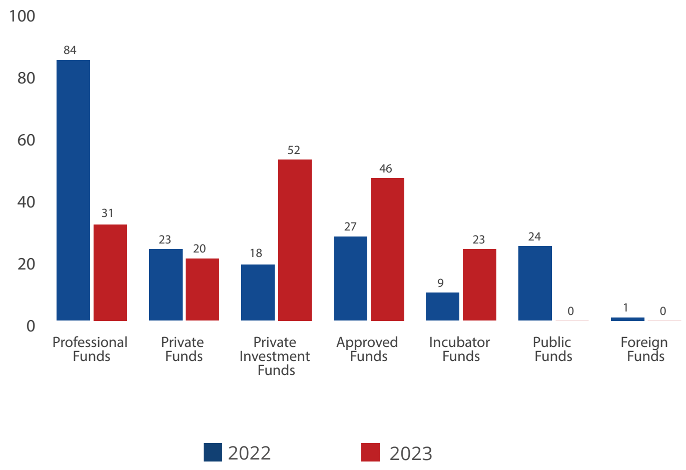


Chart 6: Recognised/Registration Approvals

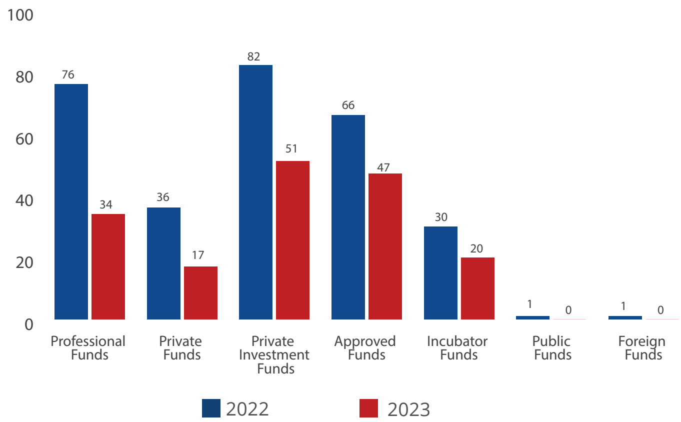
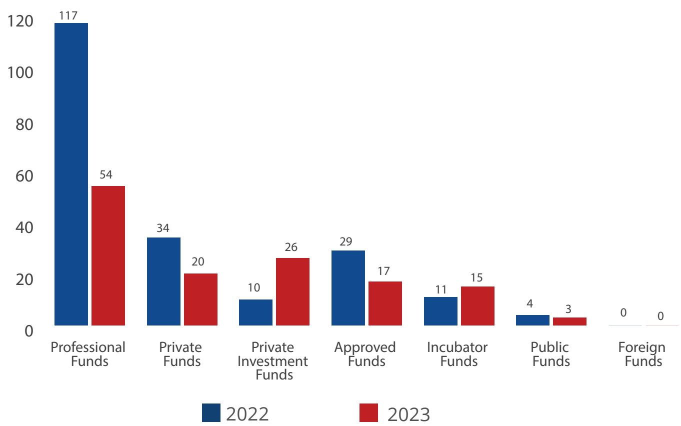


Chart 7: Funds Cancelled



Investment Business Licensees

The investment business licensee category increased by 39 (14%) compared to 2022. The Authorization and Supervision Division is progressing with a revocation/cancellation project regarding inactive investment business licensees.

Table 18: Licensed Entities

	2023	2022	2021
Licence Applicants	14	11	10
Licences Granted	13	9	5
Licences Cancelled	27	76	19
Licensees Entities	280	274	341

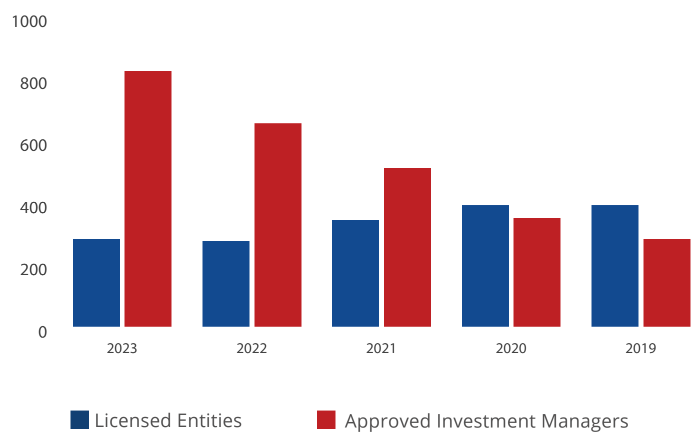
Approved Investment Managers numbers had an uprising trend as the preferred investment business product primarily due to the nature of the regulation. Applications in 2023 increased by over 27%. The Commissions anticipates this will continue into 2024.

Table 19: Approved Investment Managers

	2023[3]	2022	2021
Approved Investment Managers Applications	188	206	187
Approved Investment Managers Approvals	197	200	188
Approved Investment Managers Cancelled	35	58	31
Approved Investment Managers	822	653	511

The investment business licensees remained stable and rose marginally by 6 (2%) over 2022.

Chart 8: Investment Business Licensees



[3] Numbers account for applications withdrawn and pending applications brought forward from 2022

Trust and Corporate Services Providers

At the end of 2023, the TCSP sector had a total of 288 licenses, which is equal to its total as of the end of 2022.

During the year 2023

- 8 licenses in the TSCP sector were issued
- 5 licenses were cancelled
- 3 licenses were revoked

Table 20: TCSPs for 2023

Licensees by Licence Type 2022 - 2023			
Licence Type	**31-Dec-2022**	**21-Dec-2023**	**Change YOY**
Class I Trust	55	53	↓
Class II Trust	27	27	●
Class III	31	31	●
Restricted Class II Trust	49	47	↓
Restricted Class III*	106	110	↑
Company Management	17	19	↑
Authorised Custodian	1	1	●
Total	**288**	**288**	●

In keeping with the Commission's Risk-Based Framework strategy, the Prudential Supervision Unit monitors and supervises TCSPs with lower risk levels.

The Unit is also responsible for reviewing and processing all TCSPs post-licensing filings.

The Specialised Supervision monitors and supervises sector entities that are higher risk in nature and systemically important. As at the end of 2023, 129 TCSPs were in the portfolio of the Prudential Unit while 89 entities were within the portfolio of Specialised Supervision.

Table 21: Key Achievements 2023

Licensees released from all reporting requirements and monitoring after rectifying the deficiencies identified during compliance inspections	
215	Authorised Representative reports assessed (100% submission rate)
388	Compliance Officer Reports assessed
1,479	Financial Statements assessed
1,751	Annual Returns assessed
311	Regulatory Search Requests and Enquiries handled
Over 793	Post-Licensing Notifications Processed
288	Licensees as at 31st December 2023

In 2023, the Compliance Inspection Unit conducted 6 thematic inspections of TCSP licensees. The findings are featured in the Regulatory Compliance section of this report.

Virtual Assets Service Providers

From 1 December 2022, all BVI entities that fall within the definition of a Virtual Assets Service Provider **(VASP)**, have been required to comply with BVI AML laws under the BVI Anti-Money Laundering Regulations (the "**AML Regulations**" and Anti-Money Laundering and Terrorist Financing Codes of Practice (the "Code").

Since the Virtual Assets Service Providers Act, 2022 (the "**VASP Act**") came into force on 1 February 2023, the Commission has expanded its regulatory and supervisory framework to include the regulation of VASP operating in or from the BVI.

This expansion reflects the Commission's commitment to meeting international Anti-Money Laundering (**AML**) and Countering the Financing of Terrorism (**CFT**) standards, particularly in the virtual asset sector.

VASPs operate in a rapidly evolving industry, often associated with vulnerabilities, including risk of money laundering, terrorist financing, and cybersecurity threats. By implementing an appropriate regulatory regime in this sector, the Commission is actively working to mitigate these risks and ensure compliance with global regulatory standards.

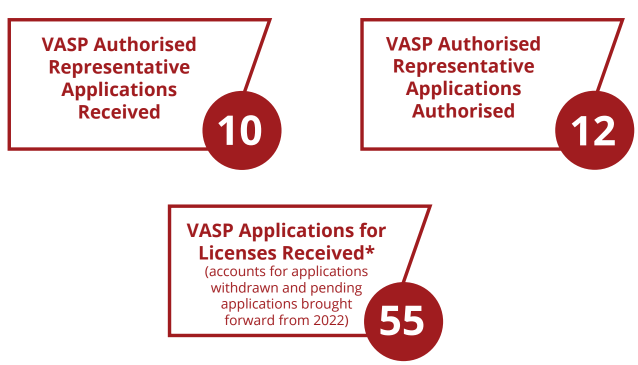
Given the rapid nature of virtual assets, the Commission is expected to introduce new frameworks and amend existing ones to adapt to emerging risks and market developments. AML and CFT regulations and frameworks continue to be strengthened to address the evolving risks associated with virtual assets, which may involve broader scope coverage, more stringent customer due diligence requirements, and increased regulatory supervision and oversight of VASPs. Rapidly evolving changes within the industry might also call for revisions to registration requirements for VASPs to ensure greater transparency, accountability, and customer protection.

In light of the above, the Commission's review of Applicants has prioritized consideration of the following;

Fit & Proper Assessments - As BVI legislation requires, the Commission conducts fit & proper assessments on all direct shareholders, beneficial owners, persons exercising control and senior officers of the Applicants. The Commission has noted that there has been a small number of Applicants where complete beneficial ownership was not initially provided to the Commission. In these instances, complete beneficial ownership information has been requested from the Applicant; and

Effectiveness of AML/CFT Policies and Procedures - Applicants are required to demonstrate their ability to comply with BVI's AML/CFT framework since December 2022. The scope of the requirements includes the ability to demonstrate that it has established and maintains procedures which screen and verify the identity of clients. The applicants are also required to prove their policies and procedures are effective. Applicants must demonstrate that they have adopted a risk-based approach to identifying risk and for the monitoring of financial activity, including compliance with sanction orders. Additionally, Applicants must be able to demonstrate that they have appropriate policies to comply with the travel rule. This includes providing evidence that said compliance has been effected since December 2022. As a measure of this, all applicants are subjected to a VASP pre- authorization questionnaire. The assessment is specific to each applicants activities and resulting risk and helps to inform its AML risk assessment.

Chart 9: VASP Act Applications received 2023



Anti-Money Laundering Unit (AMLU)

The Anti-Money Laundering Unit is responsible for:

- developing and implementing the Commission's anti-money laundering supervisory strategy and ensuring an efficient, effective, professional operation that meets international standards;
- developing the Commission's understanding of ML/TF/PF risk through the identification of ML/TF/PF threats and vulnerabilities and addressing the deficiencies associated with such risk as identified in the Territory's Risk Assessment Reports relative to the work of the Commission as the Territory's primary financial services regulator; and
- coordinating the Commission's AML training programme and its preparations for the 2023 CFATF Mutual Evaluation.

The Unit also serves as the Secretariat to the Commission's statutorily established AML/CFT-related committees, whose strategic purpose is to enhance the Commission's role and credibility as the main anti-money laundering supervisor for the financial services industry. These groups include the Inter-Governmental Committee (IGC), Council of Competent Authorities (CCA), and Joint Anti-Money Laundering and Terrorist Financing Advisory Committee (JALTFAC).

Key Achievements

Table 22: Key AMLU Achievements 2023

Some of the Key Achievements in 2023 include:
Completion of the Virgin Islands 2022 Money Laundering Risk Assessment in February 2023
Providing Timely Updates via the Commission's website
Industry Outreach: The Unit also conducted industry outreach in the form of an interactive webinar focused on the findings of the Virgin Islands 2022 Money Laundering Risk Assessment Report.
Upgrades to the AML Returns: Filing Platform The AML Returns filing system was upgraded during 2023. The systems upgrades include: automatic generation of notices of non-filing and penalty.

The Mutual Evaluation

Fourth Round Mutual Evaluation Preparations

The Mutual Evaluation Preparatory Team (MEPT) established in 2022 to lead on the preparations for the Territory's Fourth Round Mutual Evaluation (MEV) continued its work throughout 2023. The MEPT is headed by the DMD, Regulation and the DD AML/CFT serves as a member. In addition, the AMLU provides Secretariat services to the MEPT.

The work of the MEPT culminated in the presentation and adoption of the Virgin Islands Mutual Evaluation report during the November 2023 CFATF Plenary held in Aruba. Details of the work of the MEPT and the Unit as it relates to the Mutual Evaluation during 2023 are expounded further within the MEV Feature of this Annual Report.

2022 Money Laundering Risk Assessment

The AMLU completed the Virgin Islands 2022 Money Laundering Risk Assessment in February 2023. The resulting report was approved by the Board of Commissioners and published on the Commission's website in March 2023. This assessment provided an update to the 2020 sectoral money laundering (ML) risk assessments conducted by the Commission and the Financial Investigation Agency (FIA).

The 2022 Risk Assessment provided a more in-depth analysis of the Territory's ML risk at the national, sectoral and product/service levels and considered the vulnerabilities within the Territory's AML framework that could allow for such risks to propagate. Completion of this risk assessment was a critical component of the Territory's submission to the Mutual Evaluation Assessment Team on its understanding of risk. The ongoing identification of ML risk is a key factor in the implementation of proper mitigation strategies by both the Commission and industry practitioners and continues to aid in the strengthening of the Territory's AML/CFT regime.

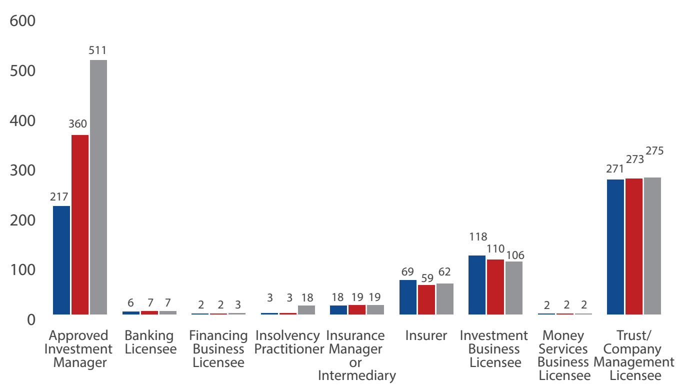
AML/CFT Returns

2023 Upgrades to the AML Returns Platform included the automatic generation of reminders of non-filing, which are sent out at the start of each month, as well as automatic penalty notices for entities who file after the statutory deadline of 31 March.

