

THE BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Annual Report 2006



British Virgin Islands Financial Services Commission
2006 Annual Report

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Motto

Vigilance, Integrity and Accountability

O u r

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

- ▶ Protecting the interests of the general public and market participants.
- ▶ Ensuring industry compliance with the highest international regulatory standards and best business practices.
- ▶ Ensuring that the BVI plays its part in the fight against cross-border, white-collar crime, while safeguarding the privacy and confidentiality of legitimate business transactions.

M i s s i o n

Who We Are

We Are: *the regulatory authority for all financial services business operating in and from within the BVI.*

We Regulate: *all financial services activities conducted in and from within the BVI pursuant to relevant BVI laws to ensure compliance with the relevant international standards and best conduct of business practices. Our remit includes banking and fiduciary business, investment business, insolvency services, insurance business, company management, company registration, and intellectual property. We also have a mandate to promote accountability, transparency and good governance.*

We Enforce: *all financial services regulatory and registry legislation, including all related subsidiary legislation and directives issued by the FSC under appropriate legislation.*

We Monitor: *the perimeter of regulated financial services activity to safeguard the public against any illegal and/or unauthorised financial services business operating in and from within the BVI.*

We Educate and Inform: *the general public and industry practitioners on matters relating to financial services business, including the regulatory regime.*

We Facilitate: *the provision of legal and regulatory assistance to overseas regulatory and law enforcement agencies pursuant to BVI laws.*

We Collaborate and Cooperate: *with other public and private sector stakeholders to foster the development of a financial services environment that will remain competitive and attractive for legitimate business.*

We Advise: *the Government on matters relevant to the financial services industry with a view to ensuring that BVI laws and regulations and the scope of supervision are compatible with international standards and appropriate for the sustained competitiveness of the BVI financial services industry.*

We Review: *all financial services and related enforcement legislation and policies with a view to keeping attuned to domestic and international developments affecting the financial services industry so as to continually strengthen the scope of services that we provide.*

Strategic Aims

In support of its mission, the Financial Services Commission (FSC) has the following strategic aims:

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

Introduction

The FSC is the regulatory pillar supporting the financial services industry. Since its establishment by the Financial Services Commission Act, 2001, the FSC has provided a solid foundation for the growth and development of the financial services industry by ensuring that the entities it regulates are operating in tandem with international best standards and practices.

With the overarching goal of **“Advancing the Vision”** the FSC over the past year continued to meet the growing and varying demands of international standards-setting organisations while ensuring the continued growth and development of the BVI’s financial services sector.

The FSC realises that it is paramount to incorporate the right balance of regulation and supervision so as not to stifle the development and growth of the financial services industry. The FSC has therefore strengthened its relationship with industry practitioners

by increasing the level of dialogue on emerging regulatory issues.

As a result, legislative reform and development during 2006 continued to satisfy the FSC’s supervisory and regulatory obligations without undermining the marketability of the jurisdiction.

This annual report sets out how the FSC achieved its strategic aims in 2006. It confirms that the FSC is continuing to meet its statutory obligations and demonstrates the crucial role played by the FSC in promoting stability and confidence in the BVI financial sector.

CHAIRMAN'S REPORT
BVIFSC ANNUAL REPORT
2006



Hon. Premier and Minister of Finance:

It is an honour to report to you and the Government, on the work of the Financial Services Commission and the general state of the Territory's financial services industry.

2006 was another exciting year for the FSC and we were able to advance and complete many important initiatives. As part of the perceived need to create a 'level playing field' by the consolidation of existing companies legislation, all International Business companies (IBCs) had until 30 November 2006 to voluntarily re-register under the BVI Business Companies Act (BCA). To the extent this was not done, automatic re-registration became effective 1 January 2007.

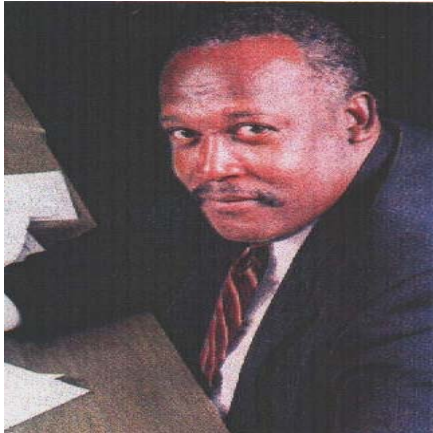
The introduction of the new VIRRGIN system at the registry has facilitated electronic filing by registered agents for both new incorporations and the

payment of renewal fees, provided vastly superior software to deal with the anticipated future increase in volume of companies to be incorporated in this territory, permits us to cope with the automatic re-registration process referred to above, and will eventually permit the operation of a wholly-paperless system.

In accordance with Section 27 of the Financial Services Commission Act, 2001, I am pleased to present this report of the FSC's operations and activities for the fiscal year 2006 as well as the FSC's audited financial statements.

On behalf of the Board of Commissioners, I express our gratitude for Government's continued support as we regulate and supervise the financial services sector, and as we strive to maintain the Territory's stature as a premier international centre.

Managing Director's Statement



I am delighted to present the 2006 Annual Report documenting the FSC's progress in Advancing the Vision of the British Virgin Islands as a well-regulated financial centre attractive to international business. This report meets the statutory obligations of the FSC to give an account of its operations and activities for the financial year and to present its audited financial statements.

2006 was a record year for the incorporation of the BVI's flagship product, now known as the BVI Business Company, with over 65,000 new companies incorporated. The new corporate structure introduced by the BVI Business Companies Act, 2004

(BCA) has proven to be successful in meeting the demands of the international business community. Before the close of 2006, we were able to realize a long-time goal and introduce the first phase of e-filing capabilities at the Registry of Corporate Affairs, one of the busiest corporate registries in the World.

The introduction of the Commission's Virtual Integrated Registry and Regulatory General Information Network (VIRRGIN), a proprietary information system, was a huge accomplishment and the culmination of over 2 years of research and planning.

The introduction of this system demonstrates the FSC's commitment to meeting the growing demands of the international financial services industry in an efficient manner.

Also in incorporate developments, pursuant to the provisions of the BCA, I was able to convene the first meeting of the newly formed Company Law Advisory Committee. The Committee is charged, *inter alia*, with making recommendations to the Commission for

the development and reform of Company Law in The Virgin Islands.

The enactment of Segregated Portfolio Companies (SPC) regulations also served to make the BVI an even more attractive domicile for mutual funds and we were pleased to be able to determine applications this year for mutual funds as SPCs.

Our newest initiative however is the proposed introduction of new legislation governing private trust companies. Work is necessary on a regulatory code and amending legislation to support this initiative and they are currently being advanced.

In further advancing the vision, legislatively, the FSC and its partners identified the need for amendments to the Financial Services Commission, Banks and Trust Companies, Company Management and BVI Business Companies Acts in ensuring that the BVI's regulatory framework remains in line with international standards.

With international developments in the regulation and supervision of financial services, the FSC aims to constantly

stay abreast of issues affecting the BVI as a financial centre, thus continuously advancing our vision for our respective Divisions, the organisation as a whole, and the BVI more generally. Advancing the vision of the BVI as a competitive international financial centre relies on the active involvement and cooperation of a number of actors including management and staff of the FSC and its strategic partners, the Financial Services Institute, the International Finance Centre (IFC), the Financial Investigation Agency and the International Affairs Secretariat, as well as members of the financial services industry and Government officials.

As part of the FSC's commitment to collaborate and cooperate with industry partners, we were pleased to co-host with the Government's International Affairs Secretariat a Colloquium on International Initiatives and Developments Impacting the Industry in April. Senior management of the FSC discussed and explained emerging issues in the area of international finance, specifically exploring international standards-setting agencies for the banking, fiduciary, insurance and

investment industries to stakeholders in the industry.

