THE BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Annual Report 2014

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION
FSC

CONTENTS

Vigilance
Integrity
Accountability

MISSION **STATEMENT**

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

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

We **Pledge**

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

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

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

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

STRATEGIC **AIMS**

To be fully aware of international standards and their application to the BVI and issue guidelines to the industry as necessary

To ensure that all entries we authorise and supervise are operating within BVIlegislation and regulation and international standards of best practice

To ensure that all entities we authorise and supervise meet "fit and proper" criteria at the licensing stage and on an ongoing basis

To conduct an ongoing review of financial services legislation and makere commendations for changes where necessary

To ensure that the FSC operates effectively and efficiently

To identify and deter abuses and breaches of legislation

To raise public awareness of the BVI financial services industry and develop and implement a system of continuing education for industry practitioners

To ensure that the Registry of Corporate Affairs provide world class services to ensure the international competitiveness of the BVI

Our Logo:
The Lighthouse

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

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

Chairman's Statement

Robin Gaul
Chairman

I am pleased to report to the Government and people of the British Virgin Islands through the Honourable Premier and Minister of Finance concerning the activities of the Commission during 2014.

The results for 2014 are broadly in line with those budgeted, with total fees collected on behalf of Government close to $208million and net payments to Government exceeding $183.5 million, only marginally below the results for 2013. The Commission's operational costs have again been held in check, and this permits a distribution to Government out of available profits.

Against this positive result must again be weighed the continuing pressures on the Territory and the offshore world generally for increased transparency in operations, UK pressures for the introduction of a central registry of beneficial owners for companies and trusts; and the need for compliance with FATF regulations, US FATCA, and the expanding demands and requirements of other countries. Those pressures, combined with the continuing negative publicity that offshore centers are subjected to, adversely affects the marketability of the Territory's financial products and in turn depresses revenues, while at the same time it increases the scope and breadth of compliance and reporting procedures for the Commission and Government alike.

I take pleasure each year in commending the staff of the Commission for their hard work and dedication in the performance of their duties, and our more senior personnel in providing exemplary service as ambassadors for the Territory in their many presentations made at and participation in conferences and seminars at the international level – particular mention must again be made of the efforts of all persons who have have spearheaded the establishment and operations of BVI House Asia in Hong Kong, which opened its doors for business in April 2014.

In accordance with section 27 of the Act, I present this report on the operation and activities of the Commission for 2014, together with the enclosed auditor's report and accompanying financial statements. RG

BOARD
OF COMMISSIONERS

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

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

Mr. Robin Gaul

Chairman

Mr. Gaul has served as Chairman of the Board since 2006, having served as Deputy Chairman of the Inaugural Board from 2002 - 2006. Mr. Gaul is a qualified accountant with a long career in the private sector and has served on various BVI Public Sector boards including the Development Bank of the Virgin Islands and the BVI Electricity Corporation.

Mr. Colin O'Neal

Deputy Chairman

Over the years, Mr. O'Neal has served on the boards of several private companies and has served as President of the BVI Bar Association, Chairman of the Public Service Commission, Chairman of Police Advisory Committee, Chairman of the Recreation Trust, member of the Judicial and Legal Services Commission as well as serving on many other public boards and committees. He was appointed as Deputy Chairman of the Board in May, 2006.

Mr. Jonathan Fiechter

Member

Mr. Fiechter has extensive expertise in the area of regulation, financial supervision, economic research and risk analysis having previously held the posts of Deputy Director, Monetary and Capital Markets at the IMF and Senior Deputy Comptroller for International and Economic Affairs at the US Office of the Comptroller of the Currency.

Mr. Robert Mathavious

Managing Director/CEO

Mr. Mathavious was appointed the first Managing Director and Chief Executive Officer of the Financial Services Commission in 2002.

Prior to the establishment of the Commission, Mr. Mathavious enjoyed an illustrious 25 year tenure in public service with the Government of the Virgin Islands.

Mr. Richard Peters

Member

Mr. Richard Peters is an attorney who recently retired as the Global Managing Partner of local law firm Harneys. Over the years, he has worked closely with the Government of the Virgin Islands and the FSC as a member of numerous financial services related committees.

Mr. Edward Price

Member

Mr. Edward Price is a senior financial industry executive and regulator who has worked for many years in the US and Canada. Mr. Price has vast experience in the areas of banking and insurance supervision, derivatives and risk management and formerly served as the Deputy Superintendent at the Office of the Superintendent of Financial Institutions in Canada.

Ms. Denise Reovan

Member

Ms. Reovan is an attorney who previously served as Counsel to the Chief Labour Negotiator, Chief Legal Counsel to the Legislature of the Virgin Islands (US) and Counsel to the Board of Directors of the Government Employees Retirement System.

Mr. Ian Smith

Member

Mr. Smith has enjoyed a long career in both public and private sectors and was most recently Senior Vice President at Banco Popular. Prior to his career in banking, Mr. Smith served as an Economist with the Government of the Virgin Islands. He currently operates a financial, economic and management consulting company and is the Chief Operating Officer of a family owned group of companies.

Managing Director's Statement

Robert A. Mathavious
Managing Director/CEO

Welcome to this report, which sets out the priorities and activities of the BVI Financial Services Commission (FSC) in 2014 in meeting our statutory objectives of safeguarding the stability, soundness, competitiveness and integrity of the BVI's financial services industry.

2014 has been a year of anniversaries for us. It is now 30 years since the enactment of the BVI International Business Company (IBC) Act in 1984. The collaboration between regulator, private sector and government which produced this still underpins the BVI's success.

BVI Business Companies, now suitably updated, remain our dominant corporate vehicle. Over 50,000 new companies were incorporated in 2014, alongside 129 limited partnerships and 229 trademarks.

It is also twelve years since the BVI established the FSC as an autonomous regulatory body, independent of but accountable to government. This was a guarantee that the BVI would always strive to be a serious and reputable jurisdiction of excellence. As the FSC's supervisory approach has evolved over the years, we have never wavered in our determination to ensure that our industry complies with evolving international standards in a manner appropriate to the BVI.

In 2014, we doubled our dedicated compliance staff to 12 and focused more than half our inspections around the specific themes of introduced business and beneficial ownership.

Where needed, we imposed penalties and took enforcement action, cancelling three licenses and levying $862,100 in fines, mainly for contraventions of anti-money laundering and terrorist financing (AML/CFT) rules.

In Hong Kong, 2014 saw not only the first anniversary of the opening of BVI Asia House by our government but the establishment of the Commission's own office in that building. The new office is already building new bridges between the Hong Kong business community and the FSC is better servicing the needs of our licensees with operations in that market and is strengthening our ties with Asian regulators.

The global financial crisis continues to spur financial regulatory reforms of unprecedented scale, detail and pace. In 2014, this has included FATCA and its sons and daughters, the UK government's call for central and public registers of beneficial ownership, the revised FATF 40 Recommendations (requiring comprehensive national risk assessment frameworks), the OECD's Base Erosion and Profit Shifting project and the OECD's multilateral mechanism for the exchange of information.

It has long been a basic tenet of the FSC to work positively with international standard-setting bodies and leading countries so they learn about our regulatory approach – and so we are better equipped to apply appropriate compliance at home.

During the course of 2014, we responded to 102 requests for information from a range of international organisations including the OECD, IMF, CFATF, CARTAC, GIFCS and ASBA, as well as from IOSCO members. We also made 33 such requests ourselves. We continued to play an active role in IOSCO and in the International Association of Insurance Supervisors, the International Insurance Centre Supervisors and the Caribbean Association of Insurance Regulators.

Within the Caribbean, as outgoing Chairman of the CFATF, the FSC's Director of Policy ensured leadership continuity through a detailed handover. We helped finalise CFATF guidance for next year's FATF Fourth Round mutual evaluation of members. In May, we welcomed 40 regulators to a Caribbean Group of Banking Supervisors seminar on risk management and internal control.

In the face of today's rapidly changing regulatory and competitive challenges, the Commission is working closely with practitioners and the BVI government to ensure that our industry remains competitive and responds at pace.

Accordingly, in addition to our regular supervisory work, in 2014 we amended some fees; brought in new rules governing investment business, trademarks, registration of UK patents and the naming of BVI business companies; and amended our guidelines for approved investment managers.

We expanded the FSC's Financial Literacy Programme to educate the public about financial services. Our personal finance "Money Matters" campaign has targeted school and college students and offered a weekly top tip on local radio, and our "Rainy Day" campaign has encouraged financial and other preparations for hurricanes and other natural disasters.

To ensure regulatory compliance and prepare for the FATF's Fourth Round mutual evaluation in 2017, the FSC led the BVI's first National Risk Assessment (NRA) of our money laundering and terrorist financing risk.

I should like to close by thanking the Chairman and members of the Board of Commissioners for their exceptional support, counsel and guidance. I am also deeply grateful for the hard work of the Commission's dedicated staff, whose number now exceeds 150. I much appreciate their commitment to increasing their skills through training and development at conferences, seminars and workshops locally and internationally. Without his commitment, our accomplishments in 2014 would not have been possible

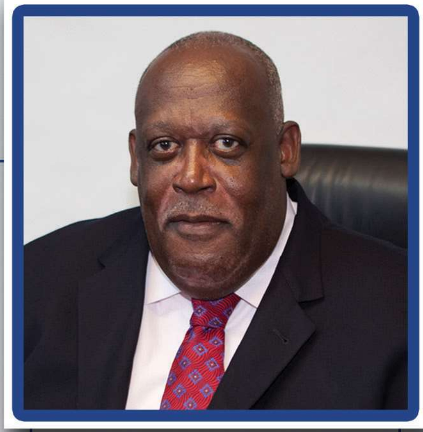
The FSC has risen to another challenging year and I look forward to it doing so in 2015. RM

Organisational Profiles

Cabinet

Board of Commissioners

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



Robert Mathavious
Managing Director/CEO

Kenneth Baker
Deputy Managing Director, Regulation

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

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

Insurance Division
Director:
Stanley Dawson
Deputy Director:
Trevecca Hodge

Investment Business Division
Director:
Brodrick Penn
Deputy Director:
Glenford Malone

Cherno Jallow, QC
Policy, Research and Statistics Division

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

Annet Mactavious
Human Resources Division

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

n, Richard Peters, Jonathan Fiechter, Edward Price

Board Secretary
Annet Mactavious

FSC (HK) Ltd

Jennifer Potter-Questelles
Deputy Managing Director, Corporate Services

Corporate Services Division
Director:
Jennifer Potter-Questelles

Finance
Financial Comptroller:
Sheldon Scatliffe

Registry of Corporate Affairs
Director:
Myrna Herbert
Deputy Director:
Lydia Cline-Parsons

Dawn Smith
Legal and Enforcement Division

Legal and Enforcement Division
Director:
Dawn Smith
Deputy Director, Legal:
Lynette Ramoutar
Deputy Director, Enforcement:
Gary Wilson

Executive Management Team

Robert Mathavious
Managing Director/CEO

Jennifer Potter-Questelles
Deputy Managing Director,
Corporate Services

Kenneth Baker
Deputy Managing Director,
Regulation

Dawn Smith
Director, Legal and Enforcement
Legal Counsel

Cherno Jallow, QC
Director, Policy, Research and Statistics

Annet Mactavious
Director, Human Resources
Secretary, Board of Commissioners

REGULATION AND **SUPERVISION**

Enforcement Committee

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

A total of 179 matters were brought before the Enforcement Committee in 2014 compared with 157 in 2013. 37% (67) of the cases before the Enforcement Committee arose from on-site inspections conducted on licensees by the Compliance Inspection Unit. The Committee imposed penalties totaling $862,100, mainly for AML/CFT contraventions. It also issued a total of 25 warning letters (compared to 9 in 2013), 1 advisory warning (compared to 26 in 2013), 1 directive (compared to 2 in 2013) and 5 public statements (compared to 4 in 2013). A total of 3 licences were cancelled.

Hong Kong Office

BVI Financial Services Commission (HK) Ltd (BVI FSC HK) is wholly owned by the Commission and is a Hong Kong incorporated limited liability company. The commission created the structure as the vehicle for its representative office in Asia. Its offices are currently housed in BVI House Asia, the official presence of the Virgin Islands Government in Asia and it has been operational since the 2nd quarter of 2014.

The commission's Asia Representative Office in Hong Kong was set up to foster closer relations with financial services practitioners serving clients from Asia and to strengthen ties with regional regulators. Deputy Managing Director, Regulation Kenneth Baker assumed the role of Asia Representative on a temporary basis from 1 April to 31 July, 2014 and the role was later filled on a more permanent basis by Michelle Georges, Deputy Director, Banking in August.