The Commission also extended access the AML Returns Platform its Authorisation and Supervision (ASD) and the Compliance Inspection Unit (CIU) to allow them to review individual returns as part of their supervisory oversight and risk management of licensees.

There has been a steady increase in the total number of filings since 2021 when it became a requirement to file annual AML returns, rising from 706 in 2021 to 1,003 in 2023. However, the converse was noted as it relates to Investment Business Licensees. Filings by Investment Business Licensees, declined over the period, with an average compliance rate of only 45.49%. The following chart provides a comparison between the number of AML Returns filed by licence type for the periods 2020, 2021 and 2022.

Chart 10: No. of AML Returns Filed



AML Returns Filing Penalty Notices

Since 2021

195 penalty notices
for late filing of returns
for a total of

$153,400

In 2023

60 penalty notices
Total value for penalties

$61,100

Sanctions Management

The AMLU is responsible for ensuring all Orders-in-Council, sanctions notices and designation listings are published on the Commission's website and that the Commission's licensees are made aware of any updates to existing sanctions regimes, including listings and de-listings of designated persons. In April 2023, the AMLU was included in the United Nation's (UN) email distribution list which allowed for more timely receipt and subsequent notification to the industry of UN designations. Working in tandem with the External Relations Unit the AMLU has been able to ensure notification of new designations and changes to sanctions regimes within 8 hours of receipt from the UN or the United Kingdom's Office of Financial Sanctions Implementation. The Unit also engaged in increased cross divisional dialogue with the Commission's IT Department and Enforcement Division to ensure any matches to the designations were quickly identified within the Commission's electronic systems.

Regulatory Compliance

The Compliance Inspection Unit ("CIU") inspects entities licensed with the Commission and assesses them against relevant legislation, prudential standards, and industry best practice.

The onsite inspection process is a tool used to verify and monitor licensees as a key part of the Commission's supervisory function. Findings are combined to contribute to recommendations for amendments to legislation and prudential and aml returns based on gaps identified, contribute to individual, sectoral, and national risk assessments, and identify common issues across the industry.

Findings are also used to identify industry or sector-specific compliance trends, which in turn are used to inform the Commission's strategic objectives.

During the first half of the year, the CIU focused on addressing components of the AML Unit's action plan in preparation for the onsite segment of the Mutual Evaluation conducted in March 2023 and dealing with matters raised during the onsite.

CIU commenced the inspection process in June and completed seven (7) inspections from June- December 2023. Six of the thematic inspections conducted were thematic, while one (1) inspection was a full-scope inspection on a Banking Licensees.

The six (6) thematic inspections covering third-party relationships within the TCSP sector were conducted from June through September 2023. The inspection on the Banking Licensee was conducted from September into November 2023. This inspection required a deployment of the team's full resources given its depth and complexity. The thematic inspections focused on key AML legislative requirements under the AMLTF Code of Practice and the AML Regulations:

- Reliance on Third Parties
- Contents of Written Agreements
- Testing of Business Relationship
- Identification Procedures in relation to new and continuing business relationships
- Third Party Business Relationship Agreement

TCSPs in the BVI exhibited a high level of compliance in their ability to identify and provide evidence of the beneficial owner including the controller of a legal person or arrangement subject to third party introduction.

The Table below illustrates some of the other findings of the thematic inspections.

Table 23: Findings of Thematic Inspections

Inspection Type	Partially/Non Compliant
Reliance on Third Parties	X
Testing of Business Relationship	X
Contents of Written Agreements	X
Third Party Business Relationship Agreement	X

One (1) full-scope inspection was performed on a Banking Licensee commencing in September 2023 and continuing into November 2023. Given the late start to inspections, the initial strategy was to conduct as many thematic inspections as possible within the three-month window and then deploy complete resources to the full-scope inspection, given its depth, scope, and complexity. This output compares to nineteen (19) inspections in 2022, seventeen (17) of which were thematic and two full-scope.

Table 24: Type of Inspection

Inspection Type	2023	2022
Full Inspections	1	2
Thematic Inspections	6	17
Follow Up Inspections	0	0
Total	**7**	**19**

Table 25: Type of Licensee

Sector	2023	2022
TCSP	6	16
Investment	0	2
Insurance	0	0
Banking	1	0
Money Services	0	1
Total	**7**	**19**

In 2023, CIU also undertook other critical development and strategic work, including:

- The continuance of post-inspection surveys
- Issuance of Fiduciary Sector report, which focused on the Maintenance of Transaction Records
- Developing responses to relevant sections of the initial drafts of the Mutual Evaluation Report as well as participating in face to face meetings post the onsite visit.

Regulatory Enforcement

The Enforcement Division is responsible for ensuring that licensed financial entities adhere to all applicable laws, regulations, and industry best practices. The Division investigate allegations of non-compliance and take appropriate enforcement action when necessary.

The work of the Division includes:

Monitoring and investigating compliance: We track the activities of licensed entities to ensure they are operating within the boundaries of the law.

Responding to complaints: We investigate complaints from the public and take action against entities that violate our rules.

Referrals to the Enforcement Committee: When necessary, we recommend enforcement actions to the Enforcement Committee, which has the authority to impose penalties or other sanctions.

The Commission is committed to protecting the integrity of the financial services sector and ensuring that consumers are treated fairly and will take regulatory enforcement action as is required to discourage and deter the use of BVI Business Companies for improprieties.

In 2023, the Enforcement Division received 17 internal referrals.

The Enforcement Division also investigated and took swift action against entities falsely claiming to be licensed, forgery of licenses and certificates, and other regulatory violations.

In 2023, the Division investigated 464 matters, representing a 79% increase over 2022. More than 86% of the investigations were triggered by enquiries and complaints, many of which are administrative in nature.

The table below, portrays a snapshot of the Division's workload in 2023:

Table 26: Comparison of Matters Generated for the years 2022 and 2023.

Investigation Source	Matters Opened 2023	Matters Opened 2022	Matters Opened 2021
Enquiries	311	258	372
Complaints	92	51	75
Internal Referrals	17	20	23
External Referrals[1]	8	16	5
Intelligence Reporting	17	0	0
Other	19	10	0
Total	**464**	**355**	**475**

In Oct 2022, the Commission developed and approved its Enforcement Philosophy. It emphasizes strategic priorities that focus on enhanced enforcement action, initiatives, practices, fines, and penalties that are stronger and more dissuasive in nature.

The implementation of the Enforcement Philosophy resulted in a total of thirteen (13) fines and administrative penalties levied for breaches ranging from non-compliance with AML/CFT legislation to regulatory infractions.

In 2023, there was a slight increase in the amount of administrative penalties and fines when compared to 2022. The Commission issued penalties and fines amounting to a total of $274,500 in 2023. This is primarily as a result of the change in outlook on enforcement and in the overall approach to achieve better compliance as the Commission evaluated the efficacy of enforcement actions. The significance of this change was highlighted by the increase in both the amount and frequency of financial monetary penalties.

[1] Includes referrals from local and international counterparts as of Q2 2022.

Table 27: Illustrates the types of enforcement actions executed on a yearly basis.

Investigation Source	Monetary Penalty	Warning Letter	Revocation	Directive	No Enforcement Action	Ongoing
Specialised Supervision	0	0	0	0	0	1
ROCA	0	0	0	0	0	1
Sanctions	0	0	0	1	0	0
Authorisations	1	0	0	0	1	3
CIU	1	1[1]	0	0	0	0
Prudential Supervision	0	0	1	0	1[2]	6
Total	**2**	**1**	**1**	**1**	**2**	**11**

The Enforcement Team investigated a total of ninety-two (92) complaints in the year 2023. This signifies an uptick of 80% in comparison to the total of fifty-one (51) issues managed in 2022. An additional analysis of the 92 received complaints indicates that 44 pertained unregulated BVI Business Companies and 40 to unregistered entities purporting to be registered. Eight of the complaints related to licensees and represents a 100% increase from 2022.

[1] There were two enforcement actions issued for the one matter that was referred from CIU.
[2] This matter was the removal of enforcement action from the Commission's website.

Sanctions Implementation

As a British Overseas Territory, the British Virgin Islands (BVI) is obligated to implement international sanctions imposed by the UK government. These sanctions apply to individuals and companies based in the BVI.

To ensure compliance, the BVI has designated three competent authorities: the Financial Services Commission (the Commission), the Financial Investigation Agency (FIA), and the Office of the Governor.

The Commission's primary role is to oversee sanctions compliance among regulated entities. This includes ensuring they have adequate policies, procedures, and internal controls for screening, monitoring, and reporting on sanctioned individuals and entities. The Commission also conducts regular reviews and requires employee training to support these efforts.

Suspicious Activity Reports (SARs) related to sanctioned persons or entities must be filed with the FIA. The Commission publishes the list of applicable sanctions orders and amendments on its website.

The Governor of the BVI is the competent authority for enforcing sanctions-related Orders in Council. All sanctions-related license applications, notifications, and authorizations involving designated persons are handled through the Governor's Office.

The Commission's Sanctions Handling Procedures

In furtherance of its obligations, the Commission adopted and implemented protocols, which allocate responsibilities and processes among its various Units to permit implementation of the sanction orders. These protocols provide guidance within the Commission on; the management of intelligence received in relation to entities connected to sanctioned persons or entities, the Commission's screening of its Register of Directors against the sanctions list for potential matches, and the process of flagging companies in VIRRGIN based on those data sources. Included in these processes are procedures on the publication of sanctions orders and the Commission's reporting obligations.

Intelligence Gathering

Throughout 2023 the Commission secured significant intelligence regarding companies' possible affiliation with designated persons from various sources; including Foreign Regulatory Authorities, the FIA, and licensees. As a consequence of deciphering the intelligence obtained, several BVI Business Companies ("BVIBCs") were flagged within the VIRRGIN system for ongoing monitoring of compliance with sanctions requirements.

The Commission proactively identifies connections between designated persons and BVI Business Companies (BCs). This is done by comparing the Register of Directors maintained by the Corporate Registry to the UK's consolidated sanctions lists. This screening process is repeated with each update of the OFSI List.

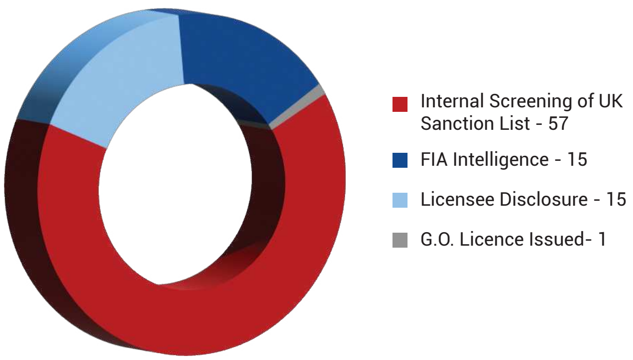
Flagging and Transaction Monitoring and Reporting

Flagging is an integral tool used by the Commission to ensure that corporate filings made in respect of companies connected to designated persons do not circumvent the Sanctions Order in force. It allows the Commission to assess whether the relevant reports were filed with the Governor's Office and the FIA. It permits the company to consider, determine and advice whether it needed to obtain a licence, and where warranted, was granted the requisite licence. It also allows the Commission to monitor the transactional activity of those companies.

In 2023, the intelligence gathered resulted in the flagging of approximately an additional eighty eight (88) BVI BCs suspected to be owned/controlled by designated persons/entities. Approximately 24% of the flagged companies had an active status on the Register of Companies.

The Commission's screening of the Sanctions list accounted for 65% (57), while disclosures from the FIA and regulated person both accounted for 17% (15) each, of the total number of companies flagged during the reporting period. The diagram below states the internal and external sources that led to the flagging of 88 companies in 2023.

Chart 11: BVI Business Companies Flagged in 2023



Company Transaction Monitoring and Reporting

The Commission's review of corporate transactions found that most filings with the Registry do not directly involve dealing with the funds or assets of designated persons. However, in line with its responsibilities, the Commission has reported certain transactions to the Governor's Office and the FIA for further investigation.

As of 30th November 2023, the Commission restricted 183 transactions in relation to flagged BVI Business Companies. Most of these transactions related to the Request for Certificates of Good Standing (80), Register of Directors (49), change Registered Office or Address (8), and Registration of Insolvency and Insolvency Documents. A detailed breakdown of the transactions appears in the table immediately below

Table 28: Transactions Flagged

Type of Transaction Flagged	
Agent's Intent to Resign	7
Amendment of Memorandum	2
Annual Fee Submission	4
Annual Submissions - BC	2
Application for the Restoration of a Dissolved and Exit State	8
Appointment of Liquidator	3
Appointment of Registered Agent	3
Change Number of Shares	2
Legacy Physical Files	11
Notice of Completion of Liquidation	1
Notice of Intent to Continue Out of the Territory	1
Notice of Resignation of Registered Agent	2
Notice to Change Registered Agent	4
Notice to Change Registered Office	4
Registration of Limited Partnership	1
Register of Directors	49
Register of Members	1
Registration of Insolvency documents	4
Request for certificate	1
Request for Good Standing	65
Request for Special Certificate	3
Restoration (section 216 Dissolved Companies	1
Restoration by Court Order	2
Special Certificate Transactions	2

Compliance Assessments

The Commission also conducted assessments of its Licensees' compliance with sanctions, and specifically targeted registered agents who acted for the BVI BCs flagged in the VIRRGIN system.

It is occasionally necessary to send to Registered agents, demand notices to obtain information vital for confirmation of the identity of suspected designated persons. This also serves as an assessment of the adequacy of the Licensees policies, procedures, and systems and controls regarding sanctions screening, monitoring, reporting, and training.

The response of Licensees to these demand notices indicates that Licensees have established appropriate policies and procedures to identify and assess potential sanctions risk. The majority of Licensees have automated systems to conduct sanction screening and monitoring, whereas other licensees have taken a manual approach to screening and monitoring of clients against the consolidated sanctions list.

The majority of the Licensees' policies restricted them from engaging in new or existing business with any designated person or entity, ultimately leading to the suspension or termination of business activities in instances where entities they provided services for were found to be connected with designated persons.

Legislative Development

The Policy Research and Development Unit's work for the year 2023 included research into key issues affecting the financial services sector to develop new and enhance existing legislation, as well as reviews of internal and external supervisory policy documents, guidance documents and relevant reporting forms to assess the need for revision.

Throughout the year, the PRDU developed and drafted a number of pieces of legislation for consideration and approval by the Commission's Board of Commissioners, the Government's Cabinet, and the House of Assembly, as necessary.