It was my pleasure also to address members of the BVI Association of Compliance Officers in October on the facets of International Best Practice.

Internal changes at the FSC included the institution of the second Chairman of the Board of Commissioners, Mr. Robin Gaul (former Deputy Chairman) following the departure of the Board's inaugural chairman Mr. Michael Riegels, QC at the end of May.

August saw the anticipated departure of the FSC's Shipping Division which has joined forces with the BVI Maritime Administration to form the Virgin Islands Shipping Registry, a Government agency. We bid a heartfelt "bon voyage" to the Division.

In an effort to set out the FSC's strategic vision and goals for 2007, a policy retreat for members of the Board of Commissioners and senior management of the FSC was held in December. At this event, major FSC policy projects and initiatives were discussed including

service standards, complaints handling, a regulatory handbook, good corporate citizenship and international cooperation.

I would like to take this opportunity to commend the efforts of the FSC staff for their continued commitment to advancing this organisation's vision, and their dedicated work in pursuing our goals. I look forward to working together in the future to continuously push our mission forward.

Robert Mathavious
Managing Director/CEO

Overview of the Commission



Establishment

The BVI Financial Services Commission is an autonomous regulatory body responsible for the regulation, supervision and inspection of all financial services in and from within the BVI. It was established in January, 2002 following the enactment of the Financial Services Commission Act, 2001 (the “FSC Act”).

The establishment of the FSC demonstrates the BVI Government’s ongoing commitment to implementing the recommendations of the KPMG Review of Financial Regulation in the British Caribbean Overseas Territories and Bermuda (2000), and to doing whatever is necessary to ensure that our regulatory regime fully complies with benchmarked international standards.

Functions

As set out in Section 4(1) of the FSC Act, the primary functions of the FSC include:

- Supervising and regulating licensees in accordance with the Act, the financial services legislation and the Regulatory Code;
- Monitoring and regulating, in accordance with relevant financial services legislation, financial services business in or from within the Territory;
- Taking action against persons carrying on unauthorised financial services business in or from within the Territory;
- Receiving, reviewing and determining applications for licences;
- Monitoring compliance by licensees, and by such other persons who are subject to them, with the Anti-Money laundering Code of Practice and with such other Acts, regulations, codes or guidelines relating to money laundering or the financing of terrorism as may be prescribed;
- Administering the Registry legislation;

- Monitoring the effectiveness of the financial services legislation in providing for the supervision and regulation of financial services business in the Territory to internationally accepted standards;
- Providing the Council with periodic reports, advice, assistance and information in relation to any matters relating to financial services business as may be necessary;
- Making recommendations to the Council on such amendments or revisions to the financial services legislation or such new legislation as the Commission considers necessary or appropriate in developing the financial services industry in the Territory;
- Developing appropriate legal, regulatory and supervisory mechanisms for the efficient and effective administration of the Commission and the financial services legislation;
- Maintaining contact and developing relations with persons engaged in financial services business in or from within the Territory with a view to
 - encouraging the development of high professional standards within the financial services industry; and
 - initiating and promoting codes of conduct for licensees;
- Maintaining contact and developing relations with foreign regulatory authorities, international associations of regulatory authorities and other international associations of groups relevant to the Commission's functions and providing legal and regulatory assistance to foreign regulatory authorities in accordance with the Act or any other financial services legislation;
- Developing, with such persons as the Commission may determine for purposes of maintaining integrity and professionalism in the Territory's financial services

industry, a system of continuing education for practitioners in financial services business;

- Adopting such measures as may be necessary to appropriately inform the general public on its functions and on matters relating to or affecting any financial services business or the registry legislation;
- Issuing such advisories to investors, licensees and the general public as it considers appropriate;
- Monitoring, in the public interest, promotional advertisements relating to any financial services business or to services provided under, or with respect to, any financial services legislation and giving such advice relating to accuracy, fairness and compliance with established laws and policies;
- Entering into memoranda of understanding with regulatory and law enforcement agencies

within and outside the Territory;
and

- Promoting a safe and sound financial services environment in the Territory.

Responsibilities to Government

Although the FSC and its Board operate autonomously, the FSC is fully accountable to the BVI Executive and Legislative Councils for the execution of its activities. Annual accounts, work plans and periodic management reports must be provided by the FSC to both Councils for review.

The Commission is also responsible for maintaining an account called the Government Trust Account at a bank operating in the Territory and approved by Executive Council. All monies received on behalf of the Government, such as annual licence fees, along with other registration and recognition fees payable under financial services legislation and any other such fees as agreed by Council and the FSC must be paid into this account.

Management and Governance



Board of Commissioners

The Board of Commissioners is the FSC's governing and policy-setting body and is committed to upholding the integrity of the FSC, protecting the interests of the public and serving all regulated individuals and companies through efficient and accessible service-orientated policies and procedures. The Board monitors and oversees the management of the FSC through the Managing Director, with the objective of ensuring economic and efficient use of resources. The Board also ensures that the FSC's internal financial and management controls are adequate and that the FSC operates in accordance with the principles of good governance. The members of the Board of Commissioners are appointed by the Executive Council for terms ranging from one to three years.

The Board is comprised of the Managing Director and not less than four or more than six other

Commissioners, one of whom must be from outside the Territory and have a financial services background.

Board meetings are convened at least once every month and are presided over by the Chairman or, in his absence, the Deputy Chairman.

In May, Mr. Robin Gaul, the inaugural Deputy Chairman of the Board of Commissioners became the second Chairman of the FSC following the departure of the inaugural Chairman, Mr. Michael Riegels, Q.C. whose appointment ended in April.

The Board of Commissioners was pleased to welcome Mr. Colin O'Neal to the post of Deputy Chairman in May, filling the seat made vacant by Mr. Gaul's ascent to Chairman. Mr. O'Neal is an accomplished lawyer and former Managing Partner of a local law firm.

The Board during its monthly meetings deliberated and decided on numerous policy and operational matters including:

- Memorandums of Understanding (MoUs) between the BVI and Jersey and the BVI and Mexico

- The International Organization of Securities Commissions' Initiative on International Cooperation
- The FATF Report on Misuse of Corporate Vehicles
- A Revised Employee Performance Management System
- Guidance for Captive Insurance Companies
- FSC's recruitment and separation policy

The Board of Commissioners was represented at the 24th Annual International Symposium on Economic Crime held annually in Cambridge UK by Commissioner Fuggle. The theme of the conference was, *"The Identification and Control of Risks Associated with The Enterprise of Crime and Terror."*

As mandated by the FSC Act, the Board of Commissioners convened its annual meeting with Executive Council for the purpose of presenting and discussing the previous year's audited financial statements and proposed operating budget for the upcoming year, as well as strategic plans and development issues that lie ahead.

The Board of Commissioners hosted the first annual Board of Commissioners/ Senior Management retreat in December. The retreat was a crucial exercise in moving a number of key initiatives forward. It also provided an excellent opportunity for senior managers to discuss first-hand priority initiatives and plans and to receive feedback on key projects assigned during the year. Retreat topics and initiatives included:

- A formal policy to address Complaints Handling,
- The introductions and publication of a Regulatory Handbook to make more transparent the objections and procedures of the FSC in managing supervision of the industry.
- Collaboration with Attorney General Chambers on an International Cooperation Handbook to assist other qualified regulatory and law enforcement authorities on the purpose approval to requesting relevant information from the FSC and
- Prioritizing matters in the 2007 FSC work plan for execution.

