ANNUAL REPORT 2020

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Welcome
to the **Annual Report**
of the BVI FSC for **2020**

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MISSION STATEMENT

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

Protect

the interest of the public and market participants

Ensuring Industry Compliance

with the highest international regulatory standards and best business practices

Ensuring That the BVI

plays its part in the fight against cross-border white collar crime, while safeguarding the privacy and confidentiality of legitimate business transaction

WE PLEDGE

Vigilance

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

Integrity

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

Leadership

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

Accountability

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

STRATEGIC AIMS

TO BE FULLY AWARE

of international standards and their application to the BVI and issue guidelines to the industry as necessary.

TO ENSURE

that all entities we authorise and supervise are operating in compliance with BVI legislation, regulation and international standards of best practice.

TO ENSURE

that all entities we authorise and supervise meet “fit and proper” criteria at the licensing stage and on an ongoing basis.

TO CONDUCT

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

TO ENSURE

that the FSC operates effectively and efficiently.

TO IDENTIFY

and deter abuses and breaches of legislation.

TO RAISE

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

TO ENSURE

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

OUR LOGO: THE LIGHTHOUSE

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

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

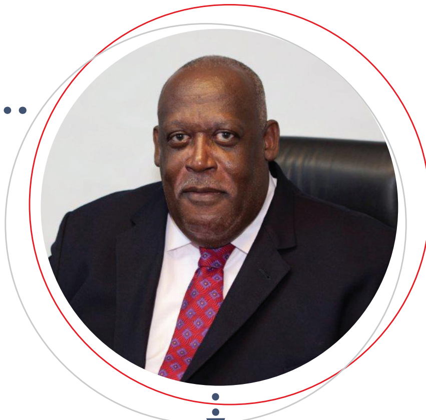
ORGANISATIONAL STRUCTURE

CABINET

BOARD OF COMMISSIONERS

Board Secretary
Annet Mactavious

FSC (HK) Ltd.
Asia Representative
Burton Chalwell



Robert. A Mathavious, OBE
Managing Director/ CEO

Jennifer Potter-Questelles
Deputy Managing Director- Corporate Services

Kenneth Baker
Deputy Managing Director- Regulation

Corporate Services Division
Director
Jennifer Potter-Questelles

Finance
Director
Sheldon Scatliffe

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

Banking, Insolvency and Fiduciary Services
Director
Kenneth Baker
Deputy Director: Fiduciary
Yolanda McCoy
Deputy Director: Insolvency
Shakuntala Yamraj
Deputy Director: Compliance
Inspection Unit
Leon Wheatley

Insurance Division
Director
Deputy Director
Trevecca Hodge

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

AML Unit
Deputy Director
Alva McCall

Cherno Jallow, QC
Policy, Research and Statistics Division

Policy, Research and Statistics Division

Director
Cherno Jallow, QC

Deputy Director
Allene Gumbs

Dawn Smith
General Counsel

General Counsel
Dawn Smith

Annet Mactavious
Human Resources Director

Human Resources Division

Director
Annet Mactavious

Deputy Director - Benefits
Solika Carey

Deputy Director
Training & Development
Trecia Dawson

Stephen Grayson
Legal Division

Legal Division

Director
Stephen Grayson

Deputy Director
Dian Fahie-DeCastro

Brodrick Penn
Enforcement Division

Enforcement Division

Director
Brodrick Penn

Deputy Director
Shane Baptiste

EXECUTIVE MANAGEMENT TEAM

Robert Mathavious, OBE *Managing Director/CEO*	**Dawn Smith** *General Counsel*
Jennifer Potter-Questelles *Deputy Managing Director - Corporate Services*	**Glenford Malone** *Director - Investment Business*
Kenneth Baker *Deputy Managing Director - Regulation*	**Brodrick Penn** *Director - Enforcement Division*
Cherno Jallow, QC *Director - Policy, Research and Statistics*	**Annet Mactavious** *Director - Human Resources* *Secretary, Board of Commissioners*

BOARD PROFILE

Robin Gaul
Chairman

Johnathan Fiechter
Deputy Chairman
External Commissioner

Robert A. Mathavious, OBE
MD/CEO

Carlene Romney
Commissioner

Andrew Bickerton
Commissioner

Denise Reovan
Commissioner

Ian Smith
Commissioner

Carl Hiralal
External Member

MESSAGE FROM THE CHAIRMAN

ROBIN GAUL
CHAIRMAN

> It is my pleasure to report to the Government and people of the British Virgin Islands concerning the activities of the Commission during 2020.

A continued decline in revenues at the Company Registry Division has been experienced, resultant from the continuing trend of reductions in new incorporations during the year and a slight decline in renewals. This reflects uncertainties caused both by the demands of the United Kingdom to make details of Beneficial Ownership public and the Territory having implemented Economic Substance legislation in compliance with European Union requirements. It is anticipated that this negative trend will continue, exacerbated by the global downturn caused by the COVID-19 pandemic, although in the early months of 2021 there has been some upturn in new incorporation business.

The results for 2020 reflect total fees collected on behalf of Government of $217 million, down from $234 million the previous year, out of which direct payments to Government were made of $190 million, down from $205 million previously.

The Commission's net income has covered operational costs and permits a distribution to Government out of surplus in the amount of $1 million.

In accordance with section 27 of the Act, I present this report on the operation and activities of the Commission for 2020, together with the enclosed auditor's report and accompanying financial statements.

Robin Gaul
Chairman

MESSAGE FROM THE MANAGING DIRECTOR

ROBERT MATHAVIOUS, OBE
MD/CEO

> Welcome to the British Virgin Islands Financial Services Commission's 2020 Annual Report, which sets out our ethos, activities, accomplishments and plans.

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

Our watchword is Vigilance, Integrity, Accountability, and we seek to offer clear leadership, foresight, probity and transparency. Our annual report, audited financial statements and strategic work plan are tabled in the VI House of Assembly and posted publicly on our website.

We work hard at ensuring that the Territory's hard-won good reputation is not tarnished by lapses and failure to prevent, identify, deter and address risks effectively. To that end, we devote considerable resource to maintaining a strong working relationship with the government, industry and other key stakeholders.

This partnership has again proved its worth this year, ensuring that the BVI financial services industry has remained open for business despite the office closures and lockdowns caused by the COVID-19 pandemic.

It is also a tribute to the teamwork and dedication of our staff – as well as to our investment in information technology over the years – that the Commission was able to continue performing its regulatory and supervisory functions and meeting industry demands while working remotely.

Although new incorporations fell this year due to the pandemic and international regulatory challenges, the BVI Business Company remained the preferred vehicle for the conduct of business globally. Business continuations into the BVI increased and limited partnerships remained stable.

Despite the external challenges, Commission staff drafted new and amended legislation, responded to regional and international enquiries, issued statistical information, risk-assessed active licensees, renewed compliance inspections once permitted, and kept industry abreast of developments and opportunities.

This year saw 30 years since the Banks and Trust Companies Act 1990's landmark regulation of trust business and company management business. It also marked the 10th anniversary of the BVI's popular Securities and Investment Business Act (SIBA). Already, following SIBA amendments last year, the number of mutual funds is up by 15 per cent and of approved investment managers by 26 per cent.

Additional features and services for our VIRRGIN online registry system in 2020 covered limited partnerships, reporting, certified certificates and directors' functions. 2021 will see further extension of electronic certificates and documents.

And on 31 August, a new legislative framework for a regulatory sandbox regime enabled innovative Fintech products and services to be tested in a defined and controlled environment.

The Anti-money Laundering Unit which we established last September has this year drafted a new AML/CFT policy, three-year strategy and action plan. It also completed an in-depth assessment of the money laundering risks within various sectors, building on the 2016 NRA and providing a basis for mitigation strategies by the Commission and industry. In 2021, it will assess terrorist financing risks.

Preparations continued during 2020 for the CFATF's mutual evaluation of BVI compliance with FATF Recommendations, now planned for 2022. These included new AML/CFT banking guidelines. Next year will see reforms to regulations and the AML/CFT Code of Practice, an AML/CFT framework for virtual assets service providers, and a consultation on the BVI Business Company regime.

Also in 2021, legislative amendments will address banks and trust companies, the Regulatory Code, the Criminal Code, international cooperation, financial investigation, the proceeds of criminal conduct and proliferation financing. A Code of Conduct for domestic insurers developed this year will be introduced.

The BVI has a long-standing policy of actively working with regional and international standard-setters, regulators and other organisations to safeguard its reputation as a leading finance centre for legitimate business.

Staff this year participated in virtual meetings of the CFATF (Caribbean Financial Action Task Force), Caribbean Association of Insurance Regulators and Caribbean Regional Technical Assistance Centre (CAIR/CARTAC), FATF (Financial Action Task Force), Financial Stability Board (FSB), GIFCS (Group of International Finance Centre Supervisors), Group of International Insurance Centre Supervisors (GIICS), International Association of Insurance Supervisors (IAIS) and International Organisation of Securities Commissions (IOSCO).

In February, the European Union removed the BVI from Annex II of its list of non-cooperative jurisdictions for implementing all necessary reforms to comply with EU tax good governance principles.

In March, the US government's International Narcotics Control Strategy Report noted, "The BVI is a well-established, sophisticated financial center" which "has committed to complying with OECD and EU rules on financial transparency and regulation" and "has adopted the new global standard for the automatic exchange between jurisdictions of taxpayer financial account information".

In October, the annual Vistra offshore financial centres report placed the BVI among the top five centres due to its stability, expertise, flexibility and ability to offer global reach.

In the same month, the BVI received the top available ratings in 70 per cent of the areas assessed by the Group of International Finance Centre Supervisors (GIFCS) in its mutual evaluation report of our trust and corporate service providers.

Throughout the year, the Commission received and processed 88 incoming requests from foreign regulatory and law enforcement authorities. The Qatar Financial Centre Authority described our prompt assistance as "the gold standard" of international cooperation.

In Hong Kong this year, political protests and the Covid-19 pandemic meant our office had to suspend its outreach. However, it continued to fulfil its functions, including printing and dispatching certificates and fielding numerous inquiries.

Our local Money Matters financial literacy programme went online, with thousands of BVIslanders participating in online e-forums.

The Commission sets great store by attracting and retaining local staff and the number of job applicants increased sharply. Training will continue to be a priority going forward, including in AML/CFT matters and on enhancing supervisory capacity in FinTech and banking supervision.

Finally, on a personal level, this is my last report as the Commission's MD/CEO. I was deeply honoured, humbled and thankful this year to receive the Order of the British Empire (OBE) in the Queen's Birthday Honours "for services to the British Virgin Islands and to financial services".

Yet I merely stand on the shoulders of the staff I have been privileged to work with over the years at the Ministry of Finance, the Financial Investigation Agency, the Financial Services Institute and the Financial Services Commission, as well the Commission's dedicated Board members. They have all been the wind beneath my wings.

I wish my successor every good fortune in creating an even stronger, more resilient, more robust, more competitive and more internationally compliant industry, one which will continue to contribute so hugely to the wellbeing of the people of our beautiful Virgin Islands.

Robert Mathavious, OBE
MD/CEO

REGULATORY OVERVIEW

REGISTRY OF CORPORATE AFFAIRS

The Registry of Corporate Affairs continued as a major contributor to the British Virgin Islands economy in 2020. Although the register only showed little growth in a few areas in 2020, some transactions continued to reflect positively despite the circumstances faced by the industry during this year.
The Registry was again able to demonstrate its resilience in operations during the challenges of the global health pandemic, which affected the BVI financial services industry and had an impact on the businesses worldwide.

Although we were forced to work remotely with near paperless processes, the teamwork and determination of the staff allowed us to meet the demands of the industry despite the lockdowns and office closures. As a result, new possibilities, and awareness to improve customer satisfaction and business continuity in times of crisis are being explored.
During 2020, the VIRRGIN system was updated with additional features and functions, and additional documents were included in our electronic service offerings to be issued electronically.