The Asia Representative led delegations in the region including to Shenzhen and Qianhai and participated in presenting to visiting delegations on BVI structures and the BVI financial services industry.

The BVI FSC HK hosted the first Commission Meet the Regulator Forum in HK in May with about 40 industry participants. At the forum, FSC representatives including visiting Directors (Corporate Services, Registry of Corporate Affairs and Policy, Research and Statistics) provided updates on developments in the BVI and led discussions on current regulatory matters.

In collaboration with BVI House Asia, the Commission's Asia Representative also participated in the China Offshore Summit in Beijing. The two day conference held in late May attracted over 150 participants who expressed an interest in BVI structures to the BVI booth. BVI Finance was a gold sponsor of the event.

From its base at BVI House Asia, BVI FSC HK also participated in the 18th International Conference of Banking Supervisors/Caribbean Group of Banking Supervisors/Group of International Finance Centre Supervisors held in Tianjin, China in September.

A second China Offshore Summit was held in Shanghai, China in October. Representatives of FSC licensed registered agents made presentations and fielded questions related to setting up BVI Companies and matters related to trust and fiduciary services business. BVI FSC HK and BVI House Asia collaborated on this event.

BVI FSC HK also participated in the Thomson Reuters' 5th Pan Asian Regulatory Summit held in Central, Hong Kong in October. The two day conference provided a platform for dialogue on key issues facing the regulatory landscape in the Asia-Pacific region.

In 2015, BVI FSC HK will continue to focus on serving as an intermediary between the Registry of Corporate Affairs and clients in Hong Kong and surrounding areas through timely dissemination of information and responses to enquiries. It also intends to strengthen relations with the regulatory authorities in the Asia Pacific region and will partner with BVI House Asia to promote the Territory's financial services industry through road shows and attendance at regulatory forums.

Financial Literacy Programme

The Financial Literacy Programme was established by the Commission as part of its mandate to educate the general public of its functions and of matters relating to or affecting financial services business in the Territory. One key facet of the programme has been to provide education on personal finance through its outreach programme, known as "Money Matters BVI". Money Matters BVI is the official brand of the Financial Literacy Programme which falls under the supervision of the Managing Director's Office and is managed by the Financial Literacy Programme Team (FLPT).

The FLPT, is a four member team of Commission employees, who are supported in their efforts to promote financial literacy by the Financial Education Network (FEN), a group of stakeholders from the financial services industry, government, the media and other social and professional organisations. Two sub-groups were created within the FEN which cater to initiatives geared specifically to youth and seniors; two globally identified vulnerable groups. The FEN meets a on a quarterly basis to chart activities and programmes related to financial literacy.

Through memberships in the OECD's International Network on Financial Education (INFE) and the International Forum for Investor Education (IFIE), the Financial Literacy Programme has access to a global professional resource network with benefits that include training, information exchange and tools for monitoring and evaluating financial education programmes.

In addition to promoting financial literacy through its website, www.moneymattersbvi.org, 2014 was filled with targeted campaigns, speaking engagements and presentations by members of the FLPT and the FEN. The most notable initiatives included the production of a weekly financial tip series on local radio stations, engagement activities for youth of all ages and preparedness activities.

In January, the public was introduced to the Money Matters BVI "Tip of Week" segment which aired weekly on local radio stations.

The minute-long broadcast provided weekly tips related to a wide array of financial topics, including but not limited to savings, budgeting and debt reduction and was produced by members of the FLPT.

Throughout the year, the Money Matters BVI campaign engaged with students of all ages in the Territory. At the Primary level, a "Penny Drive" was launched in conjunction with the Department of Culture for Culture Week and included a competition, presentations and lively question and answer sessions. 13 public and private primary schools participated in the Penny Drive.

For the second year, the FLPT was invited to participate in the Right Start Programme for graduating students of Secondary schools within the Territory. The Right Start programme is aimed at equipping young adults with essential personal and professional life skills. FLPT made a presentation on budgeting, saving and the dangers of credit cards and distributed brochures and literature to over 250 students. Similarly, tertiary level students at the local Community College's orientation session were provided with information on debt management and the importance of making wise financial decisions.

In collaboration with the Department of Disaster Management, Government Information Systems and the Domestic Insurance Association, the FLPT launched the "Rainy Day" campaign with the slogan, "Be Ready, Start Early, Start Now" in May to bring awareness to the need to be proactive regarding disasters, emergencies and building an emergency fund. The campaign was featured on local television and radio stations and was included in local print and online media.

In 2015, the FLPT intends to re-double its efforts aimed at engaging persons throughout the Territory on financial literacy with its established annual and new financial literacy initiatives. Additionally it is envisioned that the focus of the programme will expand to include information and resources on banking, insurance, fraud and investing. In partnership with the INFE, it is also hoped that a second baseline survey will be conducted to measure the financial literacy level of the Territory.

The Compliance Inspection Unit

The Compliance Inspection Unit mandate is to compliment the regulatory toolkit of the Commission in effective supervision of licensees across all regulatory sectors. The onsite inspection process represents the fact-finding part of the Commission's supervisory functions. In 2014 the Commission continued its programme of onsite compliance inspections which has been active since 2002.

As part of efforts to gain better insight into the operations of licensees, the Commission undertook a special compliance inspection project in 2014 with an unusually high number of scheduled thematic inspections. Over the course of the year, the Commission undertook 92 inspections. The inspections included licensees from the five regulated business sectors: Insolvency Services, Investment Business, Insurance and Banking and Fiduciary Services.

Type of Inspections

Full Inspections	32
Thematic	52
Follow-Up	7
Total	**92**

The Inspections covered a broad range of topics including, but not limited to, Corporate Governance, Business Continuity and Disaster Recovery, Complaints Handling, Compliance Officer and anti-money laundering and terrorist financing related topics, Internal control systems, identification procedures, risk assessment, suspicious transaction reporting procedures , employee/staff education and training. Of the 92 inspections conducted in 2014, 52 were Thematic Inspections which were focused on assessing records related to beneficial ownership and introduced business. The 52 Thematic Inspections provided data on the extent of the jurisdiction's vulnerabilities for introduced business and beneficial ownership, requiring corrective action.

Full Scope Inspection

A full scope inspection covers a review of the full operations and lines of business of the licensee. It is designed to be a comprehensive review process in respect of the licensee. 32 such inspections were conducted this year. 18 of the licensees subject to inspection this year were inspected at least once prior to 2014 and 14 were being inspected for the first time. Of the 18 previously inspected entities, eight (8) were subject to inspection based on ongoing supervisory concerns.

Type of License

Banking	3
Fiduciary	64
Insolvency	6
Insurance	10
Investment	9
Total	**92**

Themed or Limited Scope Inspection

A themed or limited scope inspection is limited to review of a particular line of business or a review of a particular function carried out by the licensee. Early in 2014, the Commissioned identified introduced business and beneficial ownership as two areas for review. 52 licensees were subjected to review of these two areas. Among the 32 full scope inspections, 13 licensees holding licenses under the Banks and Trust Company Act, 1990 and Company Management Act, 2006, were also reviewed in the two areas.

Limited scope inspections were conducted on three banks. The primary focus of the bank inspections was the quality component of each institution. The areas assessed included :

a) the risk weighting methodology employed
b) Loan underwriting policies and practices
c) non performing loans
d) large transactions monitoring
e) wire transfer processing and
f) review of the progress on corrective actions from the 2012 inspections.

Follow-Up Inspection

A follow-Up Inspection is carried out to ascertain the progress of the licensee in implementing corrective actions mandated by the Commission following the conclusion of a previous onsite inspection and delivery of a final report. There were four (4) follow up inspections during 2014 in addition to the follow up component of the three banks inspected.

Factors

The 52 thematic inspections were conducted on entities holding licensees issued under the Banks and Companies Act, 1990 and the Company Managements Act, 2010. A number of factors were taken in to consideration in determining the list of entities to be inspected. Factors include, but were not limited to, (i) total number of companies in the licensee's portfolio (ii) number of new companies incorporated by the licensee in 2013 and (iii) the licensees rank incorporations by volume.

i) The total number of companies incorporated provides the Commission with the size of the licensee;

ii) and iii) The number of new companies incorporated in 2013 provides the Commission with data regarding how active each licensee is.

The 52 Thematic Inspections when combined with the other 14 fiduciary licensees for full and follow-up inspections covered the service providers of 91% of active companies on the BVI Companies Register.
For the remaining inspections, the entities to be inspected were determined based on the value of risk rating assigned to the entity by the Commission and desk notes of supervisors. Factors taken into account in risk rating a licensee are: type of license held, type

of business corporate governance, the structure of the licensee, level of activity, enforcement issues (if any), reputational risk, scope and spread of business.

Resources

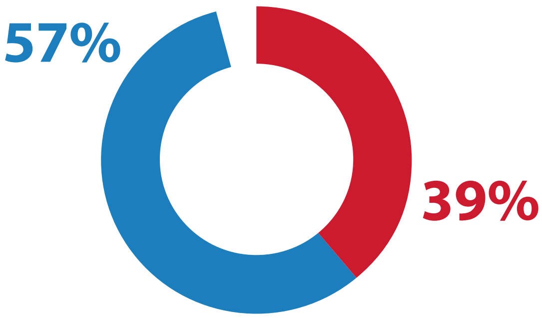
During 2014 the Compliance Inspection Unit staff complement was increased by five (5) full time employees and an experienced regulator seconded from another regulatory division. This increase brought the total staff count to 12, a 100% increase. The Compliance Inspection Unit was further assisted by approximately 30 regulators across all divisions within the Commission.

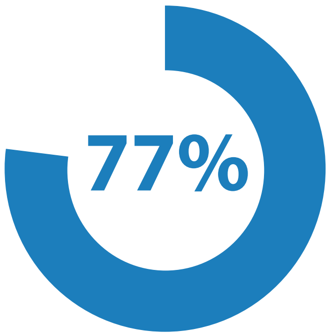
The Process

At the end of each inspection a close out meeting is held with senior management to present the Inspection Team's preliminary findings. The relevant inspection report is subsequently prepared . Once the initial draft is finalized, it is forwarded to the licensee to which it relates seeking it's comments on factual aspects of the report. A detailed formal report with recommended corrective measures is provided to each entity. Contraventions discovered during the inspection visit are liable to attract administrative penalties and/or enforcement action based on the powers available to the Commission.

BANKING AND **FIDUCIARY SERVICES**

The BVI's banking industry remains stable with no changes in the number of licensees. Banks licensed in the territory continue to demonstrate growth. Asset size increased to $2.6 billion compared to the reported $2.4 billion by the end of 2014. All banks in the BVI are adequately capitalized and well over the regulatory requirement of 12% Tier 1 capital. The average Tier 1 capital to risk weighted asset ratio is reported at 33%. The banks continue to report liquidity levels that appear adequate for sustaining their operations. Offsite and onsite monitoring of the banks' activities continue.





Cash and Cash Equivalents represent 39% of the jurisdiction's banking assets while Loans and advances represent 57% of the jurisdiction's assets, remaining consistent YoY. Deposits represent 77% of Total Liabilities Shareholders' Equity.

The Commission continues to monitor the banks in regards to growth, profitability, asset quality, liquidity and capitalization.

Licensing Activity - Renewals and Licences Granted

Class or Type of Licence	Number of Licensees
General Banking	6
Money Services and/ or Financing Business	3
Restricted Class 1 Banking	1

Income Statement Analysis

Retained earnings at $27 million declined approximately (12%) YoY from $31 million.
Provisions for losses increased 244% or $2.6 million.

The BVI engaged the Caribbean Regional Technical Assistance Centre (CARTAC) for technical assistance in the implementation of the Basel II capital adequacy framework recognising the difficulties regional jurisdiction are experiencing in implementing the Basel II framework. The IMF, through CARTAC, offered technical assistance to participating Caribbean countries with the implementation of Basel II. Participating jurisdictions that become part of the Technical Work Group will benefit through lower implementation costs. Originally it may not have been cost effective for the BVI to implement Basel II, however, it becomes more feasible through participating in the Working Group, since the cost will be offset by obtaining assistance from other jurisdictions that have made comparable or more progress. CARTAC provided a road map for implementation, a reporting framework on pillar II disclosure, a consolidated supervision framework and a risk based supervision framework.

The BVI signed a memorandum of understanding with the FMA Liechtenstein in 2014. The MoU established a framework to encourage effective consolidated supervision of banks operating cross-border and to facilitate the well-established lines of communication that already exist between the FSC and the FMA. The MoU provides a framework for the sharing of information during the licensing process, change in ownership of a licensee, ongoing supervision and corrective actions concerning a licensee, crisis situation and on-site inspection of a licensee. Regulated Entities covered by the MOU include: banks, trust companies, money services providers, and investment business.