The full complement of Commissioners as at the end of 2006 is as follows:

- Robin Gaul, *Chairman*
- Colin O'Neal, *Deputy Chairman*
- Phillip Fenty, *Commissioner*
- Eleanor Smith, *Commissioner*
- Martin Fuggle, OBE, *Commissioner*
- E. Walwyn Brewley, *Commissioner*

Financial Services Appeal Board

Any person who is aggrieved by a decision made by the Board of Commissioners, the FSC or the Licensing and Supervisory Committee (the “LSC”) may appeal, to the Financial Services Appeal Board under the provisions set out in the FSC Act.

The Appeal Board comprises three members and a secretary. Its current composition is as follows:

- Attorney Cecil Dawson, *Chairman*
- Edison O’Neal, *Member*
- Diana Maduro, *Member*



Executive Management Team

Robert Mathavious

Managing Director/CEO

Kenneth Baker

**Deputy Managing Director,
Regulation**

Jennifer Potter-Questelles

**Deputy Managing Director, Corporate
Services**

Regulatory Divisions

Kenneth Baker

**Director, Banking & Fiduciary
Services**

Ayana Glasgow

**Deputy Director, Banking & Fiduciary
Services**

Christopher Hill

Director, Insolvency Services

David Abednego

Deputy Director, Insolvency Services

Michael Oliver

Director, Insurance

Elton Lettsome

Deputy Director, Insurance

Stanley Dawson

Deputy Director, Insurance

Ruth Chadwick

Director, Investment Business

Brodrick Penn

**Deputy Director, Investment
Business**

Glenford Malone

**Deputy Director, Investment
Business**

Legal and Enforcement

Jacqueline Wilson

**Director, Legal & Enforcement
Legal Counsel**

Joanne Williams-Roberts

**Deputy Director, Legal &
Enforcement**

Policy, Research & Statistics

Mark McKenzie

**Director, Policy, Research and
Statistics**

Registry of Corporate Affairs

Myrna Herbert

**Director, Registry of Corporate
Affairs**

Hugh Allington Hodge

**Deputy Director, Registry of
Corporate Affairs**

Lydia Cline-Parsons

**Deputy Director, Registry of
Corporate Affairs**

Corporate Services

Jennifer Potter-Questelles

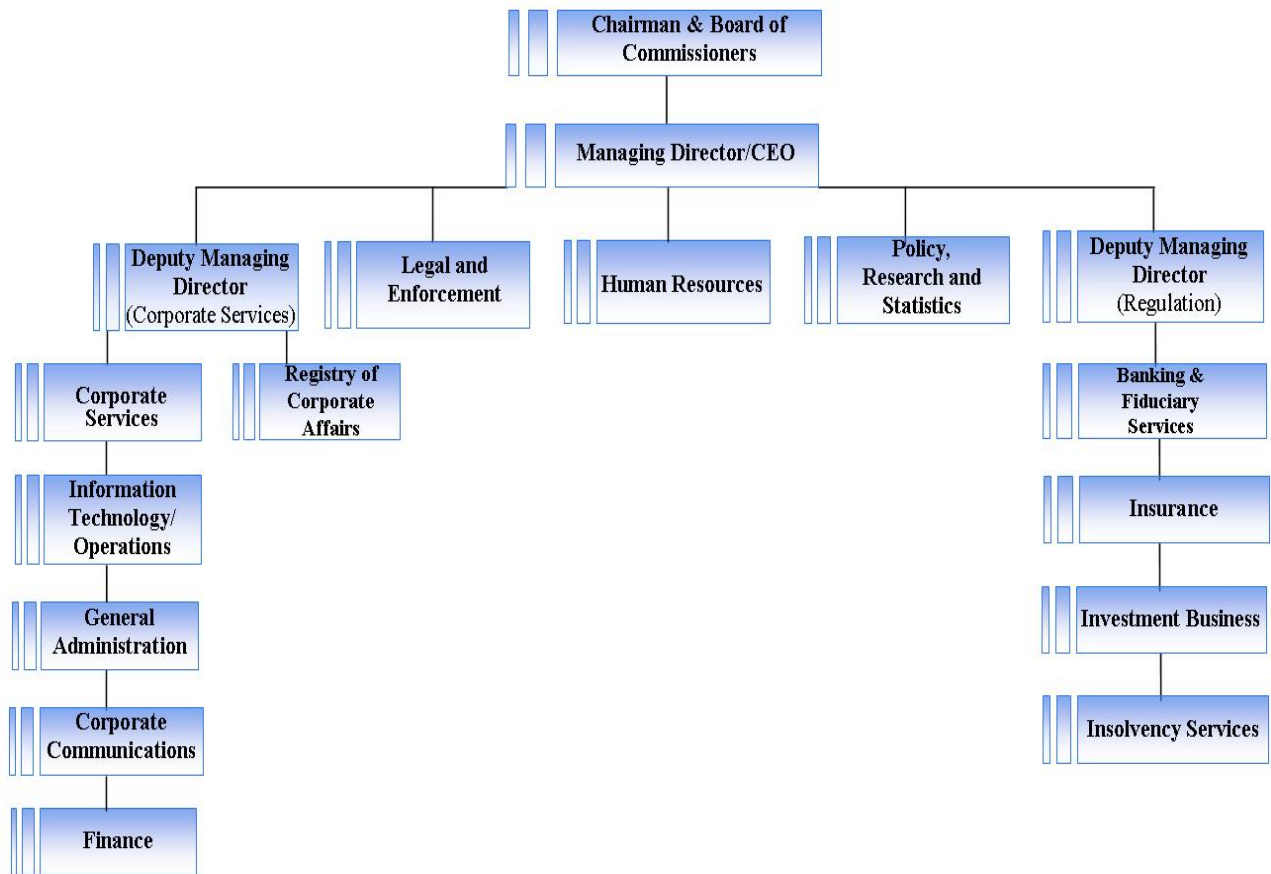
Director, Corporate Services

Human Resources

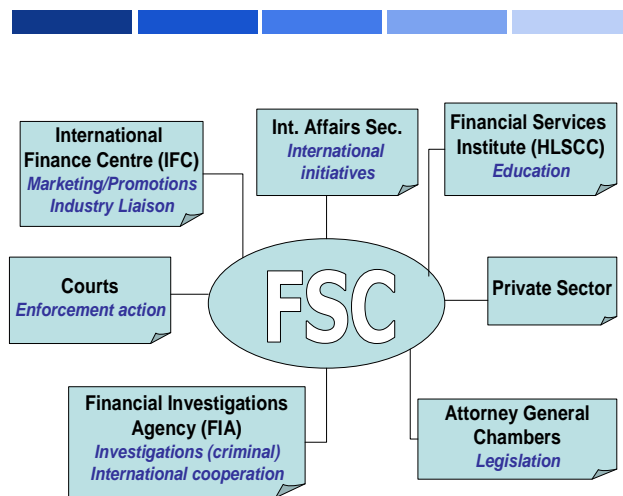
Annet Mactavious

**Manager, Human Resources
Secretary, Board of Commissioners**

Organisational Chart



Strategic Partners



Financial Services Institute (FSI)

The Financial Services Institute (FSI) at the H. Lavity Stoutt Community College was launched in October, 2002 to provide educational and training opportunities to the local financial services industry.

The FSI develops programmes to give the financial services industry the tools to respond to human resources needs as the industry evolves and expands.

The FSI currently offers an Associates Degree in Financial Services. This programme incorporates the curriculum of the Foundation Certificate in International Trust Management of the Society of Trust and Estate Practitioners

(STEP) and the Introductory Certificate in Compliance and Anti-Money Laundering of the International Compliance Association (ICA). Students can therefore simultaneously earn an Associates Degree in Financial Services as well as STEP and ICA qualifications.