Exhibit 1

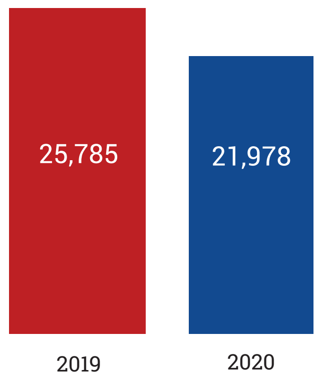
Description	2020	2019
New Incorporation	21,978	25,785
Annual Fee Renewals	334,116	350,839
Continuations into BVI	384	369
Continuations Out of the VI	848	909
Register of Directors Registration	23,158	29,017
Limited Partnerhip Registrations	196	195
International Searches	15,484	15,475
Local Searches	45,737	49,904
Premium Service Transactions	335	335
Dissolutions	9,687	9,780
Requests for certificates of Good Standing	43,075	48,660

SNAPSHOT OF THE REGISTRY'S ACTIVITIES

BVI Business Companies

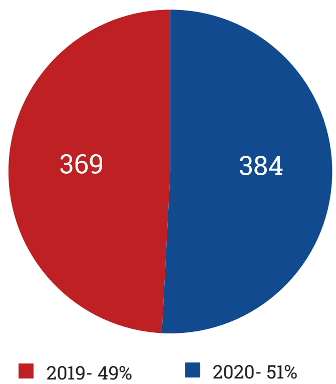
There were 21,978 new company incorporations in 2020 compared to 25,785 in 2019. This resulted in a 14.76 % decrease. This decrease followed the trend for incorporations in previous years but considering the challenges and various international initiatives, the numbers appear attractive.

Incorporation 2019 vs 2020



New incorporations saw a 17.32% decrease in 2020. Continuations into the BVI and International searches saw a small increase above figures for 2019. Continuations out of the BVI decreased. Canada had the highest number of companies continuing into the BVI from other jurisdictions. There was an 11.47% decrease in requests for Certificate of good standing in 2020.

Continuation into the BVI (2019 vs 2020)



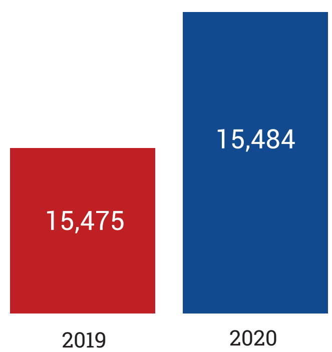
Limited Partnerships

Limited partnerships registrations remained constant in 2020 with a very minor increase. New Limited Partnership functions were add to VIRRGIN throughout this year to allow for the benefits of the provisions and the ease of filing transactions under the new Limited Partnership Act. There were 16 limited partnerships that voluntarily re-registered from the Partnership Act to the Limited Partnership Act, 2017.

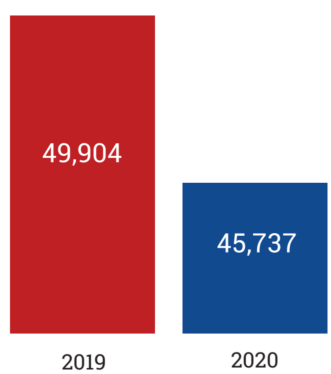
Searches

The majority of local searches were done electronically in 2020 which displays the Registry's ability to deliver normal services in abnormal situations. International Searches still require some intervention but were successfully delivered in response to customers' requests. It is expected that International searches will become electronic in the coming year.

International Searches 2019 vs 2020



Local Searches 2019 vs 2020



VIRRGIN Changes and Improvements

- Updates are continually being made to the VIRRGIN System to improve services and users experiences. These improvements also allow us to ensure the integrity and accuracy of the Register.
- The Premium Services function was upgraded with additional transactions and features and was enhanced to allow for more expansive reporting.
- Certified Certificates for struck off companies were approved and can now be requested by clients.
- Additional VIRRGIN generated certificates were added to be issued electronically.
- Improvements were made to the Register of directors' functions.
- New Limited Partnership functions were added to allow for specific transaction filings.

Outlook for 2021

The experiences of 2020 have led us to be more innovative in delivering services despite challenges to our operating environment and availability of employees. For the year ahead we propose to review manual process with the aim to have all services available and functional in various situations through the provision of more electronic certificates and documents. We will also continue in our efforts to improve and measure customers' satisfaction while proactively improving service delivery and maintaining the integrity of the register.

BANKING, INSOLVENCY AND FIDUCIARY SERVICES

The Banking, Insolvency & Fiduciary Services Division (the "Division") has supervisory responsibility for all banks, authorised custodians, financing and money services providers, trust and corporate service providers ("TCSPs") and insolvency practitioners operating in and from within the Virgin Islands. The Division operates as three separate Teams and administers the following regulatory enactments:

- Banks and Trust Companies Act, 1990
- Banks and Trust Companies Regulations, 1991
- Company Management Act, 1990
- Company Management Regulations, 1991
- Aide Memoire #3
- Financing and Money Services Act, 2009
- Insolvency Act, 2003

The TCSPs act as Registered Agents and comprise the largest sub-sector of the financial services industry.

Risk Management

In 2019, the Division completed the implementation of the Commission's risk framework. Throughout the course of 2020, the Division continued to carry out risk assessments on active licensees, albeit in a more difficult environment, given the pandemic.

At the close of 2020, the risk distribution for Banking and Fiduciary Services licensees remained similar to 2019 with some variation in the number of entities that present a medium low and medium high level of risk. The change is as a result in the cancellation of several licenses in 2020. As guided by the Commission's Risk Based Framework, the Division focuses its resources on the supervision of entities in higher risk categories. Relationship managers are appointed to monitor and supervise each of these licensees closely whilst licensees in lower risk categories continue to be subjected to routine monitoring and pooled supervision.

Achievements

The 27th day of September 2020 marked 30 years since the Banks and Trust Companies Act, 1990, Act 9 of 1990, came into force. The significance of this legislation should not be underestimated as it provides for the regulation of trust business and company management business. The TCSPs act as Registered Agents and comprise the largest sub-sector of the financial services industry.

Licensing, Reclassifications and Cancellations – Forty-nine (49) licences were issued, one (1) licence was reclassified and nineteen (19) licences were cancelled in 2019. Thus, as at year-end 2020, there were 302 licensees, an increase of 29 (10.6%) over 2019. Forty-one (41) (84%) of the 49 licences issued were a result of the Subsidiaries Removal Project.

Licensees by Licence Type 2018 - 2020

Licence Type	31-Dec-2018	as at-31 Dec-2019	Licences issued in 2020	Licences Reclassified 2020	Licences Cancelled in 2020	No. of Licensees as at 31-Dec-2020
General Banking	6	6	1	0	-1	6
Financing and Money Services Business	5	5	0	0	0	5
Restricted Class I Banking	1	1	0	0	0	1
Class I Trust	59	59	2	-1	-2	58
Class II Trust	22	28	4	0	-1	31
Class III	18	20	3	0	0	23
Class IV	0	0	0	0	0	0
Class V	0	0	0	0	0	0
Restricted Class II Trust	54	60	4	0	-10	54
Restricted Class III	0	73	35	0	-3	105
Company Management	18	18	0	0	-2	16
Authorised Custodian	6	3	0	0	0	3
Total	**189**	**273**	**49**	**-1**	**-19**	**302**

Compliance Inspection Monitoring Desk-based Assessment

In 2020, the Division was satisfied with the corrective action taken by seven (7) licensees to rectify the deficiencies identified by the Commission during a compliance inspection. On the Division's recommendation, the Enforcement Committee agreed to release the licensees from all reporting requirements and monitoring.

Regulatory Search Requests

During 2020 the Division processed requests for information on 305 individuals and entities as follows:

Regulatory Search Requests Q1 – Q4 2020

Division/Unit	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YTD 2020
APRU	32	25	23	33	113
Legal and Enforcement	24	56	61	51	192
Total	56	81	84	84	305

By the end of 2020, the following goals/initiatives were either achieved or in progress:

- **Audited Financial Statements Project** – work continued in the summer with the assistance of a Summer Intern. The aim is to gain insight into the profitability and overall financial health of licensees over time.

- **Group of International Finance Centre Supervisors (GIFCS) evaluation of the BVI's Trust and Corporate Service Providers** – During the year, the GIFCS Team continued to liaise with the GIFCs assessors regarding the assessment that was conducted in 2019. The First Round Mutual Evaluation Report on the British Virgin Islands was published on 20th October 2020.

- **Subsidiaries Removal Project** – This project commenced in 2018 and entails the removal of all subsidiaries from licensees' licences. Of the 49 licences issued in 2020, 41 were a result of the Project. The sole outstanding application from a subsidiary with registered agent status was received in Q2, 2020.

During the year, the Division reviewed and commented on the Draft Prudential Return for Fiduciary Services Business and the Draft Guidance Notes produced by the Prudential Returns Working Group, a team tasked with finalizing and issuing all returns, drafting returns for money services (incorporating the current returns) and financing business to ensure consistency across the board.

Resourcing

As at 31st December 2020, the Division's staff complement was 13 persons (2019: 14):

- 1 Director, Banking, Insolvency & Fiduciary Services
- 1 Deputy Director, Banking & Fiduciary Services
- 1 Deputy Director, Insolvency Services
- 1 Administrative Assistant, Insolvency Services
- 1 Administrative Assistant, Banking & Fiduciary Services
- 1 Banking Regulator
- 7 Fiduciary Services Regulators

The Division also continued to be assisted by an individual seconded from the Enforcement Division. During the pandemic, staff worked alternately in-office and remotely, with persons working in-office supporting persons working from home.

International/Regional Affairs

Regarding the Standard on the Regulation of Trust and Corporate Service Providers, the Group of International Finance Centre Supervisors adopted the First Round Mutual Evaluation Report on the British Virgin Islands (BVI) on 20th October 2020. The BVI received the top available ratings in 70% of the areas assessed. The Division is already engaged in addressing the deficiencies identified in the Report.

Outlook – Fiduciary Services

The Division will continue to strive toward improving response times to industry requests.

BANKING SECTOR ANALYSIS

At the close of 2020, the BVI's banking sector comprised seven banks: six commercial banks and one restricted bank.

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

Regulatory Search Requests Q1 – Q4 2020					
Key Financial Stability Indicator	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**
Capital Adequacy					
Tier 1 Capital to Adjusted Risk Weighted Assets	43.55%	36.93%	41.94%	41.66%	43.05%
Tier 1 Capital to Total Assets	24.65%	24.41%	24.07%	22.42%	22.88%
Asset Quality					
Non-Performing Loans (net of Provisions) to Capital	18.81%	17.77%	14.79%	17.41%	14.13%
Non-Performing Loans to Total Loans	9.66%	8.72%	7.87%	8.39%	7.76%
Earnings and Profitability					
Return on Assets	1.00%	1.02%	0.58%	0.47%	1.42%
Return on Equity	4.05%	4.19%	2.39%	2.10%	6.21%
Net Interest Margin to Gross Income	95.01%	99.44%	105.94%	105.94%	82.32%
Non-Interest Expense to Gross Income	53.62%	63.30%	70.65%	70.65%	42.53%
Liquidity					
Liquid Assets to Total Assets	33.80%	32.37%	33.57%	25.41%	34.38%

NOTABLE HIGHLIGHTS

Capital levels continue to exceed requirements: At 43.55%, capital levels have remained static QoQ. A slight increase compared to the past five quarters which have been in excess of 40%. Thus, BVI commercial banks remain adequately capitalized well above the minimum requirement of 12%.

Asset quality ratio worsened: At the end of 2020, non-performing loans represented 13.84% of total loans compared to 7.09% at the end of 2019. Regarding Asset Quality, the industry's non-performing loans increased by 16 million (16%) from $98.8 million at the end of 2019 to $114.9 million at the close of 2020.

Return on equity and Return on assets decreased YoY: The Banks Reported slightly higher shareholders' equity and net income figures.

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

Liquidity condition of the banking sector 2018 - 2020			
Division/Unit	**Q4 2020**	**Q4 2019**	**Q4 2018**
Liquid Assets to Total Assets	33.80%	34.38%	39.07%
Liquid Assets to Total Deposits	38.60%	40.58%	45.47%
Total Loans to Total Assets	55.72%	57.09%	53.44%
Total Loans to Total Deposits	63.63%	67.37%	62.19%

Balance Sheet – On a consolidated basis, the banking sector's total asset size at close of 2020 was approximately $2.26 billion, a decrease of 7.3% over 2019 ($2.44 billion). The balance sheet reflected changes YoY as shown below.

(Aggregate Balance Sheet (US$ millions			
Asset	**2019**	**2020**	**Change %**
Cash Items	823.8	740.2	**-10%**
Marketable Securities (up to 1 yr. original (maturity	15.5	23.1	**49%**
Loans and Advances	1,393.5	1,258.5	**-10%**
Investments	12.8	12.1	**%-5**
Other Assets	195.3	224.6	**15%**
Total Assets	**2,440.9**	**2,258.7**	**%-7**
Liabilities			
Deposits	2,068.4	1,977.7	**%-4**
Long-Term Deposits	47.2	4.1	**-91%**
Acc. Liabilities	12.5	12.3	**%-2**
Other Liabilities	(258.5)	(301.8)	**17%**
Loss Reserve	18.2	14.8	**-19%**
Total Liabilities	**1,887.8**	**1,707.2**	**-10%**
Shareholder Equity	**553.1**	**556.7**	**1%**
Total Liabilities & Shareholders' Equity	**2,440.9**	**2,258.7**	**%-7**

Totals may not add due to rounding

Income Statement

Retained earnings for Q4 2020 was $22.5 million, a 35% decline compared to 2019 ($34.6 million). This was due mainly to a decrease in interest income. Profitability is reduced but continues to be stable.