Fiduciary Services

Fiduciary Services has oversight of all licensees that operate as Trust and Corporate Service Providers ("TCSPs") licensed under the Banks and Trust Companies Act, 1990 ("BTCA") and Company Management Act, 1990 ("CMA"). These therefore include holders of either Class I trust licence, Class II trust licence, Class III trust licence, Restricted Class II trust licence, Restricted Class III trust licence or Company Management licence. This subgroup of licensees represents the majority, approximately 92%, of licensees that fall under the remit of the Banking & Fiduciary Services Division.

The Division also provides supervisory oversight for BVI licensed Authorised Custodians. These are subject to licensing requirements under the Financial Services Commission Act, 2001, as well as Aide Mémoire #3. During 2014, the aggregate number of licensees that operate under the mandate of Fiduciary Services totalled 213. The reduction in the number of licensees is mainly attributable to cancellations for holders of restricted Class II trust licences. Of the nine cancellations processed during the year, six were in relation to restricted Class II trust licensees. Of the six, three continue to conduct business as Private Trust Companies, two in the BVI and one in another jurisdiction. Fiduciary Services processed a small number of reclassifications which better reflected the scope of business being conducted. In 2014, 3 new licences were granted.

In relation to trust business undertaken by the industry, there has been a noticeable increase in the use of Private Trust Companies in the last four years. Total trust assets under management/administration and clients' assets under management/administration remain substantial. The largest grouping of trust assets under management/administration fall to two licence types – Class II trust and restricted Class II trust licensees. The bulk of clients' assets under management fall to Class I trust licensees.

Class or Type of Licence	Renewed Licences	New Licences Granted
Class I Trust	70	3
Class II Trust	29	1
Class III Trust	14	0
Restricted Class II Trust	77	0
Restricted Class III Trust	0	0
Company Management	20	0
Authorised Custodian	11	0
Total	**221**	**4**

In 2014, Fiduciary Services had a net increase in resources with one additional regulator. Participation

in international initiatives continued with the Deputy Director, Fiduciary Services as a member of the GIFCS Working Group for drafting and finalisation of the International Standard for Trust and Corporate Service Providers. In addition, April, 2014 brought the Cabinet appointment of the Deputy Director, Fiduciary Services and Deputy Managing Director, Regulation to the National Risk Assessment Steering Group.

Proposed Legislative Amendments

In 2014, Fiduciary Services proposed the introduction of two new classes of licence aimed at small, closely held groups and family offices who may wish to undertake limited business with specified clients.

The second proposed new legislative provision is the introduction of a definition and prescribed functions for a Registered Agent. To ensure that these definitions are embedded in law, it is recommended that such functions be included in an amendment to the BTCA and CMA. Additional discussions on the proposed amendments and eventual adoption of the agreed provisions is expected in 2015.

The Fiduciary Services sector of the industry is rather mature having been regulated for over 20 years.
New applications are not processed in volume. The Division added entities to the list of Class III and Class I trust licences and a single Class III licence was upgraded to Class I.

Regulatory Deposits

During the year licensees, in accordance with the provisions of the legislation deposited additional sums with the Commission to cover increased volumes of business, numbers of operating subsidiaries and new licences.

One licensee placed additional sums in relation to the volume of business carried out (in relation to both the number of BVI BCs which are administered, and number of subsidiaries on the scope of the licence). At the end of 2014, Regulatory Deposits held totalled $8.6 million.

The division operated with a complement of 7 during 2014. For a period of 4 months the director was seconded to the FSC's HK operations.

While the Director was seconded to FSC HK, day to day management of the division fell to the Acting Director, Fiduciary Services and the role of the Acting Head of Regulation to the Director, Investment Business.

During the year employees in the division participated in various technical training events.

Trust Business undertaken by BVI Licensees

Class of Licence	Number of Trusts	Number of VISTAs
Class I	6,662	1,138
Class II	1,523	16
Restricted Class II	373	9
Total	8,558	1,163

INVESTMENT
BUSINESS

The Investment Business Division (the "Division") administers the Securities and Investment Business Act, 2010 ("SIBA") which covers all Securities and Investment Business as well as mutual funds that are recognised, registered or otherwise authorised under SIBA. Along with SIBA, which serves as principal legislation, the Division also oversees compliance with and supervision of entities that are subject to the provisions of the Mutual Fund Regulations, 2010, the Public Funds Code, 2010, the Regulatory Code, 2009 and the Investment Business (Approved Managers) Regulations, 2012.

Approved Investment Managers Regime

At the end of the second year of administering the Investment Business Approved Manager's regime which was introduced in 2012, the Commission recorded 55 licence-holders. The AIM Regime was introduced as an option to the more stringent SIBA regime and remains a popular alternative for investment managers and investment advisors that meet the criteria and are seeking lighter regulatory application. The regime provides a distinct regulatory option for entities carrying on specific and limited business activities servicing both BVI and other domiciled funds. The growth seen in this area is as a result of an influx of new applicants as well as existing SIBA licensees seeking approval under this new regime.

Licensee's & Approved Managers	2014
Licence Applications	15
Licensees Granted	22
Licensees Cancelled	22
Active Licensees	529
Approved Investment Manager Applications	44
Approved Investment Managers Approvals Granted	29
Approved Investment Managers Cancelled	2
Active Approved Investment Managers	55

Investment Business Licensees

77% of entities under the supervision of the Investment Business division were mutual funds. Funds have traditionally been the base of Investment Business licensees though the introduction of SIBA in 2010 produced additional entities in this sector.
The number of investment business licensees has remained relatively constant since the introduction of SIBA in 2010. The division saw slightly lower numbers of the new licensees submitted and approved during the year.

With the introduction of the SIBA came a number of additional requirements. In light of this, the Division in 2014 embarked on compliance initiatives aimed at bringing non-compliant licensees into compliance with the Act. These initiatives are progressing and the Division will continue to devote the necessary resources towards achieving greater compliance within the sector.

Mutual Funds

The total number of licensees regulated by the division is relatively stable at 2,773. However, the rate of cancellations has slowed from the levels reported in 2013 and the Division anticipates that the number of funds seeking cancellation will continue to decrease.

The Division in 2014 engaged industry liaison groups, BVI Investment Funds Association and the Securities and Investment Business Advisory Group on proposals for more efficient supervision of investment business activities. As a result of this engagement, draft regulations were completed, which upon coming into force in 2015 will result in the creation of a formal regime for the incubator fund and the approved fund.

Authorised Representative

The Authorised Representative regime is fully operational and compliance with the requirement to appoint an authorised representative is near 100%. At the close of operations in 2014, nearly 50 entities held certification as Authorised Representatives.

As is the case with the Commission's risk based approach to the AIM Regime, it is envisaged that these regulations will feature less stringent requirements which are consistent with the intended risk profile of the incubator fund and the approved fund.

When the regulations are introduced next year, they are expected to address funds with 20 or less investors, maximum investments of $20 – 100 million and be exempt from appointing certain functionaries.

During the year the Division progressed a number of applications which were approved by the Licensing and Supervisory Committee, as detailed in the table:

Other supervisory activity in the Investment Business Division during the year included handling requests for exemptions from various sections of the legislation, changes in principals and functionaries and approvals for liquidation.

In an effort to improve the processing and handling of some approvals to meet the needs of our clients, some additional approvals have reverted down to the division from the LSC. As such, the director now has the authority to:

- approve the appointment of functionaries to public funds;
- approve the amendment of the terms and conditions of a licence;
- approve mutual fund incorporations and registrations as segregated portfolio companies;
- approve voluntary liquidations and appointments of liquidators; and
- extend the period of time that approved manager applicants may carry on business without holding a licence.

Approvals Granted (For Private & Professional Funds)	# of Private Funds	# of Professional Funds
Exemption from Preparing & Submitting Audited Financial Statements	30	50
Exemption from the Requirements to Appoint to an Auditor	3	13
Incorporating as an SPC	5	6
Registration of existing fund as an SPC	2	1

Approvals Granted (For Public Funds)	# of Private Funds
Exemption from Preparing & Submitting Audited Financial Statements	13
Appointment of Functionaries	32
Amendment & Imposition of Terms & Conditions of Licence	6
Approval of Liquidation & Liquidator Appointment	3
Approval of Liquidation & Liquidator Appointment (Former Public Funds)	6
Incorporation as an SPC	1

Other Developments

At present the Segregated Portfolio Companies regime can only be utilised by entities that upon incorporation will become mutual funds, existing mutual funds and insurance companies. In light of the apparent limitations that currently exist with the regime and requests from the industry to expand the current offering, the Division has embarked on a review of the regime with a view to determining how the SPC product could be better utilised.

The Division continues to monitor developments as they relate to the AIFM Directive. The EU marketing passport has only been available for use by EU Managers managing EU AIFs (non-EU AIFM's have been utilising the Private Placement Regime) but ESMA has up until 22 July, 2015 to recommend whether the passport regime should be extended to the BVI and other Third Countries.

The BVI continues to work diligently on entering into MOUs with relevant EU Member States so as to ensure BVI entities have continued access to the EU Markets. Further, the Commission is engaged with ESMA with a view to securing approval for passporting of BVI funds.

Training/Seminars

The Commission is a member of IOSCO, and as such regularly (annually) attends IOSCO meetings including the Annual General Meeting, Emerging Markets Committee, InterAmerican Regional Committee Meeting and President Committee's Meeting. In addition, the Commission has through its participation in various surveys as well as serving on various working groups, continued to gain valuable securities knowledge as well as articulate and represent the views of the jurisdiction.

The Division continues to devote significant time to the AML/CFT regime through employee participation in the ongoing Territorial National Risk Assessment. Also, the director of the Division continues to serve in various capacities at FATF and CFATF plenaries. In conducting these activities on behalf of the Commission, the division utilised a team of 14. One of the challenges found by the division includes lack of full compliance by licensees. Primary areas of non-compliance observed were failure to submit quarterly reports and audited financials. The division has increasingly sought to use mechanisms available under the enforcement regime to tackle these issues and will continue to pursue non-compliant licensees.

Approval Types (For Investment Business Licensees)	# of Investment Business Licensees
Amendment & Imposition of Terms & Conditions of Licence	21
Issuance of Amended Licence	5
Change in Ownership Structure	23
Appointment Director of Senior Officer	4
Appointment of Compliance Officer	2
Exemption from the requirement to appoint Compliance Officer	3
Exemption from Preparing & Submitting Audited Financial Statements	13
Appointment of Auditor	1
Approval of Liquidation & Liquidator Appointment	9
Approval of Liquidation & Liquidator Appointment (Former Licensee)	1

Approval Types (For Authorised Representatives)	# of Authorised Representatives
Appointment of Director	3

INSURANCE

The Insurance Division of the Commission is responsible for the regulation or supervision of persons licensed by the Commission pursuant to the relevant legislation to carry on insurance business in or from within the Territory of the Virgin Islands. This includes domestic insurers, captive insurers, insurance managers, loss adjusters and insurance intermediaries (insurance agents and insurance brokers). The process of regulating or supervising those persons so licensed is an on-going process which involves both off-site or desk based and on-site monitoring to ensure compliance by licensees with the relevant legislation, prudential standards and best practices.

The relevant legislation is the Insurance Act, 2008 ("Insurance Act"), the Insurance Regulations, 2009 ("Insurance Regulations") and the Regulatory Code, 2009 ("Code"). The Insurance Act, and the Insurance Regulations are specific to persons legal or natural that carry on insurance business in or from within the Virgin Islands. The Code is general to all regulatory divisions within the Commission but contains sections specific to each regulatory division.

New captive insurance applications were sparse during the year as the industry continues to record little growth. The division anticipates that recently drafted amendments to the primary legislation and input from the insurance practitioners on client needs in the market will see higher numbers in coming periods. The adjustments to the Insurance Act should make for a more applicable regime.

During the year, the division completed an investigation which had commenced in a prior year. The investigation involved a captive insurer with serious legislative contraventions and a cease and desist order was ultimately issued by the Commission. The order remains in effect.

Domestic insurance business shows strong indicators for further development with increased inquiries from new entrants to the market.

The domestic insurance market declined by 1 to 35 with no new licences being issued during the year and 1 licence cancelled.

A total of 8 foreign domestic insurers were granted exemptions from licensing in 2014 to underwrite risks that were not readily available or difficult to place in the licensed domestic insurer market.

Companies

Captives	146
Domestic	35

Intermediaries

Agents	17
Brokers	5
Managers	14
Loss Adjusters	5

Insurance Report

The division made effective use of regulator to regulator relationships during the year with a total of 20 formal inquiries related to ascertaining the regulatory history of new and existing applicants and licensees.