Given the assessment of the Virgin Islands against the Recommendations of the Financial Action Task Force (FATF) in 2023, legislation primarily focused on compliance with the FATF standards.

A revamp of the Commission's regulatory fee regime was also instituted during the year to standardise transaction fees and account for new legislation brought into force in the year. The tables below outline the new and amended legislation issued, passed and/or enacted throughout the year.

New Legislation

Legislation	Relevant Dates	Key Objectives
BVI Business Companies (Financial Return (Order), 2023	Issued: 1st March, 2023 In Force (Deemed): 1st January, 2023	• Allows the Commission to determine the information to be contained in, and the format of, the Order. • Provides details on the due and filing dates of each annual return.

Amended Legislation

Legislation	Relevant Dates	Key Objectives
Anti-money Laundering (Amendment) Regulations, 2023	Made by Cabinet: 1st March, 2023 In Force: 8th March, 2023	• Streamlines the definition of "relevant business" relating to gaming and betting activities to account for financial transactions of or above $3,000. • Establishes a threshold requiring all relevant persons to undertake identification procedures when undertaking wire transfers for customers as occasional transactions of $1,000 or above.

Legislation	Relevant Dates	Key Objectives
Anti-Money Laundering and Terrorist Financing (Amendment) Code of Practice, 2023	Issued: 15th March, 2023 In Force: 17th March, 2023	• Requires non-professional trustees in the Virgin Islands. i. to maintain information on beneficial owners and service providers associated with trusts for which they act; and ii. disclose their status as trustee to any entity or professional, when establishing a relationship or undertaking a one-off transaction on behalf of a trust. • Refines threshold requirements for conducting customer due diligence when undertaking one-off transactions. • Allows for the sharing of information emanating from suspicious transaction reports among financial groups. • Recognises the FIA's authority to levy administrative penalties for breaches of the Code.

Legislation	Relevant Dates	Key Objectives
Banks and Trust Companies (Amendment) Act, 2023	Passed: 10th March, 2023 In Force: 22nd March, 2023	• Streamlines the definition of "significant interest" for consistency throughout all regulatory legislation and to ensure that all relevant components of beneficial ownership are captured. • Expands the criteria required for the Commission to grant a licence under the Act in line with the criteria outlined in other regulatory legislation. • Clarifies activities that are considered registered office services.

Legislation	Relevant Dates	Key Objectives
BVI Business Companies (Amendment) Act, 2023	Passed: 10th March, 2023 In Force (Deemed): 1st January, 2023	• Requires companies to collect, maintain and keep and file with their registered agents, up-to-date information on the beneficial owner of the company. • Imposes requirements on foreign companies to: i. maintain a register of members; and ii. maintain copies of specified documentation at the office of the registered agent. • Exempts companies in liquidation from filing annual returns with their registered agent.

Legislation	Relevant Dates	Key Objectives
Company Management (Amendment) Act, 2023	Passed: 9th March, 2023 In Force: 22nd March, 2023	• Updates the definition of "company management" to clarify that arranging to provide certain services is also considered company management. • Streamlines the definitions of "significant interest" and "controlling interest" for consistency throughout all regulatory legislation, ensuring that all relevant components of beneficial ownership are captured. • Expands the criteria required for the Commission to grant a licence under the Act in line with the criteria outlined in other regulatory legislation. • Clarifies activities that are considered registered office services.

Legislation	Relevant Dates	Key Objectives
Counter-Terrorism (Amendment) Act, 2023	Passed: 10th March, 2023 In Force: 22nd March, 2023	• Expands the offence of financing of terrorism to capture the provision and collection of economic resources for terrorist purposes, in addition to the use of funds. • Clarifies that certain ancillary activities to terrorism financing also constitute as an offence of financing terrorism. • Allows for disclosure of information made pursuant to sharing obligations under financial group-wide programmes against money laundering and terrorist financing not to be considered a tipping-off offence.

Legislation	Relevant Dates	Key Objectives
Criminal Justice (International Co-operation) (Amendment), 2023	Passed: 10th March, 2023 In Force: 22nd March, 2023	• Inserts mechanism for the Attorney General to provide feedback on assistance given by a foreign competent authority when requested. • Imposes requirements for secure maintenance and confidentiality of information relating to assistance made by the Attorney General. • Ensures the Territory's full compliance with its international obligations relative to restrictions on the manufacture, possession and supply of scheduled substances for the purpose of producing controlled drugs. • Addresses some duplication of provisions that were erroneously made in the 2020 revision of the Criminal Justice (International Cooperation) Act.

Legislation	Relevant Dates	Key Objectives
Drug Trafficking Offences (Amendment) Act, 2023	Passed: 9th March, 2023 In Force: 22nd March, 2023	• Streamlines penalties for drug trafficking and money laundering convictions. • Creates a defense for disclosing information under a financial group's group-wide programs against money laundering and terrorist financing. • Empowers the FIA and police investigators to apply for account monitoring orders in appropriate cases.

Legislation	Relevant Dates	Key Objectives
Financial Investigation Agency (Amendment) Act, 2023	Passed: 10th March, 2023 In Force: 22nd March, 2023	• Clarifies that the FIA can provide mutual legal assistance to foreign supervisory bodies that perform functions corresponding those performed by the FIA. • Ensures that the FIA can legally give feedback to a foreign financial investigation agency with respect to assistance provided by that agency on the use and usefulness of the assistance provided. • Empowers the FIA to request feedback in writing from a foreign financial investigation agency on the use and usefulness of any assistance provided by the FIA.

Legislation	Relevant Dates	Key Objectives
Financial Services (Fees) (Amendment) Regulations, 2023	Made by Cabinet: 25th January, 2023 In Force: 1st April, 2023	• Repeals and replaces regulatory fee schedule to effect increases in certain transaction fees and standardise fees for similar transactions across all regulatory legislation. • Introduces regulatory fees for transactions within the Virtual Assets Service Providers Act, 2022.

Legislation	Relevant Dates	Key Objectives
Financial Services Commission (Amendment) Act, 2023	Passed: 10th March, 2023 In Force: 22nd March, 2023	• Requires the Commission to provide timely feedback on the use and usefulness of information provided by a foreign regulatory authority, a domestic competent authority or any other person, where any of those persons request such feedback. • Allows for the Commission to request feedback from any foreign regulatory authority, domestic competent authority, or other person, where the Commission has provided mutual legal assistance.

Legislation	Relevant Dates	Key Objectives
Limited Partnership (Amendment) Act, 2023	Passed: 9th March, 2023 In Force: 22nd March, 2023	• Requires the Registrar of Limited Partnerships to maintain the qualifying documents for five years from the date of dissolution.

Legislation	Relevant Dates	Key Objectives
Financing and Money Services (Amendment) Act, 2023	Passed: 9th March, 2023 In Force: 22nd March, 2023	• Streamlines the definition of "significant interest" and "controlling interest" across all regulatory legislation; ensuring that all relevant components of beneficial ownership are captured. • Requires all licensees to seek the Commission's approval prior to effecting any changes to significant interest or controlling interest in a licensee.

Legislation	Relevant Dates	Key Objectives
Insolvency (Amendment) Code of Practice, 2023	Issued: 9th February, 2023 In Force: 1st March, 2023	• Clarifies residency requirements for an insolvency practitioner.

Legislation	Relevant Dates	Key Objectives
Insolvency (Amendment) Code of Practice, 2023	Issued: 9th February, 2023 In Force: 1st March, 2023	• Clarifies residency requirements for an insolvency practitioner. • Accounts for the transfer of the Office of the Official Receiver from the Commission to the Government. • Accounts for the ability of the Virgin Islands Deposit Insurance Corporation to undertake proceedings to liquidate a bank that is in financial distress.

Legislation	Relevant Dates	Key Objectives
Insurance (Amendment) Act, 2023	Passed: 10th March, 2023 In Force: 22nd March, 2023	• Streamlines the definition of "significant interest" and "controlling interest" across all regulatory legislation to capture all relevant components of beneficial ownership. • Requires all licensees to seek the Commission's approval prior to effecting any changes to significant interest or controlling interest in a licensee.

Legislation	Relevant Dates	Key Objectives
Proceeds of Criminal Conduct (Amendment) Act, 2023	Passed: 9th March, 2023 In Force: 22nd March, 2023	• Streamlines the penalties for money laundering convictions to ensure dissuasiveness and proportionality. • Creates a defense for disclosing information under a financial group's group-wide programs against money laundering and terrorist financing. • Empowers the FIA and police investigators to apply for account monitoring orders in appropriate cases.

Legislation	Relevant Dates	Key Objectives
Regulatory (Amendment) Code, 2023	Issued: 15th March, 2023 In Force: 17th March, 2023	• Streamlines the definition of "significant interest" and "controlling interest" across all regulatory legislation to capture all relevant components of beneficial ownership. • Requires licensees to seek the Commission's approval prior to effecting any changes to significant interest or controlling interest in a licensee. • Updates the Code's application to persons registered under the Virtual Assets Service Providers Act and all classes of licences issued under the Financing and Money Services Act.

Legislation	Relevant Dates	Key Objectives
Securities and Investment Business (Amendment) Act, 2023	Passed: 9th March, 2023 In Force: 22nd March, 2023	• Streamlines the definition of "significant interest" and "controlling interest" across all regulatory legislation to capture all relevant components of beneficial ownership. • Requires all licensees to seek the Commission's approval prior to effecting any changes to significant interest or controlling interest in a licensee.

Market Conduct Supervision

In 2018, the Commission established the Market Conduct Supervision Unit. The Unit is responsible for promoting fair, responsible and professional business conduct of financial institutions and protecting the rights and interests of financial customers.

MCSU received 50 complaints in 2023. As of December 31, 2023. Complaints received by the unit were varied and ranged from unanswered withdrawal requests, unanswered customer requests, trading balance disputes, banking fees disputes, blocked account access, disputes over terms and conditions of policies and seeking restitution for losses due to trading or errors on the trading platform.

Table 29: Complaints Handled by MSCU in 2023

Sector	Complaints Received	Referred to Enforcement	Referred to Legal Counsel	In Progress as of 31 December 2023
Banking	3	0	0	0
TCSPs	0	0	0	0
Insolvency	0	0	0	0
Insurance	2	0	0	0
Investment Business	45	0	0	3
Money Services	0	0	0	0
Total	**50**	**0**	**0**	**5**

As of December 31, 2023, forty-five of the fifty complaints were investigated and closed. This means that no regulatory breaches by licensees were discovered during the investigation of the complaints. In addition, no complaints were referred to the enforcement unit during the year.

The investment business sector accounted for forty-five complaints, while the banking sector accounted for three complaints, and the insurance sector accounted for two complaints. A significant number of the investment complaints related to legislative changes internationally which impacted how payments were processed.

Money Services

Over the years the Territory has maintained a small number of banks, and these have been the primary source of loan financing to BVI residents. With the introduction of the Financing and Money Services Act, Revised 2020 there was an expectation that new financing businesses would emerge to fill the lending gaps arising from the banks' stricter lending policies and evaluations.

There has been interest and inquiries from both the public and potential licensees to conduct financing business, however, since the introduction of the regime, there has been little growth in this sector.

Currently there are 2 licensees in the sector, after the cancellation of the 3rd license in 2023. These businesses which both physically operate from within the BVI offer a range of credit services to the public which include:

- Pay day advances
- Leasing property under financing lease agreements
- Consumer finance loans under a financing agreement to a borrower in the Virgin Islands
- Cheque cashing
- International financing and lending

Both businesses offer loans of small amounts, have low transaction volumes and have small numbers of customers.

$46.5 Mil
sent to foreign countries

$6.5 Mil
received from foreign countries

Outgoing Transactions
196,309
and averaged **$261**

Incoming Transactions
16,302
and averaged **$403**

Top two countries receiving remittances

$10.2 Mil
Jamaica

$7.8 Mil
Dominican Republic

Top two countries sending remittances

$4.1 Mil
United States of America

$0.5 Mil
United Kingdom

Insolvency

By the end of 2023, there were 27 licensed insolvency practitioners compared to 25 in 2022. All licensed insolvency practitioners held full licenses. Two new licenses were issued during the year, and there were no revocations.

In 2023, Hong Kong, Cayman and the United Kingdom remained as the top three jurisdictions from which appointments of overseas joint liquidators were made. However, there was a 46% decrease in the number of insolvency cases in 2023 when compared to 2022.

Table 32: - Overseas Joint Appointments by Jurisdiction

Jurisdiction	2022 No. of Cases	2022 %	2023 No. of Cases	2023 %
Hong Kong	62	59%	31	54%
Cayman Islands	20	19%	11	19%
United Kingdom	18	17%	10	18%
Bermuda	3	3%	2	4%
Singapore	2	2%	2	4%
Cyprus	0	0	1	1%
China	0	0%	0	0
Total	**105**	**100%**	**57**	**100%**

Table 33: - Licensing Applications, Approvals and Revocations – Insolvency Practitioners

Jurisdiction	2023	2022
Licensed Applications Received	11	2
Licensed Applications Approved	9	2
License Issued and Paid (Full Licence)	7	2
Revocation of LIcences	8	0
Applications Pending	2	0
Full Licences	25	27
Restricted Licences	0	0

NON-SUPERVISORY

BVI FSC (HK) Limited

The BVI FSC (HK) Limited office enables the Commission to have a physical presence in the region, from which it can provide limited services which aid in facilitating business efficiency, better representation and enables the Commission to address region specific concerns, queries. The Asia Representative Office is managed by the resident Director, Mr. Shane Baptiste.

In 2023, the Asia Representative Office welcomed an executive delegation of BVI based Directors of the Commission, including the Managing Director and CEO, Director of Policy Development and External Relations and the Registrar of Corporate Affairs.

The delegation's visit was also the Managing Director's inaugural visit since his appointment in 2021. The visit underscored the paramount strategic importance accorded to the region by the Commission as the delegation addressed concerns related to:

- Licensees/ Asian Office Operations
- Registers of Beneficial Ownership
- AML/CFT Compliance by Financial Institutions
- Third Party Introducer Relationships

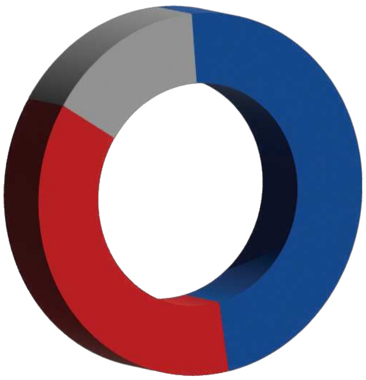
During the year the BVIFSC HK also led and engaged in joint discussions with the BVI Asia Office of the Government of the Virgin Islands to explain the operations and benefits of the BVI's Regulatory Sandbox, registrations under the Virtual Assets Service Providers Act, 2022 and the BVI regulatory landscape for Funds and other offerings.