Regulatory Search Requests Q1 – Q4 2020					
(US $ millions)	Q4 2020	Q4 2019	Q4 2018	Q4 2017	Q4 2016
Interest Income	53.3	60.1	59.2	54.3	57.1
Interest Expense	7.8	10.9	6.8	4.9	4.6
Net Interest Income	**45.5**	**49.2**	**52.4**	**49.4**	**52.5**
Provisions for losses	5.0	-2.4	-3.0	13.6	5.6
Non-Interest Income	7.4	8.2	6.6	6.6	7.8
Operating Income	**47.9**	**59.8**	**62.6**	**42.5**	**54.7**
Non-Interest (Overhead) Expenditure	25.7	25.4	27.2	82.0	20.6
(Net Gain/(Loss	0.3	0.3	0.5	0.5	0.5
Income before Taxes	**22.5**	**34.6**	**35.2**	**(39.0)**	**34.6**
Net Income	**22.5**	**34.6**	**35.2**	**(39.0)**	**34.6**
Net Income Retained	**22.5**	**34.6**	**35.2**	**(39.0)**	**34.6**

Covid-19 Customer Relief and Mitigation Initiatives

The Covid-19 outbreak has forced Governments around the world to introduce aggressive emergency measures and restrictions on the movement of the public to contain the spread of the virus, impacting various sectors including the banking sector. All Commercial banks in the BVI offered relief to their customers experiencing difficulty due to the pandemic. In most cases, the relief was not automatic, rather, affected clients were required to apply for relief. In some cases, eligibility was determined on a case-by-case basis. Relief measures included: granting moratoriums on existing loans and mortgages for varying durations; waiving loan fees and penalties for late payments and granting concessions in relation to credit cards.

Authorised Custodian Regime

The Commission is phasing out the bearer share regime. Thus, at year-end, there were three (3) authorised custodian licensees. One (1) Custodian has submitted an application to the Commission for the cancellation of its licence, while the remaining two (2) Custodians have not yet submitted their applications, as litigation regarding companies for whom Custodial Services is provided, is still ongoing.

Financing and Money Services Business

As at 31st December 2020 there were three (3) financing services licensees and two (2) licensed money transmitters (Class A) which conduct business from seven (7) locations on Tortola and Virgin Gorda.

Legislative Amendments

- Financing & Money Services (Amendment) Act 2020 – passed on 17th April and came into force on 4th May 2020. It introduced a 7% transaction levy on funds being transmitted outside of the Virgin Islands.
- Money Services Transaction Levy Payment Guidance – issued by the Commission on 14th May 2020.

Notable Information for 2019 and 2020

In 2020, funds transmitted abroad fell by $35.2 million (40%) from $88.9 million in 2019 to $53,661,894. The number of transactions from the BVI to foreign countries also fell from 273,342 transactions in 2019 to 168,306 transactions in 2020. One factor is the Territory-wide lockdowns due to the Covid-19 pandemic which was declared on 11th March 2020, which dampened the economy.

The Commission was also made aware that individuals are transferring funds on behalf of other persons to circumvent the 7% levy - essentially conducting money services business. Pursuant to section 37A(2)(c) of the Financial services Commission Act, 2001 the Commission issued a public statement reminding the public that operating a money services business is a regulated activity that requires a licence.

The BVI received $5.7 million from abroad in 2020. Thus, there was a net outflow of $47.7 million from the BVI via money services businesses.

Money Transmission 2019 - 2020		
	Total 2020	**Total 2019**
Amount Received for Transmission from the BVI to Foreign Countries	**$53,661,894**	**$88,878,229**
Number of Transactions from the BVI to Foreign Countries	168,306	273,342
Annual Average Outgoing Transaction Value	$319	$325
Amount Received for Transmission to the BVI from Foreign Countries	**$5,714,711**	**$6,043,007**
Number of Transactions to the BVI from Foreign Countries	16,482	17,002
Annual Average Incoming Transaction Value	$347	$355

Transaction Levy

The Financing & Money Services (Amendment) Act 2020 introduced a 7% transaction levy on funds transmitted outside of the Virgin Islands via Class A licensees under the Financing and Money Services Act, 2009. With effect from 30th June 2020, Class A licensees are required to submit the funds collected to the Commission quarterly together with a transaction levy report. Payment of the transaction levy is due to the Commission within 15 days after the end of each calendar quarter. The Commission then pays over the transaction levy into the BVI 'Miscellaneous Purposes' Fund on a quarterly basis.

Since the institution of the levy, as at 31st December 2020, the estimated Total Transaction Levy Collected was $2,330,709.73 from total funds of $ 33,295,853.33 transmitted abroad.

Outlook

The Banking Unit continues to monitor the two money services business licensees closely through the prudential report, financial statements submissions and onsite inspections.

Insolvency Business

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

Achievements

In August of 2020, the Commission introduced the Insolvency Practitioners (Amendment) Regulations, 2020 ("Amendment Regulations"), whereby all notifications for appointments of overseas insolvency practitioners now incur a non-refundable notification fee of $500.00.

Four new applications for a licence to act as insolvency practitioners were received. Two of those applications were from new applicants that had not previously been licensed in the BVI. Of the other two applications, one practitioner changed firms and the other reapplied with his same firm. Four applications were received and approved in 2020; however, only three of the applicants remitted the licence fee within the year for the issue of a new licence. As a result, three insolvency practitioners' licences were issued during 2020. There were also four voluntary surrender/revocation of licences processed during 2020 due to persons leaving the territory.

A breakdown of the licences issued from 2013 to 2020 follows:

Annual Licensing Stats								
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Licence Applications Received	4	3	9	8	6	4	3	2
Licence Applications Approved by LSC	4	3	13	6	4	3	4	3
Licence Issued & Paid - Full Licence	3	5	11	6	4	3	4	3
Licence Issued & Paid - Restricted licence	0	0	0	0	0	0	0	0
Revocation of Licences	4	4	11	4	3	5	3	1
Applications Withdrawn	0	1	0	0	0	0	0	0
Total # of Current Licences –Full	27	28	27	27	25	24	25	24

The statistical summary of cases by classification for the year showed that the territory began the year with 491 cases in progress. During the year 2020, 93 cases were opened, 170 cases closed, 42 cases were transferred from other IP's and 56 were transferred to other IPs, resulting in 400 being the overall number of cases in progress at the end of the year. This reflects a decrease of 91 from the previous year. This case load was handled by 27 licensed IPs and the Official Receiver. This is further explained in the table below.

Overall, the number of cases remained relatively stable, although there was a decrease in the number cases opened, there was a significant increase in the number of cases closed.

Summary of Classification of Cases from Insolvency Practitioners' Annual Returns
1 January, 2020 – 31 December, 2020

Summary of Classification of Cases from Insolvency Practitioners' Annual Returns

CASE TYPE	B/F	OPENED	CLOSED	TRANSFERRED FROM	TRANSFERRED TO	IN PROGRESS
Receiverships	64	18	32	4	4	50
Admin Receiverships	1	2	2	0	0	1
Company Creditor Arrangements	12	0	0	0	0	12
Administrations	0	0	0	0	0	0
Provisional Liquidations	8	6	3	0	0	11
Liquidations – Members	149	36	63	9	13	118
Liquidations – Court	257	31	70	29	39	208
Bankruptcies	0	0	0	0	0	0
Individual Creditor Arrangements	0	0	0	0	0	0
TOTALS	**491**	**93**	**170**	**42**	**56**	**400**

The Insolvency Surplus Account is described in section 327 of the Insolvency Rules, 2005. The balance at the end of the year 2020 amounted to $785,764.06 which includes interest earned for the year in the amount of $2,629.47. There were no deposits or disbursements for the year.

ITEM	DEPOSITS	DISBURSEMENTS	BALANCE
Brought Forward Balance			$783,134.59
Accrued Interest for 2020	$2,629.47	$0.00	$2,629.47
TOTAL		**$0.00**	**$785,764.06**
BALANCE			**$785,764.06**

Reports to Official Receiver from Insolvency Practitioners

There were seven reports to the Official Receiver from IPs during the year 2020. Subsequent to review, there was no need for further action.

Resourcing

During 2020, the Unit operated with a staff complement of two persons: the Deputy Director and an Administrative Assistant. The Unit was also supported by the Approved Persons Regime Unit.

Despite adjustments having to be made, during the height of the pandemic, the Unit continued to meet service standards in performing its regulatory duties.

Outlook

The Unit intends to work with the Policy, Research and Statistics Division regarding the following:

1. amending insolvency legislation to facilitate the assessment of annual returns

2. amending relevant legislation to impose a penalty on IPs who provide their Annual Returns and licence fees past the statutory deadline, as a deterrent to the late filings

3. amendment of legislation to provide for the rectification of previously filed returns where the return contains information that is inaccurate or misleading

4. implementing a mandatory requirement for insolvency practitioners to submit a detailed list (type of case, date appointed, date closed, date transferred) of all their current cases along with the statistical portion to support the data submitted and assist with assessing the information submitted.

5. the imposition of a penalty on firms where insolvency practitioners relocate to other jurisdictions without notifying the Commission and fail to submit the required application for voluntary revocation.

Approved Persons Regime Unit

The Approved Persons Unit ("APRU") or (the "Unit") was established in 2009 to process applications for prior approval for the appointment of the following persons pursuant to the regulatory enactments: director, senior officer, compliance officer and money laundering reporting officer, actuary, auditor and other independent officers of regulated entities supervised by the Commission. The Unit also processes applications from entities seeking an exemption from the requirement to appoint a compliance officer.

APRU is also responsible for the Corporate Compliance Function Regime. The legal framework was created in 2018. It enables the Commission to approve corporate bodies to perform compliance functions once certain conditions are met. The Unit is guided by the following legislation and guidance:

- Financial Services Commission Act, 2001
- Guidelines for the Approved Persons Regime
- Fit and Proper Guidelines set out in section 15 and Schedule 1A of the Regulatory Code
- Regulatory Enactments
- The Regulatory Code, 2009
- BVI Business Companies Act, 2004

APRU 2020 Achievements

The table below indicates the number of approvals granted in 2020 for the appointment of relevant persons.

Approved Person	2020	2019	2018
Director	141	121	198
Compliance Officer	13	12	17
Compliance Officer & Money Laundering Reporting Officer	58	59	29
Senior Officer	40	51	27
Auditor	12	5	8
Total	**264**	**248**	**279**

Furthermore, as at 31st December 2020, four (4) entities were approved to undertake the duty of performing corporate compliance function services.

Resourcing

As at 31st December 2020, APRU is staffed by the Supervisor, Approved Persons Regime Unit and 2 Regulators. There was also one (1) vacancy as at the end of the year.

COMPLIANCE INSPECTION UNIT

Over the year, the Commission continued its programme of onsite compliance inspections, which has been active since 2002 and was established as a dedicated unit in 2012. The onsite inspection process represents the verification portion of the Commission's supervisory functions. This process is one of the tools through which entities licenced under regulatory legislation are monitored.

Ten (10) inspections were conducted by the team inspectors despite delays experienced as a result of Covid 19. These delays resulted in the onsite inspection programme for 2020 only being launched in September 2020.

The Commission builds its compliance inspection schedule from outputs of the Risk Based Framework, which involves the conduct of risk assessments to determine the likelihood of risk's manifestation and impact assessments to determine the level of systematic importance of an entity.

The scores from the risk and impact review are then combined to determine which of the five (5) 'risk buckets' a Licensee falls within[5]. The Framework then provides supervisory strategies to manage and mitigate risk posed by the Licensee based on its placement. Based on these assessments the inspections included licensees with business operations across two regulated business sectors: Investment Business and Banking and Fiduciary Services.

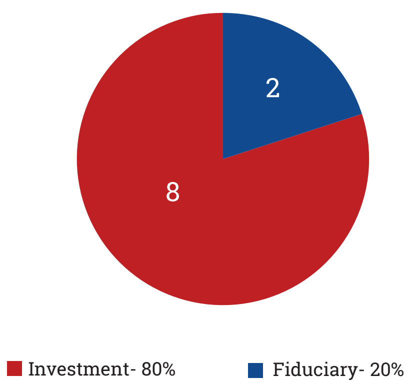
CONDUCT OF INSPECTIONS

The Risk- based Framework provides general guidance for determining the type of compliance inspection that the Commission will undertake. For example, generally, thematic inspections are appropriate for the business operations of regulated firms that have been risk evaluated as bucket 2 licensees or higher. Full scope inspections are generally recommended and applied for Licensees in Bucket 3 and higher. Licensees that are evaluated for placement in Risk Bucket 1, are routinely subject to desk- based monitoring within the Commission. The licensees' inspection fell within buckets 3-4.