The division operates with a regular complement of 9 staff and recorded the addition of a financial analyst during the year to fill a vacancy for the post.

The division processed various requests for post licensing transactions and conducted ongoing supervision of the activities of licensees during the year. Post licensing activities included routine requests for exemptions from some provisions of the legislation, changes in particulars of the licensees and changes in functionaries.

The Commission through the division participated in a number of industry related forum and training during the year including events put on by Captive Insurance Companies Association, Risk & Insurance Management Society, CAIR, GIICS and IAIS.

The Commission as a member of the International Association of Insurance Supervisors is also guided by the Insurance Core Principles (ICPs) as issued by this international standard setting body. The Commission is also a member of the Group of International Insurance Centre Supervisors (GIICS) and the Caribbean Association of Insurance Regulators (CAIR) and attended meetings of these groups and training events held during the course of the year. The Director, Insurance made a presentation on two of the ICPs at the annual general meeting of GIICS.

The Division continued to collaborate with the International Finance Centre (now BVI Finance) by attending conferences and exhibitions such as Captive Insurance Companies Association (CICA), Risk and Insurance Management Society (RIMS) and American Society for Healthcare Risk Management (ASHRM) to provide guidance on the legislative regime in the Virgin Islands.

In satisfying the Commission's objective to maintain productive and collaborative relationships with the private sector through trade associations, the division convened quarterly meetings with the Captive Insurance Advisory Council (CIAC). During the year the association tackled key issues including:

- Proposed amendments to the Insurance Act and Insurance Regulations. The amendments are aimed at facilitating business by meeting global demand for the insurance products.
- Banking access requirements for captive owners
- Plans for the introduction of electronic filings by insurance practitioners and other intermediaries.

The idea of the domestic insurance trade association, Domestic Insurance Advisory Council (DIAC) was also advanced during the year. Members were selected and the body should be active early in 2015.

INSOLVENCY **SERVICES**

Insolvency Practitioners

The Division ended the year with 25 fully licensed and one restricted insolvency practitioners. As the work has shifted more in the direction of restructuring over liquidation it is not anticipated that in the immediate future there will be an increase in new licence insolvency firms entering the sector. The sector is expected to see more joint appointments with overseas insolvency practitioners and more litigation over rights to assets etc. As corporate reorganisations continue with debtors, secured and unsecured creditors having various interests in protecting value of businesses it is expected that there will be more offshore type law firms entering the jurisdiction with a heavy litigation focus in this sector.

The Division had 23 requests for overseas joint appointments in 2014. The queries were standard due diligence queries relating to applications for joint overseas appointments as per of Section 483 of the Insolvency Act.

Insolvency Act Section 483: An individual resident outside the Virgin Islands may be appointed to act as an insolvency practitioner jointly with a licensee or the Official Receiver

(a) Where he is appointed by the Court, the Court, or in any other case the person or persons appointing him, is or are satisfied that
  (i) he has sufficient qualifications and experience to act in the insolvency proceeding in respect of which the appointment is made,
  (ii) he has given his written consent to act in the prescribed form,
  (iii) he is not disqualified from holding a licence under section 477,
  (iv) if he is not disqualified from acting in the case of a company or a foreign company, under subsection 482(2) or in the case of an individual, under subsection 428(3),
  (v) there is in force such security for the proper performance of his functions as may be specified in the Regulations; and

(b) Prior written notice of his appointment has been given to the Commission.

The requests involved IPs from Hong Kong, the Cayman Islands and the U. K. In consenting to these requests the Division was satisfied that the IPs had consented to act and that the overseas practitioners had sufficient qualifications and professional indemnity insurance to perform their functions.

The Division by amending its Annual Return form was able to get an understanding of which part of the world insolvency cases were being conducted. With the assistance of all licensees, better statistics on type of cases, where assets were located and value of assets can now be compiled.

It has been reported that, in the United Kingdom, Parliament is expected to pass new rules whereby insolvency practitioners will have to provide upfront estimates of the cost of working on insolvency cases. Under the rules, IPs will have to summarise estimated costs, outline the work to be undertaken and if an hourly rate is proposed, provide an estimate of the expected time. The current practice is that fees are charged on an hourly rate without indication of the work that will be undertaken or how long it will take.
The development is an interesting one and the division will continue to follow its progress.

Elsewhere, internationally the industry continues to monitor conflicting decisions on the interpretation of the UNCITRAL Legislation. As an example under the existing model law, the debtor only need to be the subject of a foreign insolvency proceeding in order to institute an ancillary case seeking recognition in the new jurisdiction. In a recent case of the US Second

Circuit Court of Appeals, the Court however ruled that for Chapter 15 eligibility a foreign debtor must have property located in the United States, a residence, or place of business in the United States. A pre-filing transfer would be viewed as a bad faith attempt to circumvent the property requirements.

If the position of the Second Circuit is taken by other Circuits it may pose challenges for foreign debtors who are trying to enforce a foreign insolvency Court's Order against a United States Creditor. This position can also be viewed as being able to provide protection to U.S. investors who hold foreign debt and who wish to avoid a foreign restructuring of their debt.

Insolvency Practitioners both locally and internationally are reporting that their current work focuses mainly on rescue and restructuring over engaging in formal insolvency. This is a positive trend as it results in asset preservation.

There have been a number of lengthy discussions during the year on the issue of fees. These international discussions have included how to address high hourly remuneration for IPs on small and standard insolvencies.

In-House Training

During the year the Division conducted several in-house training sessions. Each month a team member researched an ongoing insolvency topic and shared their findings with the division. This exercise provided a further opportunity for all staff members to keep up to date on local, regional and international happenings relating to insolvency and to give input as to where, if necessary, changes would be required in the Commission's regime.

Attendance at local and International Conference

Members of the Division attended a Forensic Accounting Workshop put on by a local firm. The workshop centered around a company's balance sheet; where the presenter showed examples of typical balance sheets and then demonstrated how the balance sheets could be manipulated. Attendees were also shown how to set up accounting systems based on purchased inventory including the recording of sales, cost of goods sold, profit recognition and the closure of temporary accounts.

The Director represented the Commission at the Annual International Association of Insolvency Regulators conference held in Washington DC September, 2014. The theme of the conference was Innovation in Insolvency Regulations. Discussions focused on various challenges facing insolvency regimes around the world. Some of the main challenges discussed were countries having poor insolvency legislation and inefficient enforcement mechanisms, the escalating costs of bankruptcy and corporate insolvency and inadequate professionals to handle insolvency matters in some jurisdictions.

Recent World Bank Research on the state of insolvency revealed that when it comes to liquidation, over 50% of value is lost through inefficient enforcement mechanisms; especially where there are fragmented legislative frameworks. In some countries there is still inadequate professional capacity resulting in insolvency proceedings being dealt with by non-specialist courts and lawyers. The research also found that individual countries were reluctant to adopt the Model Law because there were no great local needs or sense of its importance to adopt.

Another industry issue being debated internationally is the increasing number of professional service firms (such as lawyers and accountants) that are going into insolvency proceedings such as Administration or Liquidation. The concern is the protection of all papers and documents relating to clients as well as all funds held by the firm especially client funds. A largely unanswered question at the moment is at what point does a Regulator step in and closedown a professional firm that is failing?

Annual Returns

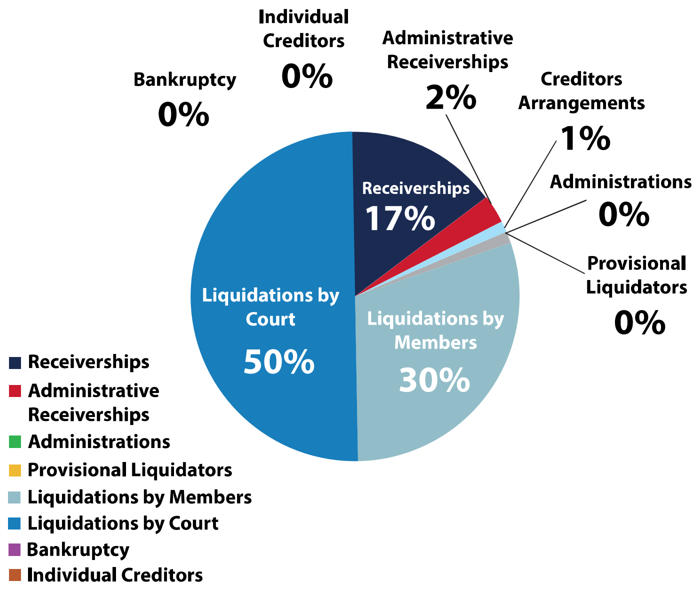
The Annual Returns submitted to the Division by licensed IPs provide industry statistics on the number of insolvency cases being managed, Jurisdictions that the cases are drawn from as well as statistics on ongoing, new, and transferred and closed cases are reported.

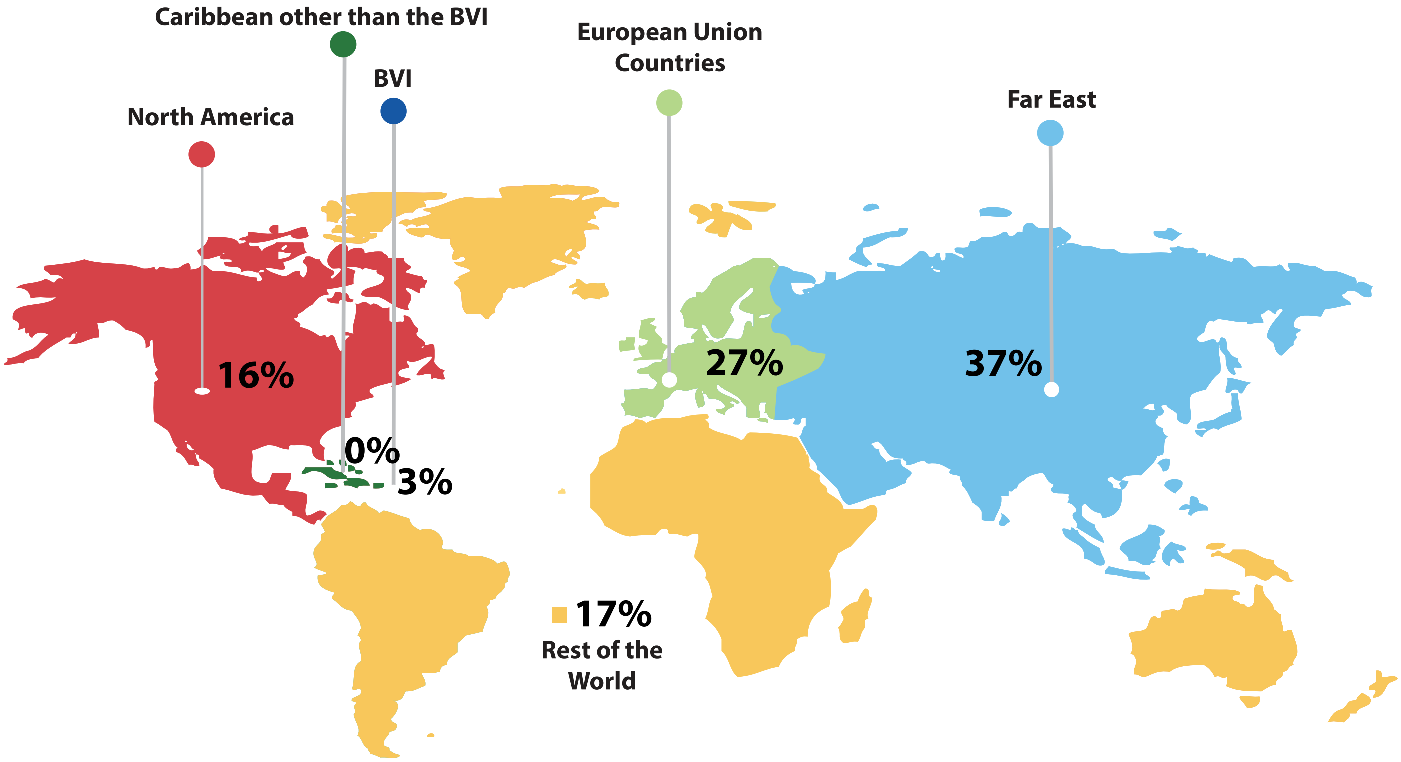
As of 31 December 2014, the statistical summary of cases by classification for the year showed that the territory began the year with 298 cases in progress. During the year, 89 new cases were opened. There were 43 cases closed in 2014, resulting in the 349 being the overall number of cases in progress at the end of the year, an increase from 298 the previous year. The case load was handled by 21 of 26 Insolvency Practitioners and the Official Receiver. The Court appointed liquidations account for approximately 50% of the total cases, which is the same as the previous year. Receiverships accounted for 17%, showing an increase this year and liquidations by Members tallied 30%. Company Creditors Arrangements accounted for 1% of cases. Administrative Receiverships accounted for which is only 2%. There were no Provisional Liquidators appointed during the year. There was no activity in Bankruptcies, Individual Creditors and Administrations.