The FSC continues to work closely with the FSI to develop and propagate relevant training material in support of the FSC's mandate of educating the public and providing additional training to industry practitioners. FSC employees, including senior management, have also continued to make presentations and teach classes on regulatory matters at the FSI. We have also commenced dialogue with the college and the industry to strengthen the FSI's capabilities to deliver relevant professional training. The FSC is committed to assisting with ensuring that relevant training is available, to support additional entry and advancement opportunities for interested persons.

International Finance Centre (IFC)

The IFC was established in 2002 to separate the roles of regulation and promotion of the Territory's financial services sector. The IFC's primary function is to enhance and promote the BVI as a premier jurisdiction for the conduct of international financial business.

As the official agency responsible for marketing the BVI financial services industry and managing the Territory's international image, the IFC's responsibilities include: creating a shared understanding of the current and future value and benefits of financial services to the BVI; devising and implementing national and international marketing and communications programmes to support business development and to further enhance the BVI's reputation; and creating and executing information and education programmes to create awareness and understanding of the BVI as a financial centre.

Throughout the year, the FSC and IFC

have partnered on a number of initiatives aimed at the local and international business community, in order to raise the profile of the BVI as an international finance centre and increase understanding of the regulatory and supervisory environment.

In November, the IFC launched Team BVI, a dynamic group of ambassadors from the public and private sectors to be the face and voice of the BVI financial services brand. The team of government officials, regulators and industry practitioners facilitated by the IFC, hosted an investment conference in London, UK later that month for executives in the mutual and hedge fund industries. The purpose of the event was to bring the London market up to speed with the rapid growth of the BVI's investment business industry, regulatory environment and current trends and opportunities in offshore finance. The FSC is represented on Team BVI by the Deputy Managing Director, Corporate Services and Director, Investment Business. Participation on the team includes providing the regulator's view and input in articles and other printed content on the industry as well as the

voice of the regulator on Legislative and supervisory matters during speaking engagements and other events.

The FSC also provided technical and strategic assistance to the IFC by ensuring accurate information and statistics on the Territory's regulatory environment was disseminated to readers of key trade and other publications.

Financial Investigation Agency (FIA)

The FIA is responsible for processing requests for legal assistance from international judicial and law enforcement bodies; assisting with the investigation of financial crimes; and receiving, analysing and investigating suspicious transaction reports filed under the Proceeds of Criminal Conduct Act. It provides intelligence to the FSC for due diligence and enforcement action purposes and conducts certain investigations.

The FIA's Executive Body comprises the Deputy Governor as Chairman, the Financial Secretary, the Commissioner

of Police, the Comptroller of Customs and the Managing Director of the FSC.

The FSC, through the Managing Director, also continues to be a member of the FIA's Steering Committee. During the year the FSC and FIA have collaborated on enforcement, due diligence and investigative matters.

The FSC also makes an annual allocation in its operating budget to support the FIA financially.

International Affairs Secretariat (IAS)

The International Affairs Secretariat (IAS) is a unit of the Government's Ministry of Finance. The Secretariat was developed to provide a focal point in the Government for elaborating policy responses and handling international initiatives, such as tax-related matters.

The Secretariat also leads strategic planning in the areas of finance and economic development for the Government and gathers, analyses and distributes information on current and future international initiatives.

The Secretariat was specifically designed to build relationships with leaders around the world, represent the BVI in international forums and provide Government with advance intelligence on international developments.

The Secretariat rolled out the Stakeholder Mapping Report September to provide Government Ministers with an overview of the BVI's international relationships. For the production of this important repository for regional and international contacts, initiatives and plans, the FSC provided a liaison officer to the IAS to manage its contribution.

In October, the IAS hosted a workshop entitled "Getting the Most out of International Relations" for senior management in Government and Statutory agencies. At this event, the Managing Director presented a paper on the "BVI's position in the world of offshore finance."

Corporate Services

The Corporate Services Division is responsible for the day-to-day running and administration of the FSC, which includes the provision of support services to product-related divisions. Services include accounting and finance, human resources, information technology and facilities management and corporate communications.

Human Resources

At the end of 2006, the FSC had a total of 124 employees including two temporary hires. Four employees were on study leave in 2006.

The FSC's regulatory cadet programme which is an 18-month induction course exposing young professionals to regulation and supervision of the financial services industry, completed its third year in 2006. The objective of the cadet programme is to ensure that the FSC has an available pool of well-trained regulators. Eligible candidates are British Virgin Islanders who have completed a university degree in a relevant field and are interested in exploring a career in regulation.

In 2006, the FSC welcomed three young professionals to the regulatory cadet programme. The recruits bring formal education and training in the areas of political science and finance.

The structured programme includes formal classroom sessions as well as scheduled rotations within each of the regulatory divisions. It introduces candidates to the FSC's approach to effective regulation and exposes them to current issues of particular significance to the work of the FSC including international initiatives and changes in the international supervisory framework.

Training and Professional Development

In 2006, a number of seminars, workshops and conferences were attended by FSC staff. Key professional development events included:

- Conferences organized by key international standards setting agencies and organizations such as: Caribbean Group of Banking Supervisors (CGBS), International Association of Insurance Supervisors (IAIS), International Organization of Securities Commissions (IOSCO),

Caribbean Financial Action Task Force (CFATF)

- Workshops hosted by STEP, RIMS, CARTAC,
- Annual International symposium such as Oxford Offshore Symposium, and the Symposium on Economic Crime at which the FSC was well represented by its employees.

The conferences and other events covered the gambit of regulatory, supervisory and operational issues including:

Communications, speech writing, pension administration, risk based supervision, globalization of mutual funds, money services, information technology, banking supervision and facilities management.

The FSC remains an organisation committed to training and professional developments wherever matters of critical importance to the work of the FSC are being discussed, the FSC continues to ensure that its views are factored into the development and decision-making processes.

The FSC also launched its computer loan programme geared towards assisting junior staff with procuring technology for personal use. The programme envisages that assisting employees with upgrading their computer skills will result in a better skills set and greater productivity on the job.

Pension Plan

The BVI FSC's defined contribution pension plan continues to be managed by the Royal Bank of Canada, and as of the end of 2006, the market value of the fund was over \$2.6 million. Since the inception of the pension plan, its annualized rate of return has been around 10%. At the end of 2006, there were 87 persons in the plan including three Virgin Islands Shipping Registry employees on secondment from FSC.

Other Activities

The annual employee recognition event was hosted by the Board of Commissioners at the Little Dix Bay Hotel in Virgin Gorda in April. The event

honoured employees and recognised the contribution of the inaugural Chairman, Mr. Michael Riegels, QC.

The FSC's Board and staff paid tribute to Chairman Riegels for his sterling leadership during the FSC's first years.

The guest speaker for the event was Dawne Simmons of WordStorm Communications. She delivered an address entitled: "Champions of Change." FSC employees were encouraged, motivated and invigorated by the key note address to continue to champion change and innovation at the Commission.

As part of the evening's events, the FSC recognized two employees of the Registry who celebrated ten and fifteen years of service to the FSC and former Financial Services Department (FSD).

"A Cultural Mix for 2006" was the theme for the Territory's 2006 Emancipation Celebration. Members of the FSC's staff were thrilled to participate for a third year in the BVI's August Emancipation Festival, in the FSC's floupe (float and troupe) entry "Out of Africa". The floupe

paid tribute to the rich diversity of BVI culture and the footprints of African life that are still visible in the BVI today. The troupe displayed shades of gold, bronze and black representing the vibrancy and strength of Africa, while the float, constructed from wood with a myriad of palm leaves and other accents, demonstrated an African Safari Adventure.

FSC employees also continue to represent the FSC on a number of committees and other ad-hoc groups to lend experience and expertise to government initiatives.