COMPLIANCE INSPECTION BY TYPE

Thematic	9
Follow Up	1
Total	**10**

COMPLIANCE INSPECTION BY SECTOR



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 an onsite inspection and submission of a final report. This process enables the Commission to get an overall understanding of the licensee's compliance culture. These inspections can be limited or full scope depending on the nature of the initial inspection and subsequent actions taken with respect to mandated corrective actions.

[5] *Bucket one represents the lowest level of risk and bucket five represents the highest level of risk.*

The inspection assessed the following areas in addition to AML/CFT matters:

- Operations
- Complaints handling
- Corporate governance
- Responsibility of the board and senior management
- Business continuity
- Information systems
- Compliance
- Internal Controls
- Transaction and financial records
- AML/CFT

THEMED OR LIMITED SCOPE INSPECTION

A themed or limited scope inspection is focused on a review of a particular line of business, specific area of business operations or review of a particular function carried out by the Licensee. Eight (8) of the licensees were inspected for the first time and one (1) licensee was inspected three times prior to 2020. The thematic inspections carried out were within the Fiduciary and Investment Business sectors.

During the year, ninety percent (90%) of the inspections that were conducted were thematic in nature. These thematic inspections focused and dealt with specific issues identified within the financial services industry or an individual sector. Selecting the particular focus of each thematic inspection program included, amongst other things, an analysis of each of the following:

- The Commission's ongoing desk-based supervision and risk assessment program;
- Findings of previous inspections conducted; and
- New legislative requirements.

The thematic inspections focused on;

- Enhanced Customer Due Diligence;
- Sanctions Handling;
- Risk Assessment;
- Enhanced Customer Due Diligence; and
- Updating of Customer Due Diligence.

TYPE OF LICENSE SUBJECT TO A THEMED OR LIMITED SCOPE INSPECTION IN 2020

COMPLIANCE INSPECTION BY TYPE

TYPE	No. of Licensees
Fiduciary	1[6]
Investment	8[7]
Total	**9**

At the conclusion of the compliance inspection cycle, the Commission issues a comprehensive report to the licensee. These inspection reports detail varying corrective actions that licensed entities are required to implement within specified timeframes. Simultaneously, the Commission may levy enforcement action for breaches of financial services legislation. For inspection reports issued in 2020, warning letters were proposed for two (2) Licensees for various breaches of the AMLTF Code of Practice.

SECTOR REPORTS

The Compliance Inspection Unit continues produce reports on the findings from inspections. These reports are made available to the relevant units within the Commission primary to assist in assessment of risk and identify trends. . The findings of these reports contributed to some of the conclusions drawn within the Virgin Islands Services Sector Money Laundering Risk Assessment 2020, which was shared with the local industry as well as globally.

Also, as part of its outreach program to the public and the financial services industry the general findings from the 2019 onsite inspections were issued publicly with a view to assisting with compliance. The series of thematic inspections mentioned in the report for the Investment Business and Fiduciary Sectors will continue into early 2021. Once completed, an aggregate report will be produced and shared with the industry for each theme, outlining general findings and potential recommended actions.

The information derived from these sector reports will be used by the Commission to identify key issues across the industry, and inform the Commission's approach to, collection of information, application of supervisory treatments, monitoring and reporting of risk.

The sector reports also allow the Commission to assess the effectiveness of corrective actions, the level of dissuasiveness of penalties and level of success or otherwise in bringing risks within established tolerance levels.

[6] *This Licensee provided registered agent services to a total of 11, 114 companies.*

[7] *The Investment Business Licensees inspected provided services to approximately 153, 164 clients.*

INVESTMENT BUSINESS

The Investment Business Division is responsible for administering the securities and investment business regulatory framework in the Territory. The Division's work is guided by the Securities and Investment Business Act (SIBA), and through the administration of SIBA:

- Mutual Funds Regulations, 2010
- Public Funds Code, 2010
- Investment Business (Approved Managers) Regulations, 2012
- Securities and Investment Business (Incubator and Approved Funds) Regulations, 2015

The year 2020 marked the 10th year anniversary since the enactment of the Securities and Investment Business Act ("SIBA"). During this period, SIBA has provided a strong foundation for further regulatory expansion which has led to subsequent amendments of the Act to include additional financial products.

The Division continues with the regulation and supervision of Investment Business licensees, approved investment managers, authorised representatives and mutual funds (private, professional, public, foreign, incubator and approved funds).

Risk Management

In 2019, the Division wholly completed implementation of the Commission's risk framework. Throughout the course of 2020, the Division continued to carry out risk assessments on active licensees, albeit in a more difficult environment, given the pandemic.

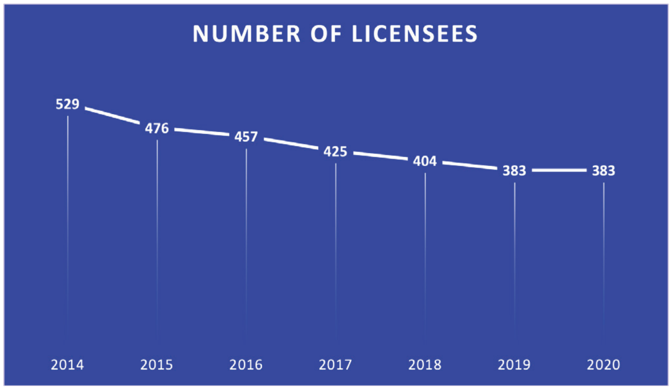
When compared to 2019, the risk distribution for licensees authorised in Investment Business remain similar to 2019. There was a slight decrease in the number of entities that currently present a low level of risk, however this decrease is attributed mostly to cancelled licensees. All licensees cancelled in 2020 were classified as low risk.

As guided by the Commission's Risk Based Framework, the Division expends the highest amount of its resources to the supervision of entities in higher risk categories. Relationship managers are appointed to monitor and supervise each of these licensees closely whilst licensees in lower risk categories continue to be subjected to routine monitoring and pooled supervision.

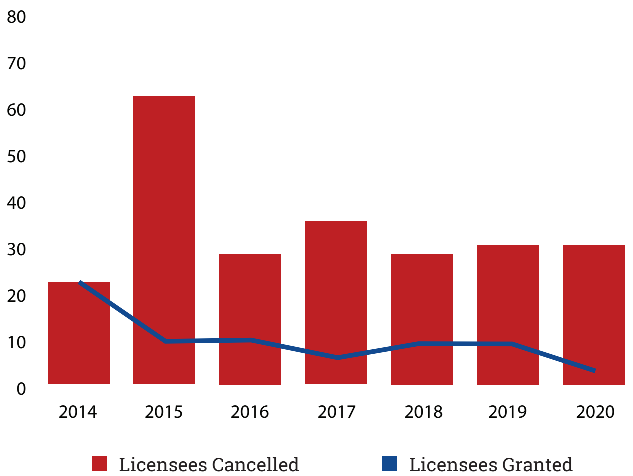
Achievements

Licensed Entities

The Securities and Investment Business Act, 2010 gives the Commission (and ultimately the Division) the responsibility and authority to regulate the Securities industry in the BVI. The Commission's regulatory powers spans 7 categories of licences; Dealing in Investments (whether as Agent or Principal), Arranging Deals in Investments, Investment Management (this includes management of Segregated Portfolios, Mutual Funds, Pension Schemes, Insurance Products and the Management of Other Types of Investments), Investment Advice (including and excluding advice to mutual funds) Custody of Investments (including and excluding mutual funds) and Administration of Investments (including and excluding mutual funds). At present, the Commission has not issued any licenses under its Category 7, Licence to Operate and Investment Exchange.



During 2020, the number of Investment Business licensees remained consistent with 2019. However, there was a steady decline in this market which is expected to continue, albeit at a decreasing rate (at the end of 2019 the number of licensees under remit decreased by 5.2% when compared to 2018 where the rate of decrease was 4.94 %). The Division continues to progress its cancellation project which removes in-active licensees enabling the Division to better gauge the actual size of the market and properly allocate resources based on risk.



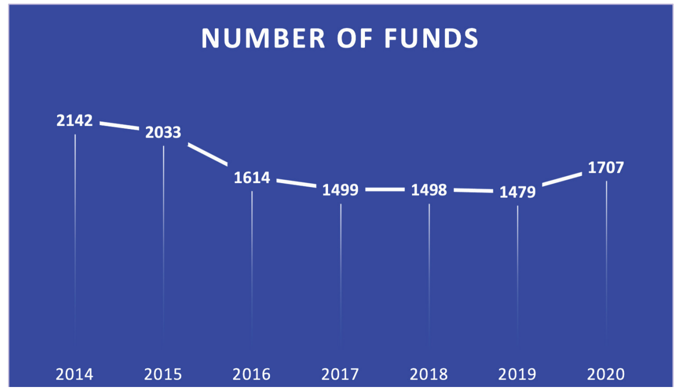
Number of licensees cancelled in 2020 significantly outweighed number of licences granted. This is a trend that has remained consistent since 2015. Low application numbers coupled with the continued significant numbers of cancelled licensees coveys that this trend is highly unlikely to abate in the near future.

It is not anticipate any significant redirection of the market that would allow for growth in the short term.

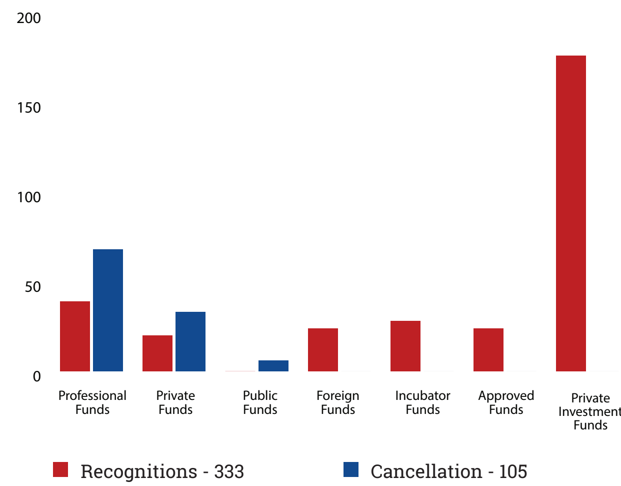
Mutual Funds

The BVI continues to be a highly competitive fund jurisdiction and significant growth within the fund industry was noted during the reporting period of 1 Jan, 2020 to 31 Dec, 2020.

Specifically, the number of funds increased by 15.4%. The increased numbers are attributed to the 2019 amendments to SIBA which introduced a new supervisory regime for Private Investment Funds (PIFs) in the Territory, with effect from 31 December 2019. For PIFs existing prior to that date, the transition period for compliance with the new regime ended on 1 July 2020. One hundred and seventy nine (179) PIFs were authorised during 2020.

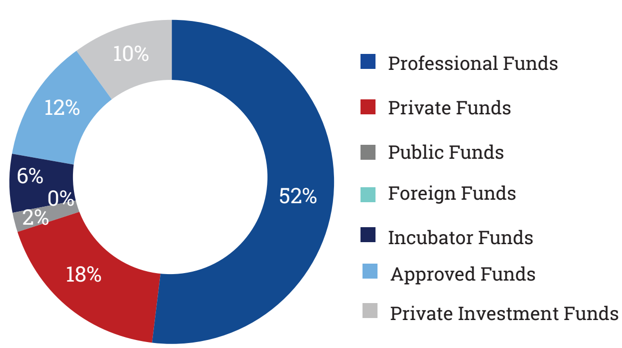


Number of Funds Recognised vs funds cancelled in 2020



Given that much of the growth noted was due to the requirement for PIFs to now be authorised, it is not expect that the rate of increase experienced during 2020 to be sustained. However, it is expected that the number of funds under remit to remain consistent as the number of entities recognized for fund classes such as the Approved Funds and Incubator Funds continue to increase relative to their respective cancellation numbers.

Distribution of Recognised Funds



Fifty two percent of all funds recognized are Professional funds whilst foreign funds represent the fund class with the lowest number of funds recognized (0.35%).

Approved Investment Managers

The Approved Investment Manager regime provides an alternative "light touch" regime for BVI Investment Advisors/ Managers who would otherwise require licensing under SIBA.

Application rates in 2020 increased by 42% when compared to 2019. Additionally, lower cancellation numbers and high numbers of approvals has led to total Approved Investment Managers under remit increasing by 26% in 2020.