The graphic on Center of Operations for insolvency cases shows that the European Union countries accounted for 27% of the new cases; Rest of the World accounted for 17%; while BVI accounted for 3% and Far East accounted for 37%; North America accounted for 16% while there were no cases with main center of operations in Caribbean.

Meeting with Industry Association

The Director attended a meeting with the governing body of Restructuring and Insolvency Specialists Association the local insolvency trade association to share views and concerns regarding the sector. The meeting was beneficial as the Commission was able to outline areas of great concern when conducting onsite compliance inspection of Insolvency licensees, the need for licensees to be up to date with AML guidelines and requirements and the need for practitioners to take adequate steps to dispose of cases if they are permanently exiting the jurisdiction.





Caribbean other than the BVI
European Union Countries
BVI
North America
Far East
16%
27%
37%
0%
3%
17%
Rest of the World

REGISTRY OF
CORPORATE AFFAIRS

Sector Overview

With focus on continuous improvements, efficiency and ease of doing business, the Registry underwent several changes this year.

During the year 2014 the Registry introduced electronic certificates of good standing. Certificates of good standing for both BVI Business Companies and BVI Limited Partnerships are now delivered electronically. This is a first for the BVI and the introductory service was launched to gauge acceptance in a move to offer an alternative to traditional paper certificates. The introduction of electronically delivered certificates offers improvements in service delivery particularly for clients in different time zones and geographically far flung locations.

As an additional service, the Registry can also deliver the Certificate of Good Standing to a 3rd party at the request of the original requester. This feature improves service and efficiency and eliminates wait times for a hard copy certificate to be delivered.
To enhance the traditional certificate and reduce the likelihood of counterfeiting, new Security features were added to certificates issued by the Registry of Corporate Affairs. On 1st July, certificates bearing a QR Code and a certificate ID number were introduced. The features allow for any certificate holder to confirm the authenticity of the information on their certificate. The QR code can be scanned from a smart phone or tablet to verify certificate contents. When the code is scanned the user is taken to a secure page on the Commission website where they can see an image of the original certificate. This eliminates the need for contacting the registry directly if there is a question or doubt of the authenticity of the certificate.

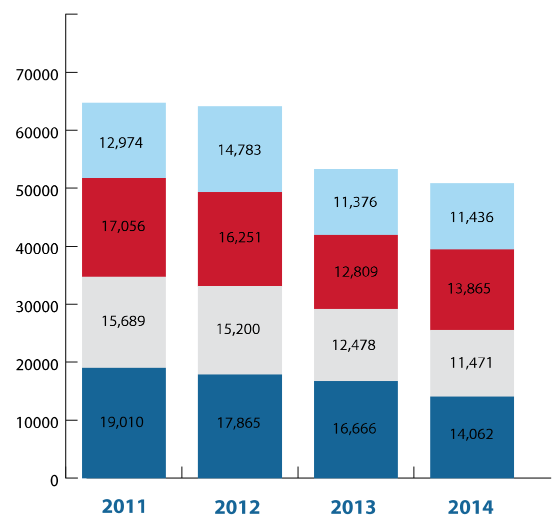
As part of efforts to modernize the Territory's Intellectual Property legislation, draft Trade Marks rules were circulated to the Industry for review and comments. The Trade Marks Rules will form part of the full suite of Intellectual Property legislation. The Trade Marks rules will complement the new Trade Marks Act, 2013 and provide specific guidance on requirements, procedures and processes outlined in the Act.

Statistics

BVI Business Companies remain the dominant vehicle in the Registry's operations. A total of 50,834 new companies were incorporated in 2014, along with the registration of 129 Limited Partnerships, and 229 trademarks.

Company registrations by company types are displayed below.

Registrations by Company Types	2013	2014
No. of Companies Limited by shares	53,266	50,759
No. of Unlimited Companies	32	30
No. of Companies Limited by Guarantee	49	32
No. of Foreign Companies	32	13



After incorporation services are also a large part of Registry services and operations. In most of the most popular transactions categories the list of transactions increased over 2013.

Post Incorporations

The after incorporation transactions listed below include transactions that are most frequently filed. Most of these are filed on a daily basis. They reflect increases/ decreases in the filings from 2011 – 2014.

Registration renewals in 2014 were 423,886 compared to 422,020 in 2013.

- Ensure training and awareness of the new Trade-marks legislation.

- Continue to enforce the need for consistency, efficiency and customer satisfaction in our daily activates.

- Introduce additional services that will enhance customer satisfaction

Post Incorporations	2011	2012	2013	2014
Request for Good Standings	50,518	52,978	59,247	59,288
Filing Notice of Completion of Liquidation	6,567	6,458	7,531	7,994
Filing of Notice of Appointment of Liquidator	6,491	6,436	7,776	8,236
Request for Certifications	7,263	7,266	7,908	7,563
Notice of Change of Registered Agent	7,639	6,447	10,477	10,019
Application for Registration of Change	8,769	8,120	8,723	7,393
Register of Directors & Members	1,751	1,356	1,767	1,410
Notice of Continuation Out of the Virgin Islands	315	207	402	345
Request for Special Certificates	834	701	891	703

Focus for 2015

- A staff awareness programme will be established to allow all Registry staff a more rounded understanding of the functions and processes of the Registry.

- Our aim will be to re-organize and develop a modern, functional trade mark office and system to accommodate trade mark registrations.

NON-SUPERVISORY
DIVISIONS

LEGAL AND
ENFORCEMENT

The Legal and Enforcement Division comprises two units. The Legal Unit provides legal advice and representation to the Commission – the Board of Commissioners, the Managing Director and all the divisions and units of the Commission. It also provides counsel and leadership as required. The Enforcement Unit gathers intelligence and conducts investigations into breaches of the Territory's financial services laws.

Enforcement

In 2014, the Enforcement Unit grew with the recruitment of a new Deputy Director – Enforcement, a senior enforcement officer and an administrative assistant to handle its increasingly complex case load.
The Enforcement Unit opened 122 new investigations in 2014 and in addition to its investigative and intelligence operations, it also provided secretariat support for the Enforcement Committee throughout the year.

Legal

The principal responsibilities of the Legal Unit include :

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

96% of the 65 new litigation matters in 2014 were applications involving the Registrar of Corporate Affairs. These were mainly applications to restore dissolved companies to the Register. The Commission was successful in BVIHC (Com) No. 318 of 2012 - The Financial Services Commission v. Lemma Europe Insurance Company Limited which involved a liquidator's challenge to the status of assets set aside in the Territory to satisfy the domestic liabilities of a specified foreign insurer. The Commission was also successful in its application for the appointment of a liquidator in BVIHC (Com) No. 10 of 2014 – Financial Services Commission v. Victory Life Pension Assurance Company Limited.

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

Cooperation

The Commission received 102 international cooperation requests from January to December 2014. 78% percent of the requests were from members of the International Organization of Securities Commissions (IOSCO). The Commission itself made a total of 33 requests for cooperation or information from local and international partners.

In 2014, 25% of Legal and Enforcement Division personnel were, at various times, assigned, and provided substantial support to, the 2014 compliance inspection cycle and the National Risk Assessment exercise.

POLICY, RESEARCH AND **STATISTICS**

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

National Risk Assessment (NRA)

In early 2014, the Division put forward a policy paper to the Government of the Virgin Islands (following approval of the paper by the Commission's Board) outlining a strategy for the conduct of the Territory's first NRA. This initiative was in response to the FATF's Fourth Round requirement for countries to be able to identify, assess and understand their ML/TF risks; apply sufficient resources to ensure risks are effectively mitigated; and ensure their AML/CFT regimes adequately address identified high risk areas.

The policy, which was adopted by Government, paved the way for the development of the framework that would guide the NRA process and the establishment of the National Risk Assessment Council (NRAC), chaired by the Hon. Premier, and the National Risk Assessment Steering Group (NRASG), chaired by the Division's Director. In July 2014, the NRASG trained 40 representatives of the agencies comprising the Inter-governmental Committee on AML/CFT Matters (IGC), to serve as assessors in the conduct of the NRA. Assessors were given the responsibility of conducting interviews, gathering and analysing data, assisting with the preparation of reports, and carrying out any follow-up action that may be identified during the course of the assessment.

The NRASG meets weekly to review the progress of the NRA and reports to the NRAC every two months. At the end of December 2014, the NRA was nearing the end of the on-site interview process and the analysis of the data collected had commenced. Once the data analysis is completed the assessors will be required to submit reports with a view to having the NRA completed during the course of 2015.

Caribbean Financial Action Task Force (CFATF)

The Division continues to be involved in the work of the CFATF through its participation in the Working Group on FATF Issues (WGFI). During 2014 WGFI finalised the procedures that will guide the Fourth Round Mutual Evaluation process of CFATF members, scheduled to commence in 2015, and provided comments on other Guidance papers drafted by the FATF. In preparation for the Fourth Round, the Deputy Director, along with other senior members of the FSC, received training in the Methodology for assessing compliance with the FATF Standards. This training qualifies persons to serve as assessors during the Fourth Round should they be selected to do so. Additionally, as outgoing Chairman of the CFATF, the Director continued to participate in CFATF Steering Group meetings to ensure proper hand over and continuity in the leadership of the organisation.

Legislative Developments

The Division plays a key role in the development of financial services legislation, working alongside the Attorney General's Chambers (AGC) to ensure that the industry is being served by the most modern legislative regime. Each year, the Division drafts Bills,

Regulations and other subsidiary legislation for review by the AGC and onward transmission to Cabinet and the House of Assembly for enactment. Amendments to existing legislation are also executed by the Division.

Legislation and guidelines prepared in 2014 included:

- Financial Services Commission (Fees) (Amendment) Regulations
- Investment Business (Registers) Regulations
- Registration of United Kingdom Patents (Amendment) Rules
- Registration of United Kingdom Patents (Amendment) (No. 2) Rules
- Trade Marks Rules
- BVI Business Companies (Restricted Company Names) (Amendment) Notice
- FSC Approved Managers (Amendment) Guidelines
- FSC Approved Forms (Amendment) Guidelines
- Licensing and Supervisory Committee (Amendment) Guidelines

Regulatory Developments

A central part of the Division's work is the development and amendment of financial services guidelines. Guidelines are prepared to aid both the FSC and the industry in understanding the regulatory requirements laid out in the relevant financial services legislation and to provide guidance on established regulatory policies. From time to time these guidelines require amendment to keep pace with any changes in the underlying legislation or policies.

In 2014 the Division made amendments to the Guidelines and Operating Procedures of the Licensing and Supervisory Committee to expand the delegation of authority given to Directors with respect to decision making powers relative to financial services legislation and related activities pursuant to section 17 (2) of the Financial Services Commission Act, 2001. The FSC Approved Forms and Related Guidelines were also amended to include a form providing for a standard Trust Deed which is required by foreign insurers licensed under the Insurance Act, 2008 wishing to establish a domestic business trust.

The Approved Investment Manager Guidelines were also amended to expand the services that can be provided by an approved manager by allowing these managers to act as investment advisers or investment managers to any fund incorporated, formed or organised under the laws of a jurisdiction recognised in the Investment Business (Approved Managers) Regulations, where the fund has specific characteristics of a private or professional fund, which are detailed in the Guidelines.

Additionally, throughout the year the Division responded to several requests for information from various international bodies including ASBA, IMF, CFATF, CARTAC, GIFCS and the OECD. Also in 2014, the Division prepared and administered a survey soliciting opinions from the financial services industry on the performance of the FSC's Regulatory Divisions. The survey was administered anonymously to allow for the greatest level of candidness in the responses provided. At the end of 2014 the data collected from the survey had been analysed and a report on the findings was being prepared for submission to the Board of Commissioners, after which the results of the survey would be made public.

Statistics

The FSC's quarterly Statistical Bulletin is a compilation of key statistical indicators collected by each regulatory Division. These statistics are used to track the growth of each sector of the industry and to report on international cooperation matters and matters related to regulatory enforcement. Responsibility for the production of the Bulletin lies with the Division. Understanding the industry's increasing need for timely information the Division revised its timeframes for the submission of data by Divisions in an effort to shorten the production and publication time of the Bulletin. In so doing the Division hopes that the information provided will be of greater use to entities wishing to conduct their own industry analysis.