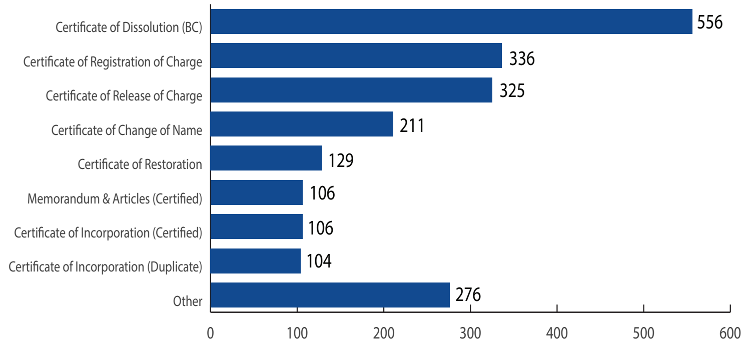
In addition to regional outreach the BVIFSC (HK) also continued to provide services to Registered Agent Offices through certificate printing. The volume of certificates printed in Hong Kong decreased by 21.74%, from 18,626 in 2022 to 14,584 in 2023. The broader adoption and recognition of electronic certificates is believed to have influenced the quantity of physical certificates produced.

Breakdown of requests of other categories of certificates

Figure 4 - Breakdown of the total percentage of certificates printed (by type) in 2023

Chart 12: Breakdown of the total percentage of certificates printed (by type)





The overwhelming support and confidence in the BVI as a premier offshore financial centre remains strong. The BVI brand continues to resonate with Asian stakeholders despite global challenges and potential threats. The Managing Director's visit to Hong Kong, in the eyes of stakeholders, served to shore up confidence in Asia remaining a significant partner for the BVI.

Finance

The Finance Department is responsible for ensuring robust financial management practices throughout the Commission that facilitates the Commission in achieving its objectives. The central function of the department include,

- Financial planning, budgeting, and analysis
- Accounting and Financial Reporting
- Treasury

It also helps 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. These reports include revenue, expenditures, cash flow, investment product performance, and the overall financial position at a given time.

The Finance Department also proposes and enforces 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 $37MM (2022: $33.3MM) expenditure budget comprised of $27.3MM (2022: $25.7MM) for operating expenditures and $9.7MM (2022: $7.7MM) for capital expenditures. In 2023, the Commission realized expenditures of $27.5MM. That was $9.5MM, or 26%, within budget estimates. In 2023, $27MM was realized in operating expenditures, which aligned with budget estimates. Capital expenditures of $544k were 94% below budget estimates due to the delay of the VIRRGIN revamp initiative and the development of systems to accommodate Economic Substance and Beneficial Ownership information.

The Finance Department is also responsible for collecting fees on behalf of the Government. The 2023 budget estimates for those fees were $245.6MM (2022: $201.9MM). Actual receipts (excluding those to the sole credit of the Commission) amounted to $249.4MM (2022: $219.5MM), which was $3.8MM or 2% above budget estimates. From those fees collected for 2023, the Finance Department transferred $215.4MM (2022: $194.6MM) to the Government pursuant the retention agreement.

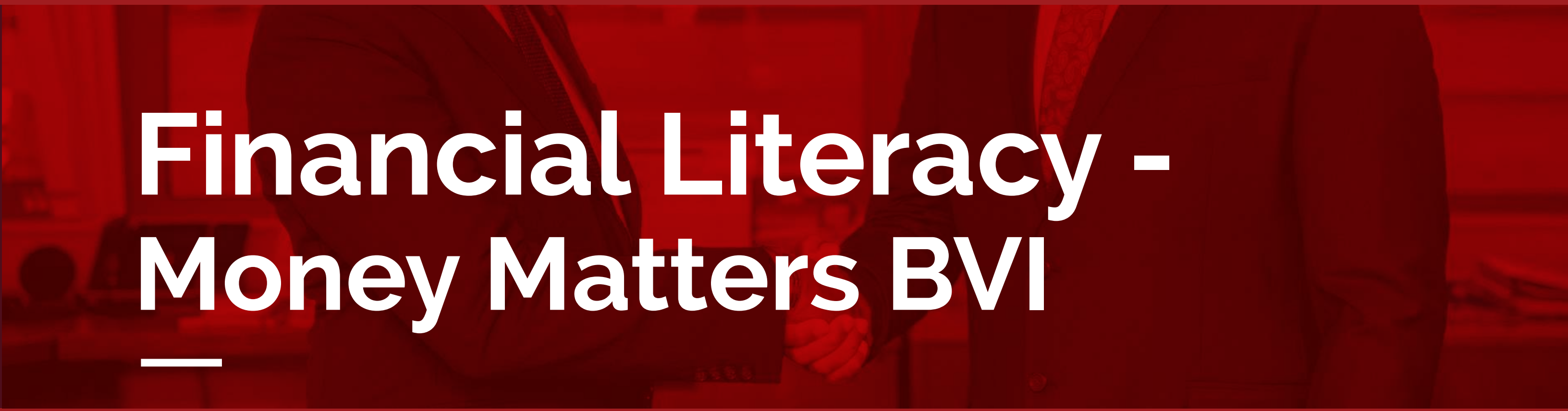
From its 13.5% retention of fees collected on behalf of the Government (2022: 13.5%, 2021: 11.5 %) and other collections, the Commission had available $37MM (2022: $27.1MM) in direct revenue to fund its operations. After operating expenditures, the Commission generated an operating surplus of $9.9MM (2022: $1.8MM). The Board approved an allocation of $6M of the operating surplus to the Government after considering reserve account allocations.

The Finance Department also prepared the 2024 budget, which the Board and Government subsequently approved during the year.

Management and Accountability - The Finance Department's (the Department) operations are subject to scrutiny from external bodies. In 2023, the Commission's external auditor was engaged to assess the Commission's financial statements for the year ended December 31, 2022. That included considering internal controls, evaluating the appropriateness of accounting policies, and the reasonableness of accounting estimates. The auditor issued an unqualified report on those statements on July 7, 2023.

Investment Funds Administration – The Finance Department also administers the Commission's reserves and other assets through investments. At the end of 2023, the Commission's brokerage account had a market value of $17MM, of which $8.8MM in time deposits and cash were attributed to regulatory deposits held on behalf of licensees. The balance of $8.3MM was also held in time deposits. The Commission held an additional $12.8MM in time deposits with local retail banks. The average interest rate on time deposits was 3.37% (2022: 1.18%).

Financial support and technical assistance to Government- The Commission partially funds several Government initiatives and bodies, and the Department oversees 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 $2.8MM (2022: $2.7MM).



Financial Literacy - Money Matters BVI

The External Relations Unit is part of the Policy Development and External Relations Division of the Commission. The Units primary mandate is to:

- Connect stakeholders with developments in the Commission and the financial services industry
- Provide information on new and continuing obligations of financial services licensees
- Enhance public sector awareness on financial services issues

As the facilitator of communications the Unit delivers:

Publication of BVI FSC Newsletters

A maintained social media presence through established pages

Industry Circulars

Press Releases

Sanctions Notices

A managed FSC website

The Unit also engages with local, regional and international journalists, media houses to ensure the integrity of the information being reported.

Money Matters BVI, the Commission's Financial Literacy Initiative operate through the External Relations Unit. The activities of the MMBVI introduce a range of financial options to various segments of the Virgin Islands' population. This enables the residents to make informed decisions regarding the management of money and other financial assets to achieve short-term and long-term goals.

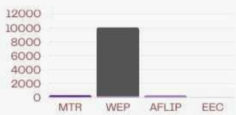
In 2023, MMBVI hosted the following financial literacy activities:

- Adolescent Financial Literacy Perspectives Forum;
- FSC Economic Empowerment Club Lunch & Learn Forum;
- Wills and Estate Planning Forum;
- Global Money Week Tours of Financial Institutions;
- Delivery of MMBVI presentations to Rotary Club of the BVI and Facilities Department (Government of the Virgin Islands) Retreat;
- 2023 Piggy Bank Pageant;
- TradeMarks Registry feature and Buy BVI Trade Expo;
- Outreach visits to 21 schools.

2023 EXTERNAL RELATIONS UNIT

OUTREACH

FORUMS



In 2023 ERU managed 4 Forums
(1) Adolescent Financial Literacy Perspectives Forum which involved **7** secondary schools and was attended by **100** supporters;
(2) FSC Economic Empowerment Club Lunch & Learn Forum attended by **30** staff;
(3) Wills and Estate Planning Forum attended in person by **100** persons and up to December 2023, was watched by **10,000**;
(4) FSC Meet the Regulator Forum attended by over **300** persons.

GLOBAL MONEY WEEK 2023

MMBVI facilitated **586** students touring **17** financial institutions during Global Money Week.

MMBVI PRESENTATIONS

MMBVI delivered presentations to Rotary Club of Tortola – **70** persons and at the Facilities Department (Govt of VI) retreat – **40** persons.

MMBVI SCHOOL VISITS

MMBVI visited **655** children at **21** schools throughout the Territory in grades K to 6 to deliver presentations as part of Reading is Fun Week, the Piggy Bank Pageant initiative and regularly scheduled classroom visits. **110** students were also visited at their summer school programs in the summer of 2023.

OTHER

MMBVI featured the trade marks Registry at its booth for the 2023 Buy BVI Trade Expo. Over **200** persons visited the booth.

PIGGY BANK PAGEANT 2023

100 Students participated in the Piggy Bank Pageant and over **250** persons visited the Piggy Bank Exhibition which featured student bank submissions along with interactive displays for Financial Literacy Month. The initiative was supported by **5** local banks.

Legal Services

The Legal Division (Legal) is the Commission's in-house counsel, responsible for providing legal services to the Commission, including:

(i) International cooperation / information sharing with both domestic and international authorities,

(ii) litigation services,

(iii) legal advice and input on legislative drafting

(iv) Governance Risk and Compliance falls under the purview of the Legal Division.

International Cooperation

One of the core functions of the Commission is to maintain contact with and develop relationships with foreign regulatory authorities ("FRAs") and to provide legal and regulatory assistance. The Commission has an obligation under section 33C of the Financial Services Commission Act, 2001 to cooperate and provide assistance to FRA, respectively. As financial crime is trans-border, the fight against financial crime, particularly money laundering and terrorist financing must also be a cooperative trans-border effort. With that in mind, the Commission is signatory to a number of Memoranda of Understanding with FRAs all over the world. The Legal Division is responsible for both International and Domestic Cooperation. The manner in which the Legal Division provides cooperation has evolved over the years as the local jurisprudence has developed with respect to information sharing. Although the Legal Division sometimes faces legal challenges from persons not wanting to provide information, we are usually able to rely of common law guidance to resolve disputes relating to the provision of information.

During 2023, Legal also dealt with a significant number of complex international cooperation, some of which remain on-going.

The following table sets out international cooperation requests received by Quarter in 2023:

Table 34: - International requests by Quarter in 2023

1st Quarter 2023	24
2nd Quarter 2023	26
3rd Quarter 2023	24
4th Quarter 2023	21
Total	**95**

Litigation

One of the chief responsibilities of the Legal Division is to represent the Commission and the Registrar of Corporate Affairs before the Courts (Civil, Commercial, Court of Appeal) and Tribunals, including the Labour Arbitration Tribunal and the Financial Services Appeal Board. Over the years, the in-house legal counsel of the Commission has built up a reputation for themselves and are held in high standing by the BVI Courts and is regularly called upon to assist the Courts in matters concerning the interpretation of financial services legislation and the public interest. Commission Legal Counsel have also been instrumental in shaping the legal landscape of financial services law in the Virgin Islands, as evidenced by the number of written judgments on which Commission Legal Counsel apperd.

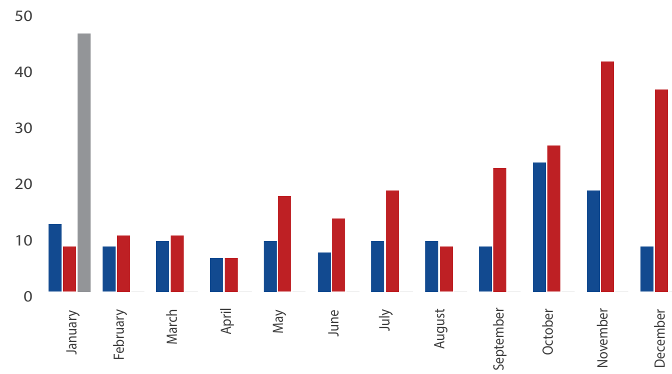
Most of the legal claims made against the Commission or more specifically the Registrar of Corporate Affairs (the "Registrar") are claims for the restoration of dissolved companies under the BVI Business Companies Act, 2004 (the "BC Act"). Although there are instances when the Legal Division would experience an influx of cases, that would see one legal counsel scheduled to appear before different courts at the same time on the same day, sometimes defending 8 or 9 cases in one day, Legal has been able to navigate that influx internally by exchanging matters, holding papers, settling matters on the papers, or seeking adjournments in extreme cases. The occurrence of those influxes prior to the 2022 amendments which came into force in 2023, were sporadic, chiefly because a company had 7 years to apply to the Registrar for restoration after striking off and before being dissolved following which its only option is applying to the court for an Order restoring it to the Register of Companies.

The BC Act was amended by the BVI Business Companies (Amendment) Act, 2022 (the "2022 Amendment Act") with effect from 1 January 2023. The 2022 Amendment Act completely changed the strike-off, dissolution and restoration regimes. Companies that were struck off under the old legislation and had 7 years to apply to the Registrar for restoration, were subject to a severe abridgment of that timeline, as under the 2022 Amendment Act, they had only 6 months from 1 January 2023 to apply to the Registrar for restoration, failing which they would be dissolved and would have to apply to the Court for restoration.

According to statistics generated by VIRRGIN, 238,075 existing struck off companies were deemed dissolved on 4 July 2023, which has resulted in an unprecedented increase in litigation matters. In 2023, while the Legal Division was managing the significant increase in the number of litigation matters, the court almost simultaneously decided to revert to In-Person Hearings that required litigant attorneys to appear in person.