External Stakeholder Engagement

The Division continues to prioritize engagement with external stakeholders in an effort to ensure that expectations of the Commission are properly communicated to the industry as well as to ensure a collaborative approach is taken when significant amendments that will affect the industry are made.

During the Commission's 2020 Virtual Meet the Regulator (MTR) forum Mr. Glenford Malone, Ms. Thyra Todman and Mrs. Kishelle Cameron delivered a presentation on the 2019 amendments to The Securities and Investment Business Act, 2019. The amendments introduced a new supervisory regime for private investment funds in the Territory with effect from 31 December 2019.

Resourcing

At the end of 2020, the Division's team consisted of twelve (12) persons including the Director, Deputy Director, one Senior Regulator, eight Regulators and an administrative assistant.

In April 2020 all of the Division's staff were required to work remotely due to the pandemic. Limited functions were carried out in office to facilitate specific functions that could not be completed remotely (like issuance of certificates). Due to the pandemic, the Division has relied heavily on technology as a means of continuing operations and unifying dispersed staff. Whilst challenging, the Division's staff managed to continue to be efficient whilst navigating the new required way of working. The growth rate in the funds business and amongst Approved Managers is not only a reflection of the resiliency of those industries but also the commitment and hard work of the staff, who managed to facilitate this growth, while working remotely for most of the year.

It is hoped that in 2021, the Division/ Commission will transition into a more technology reliant organization so that human efforts can be more dedicated to the analytical needs of the Division.

International/Regional Affairs

In 2020 members of the Division participated in several virtual meetings with other regulators throughout the Caribbean region to discuss amongst other things the impact of COVID-19 on the financial sector.

The Division also participated in the following:

- Financial Action Taskforce (FATF)
- Caribbean Financial Action Taskforce (CFATF)
- International Organisation of Securities Commission (IOSCO)
- Participation in Surveys from IMF, IOSCO, FSB, FATF and CFATF

Outlook

As the Commission transitions to functional supervision, we anticipate that the current functions; authorization of IB entities and supervision of IB entities will be separated. We believe that this will lend to a more risk focused approach to supervision.

In 2020, Covid-19 significantly impacted the way in which the Division and ultimately the Commission traditionally carries out business, however in utilizing remote working abilities most functions were able to continue. We anticipate 2021 will require a similar operational style.

Staff training will continue to be a priority in 2021, especially in areas where the Commission has identified need for increased supervisory capacity, such as FinTech and Banking supervision. Finally, we look forward to a more collaborative approach with the industry as we design a regulatory framework for novel business models that balances the need for strong risk management principals and good governance with regulatory flexibility that encourages innovation.

INSURANCE

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

The Division's work is guided by the Insurance Act, 2008 and through the administration of the following legislation:

- Insurance (Amendment) Act, 2015
- Insurance Regulations, 2009
- Insurance (Amendment) Regulations, 2015
- Regulatory Code, 2009
- Insurance Guidelines, 2016

Captive Insurance

The number of captive insurers declined from 73 in 2019 to 59 at end of 2020.

The decline is attributed to the fact that in 2020, no new captive insurer licenses were issued and 7 captive insurer licenses were cancelled. The cancellation of licenses resulted from the captives ceasing to conduct insurance business having reached their useful or intended purpose and captives re-domiciling to other jurisdictions. Overall, the captive insurers market continued to face challenges with the declining industry coupled changes in the international landscape for captives.

However, the financial strengths of captives between the years 2018 and 2019 revealed that the industry does have resiliency. The financial numbers reveal that Captive Insurers business Gross Written premiums increased by $36,158,293; Net Written Premiums by $43,181,467; Gross Assets by $189,016,474; Allowable Assets by $119,098,795 and Net Worth by $118,623,230; while Claims Incurred decreased by $69,657,120 and Underwriting Results by $5,070,013 in 2019 when compared to 2018.

Captive Insurers Business Written Summary

Comparison of Captive Insurers Business Written [1]

Approved Person	2019	2018
Gross Written Premiums	$559,240,181	$523,081,888
New Written Premiums	$562,248,028	$519,066,561
Claims Incurred	$3,957,937	$73,615,057
Underwriting Results	$14,861,246	$19,931,259
Gross Assets	$2,061,221,317	$1,872,204,843
Allowable Assets	$765,290,199	$646,191,404
Net Worth	$1,392,351,515	$1,273,728,285

Domestic Insurance

Domestic insurers licensed at the end of 2020 totaled 37 down by 2 from in 2019. No new domestic insurer was licensed and 2 existing domestic insurer licenses were cancelled. In 2020 steps were taken to enhance the domestic insurance sector through the development of Insurance Code which addresses market conduct generally to ensure that insurers are treating customers fairly and processing claims timely, among other concerns. That Code is envisaged to be brough into force in 2021.

Domestic Insurers Gross Written Premiums Summary [2]

Domestic Insurance Companies Total Gross Written Premiums

Line of Business	Annual 2019 Returns	Annual 2018 Returns
Motor	$10,573,649	$15,223,065
Property	$55,993,007	$53,549,631
Liability	$21,702,313	$13,505,744
Marine & Aviation	$17,333,731	$23,416,753
Health	$11,900,713	$7,491,828

[1] *2020 financial statements are due in 2021.*

[2] *2020 Annual Returns are due in 2021.*

Domestic Insurance Companies Total Gross Written Premiums		
Accident	$40,839,883	$54,471,198
Life	$1,492,108	$1,333,727
Other Property & Casualty	$10,959,217	$15,938,376
Totals	**$168,343,315**	**$184,932,340**

Aggregate Exposures for Domestic Insurers

- **2019** – Property $12,663,095,478 and Marine/Aviation $12,359,903,544
- **2018** - Property $10,510,090,850 and Marine/Aviation $9,211,107,262

Domestic Insurers Gross Claims Paid Summary

Domestic Insurance Companies Total Gross Claims Paid		
Line of Business	**Annual 2019 Returns**	**Annual 2018 Returns**
Motor	$4,361,327	$24,309,255
Property	$83,509,859	$618,293,111
Liability	$5,518,264	$10,080,360
Marine & Aviation	$13,459,836	$129,788,382
Health	$4,630,433	$3,020,946
Accident	$22,281,528	$17,439,278
Life	$480,077.60	$643,066
Other Property & Casualty	$4,882,086	$27,495,750
Totals	$139,123,411	$831,072,166

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

Insurance Agents and Insurance Brokers decreased by 2 each in 2020 while Loss Adjusters declined by 10. There were no changes in the licensed Insurance Managers.

One insurance intermediary (insurance agent and insurance broker) licence was issued in quarter 2. Overall for 2020 a total of 14 insurance intermediaries licenses were cancelled. Cancellations were due to these licensees ceasing to carry on insurance agency and brokerage business, to obtain a new licence to be licensed as an insurance intermediary and the loss adjusters having completed the business for which they were licensed [3] . In summary Insurance Intermediaries declined by 4 and loss adjusters by 10.

In 2020 claims statistical information continued to be submitted quarterly. Based on information submitted by the Intermediaries representing the relevant insurers, in regard to the 2017 Hurricanes, as of the end of 2020 over ninety nine percent (i.e. 99.77%) of the total claims have been settled. Of the less than 1% (33) unsettled claims, 87.9% (29) are related to Hurricane Irma comprising of nine (9) homeowners, seven (7) commercial properties, eleven (11) motor and (2) marine claims. The remaining four (4) unsettled claims are related to Hurricane Maria comprising of homeowners (3) and marine (1).

COVID-19 Impact on Insurance Industry

In 2020 the World Health Organization declared the Novel Coronavirus (COVID-19) a global pandemic. The BVI Government in response took measures to prevent the spread of the virus. As a result of the measures taken by the BVI Government all non-essential workers were required to stay at home however, the BVI financial services industry remained open for business with staff of the Division working remotely and on rotation during 2020. The Division contacted the insurance industry regarding the impact of Covid-19. Due to the measures taken by the BVI Government Insurers and Intermediaries also transitioned to working remotely. Domestic insurers confirmed that there was no impact as there is no specific COVID-19 coverage offered and that health policies will cover COVID-19 related medical expenses. A few domestic insurers indicated that their investments experienced a slight decline due to the COVID-19 pandemic.

Resourcing

The Division's resources in 2020 consisted of a staff complement of 5. Due to the COVID-19 global pandemic the Division's staff working arrangements continued with a combination of working remotely and/or in office rotational work week. Two regulators from the Division completed the International Center for Captive Insurance Education ("ICCIE") Associate in Captive Insurance designation course.

[3] *Assessing Hurricane Irma and Hurricane Maria claims.*

International/Regional Affairs

In 2020 members of the Division participated in several virtual meetings with other regulators throughout the Caribbean region to discuss amongst other things the impact of COVID-19 on the financial sector.

The Division also participated in the following:

a) **Group of International Insurance Centre Supervisors ("GIICS")**

- GIICS members participated in a 90 minute "Members Experience Discussion on COVID-19 and Economy. GIICS members also participated in meetings throughout the year as a continuation of the discussion on COVID-19 impact on each jurisdiction.
- Participated in the GIICS survey approach to cyber supervision spearheaded by GIICS member the Bermuda Monetary Authority.

b) **Caribbean Association of Insurance Regulators and Caribbean Regional Technical Assistance Centre ("CAIR/CARTAC")**

- webinar hosted by AM Best on the topic "State of the Caribbean Insurance Markets whereby the current regional outlook was discussed.
- discussion on the topic "Reinsurance Arrangements: Forming a view on the adequacy of a CAT reinsurance program and your role as home/host regulator.
- webinar on the topic "Insurance Regulation and Supervision during the COVID-19 Pandemic".
- two webinars on the topics "Insurance Sector-Regulatory and Supervisory Responses to the COVID-19 Pandemic" and "Regulatory and Supervisory Response to Deal with Coronavirus Impact: The Insurance Sector".
- the two-part IFRS 17 Insurance Contracts session organized by the Bermuda Monetary Authority.

c) **International Association of Insurance Supervisors ("IAIS")**

- in 2020 the Division participated in the IAIS Peer Review Process on Business of Conduct of the British Virgin Islands regarding Insurance Core Principle 19 – Conduct of Business Section I Insurers and Conduct of Business Section II Intermediaries.
- the Division provided updates to the IAIS relative to the IAIS COVID-19 template concerning the policy and supervisory measures taken by the British Virgin Islands.

Outlook

The captive insurance industry is on a downward trend as evidenced from the decline year after year in the captives domiciled and very few new applications submitted in the last five years, no new applications in 2020. It is anticipated that this trend would continue in 2021. The Commission envisage that in collaboration with local stakeholders such as Insurance Associations and BVI Finance a strategic direction and action plan would be developed in 2021 to ensure continue viability of the captive insurers market in the Territory.

The domestic insurance sector outlook for the most part is stable. The domestic insurance sector is in the process of being enhanced with the Regulatory (Amendment) Code which imposes requirements relative to market conduct generally including treating customers fairly, processing of claims timely, assessing customers' needs, to name a few. Domestic insurers and insurance intermediaries will be required to comply with the requirements of the Regulatory (Amendment) Code.

BVI FSC (HK) LIMITED HONG KONG OFFICE

The BVI FSC HK is a company incorporated in Hong Kong, SAR that represents the regulatory interests of the BVI Financial Services Commission (the "Commission') throughout Asia. Our physical presence in Asia allows the BVI to more efficiently maintain and service key business relationships and provide liaison services to clients based in Asia, which includes the ability to be more responsive to the needs of the clients in these markets.

The BVI FSC HK, operation as a representative office, promotes the regulatory work of the Commission throughout the Asia-Pacific region. The nature and scope of the BVI FSC HK's work includes:

- Explaining the function and objectives of the Commission throughout Asia.
- Developing and maintaining effective relationships with regional regulatory authorities to better facilitate supervision of common licenses.
- Managing and monitoring the delivery and performance of the functions of the BVI Registry of Corporate Affairs in Asia.
- Disseminating information and responding to inquiries about the services offered by the BVI Registry of Corporate Affairs.
- Responding to media inquiries and participating in media interviews that serve to promote the work of the Commission.
- Serving as liaison and point of contact between the Commission with persons entities licensed under the BVI financial services legislation.
- Liaising and cooperating with BVI House Asia, as necessary, in its efforts to demonstrate how BVI laws and regulations and the scope of supervision are compatible with international standards and appropriate for the sustained competitiveness of the BVI financial services industry.

As a result of the political protests in Hong Kong and the ongoing covid-19 pandemic, all outreach efforts of BVIFSC HK were suspended. BVI FSC HK continued to fulfill its other functions during the year, including printing and dispatch of certificates issued by the Registry of Corporate Affairs and fielding inquiries from Registered Agents and the general public within the region.