Inter-governmental Committee on AML/CFT Matters (IGC)

On 10th April, 2014, fourteen of the members of the IGC, established under section 50 of the Anti-money Laundering and Terrorist Financing Code of Practice, 2008 ("the Code"), signed a Memorandum of Understanding (MOU) (prepared by the Division) for the purpose of fostering cooperation in the exchange of information on AML/CFT and tax related matters. The MoU's objective is to promote the sharing of information to facilitate the performance of Member agencies' duties and obligations and enhance the Territory's compliance with its international information exchange obligations.

The IGC comprises representatives of the Commission as Chairman, Attorney General's Chambers, Office of the Director of Public Prosecutions, Ministry of Finance, Royal Virgin Islands Police Force, HM Customs Department, Immigration Department, VI Shipping Registry, BVI Airports Authority, Trade and Consumer Affairs Department, Financial Investigation

Agency, BVI Post, NPO Registration Board and BVI Ports Authority. The Division coordinates the activities of the Committee, including the collection and analysis of AML/CFT statistics maintained by its members which is essential to ensuring compliance with the FATF's International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation.

Joint Anti-money Laundering and Terrorist Financing Advisory Committee

Established under section 27A of the Proceeds of Criminal Conduct Act, 1997, the Joint Anti-money Laundering and Terrorist Financing Advisory Committee (JALTFAC) is a body comprised of representatives of legal, financial, regulatory and law enforcement authorities and private sector entities and professionals with a stake in AML/CFT matters. Coordination of the activities of this Committee, including implementation of all decisions made, is the responsibility of the Division.

In 2014 the Division continued to educate both JALTFAC and IGC on the FATF's Revised Recommendations and the use of the Methodology. The Methodology outlines how countries will be evaluated using the Revised Recommendations and how countries will be measured for compliance with these Recommendations. These information sessions were held to raise the awareness of the Committees on the requirements for the upcoming Fourth Round Mutual Evaluations scheduled to begin in 2015.

In addition, JALTFAC played an integral role in reviewing the NRA Framework prior to it being finalised and accepted by the NRAC. Members have also been designated to review the reports coming out of the NRA process for quality and consistency once these are produced.

JALTFAC also continues to monitor the progress of the supervisory regimes put in place for Designated Non-financial Businesses and Professions (DNFBPs) and Non-profit Organisations to ensure proper execution of their mandates. It also continues to monitor the developments surrounding the issues of beneficial ownership and third party reliance and any effects these matters will have on the financial services industry.

Focus Group on the Development of New Legislation on Arbitration (AFG)

Having worked diligently since its inception in 2011 to revise the BVI's arbitration laws through the passage of the Arbitration Act, 2013, (which was brought into force on 1st October 2014) the AFG spent 2014 focused on developing plans for the establishment of the BVI International Arbitration Centre (BVIIAC). The establishment of the BVIIAC will put the Virgin Islands in a prime position to take advantage of the growing need for a centre of excellence to manage and administer commercial dispute proceedings in the region. In addition to this, the AFG prepared draft Rules for review by the BVIIAC's Board once established, and contributed an article to the September 2014 edition of BVI Finance, paying tribute to its Chairman the late Dr. J.S. Archibald, QC. The chairmanship of the AFG is now held by the Division's Director and the work of the AFG is coordinated by the Division.

Policy Support to the Government

Throughout the year the Division, through the Director, continued to provide policy guidance to the Government on key issues affecting the financial services industry. One such issue is the ongoing engagement between the BVI and UK Governments on matters surrounding the issue of beneficial ownership and establishment of a central registry, and the potential impact on the Territory's financial services industry. The Division has developed numerous policy papers to guide the Government's decision-making process in relation to the subject of beneficial ownership and central register, including steps that need to be taken to ensure full compliance with FATF Recommendation 17 on third party introductions.

2015 Outlook

The key focus of the Division in 2015 will be on providing support to the National Risk Assessment exercise in order to have the exercise completed, and to oversee the review of the Territory's AML/CFT laws to address any deficiencies identified by the NRA. This review will be necessary to ensure compliance with the new standards and will be executed in conjunction with all relevant stakeholders to ensure the BVI is ready for its Fourth Round Mutual Evaluation in 2017.

The Division commenced consultations on reforms to the Insurance legislation regime and this exercise is expected to be completed in 2015 and thus culminate in the preparation of relevant legislative measures.

The fund industry continues to require regular reviews and reforms to introduce new products. Working along with the Investment Business Division and the Securities and Investment Business Advisory Committee (SIBAC), the Division will study new areas that can be developed to better serve a broader group of investment portfolios.

Since the last reform of the BVI Business Companies Act in 2012, the Division has been receiving comments and proposals from the financial services industry on potential reforms that can be effected to the regime. The Division therefore expects to undertake work in this area working with the Company Law Review Advisory Committee (CLRAC) and to prepare appropriate legislative reforms to enhance the companies regime.
The Division will continue to respond to requests for information from key international organisations and work with all Divisions to effect reforms and develop new policies relevant to their work wherever necessary. The Division will also continue to provide policy guidance to the Government where necessary in relation to the work of and as approved by the Commission and will monitor the international arena for regulatory and legislative developments that may have a significant impact on the Territory's financial services industry.

As the work on the establishment of the BVIIAC progresses, the Division will continue to provide support to the AFG to ensure that both the physical and administrative requirements needed to establish a world-class international arbitration centre are met. The Division also intends to progress with the intellectual property modernisation assignment through its ongoing involvement in the Intellectual and Industrial Property Focus Group (IIP Focus Group). The focus in 2015 will be on the development of the Trade Marks Regulations in relation to fees and to support the now enacted Trade Marks Act, including finalising the Trade Marks Rules which were prepared in 2014. In addition, the Division will commence work on a new copyright regime which will entail the drafting of new Copyright legislation, along with supporting Regulations/Rules. The Division, through the IIP Focus Group, will also assist the Registry of Corporate Affairs with the rebuilding and re-organisation of the Trademarks Office which, once completed, will be referred to as the Office of Trade Marks, Patents and Copyrights. The Division will also arrange and coordinate the training of staff in preparation for the coming into force of the new Trade Marks regime during the course of 2015.

The Division will also continue to enhance data collection and analysis in order to develop appropriate statistics in relation to prudential returns and mutual funds annual returns.

CORPORATE
SERVICES

Facilities

During 2014 a primary project for the facilities department was outfitting of premises for the establishment of the Commission's Hong Kong Office. Establishing specific Commission operation within the BVI House Asia involved efforts by multiple FSC departments including facilities and IT as well as collaboration with the Government of the Virgin Islands.

As the Commission's head count increases, the Facilities Department continues to make accommodation for housing the growing staff. The Commission expects to acquire additional physical space to support the increased employee count.

A safe and healthy work environment for Commission employees is also the responsibility of the Facilities Department which strives to meet both local and international occupational safety and health standards. One member of the Facilities team completed Occupational Safety & Health Training certification with the US based Occupational Safety & Health Administration (OSHA) during the year. Both department members now possess this international recognised certification.

The Department also organised training in fire suppression for employees who serve as emergency response marshals. The training was facilitated by a safety equipment supplier and included live demonstrations on fire suppression techniques and proper use of the necessary equipment for varied circumstances.

Information Technology

The Commission relies heavily on the availability of its IT infrastructure and support staff to support critical business functions. With over 150 employees, maintaining key IT services like network access, email and document management is paramount. In 2014 the FSC expanded its footprint into Asia with a fully functional office.

VIRRGIN, the Commission's proprietary, online application for users of the Registry of Corporate Affairs continued to provide needed capacity as a critical enterprise software application. VIRRGIN's uptime in 2014 was again close to 100%. During 2014 the Commission explored ways of enhancing the application to improve the user experience citing agent's feedback and internal processing times. As a result many enhancements were completed and more are still to come.

2014 also marked a year when the Commission played leadership roles in the development and management of multiple website launches and modifications to existing Money Matters BVI and our main website in addition to similar services for FSC projects including National Risk Assessment and BVI International Arbitration Centre. The IT team has taken on a comprehensive review of the current intranet as well as the external website and have been planning for complete revamps. Extensive requirement documents have been drafted and for the projects have been completed.

In an effort to maintain the required level of information and asset security, the IT team underwent both internal and external audits resulting in projects to fortify the infrastructure by introducing redundancy in all aspects of the environment. Additional technical and administrative controls were also introduced solely for mitigating risk from top to bottom within the organization. This ranged from access controls i.e. user permissions for accessing information and applications to tweaks in work flows and other permission based activities needed for the day to day running of the Commission. This project, a collaboration between the IT and Operations, improved both the use of technology and service delivery in processing.

The IT team has also completed the expansion and upgrade of the technology infrastructure to support the anticipated VIRRGIN 3 application which we expect to introduce in a couple of months and in preparation for offering more services at the Commission's representative office in Asia. With the use of innovative technologies and more powerful and faster servers and network equipment the Commission is poised to forge ahead with our proprietary applications for Registry and Regulatory users.

Corporate Communications

The Corporate Communications Department continued in 2014 to be the voice of the Commission externally. The department is tasked with managing the Commission's web presence, communicating with the media, industry, the general public and other stakeholders on developments within the Commission. It also manages the publication of statutory notices and legislation in the Virgin Islands Gazette.

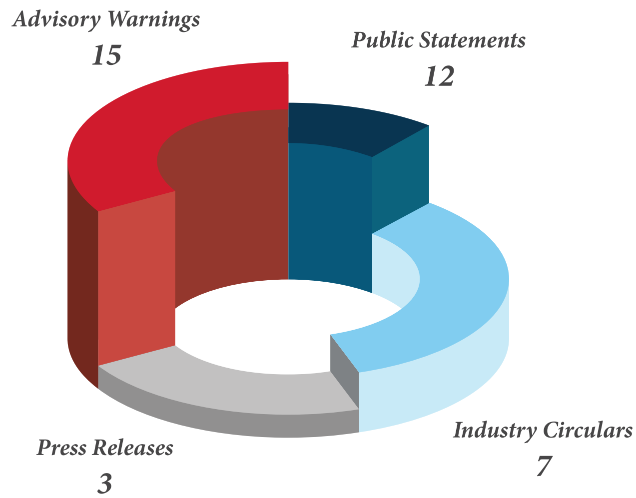
In 2014, the department continued to serve as the official coordinator of FSC events through the hosting of the Meet The Regulator Forum, the annual Board of Commissioners Cocktail Reception and retirement dinners for members of the Board of Commissioners who retired from service.

In May, they served as hosts of the Caribbean Group of Banking Supervisors (CGBS) Risk Management and Internal Control Seminar which accommodated over 40 regulators from around the region. In October, they coordinated the handover ceremony of the text, "Offshore Financial Services: A BVI Text" which was commissioned jointly with the H. Lavity Stoutt Community College and which is expected to serve as a comprehensive roadmap for the students of the Financial Services Institute.

In association with the National Risk Assessment Committee, the Commission hosted a special Focus Group in July, for Non Profit Organisations (NPOs) and Designated Non-Financial Business and Professionals (DNFBPs) to review pre-assessment questionnaires in preparation for the Territory wide national risk assessment exercise. The Focus Group included members of community and service organisations, jewelers, car dealers and churches.

Additionally, the department participated in Financial Services Day at the BVI Senior Students Career Expo. The annual event is aimed at exposing Secondary Students from around the Territory to the careers available in the financial services industry.

Corporate Communications was supported in the endeavour by other regulatory and non-regulatory employees who made presentations on the Commission and fielded career related questions. At the end of the event, the students voted the Commission booth as Best Booth Overall.



Finance

The Finance Division provides monthly reports to management and the Board of Commissioners on the Commission's financial status and activities. The Finance Division is also charged with proposing and enforcing policies and procedures to encourage compliance with accounting standards and best business practices, and to achieve financial success.
The division's monthly financial summary includes comprehensive reports on revenue, expenditure, cash flow, the performance of investment products and the overall financial position at a given point in time.
The Commission posted total assets of $37.6 million at the end of 2014 of which 58.7% were sourced from reserves.

At the close of 2014 the Commission maintained approximately US$8.6 million in regulatory deposits. These deposits are held in respect of licensees and invested in accordance with a Board approved investment policy aimed at retaining the value of the investment. Legislation prescribes the levels of regulatory deposit required, provisions for return and how the regulatory deposit may be used.

For the period ending 31 December, 2014, the Commission recorded revenues of $207.9 million on behalf of the Government. The revenue was collected from usual business operations including the licensing and approval of entities and persons to conduct financial services business pursuant to financial services legislation. Revenue collection in 2014 increased slightly, 0.08% over 2013 and 0.14% over budget projections.