Regulation and Supervision



The Approach to Regulation

The FSC's regulatory approach aims to ensure that the FSC effectively supervises the entities and persons licensed and authorised to conduct financial services business in and from within the BVI

The ultimate aim is to ensure that regulated entities act in compliance with all regulatory requirements, international standards and best practices. The FSC employs a risk-based approach based on the principle that a burden or restriction which is imposed on an entity should be proportionate to the broad benefits expected. The FSC is also mindful of its responsibilities to ensure that the financial services sector is sound and demonstrate that the jurisdiction is committed to sound regulatory practices in support of legitimate business.

Our risk-based approach to supervision focuses on the mitigation of risks to our regulatory objectives and has regard to the need to use the FSC's resources in the most effective way.

One important arsenal in the regulatory tool-kit is to develop core competencies in the cadre of trained regulators that the FSC depends on to carry out its work. The FSC is always keen to work with regional and international counterparts, in informal ways as well as through organisations specifically set up to exchange ideas and information and

to brainstorm on critical developments within the sector.

On-site Inspection Programme

The FSC introduced an On-site inspection programme in 2004 to complement its other methods for ongoing supervision of regulated entities. On-site inspection visits focus on those areas deemed by the FSC to be the most significant. They assist us in understanding the complexity of business carried out by licensees and in controlling the risks incurred by the regulated entity.

Each On-site inspection team is headed by a senior regulator from the FSC division responsible for the day-to-day supervision of the regulated entity. After a preliminary in-house review, regulators conduct specific tests for compliance with legislative requirements and regulatory guidance and best practice.

The extent of the On-site inspection is determined by the complexity of the regulated entity's business, its available resources and the FSC's specific

concerns. Inspection visits culminate with wrap-up meetings with senior personnel at the regulated entity to review the entity's internal control systems. The FSC provides the entity with a formal inspection report, summarising the areas assessed and setting out recommendations for corrective action where required. As the FSC beds down to execution of the programme, a number of common threads and lessons came to light.

Some common observations included:

- Failure of regulated entities or persons to obtain the FSC's prior approval as required by legislation
- Late submission of required returns
- Full compliance with the Anti-Money Laundering Code of Practice.

The FSC conducted 18 compliance On-site inspections and nine books and records inspections of insurance managers in 2006.

One of the primary objectives of the inspection programme is to ensure that BVI regulated entities comply with BVI Legislation and International standards. The FSC continues to try and ensure a positive compliance culture and foster

good relationships with licensees. To this end, the programme is also used to enhance the information disseminated to licensees.

Licensing and Supervisory Committee

The Licensing and Supervisory Committee (LSC) was created under Section 14(1) of the FSC Act. It is the authorisation arm of the FSC, responsible for assessing and granting all applications for licences and certificates to operate in and from within the BVI. It also supervises authorised entities to ensure continued compliance with relevant laws and regulations.

The licensing process is highly sensitive. Eligibility for a BVI licence is restricted to organisations with adequate capital and control systems, and sound ownership and management. Applications for assessment by the LSC are submitted by the head of the regulatory division responsible for supervising the entity. The committee takes its decisions by consensus. Where the decision is not in the applicant's favour, the LSC forwards a copy of the application and decision to the Board of Commissioners.

Licensees are required to notify the FSC of any significant matter relating to their fitness and propriety as soon as the firm

becomes aware of it. Furthermore, the conditions for fitness and propriety must be met on a continuing basis. All changes in control of the entity are subject to regulatory approval.

Members of the LSC are governed by the committee's guidelines and by the FSCA. The Committee comprises:

- (a) the Managing Director as Chairman;
- (b) the Deputy Managing Directors;
- (c) the heads of regulatory and supervisory divisions with the FSC; and
- (d) such other senior officers of the FSC as the Managing Director may, within the approval of the Board, designate.

Meetings of the LSC are convened weekly and presided over by the Managing Director or, in his absence, any other officer designated by him.

Prior to issuing a licence or certificate, the LSC must be satisfied that the action is in the interest of the BVI and that the entities (including their senior managers, directors and shareholders) meet

relevant “fit and proper” tests established by BVI laws and policies or by the appropriate international standards-setting organisation.

Legislative Developments

In 2006, the FSC's legislative agenda included the drafting of the Financial Services Commission (Amendment) Act, 2006, the Banks and Trust Companies (Amendment) Act, 2006, the Company Management (Amendment) Act, 2006 and the Financial Services (Administrative Penalties) Regulations, 2006. These pieces of legislation were finalised and gazetted at the end of the year.

LEGISLATION	DATE GAZETTED
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<p>1. BVI Business Companies (Amendment) Act, 2006</p>	<p>27 October, 2006</p>
<p>2. Company Management (Amendment) Act, 2006</p> <p>The Act amended various provisions in the Company Management Act, to make the legislation even more responsive to the needs of the financial services industry. The amendment requires a licensee to maintain capital resources of</p>	<p>2 November, 2006</p>

not less than \$25,000 at all times. The amendment also created new provisions defining financial statements, set out enhanced provisions dealing with the appointment of an auditor and created new obligations for auditors.

<p>3. BVI Business Companies (Amendment of Schedules) Order, 2006</p>	<p>30 November, 2006</p>
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<p>4. Financial Services Commission (Amendment) Act, 2006</p> <p>The amendment sought to strengthen the FSC's international cooperation regime. It created the Enforcement Committee with powers to consider and determine the application of the FSC's enforcement</p>	<p>7 December, 2006</p>
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LEGISLATION **DATE GAZETTED**

5. Financial 14 December 14, 2006

Services
(Administrative Penalties)
Regulations, 2006
The FSC
(Administrative Penalties Regulations)
were enacted to promote higher standards among licensees. The penalties are a modern feature of the FSC's regulatory toolkit, and embody the principles of fairness, simplicity and transparency.
The penalties should act as a meaningful deterrent but also recognise the differences in size and resources of regulated entities.

Enforcement Matters

The FSC's Legal and Enforcement Division is responsible for legal representation of the FSC in general and enforcement matters and legal support and advice to the Board of Commissioners, Executive Management and internal divisions. The FSC's enforcement powers are used primarily to ensure that regulated persons comply with the requirements of the FSC Act and the various financial services legislation. They also enable the FSC to achieve its various regulatory objectives as set out in the FSC Act by making recommendations to the government for the amendment of financial services legislation or the introduction of new or complementary legislation to improve the FSC's regulatory regime.

In 2006, 386 matters were referred to the Legal and Enforcement Division for advice and the FSC took enforcement action in 30 of those cases. In taking enforcement action, the FSC aims to arrive at a decision that is reasonable,

proportionate and consistent with both the FSC's earlier decisions and sound regulatory practice.

In three of the enforcement cases, the contraventions were minor and the regulated persons took immediate steps to remedy them. The FSC thus issued a strongly worded warning letter in these cases.

International Cooperation

The Legal and Enforcement Division continued to liaise with the International Organisation of Securities Commissions (IOSCO) concerning the BVI's application for membership. The FSC updated its response to the IOSCO Multilateral Memorandum of Understanding (MMoU) questionnaire to include the changes effected by amendments to the financial services legislation.

Legal and Enforcement Division Statistics	2006
Advisory Warnings	1
Enforcement Matters	30
International Cooperation	
Formal Requests	31
Informal Requests	22

During 2006, the Legal and Enforcement Division received 53 requests for assistance from foreign regulatory authorities which generally related to due diligence inquiries. Once the requirements for granting assistance were satisfied, the FSC exercised its compulsory powers under the Financial Services (International Co-operation) Act, 2000 to obtain the required information and to provide the assistance requested.

During the year, the Legal and Enforcement Division continued its work on the International Cooperation Handbook, which the FSC looks forward to publishing in the coming year. The handbook is intended to provide assistance on the robustness and modalities of BVI's regime. With the

assistance of the Attorney Generals Chambers, specialist legislative draftsman and industry input via the consultative process, we continue to strengthen the Territory's legislative framework.