The following chart shows the upwards trend of restoration matters, compared to 2022, with noticeable increases for November 2023, December 2023 and January 2024. In that regard the chart below, not only indicates an increase in the number of new litigation matters, but appears to signal a steady upwards trend in the number of claims being filed before the Courts, with the most recent data points of January 2023 to January 2024 showing an increase in litigation matters of 475%:

Chart 14: Litigation Court Restoration Matters



Based on the data maintained by the Legal Department we note the following:

(i) comparing November 2022 to November 2023: there was a 127.7% increase in the number of new restoration litigation matters, increasing from 18 to 41 matters.

(ii) Comparing December 2022 to November 2023: there was a 350% increase in the number of new restoration litigation matters, increasing from 8 matters to 36 matters for that period last year.

(iii) Comparing January 2023, to January 2024: there has been a 475% increase in the number of new litigation matters increasing from 8 to 46 matters for that period last year.

It should be noted that the cases represented in the statistics above, do not include other litigation matters, such as applications to terminate voluntary liquidations, and other litigation areas. Additionally, what is not reflected in the statistics is the fact that orders are not always granted at the first hearing, and matters are often adjourned to allow claimants additional time to file supplementary evidence, which increases the number of times we appear before the court, before an order for restoration is granted. Further, for contentious matters, we are required to go through case management at a directions hearing, and are given directions to file further documents including pleaded Defenses, affidavits in answer, and Skeleton Arguments

As industry legal practitioners were also becoming more au fait with the regime and the statutory requirements, legal also noted that there was an increase in the number of court adjournments mainly due to an insufficiency of evidence and failures to fully address the requirements of the new regime.

2023 also saw an increase in contested matters, mostly related to disputes in respect of interpretation of the new regime.

A summary of the types of litigation cases in which Legal represented the Commission's interests appears immediately below:

Table 35: Litigation Cases (2021-2023)

#	Litigation – Cause of Action	Number of Cases by Year		
		2021	2022	2023
1	Para 57, Sch 2 – BVI Business Companies Act, 2004 ("BCA") Application for restoration of a dissolved company	3	3	4
2	Section 207A – BCA Application for the termination of voluntary liquidation of a BCA company	3	3	4
3	Financial Services Commission ("FSC") Litigation outside of the jurisdiction	-	-	-
4	Appeal to the BVI Financial Services Appeal Board from a decision of the FSC	-	-	-
5	Withdrawal of an appeal before the Financial Services Appeal Board	-	-	-
6	Appeal to the High Court against a decision of the Financial Services Appeal Board on a question of jurisdiction or law	-	-	-
7	Stop Notice	5	2	8
8	Section 218 – BCA Application to the High Court or the Commercial Court for restoration of a dissolved company	102	106	196
9	High Court intervention for the FSC or the Registrar of Corporate Affairs in proceedings as an Interested Party	-	1	-
10	Freezing injunction applications to which the FCA or the Registrar of Corporate Affairs is a party	-	-	-
11	Appointment of a Receiver over a BCA company	-	2	3
12	Amendment to M & A of a BCA company	-	1	-
13	Application to the Court to set aside a Court Restoration Order of a BCA company	-	-	-
14	Application for removal of the Voluntary Liquidator of a BCA company	-	-	-
15	Application to the Court for a change of Continuance Date for a former BCA company continued outside the BVI	1	-	-
16	Appeal to the Court of Appeal against a Company Restoration Order made by the High Court or the Commercial Court	-	1	-
17	Application to the Court for the removal of a Liquidator of a BCA company	-	1	-
	Annual Totals	**114**	**120**	**215**

Advice

The Financial Services Commission is a public authority, and therefore subject to appeals to the Financial Services Appeal Board, and to the High Court through judicial review proceedings. The Legal Division is called upon to advise on a wide variety of matters concerning the business and affairs of the Commission, including providing advice to all Divisions, Committees, Units and person within the Commission. This includes, but is not limited to reviewing and advising on Compliance Inspection Reports, advising the Registrar on matters concerning the interpretation of the BC Act, and her powers thereunder, advising the Enforcement Division on the proper and proportionate use of the Commission's powers of enforcement. As the Commission is vested with a wide range of enforcement and other powers, including the power to impose fines for offences under financial services legislation, in giving legal advice, Legal counsel must ensure that the advice is legally sound, intra viers the Commission's powers, procedurally fair and rationale.

Legal is also called upon to review or draft enforcement actions, directives and public notices. Additionally, as Legal Counsel, we are usually directly affected by the provisions of financial services legislation, and in particular the manner in which the courts construe legislation. In that regard, the Legal Division is usually called upon to provide input on amendments to financial services legislation.

Operations

In 2023, the Corporate Services Division, was rebranded the Operations Division, in keeping with the Commission's wider restructuring programme. Mr. Brodrick Penn was formally appointed as the Deputy Managing Director with responsibility for the Commission's Operations on 1 July, 2024.

Under its new name, the Division maintained oversight for the following departments and units:

- Registry of Corporate Affairs
- Information Technology Department
- Facilities Unit
- Business Services Unit
- Creative Services Unit

With the exclusion of the Registry of Corporate Affairs, the teams of the Operations Division provide internal services to all employees of the Commission and also exclusively facilitate events management and business travel.

The Division, through its Creative Services Team, is also responsible for the management of the Commission's brand identity creation of all published graphics media and maintaining the quality of all visual and print content issued by the Commission.

Additionally, the Division is expected to take up the mandate of standing up the Commission's Data Management and Business Intelligence functions.

The success of this division is heavily dependent on its ability to build and maintain key relationships within the other Divisions, Departments and Units within the Commission, anticipate the needs of each business team, appreciate the nuances of each business line, provide advice and recommendations for process improvement and the implementation of technological solutions.

The work of the Operations Team enables the Commission to function from the granular level, through day to day functions but also to execute its more strategic initiatives which require significant capital and human resource investments of the operations team leads.

In 2023 the Operations Division's Operational Highlights include:

Table 36: Highlights 2023

2023 Hightlights
Appointment of DMD, Operations on 1 July, 2023.
Production of Commission's Annual Report
Facilitating the publishing of the Commission's Annual Report, Strategic Work Plan, and Financial Statements.
Attendance at Singapore FinTech Festival to explore innovative IT solutions to advance the Commission's Digital Transformation.
Spearheadeding VIRRGIN Development meetings in Singapore to plan upgrades to the platform including introducing a Beneficial Ownership module upgrades to the database and user interfaces, security features and other advanced functionalities.
Capacity Building to aid in the development and formulation of Data Strategy and Unit through the completion of Cambridge's Certification in Data Science in Financial Supervision.
Drafting project charter for the Commission's planned enterprise system.
Commencing preliminary work on the structure and development of the Project Management Unit.
Initiation of the requirements gathering phase for BO module and VIRRGIN changes.
Initiating the requirements gathering process for ES module and VIRRGIN changes.
Participation in internal and external stakeholder engagement on the policy issues related beneficial ownership.
Strengthened Commission's Cyber Security framework.
Introduction of new collaborative tools and IT architecture.
Upgrading the Commission's building infrastructure.
Adaptation of work spaces to support restructuring.
Hosting and managing large number of events at FSC Resource Centre.
Co-ordination over 100 business travel for employee development, global regulatory engagements and business development.
Facilitating digitization of corporate registry records and file transfer management of approximately 15000 requested files.
Implementation of task management software to effectively deliver creatives services.
Directing and collaboration on all creative output of the Commission.

Information Technology

One of the main priorities for the Information Technology Department 2023 was to develop a secure electronic platform to house beneficial ownership information following a mandate given to the Commission by the Government of the Virgin Islands.

While this initiative took precedence, given its territorial significance, the IT Team (the "Team") also made other notable achievements during the year.

Some of these achievements include completing the upgrade of our key infrastructure hardware on premise which cemented the ability to offer clients fast and reliable service from the Commission's flagship application, VIRRGIN.

IT continued to take proactive steps to fortify and strengthen the Commission's cybersecurity posture with the assistance of professional partnerships. These steps included engaging all employees in regular cybersecurity awareness training and completing the implementation of multi-factor authentication on its internal network services.

The Team also began work with the External Relations Team in development of a distinct website presence for the FSC's Asia Representative Office in Hong Kong. This will ensure tailored information is easily accessible to the service users within the Asian region

IT drives efficiency within the Commission through the innovative application of technology. In this vain, the IT Team is working to introduce additional tools to provide greater collaboration among and across divisions and units within the Commission in 2024. Preparations for this commenced in 2023 with assessments of the Commission's Infrastructure Group Policy and File Share platforms.

The IT Team is committed to be able to deliver modern and intuitive solutions across the Commission and empowering employees to achieve the Commission's objectives while prioritising the safeguarding of Commission's assets.

Facilities

The Facilities Unit is charged with ensuring the management and function of the Commission's physical campus which is set across five (5) buildings. The Team's mission is to safeguard the wellbeing of employees by implementing systems to minimise any potential threats to health and safety.

The Facilities Team continued to undertake light building maintenance to provide a safe & productive environment for all staff. Upgrades to the Commission's infrastructure included modernisation of the fire suppression systems, smoke detectors and supply tanks.

Facilities also executed enhancements to the physical premises to improve the overall guest experience with renovated conference facilities and reception spaces.

In 2023, the Facilities Team also made upgrades to maintain the integrity of information and documents stored at its Archives through installation and upgrade of climate control systems.

Adaptations to employee workspaces were also a priority for the Facilities Team to accommodate staff changes which further facilitated the Commission's restructuring.

In 2024, as the Commission continues to implement its functional restructuring, the Team will lead the retrofitting of all office spaces to accommodate new, existing and growing units.

The Facilities Team will also develop and implement a new storage system for physical records as the Commission moves towards becoming fully digitised.

Business Services

Business Services is responsible for the day-to-day functions of the Commission's administration in five core areas:

- Event and Travel Management;
- Records and Inventory Management;
- Office Operations;
- Office Inventory Management; and
- Janitorial Management

The unit falls under the umbrella of the Operations Division. The unit ensures that staff are adequately equipped with the tools required to fulfil daily operations efficiently, through planning, organising, directing, advising, and developing strategies to achieve efficient service delivery for all clients.

In 2023 the Commission hosted 159 on site events at its FSC Resource Centre which were booked and managed by the Business Services team. These events included but are not limited to: interviews, meetings, trainings and community forums. 86% of the events hosted were meetings.

Business travels for 2023 increased by 391% over 2022 following the resumption of regular business travel after the Covid-19 pandemic. 118 travel requests were processed by the Business Services Team during the year. This significant increase is also partially attributed to the travel of FSC employees to attend FATF Mutual Evaluation related engagements during the year both preceding and following the 2023 Fourth Round on site assessment in March. Other travel included attendances at conferences, training courses and business meetings.

The Business Services Team also has responsibility for the management of over 1 million physical files. The team processed approximately 15,000 routine file requests. The Commission continued its efforts to digitize its physical records in 2023 which is supported by the File Management Unit of Business Services. This digitisation effort saw the processing of over 126,000 files in 2023.

Creative Services

In 2023, the Creative Services Unit made significant strides in enhancing the Commission's brand identity and delivering innovative designs across various projects. Our focus on collaboration and creativity has led to the successful execution of multiple campaigns that resonate with the Commission's target audience and elevate our organisational presence.

Key achievements include:

1. **Implementation of task management software**

2. **Brand Revitalization of The FSC's Media**

Major Project Collaborations include:

1. BVI FSC Meet The Regulator Forum
2. Money Matters BVI Piggy Bank Pageant
3. Money Matters BVI Global Money Week Forum
4. Money Matters Wills and Estate Forum
5. Policy, Research and Statistics Division Quarterly Bulletins
6. Anti-Money Laundering Risk Assessment Webinar
7. Publication of the FSC 2022 Annual Report

In 2023, the Creative Unit Team engaged in upskilling it employees through a transformative experience with their attendance at a leading software and technology creativity conference. The Team attended Workshops and Panels, networked and also attended showcases that featured the best creative professionals.

Looking ahead, the team aims to build on this momentum, exploring new technologies and trends to keep its creative output fresh and impactful. The successes of 2023 lay a strong foundation for continued innovation and growth in the coming year.

GOVERNANCE AND INTERNAL AUDIT

Governance

Board Supervision

The Board of Commissioners of the Financial Services Commission meets regularly (monthly) to fulfils its mandate and responsibilities. It delegates specific tasks and functions to various subcommittees. This structure allows for more focused oversight and specialized attention to critical areas.

The established subcommittees include the Audit and Risk Committee, which is responsible for monitoring financial reporting and risk management practices; the Finance and Investment Committee, which oversees the organization's financial strategies and investment activities; and the Human Resources and Remuneration Committee, which manages employee-related matters and compensation policies.

Each of these committees is chaired by a member of the Board, ensuring that there is strong leadership and alignment with the overall objectives of the organization. This delegation not only enhances the Board's effectiveness but also promotes accountability and transparency in its operations.

Table 37: Board Meetings 2023

Commissioners	Required Meetings	Attendance
Robin F. Gaul (Chair)	9	8
Kharid T. Fraser (Deputy Chair)	9	9
Johanna M. Boyd	9	9
Paul O.S. Carty	9	9
William C. Gilmore	9	9
Ramnarine Mungroo	9	9
Melvin Stoutt	9	8
Kenneth B. Baker (MD/Ex Offcio)	9	9

Table 38: Audit and Risk Committee Meetings 2023

Commissioners	Meeting(s)	Attendance
Paul O.S. Carty (Chair)	2	2
Johanna M. Boyd	2	2
William C. Gilmore	2	2
Ramnarine Mungroo	2	2

Table 39: Finance and Investment

Commissioners	Meeting(s)	Attendance
Robin F. Gaul (Chair)	2	2
Paul Carty	2	1
Kharid T. Fraser	2	2
Melvin Stoutt	2	2

Internal Audit

The Internal Audit Unit's (IAU) primary objective is to provide independent and objective assurance to the Board of Commissioners and executive management team that the Commission's operations are compliant with relevant laws, regulations, and policies.

The IAU's vision is to be a respected business partner and trusted advisor that provides value-added audit and advisory services while promoting a culture of accountability and good governance throughout the Commission.

The Unit's mission is to enhance and protect the Commission's value by providing risk-based and objective assurance, advice and insight designed to add value and improve the Commission's operations.