From its retention of revenue collected (2014: 11.0%, 2013: 10.5%), the Commission had available $25.5 million in direct revenue to fund its operations. Total operating expenses for 2014 are reported at $19.6 million, a 3.6% decrease over expenses in 2013 as some anticipated projects and initiatives were not fully realized and will be rolled over to 2015.

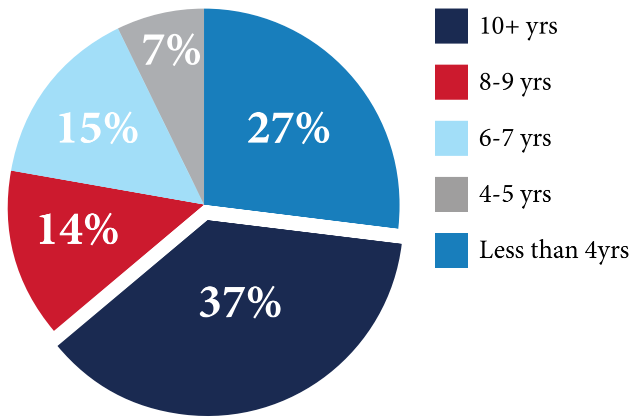
HUMAN
RESOURCES

The Human Resources ("HR") Division works in close partnership with all Divisions to attain the mission of the BVI Financial Services Commission ("the Commission"). The Division values personal growth, fairness and cooperation, and supports a workplace environment that provides a high standard of quality service. In 2014 HR reinforced its commitment to help employees succeed at every stage of their employment and to make the Commission a better place to work by utilising various strategies.

In 2014 the HR Division reintroduced written employment testing for mid to lower level positions in particular, as a means of better determining the suitability or desirability of a job applicant. This contributed to an improved selection of candidates whose skills more closely match the job requirements of a specific position.

Staffing

The HR Division successfully coordinated the recruitment of eleven (11) new hires for regular full-time positions, four (4) temporary appointments and 14 summer interns during the course of 2014. Of the eleven (11) regular full-time positions for which new hires were recruited, four (4) were newly created posts. Recruitment for the posts that were already established resulted due to transfers, promotions and separations. There were seven (7) lateral transfers and two (2) promotions.



Employee turnover at the Commission remains low. Four (4) employees separated from the Commission in 2014 – one (1) at management level and three (3) non management personnel, in comparison to a total of six (6) departures in 2013. The Commission's total staff complement at the end of 2014, excluding the four temporary appointments, was 157 – a nominal growth when compared to the total staff complement at the end of 2013.

Employee Benefits and Wellness

In 2014 HR supported and promoted health awareness among the staff by organising health walks for staff. The Division engaged the services of a registered nurse who gave a brief talk on the impact of exercise and diet on non-communicable diseases immediately following the Annual Walk for Breast Cancer Awareness, which took place in October – Breast Cancer Awareness month. Employees who participated were given the opportunity to have their vitals checked for free, primarily blood pressure and blood sugar. The Division also engaged the services of two health professionals (nurses) who performed clinical breast exams and taught breast self-examination to employees who registered for the session. Eighteen (18) employees participated in the activity.

The Division initiated an "Employee Pension Plan Investment Management Discussion" to provide staff with a better understanding of their Defined Contribution Pension Plan. There were 141 eligible Participants in the Pension Plan in 2014. The Division also coordinated a health insurance seminar for staff – "FSC Insurance Benefits and You" – to better inform staff of the benefits available to them under the Commission-sponsored Group Health Insurance.

In anticipation of the proposed National Health Insurance Scheme (NHIS) the Division, in collaboration with the National Health Insurance Division of the Social Security Board, coordinated a series of panel presentations to appropriately inform staff about the proposed NHIS.

The Annual FSC Kids Christmas Party which was hosted by the HR Division in early December was a successful event. New activities were added to the 2014 Christmas Party which made the social gathering for the children a more enjoyable experience.

Employment and Compensation

The HR Division enhanced its hiring process by expanding its advertising sources for job openings. This helped to attract a wider selection of candidates for vacancies. The Department provided advice, support and assistance to hiring managers throughout the entire recruitment and selection processes to attract, identify and recruit top talent.

During the course of 2014, there were two (2) promotions and seven (7) transfers. In addition, two employees were seconded, at different periods, to the BVI Financial Services Commission (HK) Limited at BVI House Asia - the representative office in Hong Kong.

Employee Relations

HR continued to offer employee relation services to staff through our EAP Programme. Employees were provided with an opportunity to benefit from professional counseling if faced with personal and professional challenges. Employees who utilised the Programme benefitted in terms of having improved their working relationships and overall productivity. One facet of the EAP services provided focuses on the employee and their family. Other services that are available to the organisation as a whole – training and consultation.

Employees by Years of Service

10+	58
8-9	23
6-7	23
4-5	11
Less than 4	42
Total	**157**

Training and Development

In collaboration with the MD's Office, the HR Division continued to provide a variety of learning opportunities to staff to meet the ever changing needs of the organisation in an increasingly competitive industry. In 2014, staff received training and developmental opportunities via attendance at conferences, seminars and workshops - local as well as overseas. Conferences attended by employees include the following:

- ACFCA Financial Crime Conference
- 2014 US Securities International Conference
- Offshore Alert 2014
- CFATF-Regional Conference

The table below indicates the types of training which staff received in 2014:

Types of Training	# of Employees
Business Writing	45
Professional	11
Soft Skills	63

Professional designations/certifications were attained by FSC employees as follows:

- Chartered Management Institute Level 5 Certificate in Management Leadership – 13;
- ICA Specialist Certificate in Corporate Governance – 1;
- ICA International Diploma in Anti Money Laundering – 1; and
- ACCA Certificate in International Financial Reporting – 1

Future Goals

The HR Division will continue to review and update existing HR policies and procedures to better communicate the values and expectations of the Commission, support appropriate and fair treatment of staff and help management make decisions that are consistent and uniform. The Division will ensure complete automation of HR forms and processes as appropriate in order to achieve greater efficiency. Focus will be placed on designing and delivering customised training to employees at various levels of the organisation to better cater to the needs of employees.

Staff Complement

Category	Total
Regulatory	59
Non-Regulatory	98
Total	**157**

FINANCIAL STATEMENTS

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For The Year Ended December 31, 2014

BDO

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Directory
For the Year Ended December 31, 2014

BOARD OF COMMISSIONERS

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

REGISTERED OFFICE

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

COMMISSION SECRETARY

Ms. Annet Mactavious

INDEPENDENT AUDITORS

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

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

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Sea Meadow House
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Road Town
Tortola VG1110
British Virgin Islands

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of the British Virgin Islands Financial Services Commission and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2014, and the related consolidated statements of comprehensive income, changes in reserves, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Limited

Tortola, British Virgin Islands
September 29, 2015

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2014
Expressed in United States Dollars

	Notes	2014	2013
ASSETS			
Non-current assets			
Property and equipment	4	5,149,196	862,661
VIRRGIN project under development	5	1,354,354	386,401
		6,503,550	1,249,062
Current assets			
Regulatory deposits	7	8,602,586	8,329,811
Cash and cash equivalents	8	13,407,768	16,492,369
Time deposits	9	5,032,475	5,065,266
Financial assets at fair value through profit or loss	10	3,052,536	2,997,205
Other receivables and deposits	11	1,028,001	440,327
		31,123,366	33,324,978
TOTAL ASSETS		**$37,626,916**	**$34,574,040**
RESERVES AND LIABILITIES			
Capital reserves			
Contributed capital	12	3,993,900	3,993,900
Property and equipment reserve	12	6,503,550	1,249,062
Total capital reserves		10,497,450	5,242,962
Revenue reserves			
Training reserve	12	400,000	400,000
Loan revolving reserve	12	165,000	165,000
Future capital expansion reserve	12	7,500,000	10,000,000
Refunds reserve	12	50,000	50,000
Enforcement reserve	12	2,000,000	2,000,000
Contingency reserve	12	1,470,595	1,361,625
Total revenue reserves		**11,585,595**	**13,976,625**
Total reserves		**22,083,045**	**19,219,587**
Current liabilities			
Trade and other payables	13	2,223,754	2,413,628
Deposits on account	14	1,717,531	2,111,014
Distribution payable to Government	15	3,000,000	2,500,000
Regulatory deposits from licensed entities	7	8,602,586	8,329,811
Total liabilities		**15,543,871**	**15,354,453**
TOTAL RESERVES AND LIABILITIES		**$37,626,916**	**$34,574,040**

Signed on behalf of the Commission on September 29, 2015

Chairman

Managing Director

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Comprehensive Income
For The Year Ended December 31, 2014
Expressed in United States Dollars

	Notes	2014	2013
INCOME			
Fees collected on behalf of the Government	8	207,890,300	207,718,468
Less: Fees due to the Government	8	(183,617,038)	(184,592,176)
Fees retained by the Commission		24,273,262	23,126,292
Other income	16	1,067,220	779,170
Interest income		155,354	158,431
Net changes in fair value on financial assets at fair value through profit or loss	10	(12,383)	(112,250)
TOTAL INCOME		25,483,453	23,951,643
EXPENSES			
Advertising		9,372	18,728
BVI House Asia funding		235,133	588,891
Conferences and seminars		101,673	122,768
Contributions		242,017	161,365
Depreciation	4	563,853	808,390
Financial Investigations Agency funding		500,000	500,000
Insurance		94,002	63,319
Licenses and fees		53,512	56,657
Literature and reference		124,020	143,914
Maintenance and hire		481,236	527,558
Memberships and subscriptions		88,566	68,804
Miscellaneous		15,195	5,237
Office expenses		243,714	232,087
Professional services		1,311,049	1,362,004
Public relations		98,056	14,936
Rent and lease		1,029,337	972,789
Staff costs	17	12,852,921	12,790,043
Travel and subsistence		789,436	1,032,091
Telephone and communications		530,146	624,166
Utilities		256,757	268,007
TOTAL EXPENSES		**19,619,995**	20,361,754
SURPLUS BEFORE GOVERNMENT DISTRIBUTION		**5,863,458**	3,589,889
Distribution to Government	15	(3,000,000)	(2,500,000)
SURPLUS FOR THE YEAR		**$ 2,863,458**	**$ 1,089,889**

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Changes in Reserves
For The Year Ended December 31, 2014
Expressed in United States Dollars

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

	Opening balance	Surplus for the year	Transfers	Closing balance
2013:				
Surplus for the year	-	1,089,889	(1,089,889)	-
Contributed capital	3,993,900	-	-	3,993,900
Property & equipment reserve	1,643,286	-	(394,224)	1,249,062
Training reserve	400,000	-	-	400,000
Loan revolving reserve	165,000	-	-	165,000
Future capital expansion reserve	8,500,000	-	1,500,000	10,000,000
Refunds & drawbacks reserve	50,000	-	-	50,000
Enforcement reserve	2,000,000	-	-	2,000,000
Contingency reserve	1,377,512	-	(15,887)	1,361,625
	$ 18,129,698	**$1,089,889**	**$ -**	**$ 19,219,587**

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, 2014
Expressed in United States Dollars

	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	2,863,458	1,089,889
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Depreciation	563,853	808,390
Interest income	(155,354)	(158,432)
Net changes in fair value on financial assets at fair value through profit or loss	12,383	112,250
Operating surplus before working capital changes	3,284,340	1,852,097
(Increase) decrease in other receivables and deposits	(587,674)	120,568
(Decrease) increase in trade and other payables	(189,874)	152,076
Decrease in deposits on account	(393,483)	(113,530)
Increase (decrease) in distribution payable to Government	500,000	(500,000)
Net cash generated from operations	2,613,309	1,511,211
CASH FLOW FROM INVESTING ACTIVITIES		
Decrease (increase) in time deposits-net	32,791	(26,379)
Purchase of financial assets at fair value through profit and loss-net	(67,714)	(162,105)
Acquisition of property and equipment-net	(5,818,341)	(414,166)
Interest received	155,354	171,272
Net cash used in investing activities	(5,697,910)	(431,377)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,084,601)	1,079,834
CASH AND CASH EQUIVALENTS		
At beginning of year	16,492,369	15,412,535
At end of year	**$ 13,407,768**	**$ 16,492,369**

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2014
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. The Act established the Commission including its subsidiaries (collectively referred to as the "Group") as an autonomous regulatory authority responsible for the regulation, supervision and inspection of all financial services in and from within the British Virgin Islands. Such services include insurance, banking, insolvency, fiduciary business, company management, mutual funds business as well as the registration of companies, limited partnerships and intellectual property. The registered office of the Commission is located at Pasea Estate, Road Town, Tortola, British Virgin Islands.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

- **Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities.** These amendments define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. The amendments require retrospective application, with specific transitional provisions.