Policy Development and International Initiatives

The FSC recognises the importance of staying abreast of international developments in the area of financial services regulation in order to maintain a well-regarded and well-regulated jurisdiction. As international regulatory practices and the framework of regulation evolve, the FSC must make every effort to assess the impact of the changes and trends on the Territory's financial services industry. This requires a continual process of reviewing legislation, monitoring international policy shifts and developing, introducing and reviewing guidance to the industry.

The FSC values the effectiveness of its partnership with the private sector. This helps us to maintain the standards of the jurisdiction through constant dialogue and review.

In April, the FSC co-hosted a Colloquium on International Initiatives and Developments Impacting the Industry in order to update and inform industry practitioners of the work being conducted at the FSC and emerging issues in financial regulation and supervision internationally. Presentations were given by the Deputy Managing Director, Regulation as well as directors of Insurance, Investment Business and Policy, Research and Statistics Divisions.

The Deputy Managing Director, Regulation provided an update on the Misuse of Corporate Vehicles Typologies Project which aimed to identify the areas of vulnerability and evidence of malpractice in reference to the misuse of corporate vehicles as reported on by the Organisation for Economic Co-operation and Development (OECD).

Also at the Colloquium, the Director, Insurance presented information on the history and roles of two international insurance regulatory bodies: the International Association of Insurance

Supervisors (IAIS) and the Offshore Group of Insurance Supervisors (OGIS). This presentation also served to inform the industry of current activities being performed by IAIS and OGIS.

Director, Investment Business, Ms. Ruth Chadwick, discussed the International Organisation of Securities Commission's (IOSCO) objectives and principles and its Multilateral Memorandum of Understanding (MMOU). The purpose and challenges of the BVI's participation in the International Monetary Fund's Coordinated Portfolio Investment Survey's (IMF CPIS) were also discussed as part of Ms. Chadwick's presentation, with a view to encouraging voluntary industry participation in the FSC's Mutual Funds Survey, conducted since 2004.

Then Director, Policy, Research and Statistics, Mr. Mark McKenzie presented on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) initiatives at the Colloquium, setting out the FSC's proposals to strengthen the BVI's AML/CFT framework and emphasising the importance for the industry to have

adequate and effective due diligence systems and processes in place.

During 2006, members of the FSC staff attended the IMF CPIS Workshop held in the Isle of Man. The primary focus of the workshop was to review the results of the 2004 survey and plan for future surveys. For the benefit of economic and financial analysis, the content of the CPIS Metadata Questionnaire was reviewed and practical uses of the CPIS were examined. The FSC looks forward to participation in this survey in the coming years, and has designed and implemented the Mutual Funds Survey since 2004 to facilitate the BVI's participation in the survey.

In 2006, the FSC took part for the first time in the IMF's Information Monitoring and Dissemination Framework, submitting limited data for the BVI's banking, insurance and investment business sectors. The FSC anticipates greater participation in the framework in the coming years as it revises its reporting requirements to meet international standards.

As part of its ongoing commitment to issue necessary, relevant guidance to the industry on important issues emerging in financial services, the FSC continued its revision of guidelines to industry practitioners on business continuity management, internal controls and compliance. The FSC seeks to formalise all guidance through Codes of Practice to be issued in 2007. Practice directions on allowable assets, investment policies and books and records keeping were also issued to the insurance industry in 2006.

In recognition of its function to educate the public on financial services related issues under the FSC Act, in 2006 the FSC undertook a Financial Literacy Project, in which a sample of students at the BVI High School and H. Lavity Stoutt Community College as well as members of the financial services industry and general public were surveyed on their general knowledge of the BVI's financial services industry. This project will continue in 2007 and the results of the survey will be used to assist the FSC in designing general education programmes.

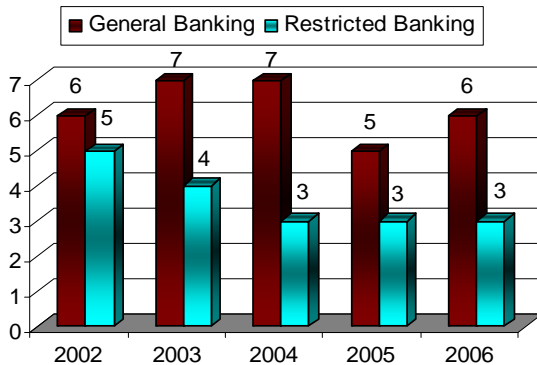
To fulfil its goal of informing the public and the industry on financial services related matters, at the beginning of 2006, the FSC published the first issue of its Statistical Bulletin. This regular publication aims to produce useful, accurate and timely information on the various sectors of the BVI financial services industry and is published on a quarterly basis.

Banking and Fiduciary Services

The Banking and Fiduciary Services Division ensures that all banks and trust and company service providers operating in and from within the BVI comply with international regulatory standards, established best business practices and relevant BVI laws.

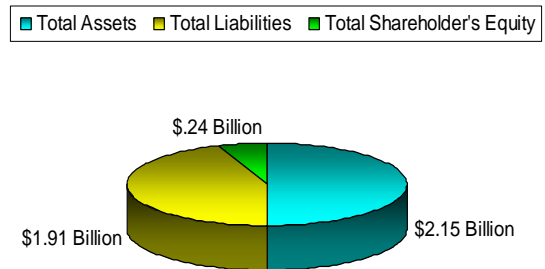
The BVI continues to be a conservative banking jurisdiction and as a consequence only nine institutions have been licensed to operate in and from within the BVI.

Banking Licences Granted 2002 - 2006



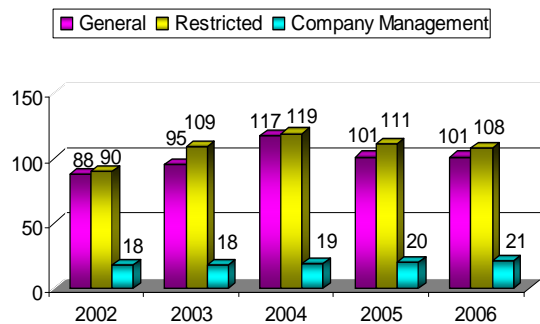
Holder of general banking licences are authorised to engage in banking business within and outside the BVI while banks with restricted licences may only conduct banking business outside the BVI. In 2006, the FSC issued six general and three restricted banking licences.

BVI Banking System 2006



Assets in the BVI banking system at the end of 2006 totalled \$2.15 billion, while total liabilities in the banking sector as at the end of the year amounted to \$1.91 billion.

Trust Business Licences Granted 2002 - 2006



In the area of fiduciary services, two classes of trust licences are issued by the FSC: general and restricted. In 2006, the FSC issued 101 general trust licences, 108 restricted trust licences and 21 company management licences.

The Banking and Fiduciary Services Division continued in 2006 to maintain

regular contact with the boards of directors, senior officers and external auditors of regulated entities. In conjunction with the Policy, Research and Statistics Division, the Division developed an initial draft of trust and company service providers' returns for bi-annual reporting by entities engaging in fiduciary services business. Reviewed guidelines for bank licensing and managed companies (cubicles) were also developed during the year.

In March and April, the Division held meetings with the members of the fiduciary services industry to discuss the FSC's proposed policy on managed (cubicle) companies as well as the Investment Deposit Directions. Comments from industry members on these policies have been collated and revisions made to the documents. Following further consultation with the industry, the FSC hopes to bring these policies on stream in 2007.

The Division saw the assent of the Company Management (Amendment) Act, 2006 and the Banks and Trust Companies (Amendment) Act, 2006 and continued to conduct compliance

inspections of regulated entities subject to supervision under the Banks and Trust Companies Act, 1990 (BTCA) and the Company Management Act, 1990 (CMA).