CERTIFICATES

The number of certificates printed and collected in the HK office has decreased by 43% from in 2020. This significant decrease was due in part to the disruption to operations during the months of February, August and December, where the office was closed due to Covid-19.

Certificates of Good Standing represented 53% of the certificates requested and Certificates of Incorporation (Original) account for 45% of all certificate requests.

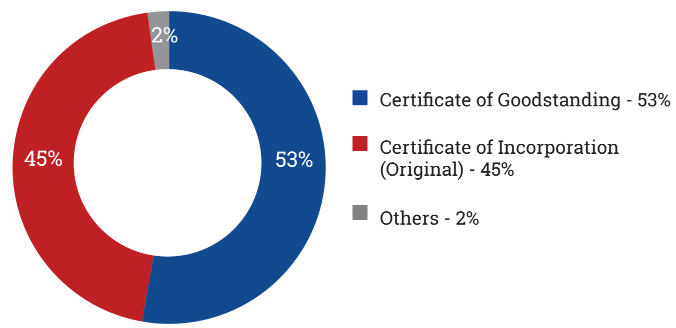
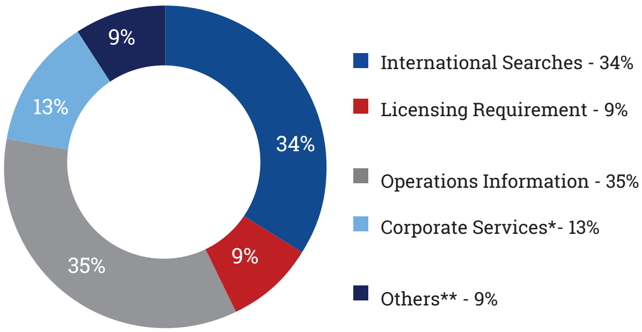


Figure 3. Breakdown of the total percentage of certificates printed (by type).

ENQUIRIES

The chart below shows the breakdown of the 113 queries received by BVI FSC HK in 2020 by type.



*Corporate Services Include enquiries about procedure for incorporation and company filings.

**Others include enquiries about list of Registered Agents, Service Scope of BVI FSC (HK) and Economic Substance.

ANTI-MONEY LAUNDERING UNIT

The Anti-money Laundering Unit, which was established in September 2019 is responsible for developing and implementing the Commission's AML supervisory strategy and ensuring compliance with international standards. The strategic purpose of the Unit is to enhance the role and credibility of the Commission as the main AML supervisor for the financial services industry and enhancing compliance levels within the financial services sector.

The Unit's key responsibilities include, inter alia, developing and enhancing AML/CFT related policies and procedures; working with the supervisory divisions to achieve a coordinated, robust and consistent approach to AML/CFT supervision; and engaging the private sector to enhance awareness of emerging ML/TF/PF risks.

Achievements

AML/CFT Policy and AML/CFT Strategy

The Unit drafted the Commission's AML/CFT Policy, which is aimed at strengthening the Commission's supervisory, enforcement, and domestic and international co-operation regimes. The associated AML/CFT Strategy is a three-year road map for the period 2020 to 2022 informed by and designed to address the broad areas identified in the Policy. This will be used by the Commission to implement effective measures across the board to combat ML, TF and PF risks inherent in the financial services sector. The documents have been posted on the Commission's website and serve to ensure a collective understanding by Commission staff of its position relative to AML/CFT, as well as to provide guidance to the private sector on the Commission's approach to AML/CFT risk. These documents have been published to ensure industry participants are aware of the Commission's policy on the handling of AML/CFT matters and to allow them to take these considerations into action when developing their own risk frameworks.

Commission's AML Strategic Action Plan

In order to address each of the key strategic areas outlined in the AML/CFT Policy an Action Plan was developed which detailed specific actions that need to be taken to deliver on those objectives and the related actions outlined in the Strategy.

Establishment of AML Web Space

Seeing the need for a central space where AML/CFT related information could be easily accessed, the Unit, in conjunction with the Commission's IT Department, designed a dedicated AML space for the Commission's website. This space was officially launched in October 2020 and allows users to access, amongst other things, guidance issued by both the Commission and the FATF, AML legislation, policy documents and risk assessment documents. The Unit was also able to contribute several articles to the Commission's monthly industry newsletter, and script a number of guidance videos in preparation for production early in 2021. These guidance videos will cover a range of topics aimed at keeping the industry abreast of key AML/CFT issues and will be published on the Commission's website once completed.

AML Training

In 2020 the Unit was successful in partnering with the Commission's Training Unit and the Financial Services Institute to deliver AML training to the Commission's staff. Due to COVID the in-person training was suspended, however, the Unit was able to work with its partners to re-engineer the programme so that it could be offered virtually. The programme presented new staff and those with less exposure to AML matters with an introduction to the Territory's AML/CFT regime, and in particular requirements of the Commission as a supervisor, and of financial institutions operating within the jurisdiction.

The Unit also monitored training offerings from regional and international bodies, particularly the CFATF, and ensured all relevant Government agencies were made aware of these opportunities, at times coordinating submissions at a national level. Assistance was also provided to the Secretariat for the Council of Competent Authorities in facilitating training to the Territory's law enforcement agencies and competent authorities focused on financial investigation and terrorism financing.

National Risk Assessment Action Plan

The Unit continued to fulfil its responsibility for monitoring the implementation of the Commission's Action Plan to address the recommendations emanating from the Territory's 2016 National Risk Assessment report. In conjunction with the monitoring of the implementation of the Commission's NRA Action Plan, the Unit was also designated to take the lead on the Commission's preparations for the Territory's Mutual Evaluation.

Sectoral ML Risk Assessment

One of the key achievements of the Unit was the completion of the Virgin Islands Financial Services Sector Money Laundering Risk Assessment 2020. This assessment took an in-depth look at the money laundering risks within the various financial services sectors through the interrogation of data from multiple sources. The 2020 assessment built on the results of the 2016 NRA and provided a more current assessment of the AML/CFT risk within each of the financial services sectors. The identification of the ML risks within each sector will allow for proper mitigation strategies to be put in place, not only by the Commission but by industry practitioners, thereby strengthening the overall AML/CFT regime.

Resourcing

The staff of the Unit consists of the Deputy Director, AML/CFT, the Deputy Director, Insolvency Services who is currently assigned to the Unit, and an AML Cadet.

The greatest impediment to the Unit's work was the ongoing global coronavirus pandemic which caused disruptions to basic daily operations. That notwithstanding, the Unit was able to recalibrate and achieve a substantial portion of its goals for 2020 despite local lockdowns and stay-at-home orders.

International/Regional Affairs

The Commission continued to participate in the work of the CFATF and represented the Territory during the course of the year, in the person of the Deputy Director AML/CFT as a member of the CFATF's Steering Group. The Virgin Islands concluded its term on the SG after the November 2020 Plenary which was held virtually due to COVID restrictions. The Deputy Director AML/CFT and the Deputy Director Insolvency attended the CFATF Plenary and Working Group meetings, during which time the first virtual presentation of a Mutual Evaluation Report was made. Attendance at these meetings provides an opportunity for a greater understanding of some of the potential issues that the Commission as supervisor, and the Territory generally, may face during its own Mutual Evaluation.

Outlook

As the Commission continues to prepare for the Territory's AML/CFT Mutual Evaluation, the Unit's focus will be primarily on closing any gaps identified in the Commission's AML/CFT regime and finalising preparations for the Mutual Evaluation. One of the main priorities for the Unit in 2021 is the execution of the Virgin Islands Terrorist Financing Risk Assessment. Similar to the ML risk Assessment conducted in 2020, this TF risk Assessment will be geared towards identifying the level of exposure to TF within the various financial and designated non-financial services sectors and the NPO sector, which will provide a clearer understanding of the overall risk of TF to the Territory.

The Unit will coordinate the implementation of the recommendations stemming from the 2020 Sectoral ML Risk Assessment as well as continue to monitor the Commission's progress in addressing the outstanding matters identified in the 2016 NRA. This is all in an effort to ensure that all recommendations are properly actioned, given their importance in achieving compliance with FATF standards. The Unit will also continue to ensure effective implementation of the Commission's AML/CFT Strategic Action Plan.

With the anticipated roll out of the Commission's AML Questionnaire in early 2021, the Unit will be responsible for reviewing these submissions on an aggregate level to identify trends that may highlight areas of concern and risks which may require supervisory intervention or trigger considerations for legislative or policy reforms. It is hoped that this will allow for identification and greater understanding of AML/CFT risks to which the BVI's financial services industry is exposed.

Building on the AML/CFT training provided to staff in 2020 the Unit will facilitate additional employee training in conjunction with the Financial Services Institute on matters relative to AML/CFT. The Unit also intends to engage the private sector through a series of virtual webinars on the results of the 2020 Sectoral ML Risk Assessment and what is expected of them as a result. The Unit will also stand ready to enhance awareness of current AML/CFT risks through participation in the Commission's Meet the Regulator forums.

The Unit will also continue to monitor regional and international AML/CFT spaces to identify emerging risks and trends in its ongoing effort to keep the Commission updated on the financial services sectors exposure to ML/TF risks. Based on this monitoring, advice will be provided on ways to mitigate these risks and improve the Commission's regulatory regime.

LEGAL DIVISION

The Legal Division ("Legal") is in-house counsel to the Commission. Legal provides Advice and Litigation services to the Managing Director, the Board of Commissioners, the Registrar of Corporate Affairs, the Licensing Supervisory Committee and Enforcement Committee and the administrative and regulatory divisions within the Commission. During 2020 Legal provided legal advice on compliance inspection reports, contraventions of financial services legislation and the drafting and review of contracts, leases, and agreements to which the Commission is a party. In all cases where enforcement action was proposed, Legal advised on the regulatory and legislative breaches and the powers available to the Enforcement Committee. Legal achieved its objective in 2020 of providing Advice and Litigation services in a timely manner, within agreed timescales and to a high professional standard.

Legal, together with the BVI Courts and the BVI legal community, faced unprecedented challenges in 2020 arising from the global COVID-19 pandemic. Following a national lockdown in the BVI in April 2020, an Emergency Measures Practice Direction was issued by the Eastern Caribbean Supreme Court suspending in-person hearings and implementing the use of video conferencing for all hearings in the High Court and the Commercial Court. The Legal team readily adapted to the new procedures becoming proficient in conducting trials and contested hearings remotely via video conference calls. The fact that the BVI Courts had recently moved to an electronic filing system for filing all case documents including pleadings, evidence and hearing bundles proved to be extremely fortuitous and enabled the BVI Courts to continue operating in the face of the pandemic. Participation by Legal in the Commission's Management, Enforcement and other committee meetings also continued seamlessly using video conference facilities.

Legal dealt with 118 new litigation cases in 2020 comprising chiefly of applications to the Court to restore dissolved companies, applications to appoint a Receiver over a BVI company and applications to terminate voluntary liquidations. There are a small number of ongoing litigation cases where, on the application of the Commission, the Court has appointed a liquidator over a BVI company regulated by the Commission.

Our attorneys provided legal services to the Trade Marks registration Unit at the Registry of Corporate Affairs as well as providing advice and drafting services to the Commission on Memoranda of Understanding with other BVI competent authorities.

During 2020 Legal participated in two major training initiatives, both conducted through video conferencing facilities. Our attorneys attended a 5-day course on drafting and negotiating IT contracts and we attended and assisted in presentations on a 5-day course on money laundering and the restraint and confiscation of the proceeds of crime attended by members of the RVIPF, the DPP's office and the other BVI competent authorities.

#	Litigation – Cause of Action	Number of cases for 2020
1	Appointment of a Receiver	3
2	Dissolution/Revocation	96
3	Liquidation/Termination	11
4	Litigation outside of the jurisdiction	2
5	Amendment of M&A	1
6	Paragraph 57 Schedule 2 of the BCA	3
7	Set aside Restoration Order	1
8	Removal of Voluntary liquidator	1
	TOTAL CASES	**118**

FINANCIAL SERVICES APPEAL BOARD MATTERS

The Financial Services Appeal Board is a statutory body which hears appeals by persons aggrieved by a decision made by the Commission under the Financial Services Commission Act, 2001 or any financial services legislation. There were no new appeals received in 2020 and the Board did not sit to determine any existing cases.There were six outstanding appeals carried forward from 2019, five of which the appellant decided to withdraw and abandon the appeal. One appeal remains outstanding.