During the fiscal year 2023 the team was able to advance critical strategic priorities and onboarded an internal audit platform to automate the internal audit function. The Team also designed and developed the its risk assessment framework.

Internal Audit Unit Goals for 2024:

- Adopting the new IIA Global Internal Audit Standards
- Expanding the team with skilled professionals.
- Completing the onboarding of the internal audit platform
- Designing and developing a training and development program for the IAU
- Strengthening relationships with key stakeholders

Adhering to the prospective goals, the IAU will work towards reinforcing the Commission's reputation for excellence and ensuring that it continues to provide consistent, high-quality service to its stakeholders for the upcoming year.

2024 Outlook and Strategy

i. Development of the IAU Internal Audit Strategy, Annual Audit Plan, and Audit Framework

Adoption of the newly revised Global Internal Audit Standards issued in 2024 by the Institute of Internal Auditors.

ii. The Implementation of Internal Audit Technology

Optimisation of the audit process and streamline the management of audit evidence and reports through the acquisition of the electronic internal audit platform including advanced analytics and reporting capabilities.

Improvement of monitoring and assessment of IAUs performance against established metrics and standards. IAU to complete integration of electronic platform by the end of 2024.

iii. Recruitment

As we expand, we aim to attract internal audit professionals who possess specialized technical skills, a dedication to continuous learning, and a strong commitment to advancing the Commission's mission.

iv. Stakeholder Engagement

Developing and maintaining strong relationships with crucial stakeholders is a vital part of the internal audit function. The success of this function depends on establishing trust, credibility, and accountability with key stakeholders,, including: the Commission's Board of Commissioners, Senior Management, External Auditors, employees and customers. The IAU is committed to taking a proactive approach to building relationships with key stakeholders, enabling it to promptly address their needs and concerns as they arise.

(Reporting Obligations chart can be inserted if and where you think necessary)

Chart 15: The IAU's Organization Chart

IN FOCUS

Mutual Evaluation

The Virgin Islands underwent its Fourth Round Mutual Evaluation (MEV) process in 2023. Preparations for the MEV, however, began in 2022 with the establishment of the VI's Mutual Evaluation Preparatory Team (MEPT). This dedicated team, which was approved by the National Anti-money Laundering Coordinating Council (NAMLCC), served as the primary point of contact for the Assessment Team led by the International Monetary Fund and was responsible for ensuring all relevant documentation required for submission in response to the pre-assessment Technical Compliance and Effectiveness Questionnaires that were required to be completed were compiled, reviewed and submitted. The MEPT was also responsible for the collection, maintenance and cataloguing of information received from the respective agencies that formed part of the jurisdiction's submission to the Assessment Team. These agencies included:

- **AG** the Attorney General's Chambers
- **FIA** the Financial Investigation Agency
- **FSC** the Financial Services Commission
- **RVIPF** the Royal Virgin Islands Police Force
- **HMC** His Majesty's Customs
- **IM** Department of Immigration
- **NPO** Non-profit Organisations

The MEPT was headed by the Deputy Managing Director, Regulation of the FSC, supported by the Deputy Director, AML/CFT and consisted of the following other members:

- Deputy Director, Policy Research and Statistics - FSC
- Senior Compliance Examiner - FIA
- Deputy Director, Financial Intelligence Unit - FIA
- International Relations Counsel - AG

In addition to the MEPT, a secretariat was established within the FSC's AMLU to provide the MEPT with all relevant necessary material resources to enable the MEPT to function efficiently and effectively. The Secretariat was also responsible for coordinating all logistical matters, as well as the proper maintenance of all documentation gathered during the MEV exercise.

The MEPT developed an action plan based on the timelines issued for the MEV to ensure that all agencies were aware of when particular submissions were due. This ensured the Territory was able to meet the relevant agreed deadlines agreed to with the Assessment Team.

The Territory's Technical Compliance Questionnaire (TCQ) was submitted in August 2022, followed in October 2022 by its Immediate Outcomes submission to demonstrate effectiveness. As part of this process the MEPT identified several areas where amendments to legislation were required to ensure further compliance with the 40 Recommendations.

These included amendments to the:

- BVI Business Companies Act
- Proceeds of Criminal Conduct Act
- Anti-money Laundering Regulations
- Anti-money Laundering and Terrorist Financing Code of Practice
- Non-profit Organisations Act
- Banks and Trust Companies Act
- Insolvency Act
- Financial Services Commission Act

The MEPT was also responsible for reviewing the Scoping Note developed by the Assessment Team, which provided background information on the ML and TF risks in the VI and outlined the main areas of higher ML and TF threats and vulnerabilities as identified by the Assessment Team. The Scoping Note also identified areas that the Assessment Team indicated it would focus on during the on-site assessment, including areas relevant to the FSC such as: misuse of corporate vehicles and professional facilitators, implementation and supervision of AML/CFT preventive measures by financial institutions and DNFBPs, and virtual assets and virtual asset service providers.

Additional assistance in preparing for the MEV was also sought and provided by the FATF International Engagement Team of His Majesty's Treasury (HMT).

Preparatory activities that occurred between January and March 2023 leading up to and during the on-site assessment included:

- the finalisation of the 2022 ML risk assessment
- execution of a mock interview exercise facilitated by HM Treasury's Sanctions and Illicit Finance Team to prepare relevant Competent Authorities (CA) and Law Enforcement Agencies (LEA) for their individual interviews during the March MEV on-site
- preparation of MEV guidance for key CAs and LEAs, including meeting with each to discuss the guidance and provide the agencies with an idea of what to expect during the on-site interviews
- coordination of the two-week on-site visit of the Assessment Team during which time interviews were conducted with all of the relevant CAs, LEAs, selected private sector Financial Institutions, Designated Non-Financial Businesses and Professions (DNFBPs) and Non-profit Organizations (NPOs).

On 15 May 2023 the Assessment Team submitted the first draft of the Mutual Evaluation Report (MER) in keeping with the agreed assessment timelines. The Territory was given five (5) weeks to respond to the draft MER. Specific portions of the draft MER were assigned to each member of the MEPT to review. In addition, the DMD, Regulation (DMDR), as Head of the MEPT and the Deputy Director, AMLU also coordinated responses from relevant CAs and LEAs in instances where clarification was required in relation to statements made in the report in respect of those CAs and LEAs.

After the first draft was returned to the Assessment Team a second draft was submitted and a similar process was engaged to review the document and provide a jurisdictional response, which was submitted in August 2023.

As part of the Fourth Round Mutual Evaluation procedures, a face-to-face meeting with the Assessment Team was held at IMF Headquarters in Washington DC in September 2023, after the Territory responded to the second draft of the MER. The purpose of this meeting was to attempt to resolve any lingering disagreements between the Assessment Team and the Territory and identify potential priority issues for discussion at the November 2023 CFATF Plenary in Aruba when the MER was presented for consideration and approval.

The Plenary discussions began in the Working Group on FATF Issues (WGFI), where the key issues identified by the sub-working group assigned to the MER were ventilated. Those matters that were not resolved at that stage were sent to Plenary for further discussion where the MER was ultimately approved on 30 November 2023.

Post-plenary, the MEPT was given two weeks to review the MER to ensure all of the amendments made during the Plenary discussions were accurately reflected. The MER then went through the Quality and Consistency (Q&C) phase of the Mutual Evaluation process where it was circulated to the Financial Action Task Force's (FATF) Global Community for review. No Q&C issues were raised and the MER was finalised and ultimately published on 26 February 2024.

In addition to the contributions the FSC made to the work of the MEPT, at the agency level the FSC focused on a number ofa few initiatives pre- and post-onsite, including:

- revising its risk assessment framework to better capture ML/TF/PF risk and assess its licensees accordingly
- bolstering its human resources to more effectively manage and supervise based on risk
- implementing the Virtual Asset Services Providers Act and the supervisory framework to allow for the registration of VASPs
- strengthening its sanctions monitoring and notification regime
- enhancing its enforcement mechanism
- enhancing its compliance inspection regime to focus on key identified risk areas and higher risk sectors
- establishment and implementation of beneficial ownership registry regime
- focusing its outreach on risks relative to higher risk sectors through the publication of articles in the FSC's newsletter and development of relevant guidance

As the FSC moves into 2024, work will continue in these areas in order to address the Recommended Actions identified in the MER and promote the ongoing strengthening of its supervisory regime.

People Movement and Development

The Commission's human resources are critical to the overall success of the organization. The Human Resources Division coordinates the personnel activities for a staff of over 150 regular full-time and temporary employees. Key areas of responsibility include:

- Recruitment, Selection and Hiring;
- Benefits and Compensation;
- Training and Development; and
- Policy Development.

19 PROMOTIONS	**9** NEW APPOINTMENTS
17 SUMMER INTERNS	**19** JOB ADVERTS
8 SEPARATIONS	**26** NEW HIRES

Some of the key activities of the Human Resources Division in 2023 include:

- Selection of a consultancy firm to commence a compensation study for the Commission, with the view to encouraging a culture of fairness and high performance as well as enabling employees to reach their full potential.
- Publication of the British Virgin Islands Financial Services Commission Employee Handbook 2nd Edition and Pension Plan Handbook to employees
- Improvement of health insurance claim processing and management by ensuring all employees have access to vendor's online portal
- Celebration of Cultural Day at Commission in November 2023

Growth and Development

Although there were a few separations in 2023, which account for 5% attrition, the In 2023, The Commission advertised for 19 role profiles and retained 26 new staff. The Commission is still one of the premier employees within the Territory and received approximately 290 applications during the year.

Human Resources continues to assist divisions with recruitment of persons with the requisite skills and experience for vacant/available positions. Finding or attracting the 'right' candidate in the local market is, however, becoming a growing challenge for the Commission with an increasingly smaller pool of candidates from which to choose. The Division is considering different methods of recruitment with the view to overcoming the recruitment challenges that it currently faces.

Leave Policies

In 2023, the Commission took a different approach to management of vacation (personal) leave to enable employees to maximise the use of their annual leave allotment. Employees were encouraged to utilize leave prior to the end of the year, which should result in smaller overall balances of roll over vacation days. The shift in the Commission's approach was in an effort to promote increased work life balance of employees, by making the entirety of employee's annual entitlement available, while also ensuring that significant leave balances did not disrupt operations if persons were required to take mandatory leave at the end of the year.

Summer Interns

The Commission offered summer placements to 17 tertiary students in 2023. More than 40% of those interns were provided with professional work experience within the Commission's Registry of Corporate Affairs. Through this engagement, young persons were introduced to the Registry operations and its functions and were given an opportunity to better appreciate the Registry's role and significance to the Commission and the wider territory. Summer interns throughout the Commission would have gained exposure to the various functions of the commission and contribute to the advancement of key projects at the commission, including its digital transformation efforts.

Training and Development

The Commission is committed to investing in its employees. Training opportunities are available to all staff members year-round. Employees can engage in self-paced learning or apply to undertake led learning opportunities. The objective is to ensure that employees are equipped with the knowledge, practical skills and motivation to carry out their work related activities effectively. Moreover the Commission is committed to the professional development of all employees. In 2023, 62% of employees participated in 181 training engagements. Training activity in 2023, was recorded at a 202% increase over events in 2022. The notable increase is attributed primarily to the increased business travel in 2023 and the inclusion of senior and executive level attendance at industry engagements locally, regionally and internationally.

Key Achievements of 2023 Includes:

- Facilitating AML/CFT Training and other courses through the electronic learning platform
- Providing recorded training sessions for employees who may have missed the live training dates and to encourage reinforced learning

Study Leave

The Commission continues its commitment to developing members of staff through its study leave and tuition assistance programs. In 2023, the Commission:

- supported one staff member as they continue full-time study leave;
- approved one staff member to proceed on full-time study leave commencing January 2024;
- welcomed one member of staff back to full-time employment who completed their approved course of study in December 2023; and
- approved tuition assistance for one staff member to begin part-time studies while remaining in the employ of the Commission.

Table 40: Number of Training Events

2023	2022	+/-	% Increase
181	60	120	201.7%

With a projected increase in staff and expanded use of the online learning platform, the need for a dedicated staff member to assist with the training function and, in particular, to serve as an Online Learning Administrator/ Training Associate is evident.

Table 41: Percentage of staff within teams who participated in training during 2023

Percentage of Staff that Participated in Trainings	
Authorisation & Supervision	80%
Enforcement	100%
Finance	50%
Human Resources	80%
Internal Audit Unit	100%
Legal	78%
MD's Office	50%
Operations	40%
Policy Development and External Relations	83%
Summer Interns	28%

Restructuring

Since 2022 the Commission embarked on the restructuring of its internal divisions to deliver a function-based model which saw changes in the classification of the regulatory teams. Since 2022 the Commission embarked on the restructuring of its internal divisions to deliver a function-based model which saw changes in the classification of the regulatory teams. The Regulatory Teams were previously organised across sector specific business lines but were reorganised in 2022 into the current Authorisation and Supervision Divisions.

The Commission's restructuring continued in 2023 with other teams either expanding their teams to include new functions, merging existing functions, implementing internal reorganisations of teams or rebranding.

The primary aim of the restructuring was to ensure that the Commission's resources were adequately aligned to better deliver on its strategic objectives.

In 2023 the Finance Team, Legal Division, Policy Research and Statistics Division and Corporate Services made changes in line with the Commission's restructuring plan.

Legal Division

The Legal Division reorganised and created a new unit which reports to the Director of Legal to execute the governance, risk and compliance functions of the Commission. The new unit, Governance, Risk and Compliance (GRC), is headed by a Deputy Director and will be staffed with legal counsel and administrative support.

The GRC will have responsibility for Governance, Risk, Compliance/ Money Laundering Reporting Officer functions. The Unit will also provide professional legal support and advice to the Human Resources Division. The unit also provides legal advice to Commission in relations to its agreements, policies and memoranda of understanding.

In addition to providing legal services to the Commission, the GRC also provides services to the British Virgin Islands Financial Services Commission (HK) Limited.

The establishment of this unit will aid in:

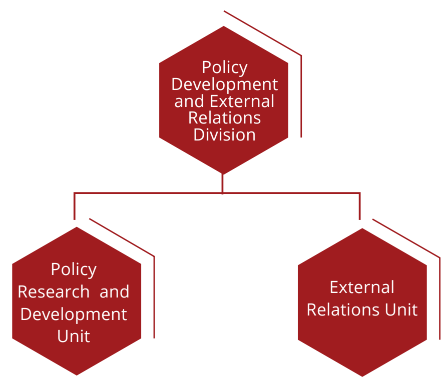
i. Identifying, assessing, and managing potential vulnerabilities and risks;

ii. Ensuring compliance with the Commission's policies and procedures, as well as applicable laws and regulations;

iii. Strengthening compliance through enforcement and protective measures, and keeping stakeholders informed about governance, risk management, and compliance. This helps the Commission effectively handle both internal and external risks.