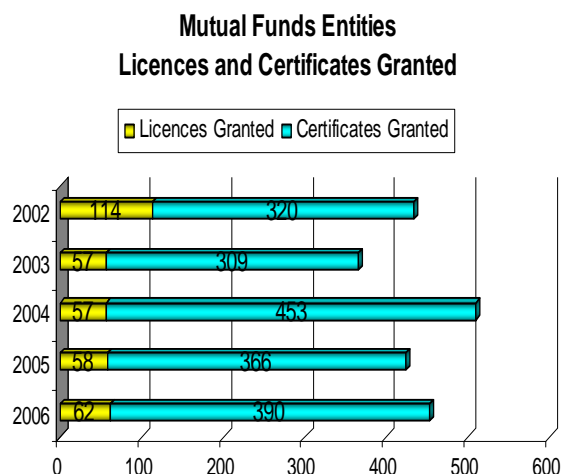
Investment Business

The Investment Business Division is responsible for the regulation and supervision of all collective investment schemes, including mutual funds, operating in and from within the Territory. The division ensures compliance with relevant BVI laws, as well as international standards of regulation and supervision. This division administers and enforces the Mutual Funds Act, 1996.

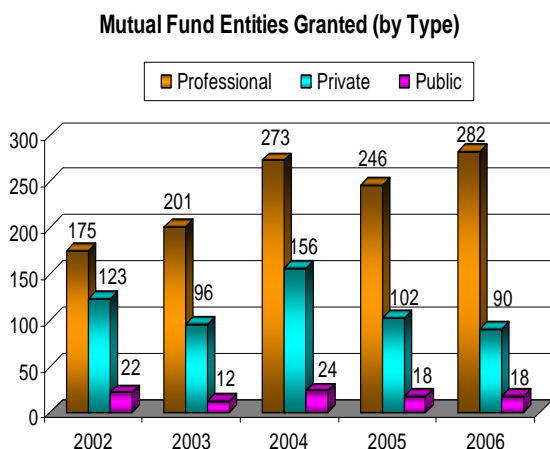
The popularity of the BVI as the prime location for offshore mutual funds grows by the day, as investment professionals increasingly recognise the benefits of this offshore jurisdiction. Since the enactment of the Mutual Funds Act in 1996, 4,181 mutual funds have been registered and recognised and 761 managers and/or administrators have been licensed. Of these figures, a total of 2571 funds and 49 functionaries were active at the end of the year.

BVI Mutual Funds Industry	
	Active Mutual Fund Entities
Mutual Funds	2571
Mutual Fund Functionaries	49

During the year, there were 395 applications for certificates for registration and recognition to mutual funds seeking to conduct business under the Mutual Funds Act, 1996, and of these, 390 certificates were granted.



The BVI's most popular fund vehicle continues to be the professional mutual fund with 282 professional funds recognised in 2006, a 15 percent increase from 2005. The number of private funds granted recognition was 90, followed by 18 public funds. Approximately 72.3 percent of certificates granted during the year were granted to professional funds, 23.1 percent private funds and 4.6 percent public funds.



During the year, the majority of licences were granted to companies seeking to provide management services. Of the 62 licences granted, over 98 percent were granted to companies providing management services to mutual funds. BVI Fund management business continues to demonstrate stable growth.

into compliance with the Mutual Funds Act through regularisation of their status. 191 funds and 35 licensed entities were cancelled in the year.

As at 31 December, 2006 a total of 24 mutual funds (13 professional, nine private and two public) were incorporated as Segregated Portfolio Companies.

The FSC expects overall continued growth in the mutual funds industry throughout 2007, and the Division looks forward to the drafting and enactment of the securities and investment business legislation in the coming year.

Mutual Fund Entities Granted	2005	2006
Manager	54	61
Administrator	3	1
Manager & Administrator	1	0

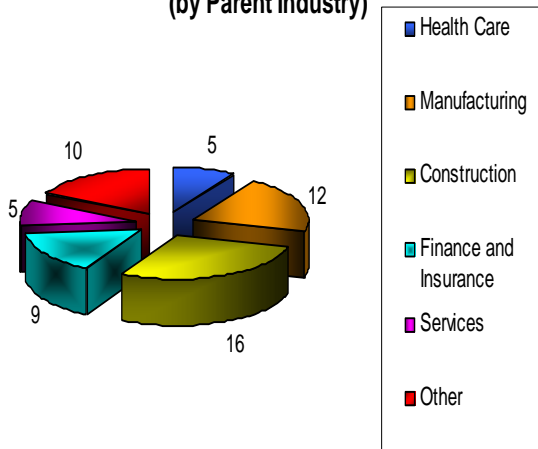
In 2006, as in previous years, the Division undertook an exercise to cancel all funds and licence-holders that had not paid their annual fees. This exercise served to bring any delinquent entities

Insurance

The Insurance Division regulates, supervises and inspects all insurance companies, insurance managers and other intermediaries operating in and from within the BVI to ensure compliance with the provisions established in the Insurance Act, 1994 and the Insurance Regulations, 1995.

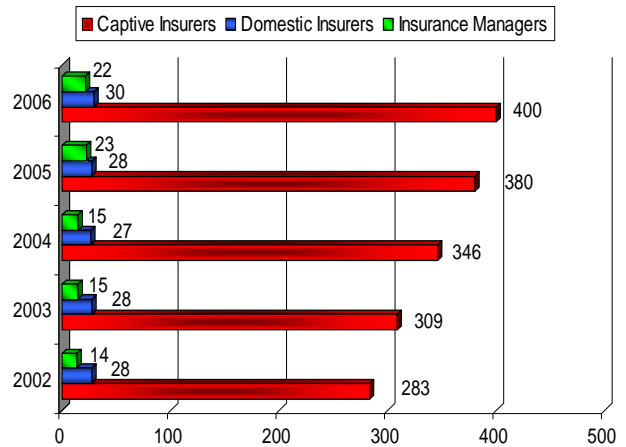
The BVI continues to be one of the most popular captive insurance jurisdictions. During 2006, 57 new captive insurers were licensed, making a total number of 400 licensed captive insurers in the BVI. Parent company business for the captives included 27 percent construction, 21 percent manufacturing, 16 percent finance and insurance, nine percent healthcare, nine percent services and 18 percent other industries.

**Captive Licences Issued in 2006
(by Parent Industry)**



Two new domestic insurance licences were issued during the year while no new insurance managers were licensed.

**Insurance Division
Licence Holders (by Type)**



In 2006, the FSC approved the creation of 28 new segregated portfolios within already established segregated portfolio insurance companies.

The Insurance Division reviewed the new International Association of Insurance Supervisors (IAIS) principles guidance and standards as part of preparation for the new Insurance Act, Regulations and Regulatory Code to be drafted and enacted in 2007. Joint meetings with domestic and offshore market representatives were held during the year to discuss the new Act and subsidiary legislation, the FSC's policy

on books and records keeping and licence renewal and fees.

Various members of the Insurance Division attended the IAIS Annual General meeting and Annual Conference, the Offshore Group of Insurance Supervisors (OGIS) Annual General Meeting, and the National Association of Insurance Commissioners' (NAIC) Annual Meeting. In June, the Division co-hosted a workshop on anti-money laundering and countering the financing of terrorism with Financial Sector Reform and Strengthening (FIRST) Initiative.

The Division participated in two meetings of the IAIS Insurance Fraud Subcommittee which produced a working paper on Preventing, Detecting and Remediating Fraud on Insurers that was presented at the IAIS Annual General Meeting. The FSC also completed its entry to the IAIS Insurance Laws Database in 2006. This database is an online facility collecting comprehensive information on insurance laws, regulations and practices of jurisdictions around the world.