INTERNATIONAL COOPERATION MATTERS

Legal has responsibility for dealing with incoming and outgoing international cooperation requests received and issued by the Commission. The Financial Services Commission Act, 2001 (the "FSC Act") requires cooperation with foreign regulatory and law enforcement authorities. The FSC Act also provides statutory gateways for disclosing protected (non-public) information when a request is received. During 2020 the Commission received and processed 88 incoming requests from foreign regulatory and law enforcement authorities and 2 outgoing requests were issued. The requests are chiefly made under our obligations as a signatory and member of the International Organization of Securities Commissions' (IOSCO) Multi-Lateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information. The requests typically concern fitness and propriety checks on authorised persons and licensees of the Commission and requests for information and documents from foreign regulatory and law enforcement authorities conducting investigations into suspected fraud, money laundering, insider trading, market manipulation and other types of financial misconduct.

The Commission is a member of the UK-based Financial Crime Information Network and in 2020 received 58 referrals seeking information and documents, mainly from UK Law enforcement authorities investigating money laundering, fraud and other types of financial crime. The value of the Commission's assistance to foreign regulatory investigations is routinely recognized in public statements. For example in August 2020 the Qatar Financial Centre Authority ("QFCA") recognised and thanked the Commission for assistance provided in a QFCA investigation in which our prompt assistance was described as "the gold standard" of international cooperation.

ENFORCEMENT DIVISION

The Enforcement Division receives and analyse intelligence on behalf of the Commission and conducts investigations of serious breaches of financial services legislation. The Division's investigation work ranges from regulatory breaches, such as entities engaging in unauthorised financial services activity to cases where non- regulated BVI Business Companies are being used for unlawful purposes. Complaints lodged with the Commission are also received and investigated by the Division. Despite the unanticipated disruptions and uncertainty resulting from the onset of the global pandemic, the Division performed its responsibilities with resilience and delivered on several priorities, including key outcomes below:

- **Revising the structure of the Enforcement Regime** – Through ongoing engagement of internal stakeholders within the Commission, the Division developed a roadmap for the assessment of Commission's own internal decision-making methodology in exercising enforcement action, effectiveness of each action and other facets pertinent to delivering a more robust enforcement regime.

- **Developing Resources and Processes** – skill sets of staff within the Division were enhanced through advanced training in specialized investigative techniques, processes and procedures and advanced AML/CFT concepts. The Director, Deputy Director, and Enforcement Officer II received enhanced training in Money Laundering Risk in New Technology were awarded specialist certificates.

- **Policy on Sanctions Investigations – the Division, together with law enforcement counterparts** – the Financial Investigations Agency, Governor's Office and Royal Virgin Islands Police Force developed a formal policy that will guide future investigations relating to sanctions. The new Policy builds on existing provisions that facilitates joint investigations and information sharing among the agencies.

- **Joint Investigation and Cooperation with Foreign Regulators** – the Division continued to engage with foreign regulators including with a US regulatory agency in respect of one of the Commission's licenced entities that failed to communicate with and return client's investments.

- **Public Engagement on Pyramid/Ponzi Schemes** – the Division participated in the Commission's social media campaign aimed at sensitising the local populace on identifying Ponzi/pyramid type schemes.

In 2020, the Division opened 323 matters of varying complexity. Workload is generated internally through inquiries and referrals from supervisory and non-supervisory divisions, and external through inquiries, complaints and other referrals from external sources. Inquiries from internal referrals **(200 received in 2020)** are primarily due diligence checks by supervisory divisions, including the Approved Persons Unit when assessing fitness and propriety of senior officers. The Division's turnaround is typically 24-48hours and details any intelligence that may give cause for concern if approval of the senior officer is granted. External inquiries **(28 received in 2020)** most often relate to entities or individuals purporting to carry on financial services business in or from within the territory.

The Division experienced an increase in Complaints handled in 2020 **(53 matters)** when compared to 2019 **(41 matters)**. Complaints lodged ordinarily involve regulated entities and non-regulated BVI Companies where clients or other persons of interest raise concern on the conduct of a regulated entity or beneficial owner of the unregulated business company. Complaints relating to licensees are directed to the respective supervisory division for their initial assessment. Intervention from the supervisory divisions most often effect swift resolutions of the complaints, resulting in a limited number of matters requiring more intrusive action by the Division.

As it pertains to non-regulated entities, such complaints are typically characterized by allegations of unauthorised financial services activity or an element of fraud. Of the **53** complaints fielded, **15** were in relation to Business Companies (non-regulated BVI companies), **2** in relation to unregistered entities purporting to be registered [1] and **36** related to licensees.

The Division issued **Twenty-Two (22)** Public Statements resulting from complaints and inquiries in 2020. The primary concern was that the entities were falsely purporting to be authorized or licensed in the jurisdiction. Lead time taken to investigate and publish public statements normally range from 3-5 days depending on quality of the intelligence and complexity of the investigation.

[1] *Non-BVI domiciled entities.*

Twenty (20) cases were referred to the Division from internal supervisory and non-supervisory divisions. Internal referrals are predominantly regulatory breaches that were identified and assessed by the regulatory Divisions. For example, contraventions such as failure to maintain the minim level of solvency, failure to seek approval prior to appointment of senior officers or failure to prepare and submit annual audited reports are considered regulatory breaches. In those cases, the supervisory divisions performed the requisite leg work to establish and assess the breach pursuant to the Guidelines and Operating Procedures of the Enforcement Committee. The Division examine the work of the supervisory divisions to (a) verify the occurrence of a breach through engagement with all stakeholders, including the Legal Division and (b) deliver a sound case to the Enforcement Committee with relevant recommendations. 15 of the 20 internal referrals were regulated entities, while the remainder were in relation to non-regulated business companies

Twenty-Two (22) referrals were received from external sources: 16 the BVI Financial Investigation Agency and 6 from an international regulatory counterpart. Intelligence received most often relates to non-regulated business companies and is shared with relevant stakeholders, including supervisory divisions. Where investigations are required, the Division performs the necessary analysis takes appropriate action when a breach of financial services legislation is identified. Importantly, the Division also provides critical feedback to the relevant authority, which helps to improve usefulness of intelligence received.

ENFORCEMENT ACTIVITY 2020

Summary of Classification of Cases from Insolvency Practitioners' Annual Returns

Division	Monetary Penalty	Warning Letter	Strongly Worded Letter	Revocation	No Enforcement Action	Ongoing	Non-Regulated/ BCs
Investment Business							1
Banking, Insolvency and Fiduciary Services	2	1	1	1		1	
Insurance						3	
Legal	1		1	1		2	3
EC/EC Secretariat			1				
MD's Office							1
Total	**3**	**1**	**3**	**2**	**0**	**6**	**5**

Enforcement Actions by Year

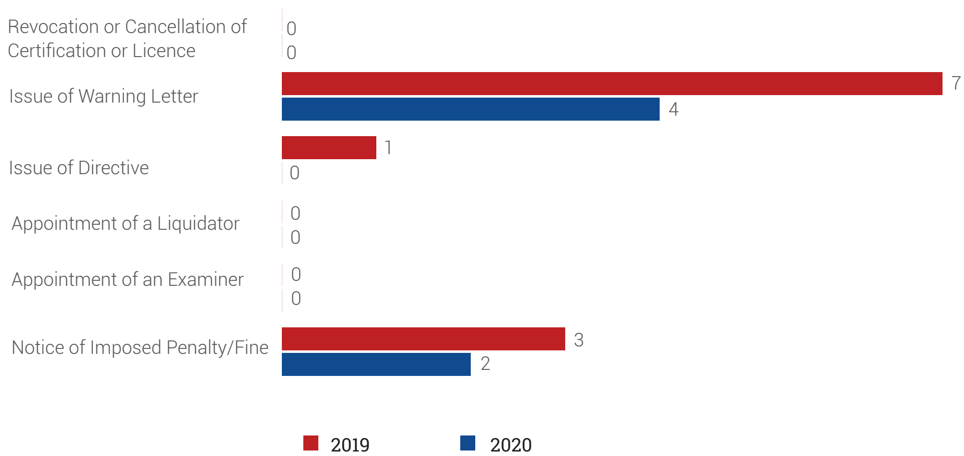


Figure XYZ: Illustrates the total number of enforcement actions executed annually

The Commission draws its enforcement powers from the Financial Services Commission Act, 2001. A broad range of sanctions are available at the Commission's disposal, including warnings, monetary penalties, directives, and more draconian measures including appointing an examiner and winding up orders through the Courts. The Commission's Enforcement Committee, a collection of senior directors of the Commission with diverse specialties, is the designated authority responsible for considering enforcement related matters, including imposition of sanctions. In 2020, the Warning Letter was the primary form of enforcement action meted out against Licensees for breaches of financial services legislation. A trend that has continued for consecutive years. Three (3) of the four warnings were issued for AML/CFT breaches. The Commission's Enforcement Committee also sanctioned two Monetary Penalties totaling $10,000 for AML/CFT deficiencies discovered during an onsite inspection.

The Commission's enforcement process is enhanced with specific actions aimed at delivering the desired output of returning a regulated entity to full compliance with financial services legislation. In addition to imposing warnings, monetary sanctions or other enforcement action, the Commission's risk based supervisory process also includes an enhanced desk-based monitoring phase for regulated entities that performed unsatisfactorily during onsite examinations. Senior relationship managers from the supervisory divisions lead the rehabilitation efforts through hands on review, including testing of corrective measures designed by the regulated entity to address deficiencies identified. In 2020, thirteen (13) regulated entities successfully implemented corrective measures to address AML/CFT deficiencies and were released from enhanced desk-based monitoring. One (1) Licensee failed to implement corrective measures for AML/CFT deficiencies and was recommended for a follow up inspection in 2021.

Policing the Perimeter

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

In 2020, as part of policing the perimeter, the Division also investigated and issued public warnings regarding a Ponzi/ pyramid type scheme that rocketed in popularity and growth amongst the local population.

The Division was also launched an independent investigation into a Registered Agent's handling of an underlying client due to alleged sanction busting. There were no breaches of AML Laws or regulations to be pursued against the Registered Agent as it was found to be complaint. Finally, the Division provided the Compliance Inspection Unit with a suggested list of licensees to be included in the 2020/2021 inspection cycles together with supporting rationale for the recommendations drawn from intelligence received.

POLICY, RESEARCH AND STATISTICS

The functions of policy research, policy development and statistical maintenance are key to the Financial Services Commission ("the Commission"), as a financial services regulator and the Registry of Corporate Affairs. These functions are performed by the Policy, Research and Statistics Division ("the Division"), tasked with researching international standards, emerging trends in the local, regional and international financial services sector and new financial services products and services. Based on the research conducted, the Division identifies deficiencies in the existing policy and legislative framework, as well as new areas for development, makes proposals for action and advances appropriate policies and legislation, in conjunction with relevant Divisions and Units within the Commission. The development of relevant legislation and policies also stems from issues identified throughout the Commission in the administration of regulatory and registry legislation and recommendations made in assessment reports. The Division also collates and maintains statistics from the Divisions and Units within the Commission to produce the Commission's quarterly statistical bulletin, provide statistical information in response to requests made by competent authorities, regional and international standard setting bodies. These statistics are also used as evidential support in assessments by international bodies.

During 2020, the covid-19 global pandemic posed challenges to the ordinary performance of functions generally. Notwithstanding, the jurisdiction and the Commission adopted practices to ensure the continued operation and supervision of the financial services sector. With adaptive measures, the Division was able to attain notable achievements in the development of legislation, provide responses to regional and international organisations and produce quarterly statistical bulletins. The Division was also able to make significant progress in a number of long-standing matters.

DIVISIONAL ACHIEVEMENTS

REVIEW AND DEVELOPMENT OF FINANCIAL SERVICES LEGISLATION

Each year the global financial services industry faces new challenges as it adapts to a changing world with new and evolving products, services and business models. During 2020, the financial services industry was faced with the additional challenge of remaining operational during the global covid-19 pandemic. Consequently, regulatory authorities around the world, including the Commission, had to implement measures to facilitate the continued operation and supervision of financial institutions, while remaining compliant with requirements established by international standard setting bodies such as the Organisation for Economic Co-operation and Development (OECD), Financial Action Task Force (FATF) and the Financial Stability Board (FSB). The Commission, in addition, had to ensure the continuity of operations at the Registry of Corporate Affairs. The Commission sought to establish legislation that would facilitate the continued operation and supervision of the financial services industry through adaptive measures during exceptional circumstances, such as natural disasters and the covid-19 pandemic. The Division consequently drafted the following:

Financial Services (Exceptional Circumstances) Act, 2020

The provisions of this Act enable the Virgin Islands to adopt special measures to ensure the continued operation and administration of financial services business in and from within the Virgin Islands, whenever an exceptional circumstance arises. The Act defines an exceptional circumstance and requires the Minister's declaration of a particular event as an exceptional circumstance. This declaration is to be made via an order, which activates select portions of the Act for a specified period of time, depending on the particular circumstance at hand. The Commission is however authorised to extend the timeframe of the activated portions of the Act.