Policy Research and Statistics Division

The Policy Research and Statistics Division, which also housed the Corporate Communications Unit, transitioned to, and was renamed, the Policy Development and External Relations Division ("PDERD"), in line with the Commission's restructuring and work plans. PDERD houses two distinct units, namely the Policy Research and Development Unit and the External Relations Unit.



Following the transition, the Policy Research and Development Unit ("PRDU") continued to perform the traditional policy research, policy development and legislative development functions of the previous Policy Research and Statistics Division.

The functions of the External Relations Unit ("ERU") encompass a combination of roles previously undertaken by the Corporate Communications Unit and the Financial Literacy Programme, along with facilitation of the Commission's relationships with government agencies and regional and international bodies. In undertaking such functions, the ERU gained responsibility for the Commission's engagement with relevant stakeholders, including the media and general public via varying mechanisms, as well as directing and operating the Money Matters BVI programme. The Commission's media monitoring responsibilities were also added to the remit of the ERU as part of the establishment of the Unit.

Operations

In 2023 the Corporate Services Division was rebranded as part of the Commission's restructuring project and became the Operations Division. The Division maintained responsibility for the Registry of Corporate Affairs, Information Technology, Facilities and Business Services portfolios. On 1 July, 2023 former Director of the Enforcement Division, Mr. Brodrick Penn was appointed to lead the Division as the Deputy Managing Director, Operations.

The Operations Division expects to continue its reorganisation in line with the Commission's restructuring plan. The aim is to complete the Division's restructuring by 3rd Quarter of 2025.

The restructuring of the Operations will see the introduction of new functions to include data and project management and will also reorganise the Commission's function.

Strategic Overview

Looking Ahead - 2024 and Beyond

Much of the Commission's work in 2024 is expected to focus on implementing recommendations from the mutual evaluation report (which is expected to be published in 2024), enhancing various regulatory frameworks, building human resource capacity, continuing its digital transformation journey, and continuing implementation of its restructuring plan.

With the publication of the mutual evaluation report early in 2024, the Commission anticipates that there will be a number of recommendations to effect changes to financial services laws and regulatory frameworks and practices to further demonstrate the effectiveness of the Territory's AML and CFT regime. The Commission anticipates that additional effort and resources will be required by the Commission, independently and as part of the Territory's MEV Team to improve the Territory's standing.

The Commission's regulatory teams intend to continue pursue several initiatives in 2024. These will aid in progressing strategic priorities to ensure supervisory actions are comprehensive, aligned, dynamic, proportionate, robust and sustainable.

Sector specific initiatives include:

Banks

- Commence co-monitoring functions with the Virgin Islands Deposit Insurance Corporatation
- Strengthening bank conduct regulation and practices and more robustly enforcing them
- Implementing BASEL II Standards utilizing a fit for purpose methodology

Trust and Corporate Services Providers

- Monitoring third-party relationships and reliance to ensure that all relevant standards for business, reporting, record-keeping, and reviews are undertaken.
- Ensure TCSPs are engaging robust verification processes on Beneficial Ownership and Control at onboarding and on an ongoing basis
- Monitoring market convergence in the sector and managing or mitigating resulting risks.
- Monitoring reliance on outsourcing arrangements and the risks associated with them, as well as examining their impact on substance within the territory and the overall domestic market.
- Ensure that institutional risk assessments are being carried out which take into account the risk posed by clients as well as the risk of the entity itself.
- Monitoring technical compliance as well as effectiveness of the Sanctions regime

Investment Business Providers

- Conducting reviews of KYC practices to ensure compliance with AML/CFT frameworks
- Conducting reviews of operational controls relating to core business
- Review of the significant market conduct issues arising in this sector, and to strengthen where applicable laws and regulations to deter poor conduct.

Insurance Business

- Monitoring prudential and conduct matters within the sector
- Collaborative supervision of foreign and domestic insurers and
- Review and determination of a more fit for purpose supervisory regime for systemically important foreign insurers

Virtual Asset Service Providers (VASP)

- Full implementation of the VASP regulatory regime, including accelerated efforts to review applicants for licensing.
- Building capacity and dedicating additional resources to administer the regime.
- Utlising application data to better understand the existing VASP business to better inform risk management and supervision practices for the sector.

The Commission anticipates that its Policy Division will be heavily involved in addressing any deficiencies identified in the mutual evaluation report, and will lead on consequential amendments to or development of legislation, policy documents, regulatory and supervisory guidance and forms. Equally, the ERU is expected to be active in its communication with various stakeholders relating the MER and the communication of relevant data to enhance knowledge on AML/CFT needs, requirements and developments. ERU is also expected to lead research on possible expansion of Commission representative offices in relevant emerging markets, and as well complete implementation of the Commission's media monitoring function.

Other matters on the horizon for the PRDU's legislative agenda include:

- review and benchmark of the BVI Business Companies Act, Limited Partnership Act, Trustee Act against the new FATF standards (Recommendations 24 and 25);
- development of a Banking Code, to better address market conduct and consumer protection matters;
- decoupling the legislative framework to separate banking legislation and fiduciary services legislation; and
- amending the Regulatory Code to include requirements for VASPs.

The focus of the AMLU in 2024 will be to align its activities with its strategic goals that have been set to support the Commission's mission overarching mission. Additionally, areas of focus in 2024 will include:

- Updating the Commission's AML/CFT Strategy and Policy
- Enhancing AML Data Management and analytics
- Expanding its AML/CFT Outreach programme
- Enhancing Coordination with Units within Regulation
- Facilitating staff AML/CFT training
- Enhancing its work with the AML Supervisory Committee

The Commission anticipates that with a significant workload for 2024 human resource acquisition and capacity development will be a central focus. On a strategic level the HRD expects to continue implementation of its "HR Business Partner Model" along with other key initiatives such as:

- Completing and implementing recommendations from the compensation review.
- Resumption of the regulatory /professional cadet programme
- Implementation of a robust performance management system
- Review and update pension

In 2024 the Commission's Operations Division and Units are set to expend significant resources and time on supporting the delivery of all the Commission's goals and objectives. They will lead on the Commission's digital transformation journey and are expected to deliver on key initiatives including:

- Developing of the technological systems which will collect, maintain and transact beneficial ownership information on all companies.
- Developing technological systems to collect and maintain relevant economic substance data.
- Continue the development and implementation of the modernized and upgraded VIRRGIN Platform.
- Explore and source reg tech and sup tech solutions to innovate and automate the regulatory and supervisory processes.
- Advance the implementation of collaborative tools and software to improve the Commission's efficiency.
- Continue to implement robust cyber security mechanisms to protect the Commission.

Additionally, the Division is expected to:

- Re-organise and acquire additional office accommodation to meet the demands of a growing staff complement.
- Explore the development of the Commission's regulatory campus at its Kingston premises
- Draw up and deliver on the Commission's annual reporting and 5 year strategic plan.

The Registry is expected to continue to deliver on one of the Commission's preeminent objectives of managing and administering the company registration function. In 2024, the Registry is committed to achieving several strategic goals aimed at enhancing efficiency, improving service quality, and fostering a culture of innovation and collaboration. These include:

- Collaborating on the development of the beneficial ownership regime
- Setting up the beneficial ownership implementation unit
- Continuing to advance the imaging project to digitize the Company's Registry legacy files
- Restructuring and upstaffing the client services unit to deliver more efficient service for client inquiries
- Implementing upgrades to the VIRRGIN system including the public search function.

Financial Statements

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For the Year Ended December 31, 2023

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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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

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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, 2023, 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, 2023, 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.

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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
June 28, 2024

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2023
Expressed in United States Dollars

	Notes	2023 $	2022 $
ASSETS			
Non-current assets			
Property and equipment	4	5,687,649	6,111,004
Right-of-use assets, leasehold premises	5	4,461,885	5,722,469
Total non-current assets		10,149,534	11,833,473
Current assets			
Regulatory deposits	7	9,100,737	8,977,648
Cash	8	24,233,718	24,424,161
Time deposits	9	21,020,020	10,653,024
Other receivables and deposits	10	585,306	589,542
Total current assets		54,939,781	44,644,375
TOTAL ASSETS		**65,089,315**	**56,477,848**
CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES			
Contributed capital and capital reserves			
Contributed capital	11	3,993,900	3,993,900
Property and equipment reserve	11	5,687,649	6,111,004
Capital expenditure reserve	11	13,000,000	10,500,000
Total contributed capital and capital reserves		22,681,549	20,604,904
Surplus and revenue reserves			
Contingency reserve	11	10,550,984	8,649,014
Administrative penalties fund reserve	11	3,803,622	3,569,498
Total surplus and revenue reserves		14,354,606	12,218,512
Total contributed capital and reserves		37,036,155	32,823,416
Non-current liabilities			
Lease liabilities	5	3,644,059	4,960,490
Retirement obligation provision	20	18,470	-
Total non-current liabilities		3,662,529	4,960,490
Current liabilities			
Lease liabilities	5	1,299,212	1,208,711
Trade and other payables	12	1,645,880	1,666,008
Deposits on account and other deposits	13	6,344,802	6,841,575
Distribution payable to the Government	14	6,000,000	-
Regulatory deposits from licensed entities	7	9,100,737	8,977,648
Total current liabilities		24,390,631	18,693,942
Total liabilities		28,053,160	23,654,432
TOTAL CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES		**65,089,315**	**56,477,848**

Signed on behalf of the Commission on June 25, 2024

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, 2023
Expressed in United States Dollars

	Notes	2023 $	2022 $
INCOME			
Fees collected on behalf of the Government	15	252,397,694	221,660,417
Less: Fees due to the Government	15	(215,413,501)	(194,591,930)
Fees retained by the Commission	15	36,984,193	27,068,487
Other income	16	398,201	284,827
Gain on disposal		14,000	-
TOTAL INCOME		37,396,394	27,353,314
EXPENSES			
Staff costs	19	16,992,787	15,717,464
Funding contribution	22	2,811,681	2,724,555
Professional services		1,394,624	1,348,032
Lease amortisation	5	1,264,642	1,232,840
Maintenance and hire		1,009,127	967,310
Depreciation	4	967,476	998,148
Travel and subsistence		736,311	222,292
Licenses and fees		617,626	396,147
Telephone and communications		584,719	599,917
Utilities		350,204	426,441
Office expenses		243,272	219,598
Public relations		176,649	71,906
Insurance		134,621	127,067
Literature and reference		133,134	112,148
Memberships and subscriptions		101,097	133,878
Miscellaneous		77,639	26,990
Conferences and seminars		45,109	5,385
Rent and lease		32,035	34,420
TOTAL EXPENSES		27,672,753	25,364,538
FINANCE COST			
Interest expense related to lease liability	5	(315,411)	(323,029)
Interest income	17	482,359	180,063
NET FINANCE COST		166,948	(142,966)
SURPLUS BEFORE GOVERNMENT DISTRIBUTION AND ENFORCEMENT PROCEEDS		9,890,589	1,845,810
Government allocation	14	(6,000,000)	-
SURPLUS BEFORE ENFORCEMENT PROCEEDS		3,890,589	1,845,810
Enforcement proceeds	18	322,150	484,922
SURPLUS FOR THE YEAR		**4,212,739**	**2,330,732**

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, 2023
Expressed in United States Dollars

	Opening balance $	Surplus for the year $	Transfers $	Utilisation of reserves $	Closing balance $
For the year ended December 31, 2023:					
Surplus	-	4,212,739	(4,212,739)	-	-
Contributed capital	3,993,900				3,993,900
Property and equipment reserve	6,111,004	-	(423,355)	-	5,687,649
Capital expenditure reserve	10,500,000	-	2,500,000	-	13,000,000
Contingency reserve	8,649,014	-	1,901,970	-	10,550,984
Administrative penalties fund reserve	3,569,498	-	322,150	(88,026)	3,803,622
	32,823,416	**4,212,739**	**88,026**	**(88,026)**	**37,036,155**

	Opening balance $	Surplus for the year $	Transfers $	Utilisation of reserves $	Closing balance $
For the year ended December 31, 2022:					
Surplus	-	2,330,732	(2,330,732)	-	-
Contributed capital	3,993,900	-	-	-	3,993,900
Property and equipment reserve	6,030,854	-	80,150	-	6,111,004
Training reserve	400,000	-	(400,000)	-	-
Loan revolving reserve	165,000	-	(165,000)	-	-
Capital expansion reserve	7,500,000	-	3,000,000	-	10,500,000
Refunds and drawbacks reserve	50,000	-	(50,000)	-	-
Enforcement reserve	2,000,000	-	(2,000,000)	-	-
Contingency reserve	7,256,023	-	1,392,991	-	8,649,014
Administrative penalties fund reserve	3,096,907	-	484,922	(12,331)	3,569,498
	30,492,684	**2,330,732**	**12,331**	**(12,331)**	**32,823,416**

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, 2023
Expressed in United States Dollars

	2023 $	2022 $
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	4,212,739	2,330,732
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Gain on disposal of asset	(14,000)	-
Depreciation	967,476	998,148
Amortisation of right-of-use asset, leasehold premises	1,264,642	1,232,840
Interest expense on leases	315,411	323,029
Interest income	(482,359)	(180,063)
Operating surplus before working capital changes	6,263,909	4,704,686
Decrease (increase) in other receivables and deposits	4,236	(85,407)
(Decrease) increase in trade and other payables	(20,127)	227,820
Increase in retirement obligation provision	18,470	-
Decrease in deposits on account and other deposits	(496,773)	(1,087,427)
Increase (decrease) in distribution payable to the Government	6,000,000	(1,000,000)
Net cash flows from operating activities	11,769,715	2,759,672
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in time deposits – net	(10,366,996)	(63,828)
Acquisition of property and equipment	(544,121)	(1,078,299)
Gain on disposal of asset	14,000	-
Interest received	482,359	180,063
Net cash used in investing activities	(10,414,758)	(962,064)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest payments on leases	(315,411)	(323,029)
Principal payments on leases	(1,229,989)	(1,157,620)
Net cash used in financing activities	(1,545,400)	(1,480,649)
NET INCREASE IN CASH	**(190,443)**	**316,959**
CASH, At beginning of year	24,424,161	24,107,202
CASH, At end of year	**24,233,718**	**24,424,161**

Cash is comprised of:

	2023 $	2022 $
Restricted cash (see Note 8)	7,828,788	10,517,877
Unrestricted cash	16,404,930	13,906,284
Total	24,233,718	24,424,161

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

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in United States Dollars

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.