- **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities.** These amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments require retrospective application.

- **Improvements to IFRSs. 2010-2012 Cycle.** In the 2010-2012 annual improvements cycle, the International Accounting Standards Board (IASB) issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at January 1, 2014, and it clarified in the Basis for Conclusions that short-term receivables and payables with no stated interest rate can be measured at invoice amounts when the effect of discounting is immaterial. Each of the amendments requires either prospective or retrospective application.

- **Improvements to IFRSs. 2011-2013 Cycle.** In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at January 1, 2014, and it clarified in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's IFRS financial statements. Each of the amendments requires either prospective or retrospective application.

The application of the above mentioned amendments had no significant effect on the current period or any prior period. None of the other new standards, interpretations and amendments effective for the first time from January 1, 2014, have had a material effect on the consolidated financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

  IAS 24 Related Party Disclosures. The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

  IFRS 13 Fair Value Measurement. The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

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

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Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

2.5 Property and equipment

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 VIRRGIN project under development

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

2.7 Financial assets

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

(i) Fair value through profit or loss

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

(ii) Loans and receivables

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

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

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

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

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

(iii) Held to maturity investments

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

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

2.8 Financial liabilities

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial liabilities (continued)

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

2.9 Fair value measurement

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

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

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

2.10 Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

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

2.11 Revenue recognition

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

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

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

2.12 Taxation

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

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Foreign currencies

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

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

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

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

2.14 Leases

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

2.15 Pension plan

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

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

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

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

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3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

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

Operating and finance leases

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

(b) Key sources of estimate uncertainty

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

Useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2014, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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4. PROPERTY AND EQUIPMENT

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

	Freehold land	Leasehold land	Motor vehicles	Furniture and equipment	Computer and software	Leasehold improvements	Total
Cost							
Balance at December 31, 2012	-	130,000	159,503	2,292,055	10,464,138	2,221,001	15,266,697
Additions	-	-	-	113,386	232,276	68,504	414,166
Balance at December 31, 2013	-	130,000	159,503	2,405,441	10,696,413 $	2,289,505	15,680,863
Accumulated depreciation							
December 31, 2012	-	16,512	159,503	2,106,934	9,634,011	2,092,852	14,009,812
Depreciation	-	2,063	-	96,935	654,007	55,385	808,390
Balance at December 31, 2013	-	18,575	159,503	2,203,869	10,288,018	2,148,237	14,818,202
Carrying amount							
At December 31, 2012	-	113,488	-	185,121	830,127	128,149	1,256,885
At December 31, 2013	$ - $	111,425 $	- $	201,572 $	408,396 $	141,268 $	862,661

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5. VIRRGIN PROJECT UNDER DEVELOPMENT

As of December 31, 2014, the Commission has an existing contract with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) and Vizor Limited relating to the development of an internet-based information system featuring electronic filing of documents called Virtual Integrated Registry and Regulatory General Information Network ("VIRRGIN").

VIRRGIN will be completed in three phases of development, each of which will be released separately. The VIRRGIN project costs to be capitalised will include (a) registry engine license; (b) implementation and development costs for Phases I, II and III; other additional consultancy and software implementation charges; and airfares, accommodation and other travel expenses incurred relating to the implementation of the project. Cost relating to Phase I and II of VIRRGIN have been capitalised as Computer and Software as part of Property and Equipment (see Note 3). The cost of $1,354,354 (2013: $386,401) relates to the uncompleted Phase III which is expected to be finished by December 31, 2015 of which $967,953 were added during the year ended December 31, 2014. The estimated costs to completion of the project, excluding any additional costs, are SGD1,161,304 equivalent to $877,829 (2013: $915,300) and EUR737,281 equivalent to $896,313 (2013: $nil).

6. SUBSIDIARIES

Composition

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

Financial support

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

7. REGULATORY DEPOSITS FROM LICENSED ENTITIES

By statute, certain entities licensed to operate in the financial services sector within the British Virgin Islands are required to place a deposit with the Group. The Group has undertaken to hold these amounts in a designated interest-bearing account $2,001,560 (2013: $2,463,453) and fixed income securities $6,601,026 (2013: $5,866,358) and distributes interest thereon to the licensees on a semi-annual basis. The deposits are refundable upon surrender of the licence. For the year ended December 31, 2014, the deposits earned interest of 0.06% to 0.80% (2013: 0.08% to 0.12%). Total interest income earned for these deposits amounted to $5,938 (2013: $8,329).

8. CASH AND CASH EQUIVALENTS

	2014	2013
Cash held in Government Trust Account	7,332,746	7,795,698
Payable to Government	(5,414,566)	(5,725,933)
Net cash held in Government Trust Account	1,918,180	2,069,765
Cash in operating accounts	11,148,713	14,082,920
Cash in insolvency account	340,875	339,684
Total cash and cash equivalents	**$ 13,407,768**	**$ 16,492,369**

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. Prior to the commencement of the Group's financial year, the Government's Cabinet ("Cabinet") determines the percentage of fees collected on their behalf that is to be remitted to them, with the Commission retaining the balance. For the year ended December 31, 2014, the Commission retained 11.0% (2013: 10.5%) of revenue up to the projected revenue stream and thereafter, the Commission retained 7.5% (2013: 7.5%) of any revenue in excess of the projected revenue stream. This resulted in cash of $5,414,566 (2013: $5,725,933) being held on behalf of the Government as at December 31, 2014.

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9. TIME DEPOSITS

Represents short term placements with the local depository banks whose maturity dates are between 5 and 205 days from the reporting date (2013: between 50 and 486 days), and are more than three months from the placement date with an average interest rate of 0.83% (2013: 0.36%). For the year ended December 31, 2014, total interest earned from time deposits amounted to $21,518 (2013: $16,381).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
Government and agency fixed income securities	1,182,525	1,464,272
Corporate bonds	1,870,011	1,532,933
	$ 3,052,536	**$ 2,997,205**

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

	2014	2013
Realised losses	(25,675)	(14,891)
Unrealised movement	13,292	(97,359)
	($ 12,383)	**($ 112,250)**

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

11. OTHER RECEIVABLES AND DEPOSITS

	2014	2013
Loan to employees	24,333	27,752
Travel advances	41,823	49,872
Interest receivable	41,591	37,096
Prepaid expenses	331,382	325,554
Receivable from pension plan	587,404	-
Miscellaneous receivables	1,468	53
	$ 1,028,001	**$ 440,327**

Receivable from pension plan represents pension initially paid by the Commission from its own funds to cover pension payments to employees that separated from the Commission. This amount is expected to be recovered from the Pension Plan.

12. RESERVES

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

Capital reserves

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

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12. RESERVES (Continued)

Revenue reserves

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

13. TRADE AND OTHER PAYABLES

	2014	2013
Accounts payable and accrued expenses	747,045	784,078
Insolvency surplus reserve	327,477	327,477
Deferred revenue	286,265	303,501
Employee deductions and benefits payable	862,967	998,572
	$ 2,223,754	**$ 2,413,628**

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $862,967 (2013: $996,746) payable to the Commission's employees.

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

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

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

14. DEPOSITS ON ACCOUNT

In 2006, the Commission introduced a new internet-based information system (VIRRGIN) that allows companies to administer transactions online. As a result of this development, companies are required to deposit funds with the Commission in advance of effecting an online transaction. As at December 31, 2014, the balance on this account amounted to $1,717,531 (2013: $2,111,014).

15. DISTRIBUTION PAYABLE TO GOVERNMENT

On September 29, 2015, the Board of Commissioners approved a distribution to Government of $3,000,000 (2013: $2,500,000) from surplus earned by the Commission during the year ended December 31, 2014.

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16. OTHER INCOME

	2014	2013
Enforcement proceeds	374,300	639,000
Court ordered legal cost receipts	60,150	53,300
Miscellaneous income	632,770	86,870
	$ 1,067,220	**$ 779,170**

Miscellaneous income includes recognised receivable from Pension Plan for pension payout initially funded by the Commission amounting to $587,404 (see Note 11).

17. STAFF COSTS

	2014	2013
Wages and salaries	10,069,920	9,555,037
Allowances and benefits	1,796,940	1,930,103
Social Security benefits	253,028	239,140
Employment costs	220,902	582,423
Payroll taxes	512,131	483,340
	$12,852,921	**$12,790,043**

The average number of full time employees in 2014 was 163 (2013: 161).

During the year ended December 31, 2014, the Commission paid $1,342,402 (2013: $1,204,745) for current service costs toward a defined contribution plan (the "Plan"), which has been included in allowances and benefits.

18. RELATED PARTY TRANSACTIONS

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

19. COMMITMENTS AND CONTINGENCIES

Commitments

As explained in Note 5, the Group is contracted with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) and Vizor Limited to design and implement the VIRRGIN project. The contracted cost to completion of the design and implementation of the project is SGD1,161,304 equivalent to $877,829 (2013: $915,300) and EUR737,281 equivalent to $896,313 (2013: $nil) as at December 31, 2014, respectively, plus maintenance and support costs of SGD931,399 equivalent to $704,045 as at December 31, 2014 (2013: $734,129) and EUR100,000 equivalent to $121,570 (2013: Nil), respectively.

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

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

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

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19. COMMITMENTS AND CONTINGENCIES (Continued)

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

	2014	2013
Within one year	686,492	1,102,292
Between one and five years	352,633	1,039,125
Five years and beyond	-	-
	$ 1,039,125	$ 2,141,417

For the year ended December 31, 2014, the Group recognised rent expense amounting to $1,029,337 (2013: $972,789).

Contingencies

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

20. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

20.1 Market risk

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

(i) Foreign currency risk

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

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20. FINANCIAL RISK MANAGEMENT (Continued)

(i) Foreign currency risk (continued)

The Group is exposed to significant foreign currency risk on the agreement to supply, develop, implement and commission the VIRRGIN project (Note 5). The contracted costs for the project are in Singapore Dollars (SGD) and Euro (EUR). As at December 31, 2014, the foreign exchange rate was $0.7559 (2013: $0.7882) per SGD and $1.2157 per EUR, with the average exchange rate for the year ended December 31, 2014 being $0.7898 (2013: $0.7992) per SGD and $1.3293 per EUR. Had the Singapore dollar and Euro foreign exchange rates strengthened against the US dollar by 1% (2013: 1%) with all other variables remaining constant, the overall costs to complete the project, including maintenance/support costs, would increase by $25,998 (2013: $16,495). A weakening of 1% in the Singapore dollar against the US dollar, with all other variables held constant, would have an equal but opposite effect.

(ii) Interest rate risk

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

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and time deposits. As at December 31, 2014 approximately 58% (2013: 72%) of the Group's assets were held in bank accounts, with floating interest rates.

Cash flow interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Group's surplus would increase by $55,022 (2013: increase by $62,055). A decrease of 25 basis points in the market interest rate, with all other variables held constant, would decrease the Group's surplus by an equal amount.

Fair value interest rate risk

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

Fair value interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the yield rate of government and agency securities and corporate bonds, the Group's income and surplus would decrease by $30,592 (2013: $31,157). A decrease of 25 basis points in the yield rate, with all other variables held constant, would increase the Group's income and surplus by $31,247 (2013: $31,894).

20.2 Credit risk

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

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

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20. FINANCIAL RISK MANAGEMENT (Continued)

20.2 Credit risk (continued)

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

Moody's	2014	2013
Aa2	246,820	2,739,842
Aa3	2,533,890	2,525,922
Ba1	13,511,857	-
Baa1	10,812,969	-
B2	-	1,411,612
Ba2	-	10,749,591
Ba3	489,801	15,457,621
Total rated	27,595,337	32,884,588
Non-rated	3,196,648	114,835
Total	$ 30,791,985	$ 32,999,423

20.3 Liquidity risk

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

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

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

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

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

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

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20. FINANCIAL RISK MANAGEMENT (Continued)

20.3 Liquidity risk (continued)

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2013:

	On demand	Within one year	Total
Trade and other payables	996,746	1,416,882	2,413,628
Deposits on account	2,111,014	-	2,111,014
Distribution payable to Government	2,500,000	-	2,500,000
Due to Government	-	-	-
Regulatory deposits from licensed entities	8,329,811	-	8,329,811
Total	$ 13,937,571	$ 1,416,882	$ 15,354,453

21. DEFINED CONTRIBUTION PENSION PLAN

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

22. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2014 and before the date of the report that would have a significant effect on these financial statements other than those already disclosed in the notes.

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