The Division completed its On-site inspection programme in 2006, conducting both compliance as well as books and records inspections of insurance managers during the year.

In the year, the Insurance Division also issued statements of guidance to the industry on books and records keeping for captive insurers and on the definition of allowable assets.

Insolvency Services

The Insolvency Services Division is responsible for the licensing and regulation of insolvency practitioners in the BVI.

At the end of the year the total number of licensed insolvency practitioners in the BVI is 15. During the year, three licences were issued and three licences were revoked at the licence-holders' request. As expected, the initial flow of licence applications following the introduction of the new insolvency regime has slowed since the regime was enacted in 2004.

Insolvency licence holders are required to submit annual returns to the FSC during the first quarter of each year. These returns highlight any changes in the licence holder's circumstances and contact details and update the "fit and proper" review process carried out at the time of licensing. The licensees also provide annual statistics on the number and type of insolvency cases undertaken as well as the jurisdiction to which the cases relate.

Type of Case	Number of Cases
Receiverships	3
Administrative Receiverships	0
Company Creditor Arrangements	0
Administrations	0
Provisional Liquidation	28
Liquidations – appointed by members	4
Liquidations – appointed by the Court	52
Bankruptcies	0
Individual Creditor Arrangement	0
Total	87

The Insolvency Division continued to maintain close contact with industry practitioners and regulated entities through meetings and presentations on the new BVI insolvency regime and the Insolvency Rules during the year.

The Division hosted a meeting of the Insolvency Liaison Committee in July, in which the issue of relevant guidance notes as well as the arrangement of training seminars for insolvency practitioners were discussed. As a result of that meeting, there are plans to establish an Insolvency interest group called the Association of Recovery and Insolvency in 2007, which would, in conjunction with the FSC, facilitate the

development and arrangement of training activities for the industry.

The Division has been monitoring developments towards the improvement of insolvency standards internationally and considering their relevance to the BVI, particularly through membership in the International Association of Restructuring, Insolvency & Bankruptcy Professionals (“INSOL”) and the International Association of Insolvency Regulators (“IAIR”).

By publishing a feature on offshore insolvency in the February edition of a well respected specialist journal with international circulation, the Global Turnaround magazine, the Insolvency Services Division contributed to promote international awareness of the new insolvency regime. The Division also promoted awareness of the regime while attending the IAIR annual meeting in April 2006 and the INSOL conference in May 2006.

During 2006, the Division provided input to on amendments to the Business Companies Act, as they relate to

liquidation (including solvent liquidation) and striking-off procedures.

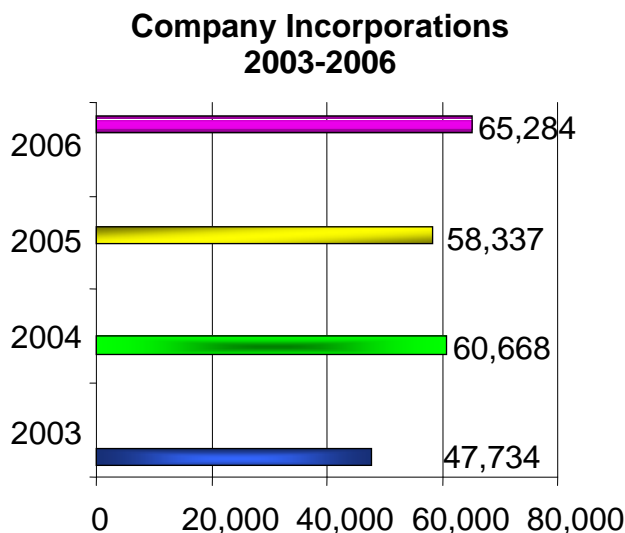
From May to October, the Deputy Director of Insolvency was seconded to the UK Insolvency Service, where as hoped, he gained valuable experience involving the regulation and supervision of insolvency practitioners, specifically in relation to the provision of On-site inspections. He has since been able to use this experience in helping the Division to develop its On-site inspection programme, which will begin in 2007. The secondment was an integral part of the FSC’s succession planning strategy. In preparation for commencing On-site inspections of insolvency practitioners, the Division established the regime during this year, and the design of inspection processes has reached its final stages.

Registry of Corporate Affairs

The Registry of Corporate Affairs is responsible for ensuring that entities doing business in and from within the BVI are duly registered. The division also facilitates the registration of BVI and UK trade and service marks and patents.

2006 was a record year (since enactment of the International Business Companies IBC Ordinance in 1984) for the incorporation of the BVI's flagship product, now known as the BVI Business Company (BVIBC).

During 2006, over 65,000 companies were incorporated, representing a 12 percent increase from 2005.



At the end of 2006, the total number of companies (including IBCs, BVIBCs and

local companies) was over 700,000. In 2006, there was a slight increase in the number of limited partnerships granted, with a total of 433 partnerships at the end of year.

	2005	2006	Cum. Total
Limited Partnerships	56	75	433
Number of Dissolutions	4,325	4,458	42,420

From the beginning of the year, companies could only be incorporated under the BVI Business Companies Act, 2004. In the coming years, the Registry will face the challenge of re-registering the IBCs and local companies on the Register to BVI BCs as provided for under the relevant legislation.

In accordance with the BVI Business Companies Act, in 2006 the Company Law Advisory Committee was established. The Committee led by Managing Director of the FSC, will discuss changes in company law and continuously review the Act.

A joint event was held with the Association of Registered Agents at the H. Lavity Stoutt Community College focusing on continuing education about Corporate Administration.

Additionally, the Virtual Integrated Registry and Regulatory Information Network (VIRRRGIN) was introduced in December, which prompted training for the registry and regulatory staff and the industry on the capabilities of the new system.

On the Horizon: Looking Ahead to 2007



Regulatory Objectives

For the coming year, the FSC's regulatory agenda will be rather extensive as we look forward to a further assessment by the IMF as part of its second round of evaluations of international financial centres.

The Board and Senior Management retreat held in December gave the FSC Board of Commissioners and management the opportunity to chart the organisation's way forward and discuss initiatives coming on stream in 2007 and beyond.

Proposed supervisory service standards for the FSC's regulatory divisions will be instituted in 2007 with the goal of managing performance against functions set out under the FSC Act and subsidiary legislation. Also in 2007, the FSC will formalise its complaints handling procedures by issuing the anticipated Regulatory Handbook.

Another goal for the FSC in 2007 will be enhancing and expanding its On-site

inspection programme by taking lessons from earlier implementation of the programme for trust and company service providers and insurance managers. The FSC's commitment to improving its On-site inspection programme is evidenced by the recruitment of an On-site Inspection Team Coordinator who will organise all inspections carried out by the regulatory divisions.

In tandem with enhancing the on-site inspection programme, the FSC will formalise its risk-based approach to regulation and supervision by producing a comprehensive risk-based framework.

With regards to enforcement, as provided for under the FSC (Amendment) Act, 2006, an Enforcement Committee will be established to coordinate and standardise enforcement activities undertaken by the Commission.

In general, 2007 will be a year of formalising and standardising current FSC practices thereby strengthening the FSC's regulatory framework to meet the

new challenges of the rapidly changing environment of financial regulation.

Legislative Agenda

The Commission in collaboration with the Attorney General's Chambers continues to review the BVI's financial services legislation to ensure that it is in compliance with international standards and takes into consideration recommendations made by the IMF during their review of our legislative framework.

In 2007, legislation will be introduced to regulate securities and investment business as well as money services business. Also in the coming year, a new Insurance Act and Regulations will be introduced to meet standards set out by the IAIS.

The FSC and its partners have also identified the need to revise the Anti-Money Laundering Code of Practice and the BVI Guidance Notes on the Prevention of Money Laundering so that they are in line with the revised FATF recommendations on money laundering and terrorist financing.