These financial statements were approved and authorised for issue by the directors on June 25, 2024.

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

At the time of approving the consolidated financial statements, the Board has 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, 2023 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 24, 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, 2023, 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 range between 5.25% and 9% (2022: 5.25% and 9%).

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, 2022	4,500,000	130,000	320,509	4,079,963	19,369,762	3,297,367	31,697,601
Additions	-	-	59,500	148,367	336,254	-	544,121
Disposal	-	-	(37,500)	-	-	-	(37,500)
Balance at December 31, 2023	4,500,000	130,000	342,509	4,228,330	19,706,016	3,297,367	32,204,222
Accumulated depreciation							
Balance at December 31, 2022	-	37,143	240,097	3,578,572	17,445,437	2,991,388	24,292,637
Depreciation	-	2,063	34,983	225,644	531,733	173,053	967,476
Disposal	-	-	(37,500)	-	-	-	(37,500)
Balance at December 31, 2023	-	39,206	237,580	3,804,216	17,977,170	3,164,441	25,222,613
Accumulated impairment							
Balance at December 31, 2022	-	-	-	-	1,293,960	-	1,293,960
Balance at December 31, 2023	-	-	-	-	1,293,960	-	1,293,960
Carrying amount							
Balance at December 31, 2023	4,500,000	90,794	104,929	424,114	434,886	132,926	5,687,649

	Freehold land $	Leasehold land $	Motor vehicles $	Furniture and equipment $	Computer and software $	Leasehold improvements $	Total $
Cost							
Balance at December 31, 2021	4,500,000	130,000	268,097	3,789,400	18,737,609	3,227,399	30,652,505
Additions	-	-	85,615	290,563	632,153	69,968	1,078,299
Disposal	-	-	(33,203)	-	-	-	(33,203)
Balance at December 31, 2022	4,500,000	130,000	320,509	4,079,963	19,369,762	3,297,367	31,697,601
Accumulated depreciation							
Balance at December 31, 2021	-	35,080	250,217	3,355,845	16,870,393	2,816,156	23,327,691
Depreciation	-	2,063	23,083	222,727	575,044	175,232	998,149
Disposal	-	-	(33,203)	-	-	-	(33,203)
Balance at December 31, 2022	-	37,143	240,097	3,578,572	17,445,437	2,991,388	24,292,637
Accumulated impairment							
Balance at December 31, 2021	-	-	-	-	1,293,960	-	1,293,960
Balance at December 31, 2022	-	-	-	-	1,293,960	-	1,293,960
Carrying amount							
Balance at December 31, 2022	4,500,000	92,857	80,412	501,391	630,365	305,979	6,111,004

Expressed in United States Dollars

5. LEASES

The Group has lease contracts for its various office buildings both in the BVI 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	2023 $	2022 $
Cost		
Balance at December 31	10,026,455	8,844,926
Addition	-	173,670
Lease modification	-	1,007,859
Balance at December 31	10,026,455	10,026,455
Accumulated amortization		
Balance at December 31	4,303,986	3,554,381
Lease modification	(4,058)	(483,235)
Amortisation	1,264,642	1,232,840
Balance at December 31	5,564,570	4,303,986
Carrying amount		
Balance at December 31	4,461,885	5,722,469

(b) Lease liabilities

	2023 $	2022 $
Balance at January 1	6,169,201	5,662,057
Addition	-	173,670
Impact of lease modification	4,058	1,483,711
Lease payments for the year	(1,545,399)	(1,473,266)
Interest expense	315,411	323,029
Balance at December 31	4,943,271	6,169,201
Less: Current portion	(1,299,212)	(1,208,711)
Noncurrent portion	3,644,059	4,960,490

Expressed in United States Dollars

5. **LEASES (Continued)**

The undiscounted analysis of the lease liabilities is disclosed below:

	2023 $	2022 $
Up to 3 months	301,446	386,304
Between 3 and 12 months	977,586	1,158,914
Between 1 and 2 years	1,231,850	1,545,219
Between 2 and 5 years	2,432,389	3,418,094
Over 5 years	-	557,930
	4,943,271	7,066,461

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

	2023 $	2022 $
Amortisation of right of use asset	1,264,642	1,232,840
Interest expense	315,411	323,029
Expenses relating to short term lease	32,035	34,420
Total	1,612,088	1,590,289

6. **SUBSIDIARIES**

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2023, 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.

7. **REGULATORY DEPOSITS**

By statute, certain entities licensed to operate in the financial services sector within the BVI are required to place a deposit with the Commission. The Group has undertaken to hold these amounts in the following designated interest-bearing instruments:

	2023 $	2022 $
Cash in bank	303,518	511,782
Time deposits	8,797,219	8,465,866
	9,100,737	8,977,648

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

The investments in time deposits have maturities within twelve months from the acquisition date.

The deposits are refundable upon surrender of the licence. For the year ended December 31, 2023, the deposits earned an average rate of interest of 1.52% (2022: 0.12%). Total interest income earned for these deposits amounted to $75,038 (2022: $26,694). These regulatory deposits are restricted and not available for general use.

Expressed in United States Dollars

8. CASH

	2023	2022
	$	$
Operating cash	14,624,850	12,357,407
Cash held in government trust account	1,780,080	1,548,877
Total unrestricted cash	16,404,930	13,906,284

	Notes	2023	2022
		$	$
Deposits on account and other deposits in government trust account	13	6,344,802	6,841,575
Enforcement funds and insolvency deposit		1,483,986	3,676,302
Total restricted cash		7,828,788	10,517,877

Government trust account

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. As at December 31, 2023 the bank balance was $12,575,753 (2022: $12,848,396) with cash remittance in transit to the government of $4,972,370 (2022: $5,772,077).

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 $1,483,986 (2022: $3,676,302) 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 11 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), and deferred revenue transactions totalling $6,344,802 (2022: $6,841,575), see note 13. The Government gained responsibility for receivership hence the balance in the insolvency surplus account was turned over to the Government during November 2023.

9. TIME DEPOSITS

Time deposits are short term placements with local depository banks. They mature between 78 and 318 days from the reporting date (2022: between 76 and 352 days) and are more than three months from the placement date. The average interest rate is 3.37% (2022: 1.18%). As at December 31, 2023, the total time deposits amounted to $21,020,020 (2022: $10,653,024). Of this amount, $2,500,000 (2022: $ nothing) represents funds received for administrative penalties and are not available for general use by the Group (see Note 11 for restrictions on the administrative penalties fund reserve). For the year ended December 31, 2023, total interest earned from time deposits amounted to $414,248 (2022: $118,610).

10. OTHER RECEIVABLES AND DEPOSITS

	2023	2022
	$	$
Prepaid expenses	385,879	418,201
Due from BVI Hong Kong Office	6,176	6,130
Travel advances	14,257	14,257
Loan to employees	57,423	69,132
Other receivables	14,160	21,665
Interest receivable	107,411	60,157
	585,306	589,542

Expressed in United States Dollars

10. OTHER RECEIVABLES AND DEPOSITS (Continued)

BVI Hong Kong Office is a related party by virtue of common control by the Government. This balance is unsecured and has no fixed repayment 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 initially 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 and to which transfers or allocations from surplus are made.

Capital reserves

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

(ii) Capital expenditure reserve to finance future implementation and acquisition of key capital assets.

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.
(v) Contingency reserve to establish a fund in the event of unforeseen circumstances and to provide additional funding, if necessary, for liabilities and obligations arising.
(vi) Administrative penalties fund reserve is funded by administrative penalties' proceeds imposed and received by the Group and is restricted for activities including the administration of public awareness and education in salient areas identified by the Group.

12. TRADE AND OTHER PAYABLES

	2023 $	2022 $
Accounts payable and accrued expenses	1,032,890	1,086,483
Employee deductions and benefits payable	612,990	579,525
	1,645,880	1,666,008

Employee deductions and benefits payable

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $612,990 (2022: $579,525) to the Group employees.

13. DEPOSITS ON ACCOUNT AND OTHER DEPOSITS

	2023 $	2022 $
Deposits on VIRRGIN accounts	5,823,303	5,527,442
Insolvency surplus deposit	-	765,634
Holdings for the former Official Receiver	521,499	548,499
	6,344,802	6,841,575

Expressed in United States Dollars

13. DEPOSITS ON ACCOUNT AND OTHER DEPOSITS (Continued)

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 deposits

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 Government gained responsibility for receivership effective July 1, 2023 and the funds were turned over to the Government during November 2023.

Holdings for the former Official Receiver

Before the amendment of the Insolvency Act that took effect in 2023, the Group appointed an Official Receiver who was an employee. Fees collected by the Official Receiver were held by the Group for safekeeping and used to settle expenses incurred by the Official Receiver. Assets from ongoing insolvency proceedings were also held by the Group on behalf of the Official Receiver. Together, these were accounted as holdings for the Official Receiver. After the amendment to the Insolvency Act, the Official Receiver’s function was transferred to the Government. The holdings of $521,499 (2022: $548,499) represent accumulated official receiver fees net of expenses and assets of an ongoing insolvency proceeding that is expected to close in 2024. Any residuals from the closure will be recognised as the Group’s income and any remaining accumulated fees.

14. ALLOCATION PAYABLE TO THE GOVERNMENT

The Board approved a total allocation to the Government of $6,000,000 (2022: $ nil) for the year ended December 31, 2023.

15. FEES COLLECTED ON BEHALF OF THE GOVERNMENT

	2023 $	2022 $
Fees from the Registry of Corporate Affairs	241,780,939	211,837,163
Regulatory fees	10,616,755	9,823,254
	252,397,694	221,660,417

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, 2023, the Group retained 13.5% (2022: 11.5%) of revenue up to the projected revenue stream and thereafter, the Group retained 7.5% (2022: 7.5%) of any revenue in excess of the projected revenue stream.

16. OTHER INCOME

	2023 $	2022 $
Receipts of court ordered legal costs	206,056	135,020
Rental income	76,230	86,600
Receipts of miscellaneous income	115,915	63,207
	398,201	284,827

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

Expressed in United States Dollars

17. INTEREST INCOME

	2023 $	2022 $
Interest income from time deposits	414,248	118,610
Interest income from cash	68,111	61,453
	482,359	180,063

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

	2023 $	2022 $
Wages and salaries	12,633,858	11,840,772
Allowances and benefits	2,634,157	2,463,109
Payroll taxes	629,699	590,485
Employment costs	401,079	182,142
National health insurance	387,404	358,968
Social Security benefits	306,590	281,988
	16,992,787	15,717,464

The average number of full-time employees in 2023 was 172 (2022: 172).

During the year ended December 31, 2023, the Group paid $1,515,943 (2022: $1,509,368) 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

BVI Labor Code

Under the BVI Labour Code, employers are required to establish retirement benefits for its permanent employees and pensionable employees. To meet the requirements, 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.

Hong Kong Employment Ordinance

Under the Hong Kong Employment Ordinance, the subsidiary, BVI Financial Services Commission (HK) Limited, is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Company. This policy became effective during the year and the Group recognised a cumulative obligation of $18,470.

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, 2023, the salaries and allowances paid to the Group's key management personnel and Board of Commissioners amounted to $792,644 (2022: $647,595).

Expressed in United States Dollars

22. CONTRIBUTIONS, COMMITMENTS AND CONTINGENCIES

Contributions

	2023	2022
	$	$
International Arbitration Centre	1,532,826	1,445,145
Financial Investigations Agency	750,000	750,000
Robert Mathavious Institute	450,000	450,000
Financial Services Complaints Tribunal	78,855	79,410
	2,811,681	2,724,555

The Group voluntarily contributes to funding the operations of the Financial Investigation Agency, Robert Mathavious Institute, International Arbitration Centre, and Financial Services Complaints Tribunal. The Board of Commissioners and the Government determine the necessary funding requirements of these entities on an annual basis as part of the Commission's budget discussion. The government in its own right also supports these entities. The total funding recorded during the year amounted to $2,811,681 (2022: $2,724,555). All contributions 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.

Commitments

Management has evaluated the activities of the Group and have disclosed in the respective notes of the consolidated financial statements, the various commitments 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. In addition, the Group has established a Contingency reserve in the event of unforeseen circumstances (Note 11).

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.

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

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).

(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, 2023, 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, 2023 approximately 83% (2022: 77%) 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 $135,589 (2022: $109,855). 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	2023 $	2022 $
A1	118,804	40,008
Aa2	46,012	-
Ba2	304,016	336,072
Ba3	-	-
Baa3	23,837,515	23,365,300
Total rated	24,306,347	23,741,380
Non-rated	30,633,434	20,905,840
Total	54,939,781	44,647,220

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

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.

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, 2023:

	On demand $	Within one year $	Total $
Trade and other payables	1,645,880	-	1,645,880
Deposits on account and other deposits	6,344,802	-	6,344,802
Regulatory deposits from licensed entities	9,100,737	-	9,100,737
Total	17,091,419	-	17,091,419

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2022:

	On demand $	Within one year $	Total $
Trade and other payables	1,666,008	-	1,666,008
Deposits on account and other deposits	6,841,575	-	6,841,575
Regulatory deposits from licensed entities	8,977,648	-	8,977,648
Total	17,485,231	-	17,485,231

24. MATERIAL ACCOUNTING POLICIES

24.1 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:

24. MATERIAL ACCOUNTING POLICIES (Continued)

24.1 Basis of consolidation (Continued)

- 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.

24.2 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.

(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.

24. MATERIAL ACCOUNTING POLICIES (Continued)

24.3 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.

24.4 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. An impairment test is performed at each reporting date. If an impairment indicator exists, the assets recoverable amount is estimated.

24.5 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.

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 24.4.

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)

24. MATERIAL ACCOUNTING POLICIES (Continued)

24.5 Leases (Continued)

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.

24.6 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;
  - Insolvency Services; and
  - Virtual Assets Service Providers Services.

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.

24. MATERIAL ACCOUNTING POLICIES (Continued)

24.7 Expense recognition

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

24.8 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.

24.9 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.

24.10 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.

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.

25. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2023 and before the date of the report that would have a significant effect on these financial statements.

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