Financial Services (Exceptional Circumstances) Order, 2020

This Order, which came into force on 30th March, 2020, declared the outbreak of the covid-19 pandemic as an exceptional circumstance and activated relevant sections of the Financial Services (Exceptional Circumstances) Act, 2020 for a period of one month.

Notices extending the operation of Financial Services (Exceptional Circumstances) Order, 2020

The Commission, in analysing data on the severity and duration of global pandemic and the emanating circumstances, determined that continued special measures were required to facilitate the proper functioning of the jurisdiction's financial services industry. The Commission consequently extended the operation of the Order though a number of notices. These notices extended operation of Financial Services (Exceptional Circumstances) Order, 2020 until 30th July, 2020, 31st October, 2020, 31st December, 2020 and 31st March, 2021.

Notwithstanding the challenges arising from the pandemic, the Division persisted with the Commission's legislative agenda. This resulted in the Division's drafting and the subsequent enactment of the following additional legislation in 2020:

New Legislation

Financial Services (Regulatory Sandbox) Regulations, 2020

The Regulations establish the legislative framework for a regulatory sandbox regime specifically catered to testing innovative Fintech products and services, in a defined and controlled environment. The Regulations outline the application requirements for entrance into the sandbox, prescribes the ongoing obligations of participants, and institutes the limited timeframe participants may remain in the sandbox. These Regulations were brought into force on 31st August, 2020, via the Financial Services (Regulatory Sandbox) Order, 2020.

Amended Legislation

Public Funds (Amendment) Code, 2020

This amendment Code amends the Public Funds Code, 2010 by imposing a requirement for public funds' valuation policies and procedures to contain a requirement for fund property to be valued annually.

Financing and Money Services (Amendment) Act, 2020

This amendment to the Financing and Money Services Act, 2009, introduces a transaction levy on money transmission transactions undertaken via Class A licensees licensed under the said Act. The transaction levy is only applicable to money transmitted outside the Virgin Islands.

Insolvency Practitioners (Amendment) Regulations, 2020

The 2020 amendment to the Insolvency Practitioners Regulations, 2004 introduces a fee for filing notices of the proposed appointment of an overseas insolvency practitioner, pursuant to section 483 (b) of the Insolvency Act, 2003.

Financial Services (Fees)(Amendment) Regulations, 2020

These regulations introduce fees that are applicable to the Financial Services (Regulatory Sandbox) Regulations, 2020.

Arbitration (Amendment) Act, 2020

This amendment clarifies provisions in section 72 (6) of the Arbitration Act, 2014 to remove the unintended interpretation that the rules of the High Court with respect to the taxation of costs in civil proceedings apply to an order in relation to the fees and expenses of an arbitral tribunal.

Ongoing Legislative Development

The Division also drafted a number of legislation that did not advance through the legislative process for enactment during 2020. The Division made significant progress in reviewing the existing legislative framework and developing new legislation where required, while amending some existing legislation.

Notably, the Division prioritised legislative reforms to address deficiencies in compliance with the Financial Action Task Force (FATF) Recommendations, in preparation for the 2022 CFATF mutual evaluation of the Virgin Islands. During the year, the Division drafted amendments to the following legislation, in consultation with a number of governmental departments and competent authorities:

- Criminal Code Act, 1997
- Criminal Justice (International Cooperation) Act, 1993
- Customs Management and Duties Act, 2010
- Drug Trafficking Offences Act, 1992
- Financial Investigation Agency, 2003
- Proceeds of Criminal Conduct Act, 1997
- Proliferation Financing (Prohibition) Act, 2009.

The Division also placed focus on developing a framework aimed at bringing Virtual Assets Service Providers under a supervisory regime for AML/CFT purposes, as required by the updated 2019 FATF Recommendations. Although a draft was not completed by the end of the year, significant research was undertaken and considerations made in establishing a framework suitable for the jurisdiction.

In addition, amendments to the following legislation were traversing through the legislative process for approvals and enactment as at the end of 2020:

- Financial Services Commission Act, 2001
- Administration of Small Estates Act (Cap. 4)
- Probates (Resealing) Act (Cap. 60)
- Property (Miscellaneous Provisions) Act, 2003
- Trustee Act (Cap. 303)
- Virgin Islands Special Trusts Act, 2003.

DEVELOPMENT OF POLICIES, GUIDELINES, GUIDANCE AND FORMS

The Division develops policies relating to the functions of the Commission, guidance for industry participants, and relevant forms to facilitate the administration of new requirements. During the course of the year 2020, the Division developed the following:

AML/CFT Guidelines for the Banking Sector

These Guidelines provide user-friendly and practical AML/CFT guidance specifically geared towards banking institutions and supplement the explanatory notes to the Anti-Money Laundering and Terrorist Financing Code of Practice, 2008.

Amendment to the Guidelines and Operating Procedures of the Enforcement Committee

These amendment guidelines clarify that the enforcement authority of the Enforcement Committee can be delegated to specified officers of the Commission in relation to minor and immaterial breaches of financial service legislation.

Fund Custodian and Manager Exemption Guidelines

These guidelines replace the Guidelines for Applying for an Exemption to Appoint a Custodian or Fund Manager issued in 2012 and solidifies the requirements for public funds seeking exemptions from the requirement to appoint a custodian.

Money Services Transaction Levy Payment Guidance and Form

These provide guidance to persons holding a Class A licence pursuant to the Financing and Money Services Act, 2009 on the timeframes for payment and the information to be provided with payment of money services transaction levy.

LOCAL, REGIONAL AND INTERNATIONAL ENGAGEMENT

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

Local Engagement

The Commission, as a statutory body of the Government of the Virgin Islands, falls within the portfolio of the Minister of Finance. In this regard, the Division communicates with the Minister, via the Ministry of Finance, in facilitating the approval and enactment of drafted financial services legislation. The Division also provides statistical data to the Central Statistics Office and the Anti-Money Laundering Unit, on an ongoing basis.

Regional and International Engagement

The covid-19 pandemic brought the physical convening of regional and international meetings and conferences to a halt. Regional and international organisations adapted to facilitate meetings and conferences via virtual means. Representatives from the Division were therefore able to participate virtually at the following:

- GIFCS Plenary Meetings
- CFATF Council of Ministers Meeting
- CFATF Working Groups and Plenary Meeting
- Financial Stability Board Workshop on Non-Bank Financial Intermediation (NBFI) Monitoring.

The Division's engagement with regional and international standard setting bodies includes the completion, or assisting divisions with the completion, of various surveys. The data from these surveys are used to identify and analyse trends within the global or regional financial services sectors, develop financial indicators, identify risk exposures and improve on gaps and deficiencies. During the year 2020, the Division contributed to the completion of surveys from the following organisations:

- International Association of Insurance Supervisors (IAIS)
- Group of International Financial Centres (GIFCS)
- Caribbean Association of Insurance Regulators (CAIR)
- Financial Stability Board (FSB).

COMMITTEE COORDINATION

The Division coordinates a number of committees formed to enlist the input of private and public sector bodies in the enhancement of the jurisdiction's regulatory and AML/CFT frameworks and the effective implementation of these measures. During 2020, the employees from the Division were able to facilitate the following key milestones with respect to these Committees:

Company Law Review Advisory Committee (CLRAC)

- Developed a policy document on proposals for reforms to the BVI Business Companies Act, 2004

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

- Gathered and maintained AML/CFT statistical data from IGC members

- Reformed statistical templates for particular IGC members in conjunction with AML Unit

Council of Competent Authorities (CCA)

- Facilitated the drafting of counter terrorism legislation
- Facilitated the development of guidelines in relation to sanctions
- Coordinated terrorism financing training for competent authorities and law enforcement agencies
- Prepared submissions for consideration by the National Anti-Money Laundering and Countering the Financing of Terrorism Coordinating Committee (NAMLCC)
- Engaged with NPO Board on effecting reforms to the Non-Profit Organisation Act, 2012.

INTERNAL ENGAGEMENT

The Division's function within the Commission requires a close working relationship with regulatory and non-regulatory divisions and units. During 2020, the Division continued extensive collaboration with regulatory divisions in seeking to finalise various prudential returns that will ultimately enhance the Commission's application of its risk-based approach to supervision. The Division also coordinated with the Investment Business Division to finalise outstanding policies and legislation required for compliance with requirements of the European Union ("EU") and the Forum on Harmful Tax Practices (FHTP) in relation to collective investment funds.

Staff within the Division also served as members on ongoing project teams within the Commission. This includes serving on the Risk Monitoring Committee, as well as the Commission's internal Fin-tech team. Staff also served on the Commission's internal GIFCS Assessment team, which facilitated the finalisation of the GIFCS assessment report of the Virgin Islands, adopted in October 2020.

ONGOING INITIATIVES

Due to the nature of the Division's work, progress on some issues span over extended periods of time. During 2020, the Division was able to make significant progress on some initiatives, including:

- Development of new prudential and statistical returns
- Drafting aqwmendments to the Financial Services (Prudential and Statistical Returns) Order, 2009
- Development of internal policies and procedures
- Assisting with preparations for the 2022 CFATF mutual evaluation of the Virgin Islands.

DEVELOPMENT OF STATISTICAL BULLETINS

The Division maintains statistical data on the business activities of the Commission as a regulator and as a corporate registry. This data is collated on a quarterly basis and presented along with comparative figures to other reporting periods within the Commission's Quarterly statistical bulletin. The Statistical bulletins provide an informative view of the jurisdictional financial services activities and offer indicators for industry trends along with brief analytical summaries of statistical changes.

2021 OUTLOOK

The global covid-19 pandemic presented a number of challenges for the year 2020 including particular challenges in the operation and supervision of financial services business. Notwithstanding, the Division was able to continue its work and make notable strides on a number of matters. This was achieved through consistent communication with employees, the use of remote working technology and the support of the Commission's management team, the Human Resources Division and Information Technology Unit.

The Division anticipates that it will continue to make significant progress in its work plan for 2021. Given that the CFATF Mutual Evaluation is slated to be undertaken in 2022, the Division intends to continue to effect legislative reform required for compliance with the FATF Recommendations. Focus during the early portions of 2021 will be placed on effecting reforms to the Anti-money Laundering Regulations, 2008 and the Anti-Money

Laundering and Terrorist Financing Code of Practice, 2008. Finalisation of AML/CFT framework for Virtual Assets Service Providers with some opportunity for industry feedback, prior to any implementation, are also key pursuits slated for early 2021. The Division also proposes to update relevant internal policies during 2021 that clarify the Commission's processes with respect to AML/CFT supervision and provide support to the AML Unit in preparations for the CFATF Mutual Evaluation.

Development of reforms to the BVI Business Companies Act, 2004 necessary to satisfy the recommendations of the Global Forum on Transparency and Exchange of Information for Tax Purposes, as well as the FATF Recommendations, are also top priority actions for the Division in 2021. Following discussions with the Company Law Review Advisory Committee, the International Tax Authority and the Government of the Virgin Islands in 2020, the Division and the CLRAC intend to utilise the Commission's consultation programme to garner feedback from stakeholders on reforms to the BVI Business Company regime during quarter 1, 2021.

Other legislative amendments slated for the Commission's 2021 legislative agenda include amendments to the Banks and Trust Companies Act, 1990, the Financial Services Commission Act, 2001 and the Regulatory Code, 2009. The Division also anticipates the introduction of a Code of Conduct for domestic insurance providers.

The Division will be exploring capacity building measures and recruitment of supplementary staff, as the jurisdiction prepares of upcoming evaluations, deficiencies and issues are identified in the Commission's supervisory framework and international standards continue to evolve to adapt to the changing financial services environment.

MONEY MATTERS BVI

Introduction

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

The Program's mission is to develop and implement initiatives that motivate residents in the Territory to achieve a level of financial literacy and financial education which permits them to make sound decisions regarding spending, saving, protecting and managing their money in line with their short- and long-term goals. The targeted cross-sections of the community identified by MMBVI include Youth, Teenagers/Young Adults and Adults.

To fulfil its Mission Money Matters has adopted the Office of Economic Co-Operation and Development three-stage competency model of:

a) Building awareness, knowledge, and understanding of the existence of specific needs;
b) Mentorship and teaching of skills and acceptable behaviours; and,
c) The gradual changing of mind-sets toward financial literacy/education subject matters.

The value of this model is harnessed through two main teaching applications:

a) Financial Literacy – support for how well consumers understand and use of personal finance related information; and,
b) Financial Education – support for the process whereby users of financial services improve their understanding, skills, and confidence in making decisions about financial products.

Highlights of Education Initiatives

While the effects of the rise of the Covid-19 global pandemic interrupted the planned work and delivery modes for the Program's 2020 initiatives, the pandemic gave Money Matters the opportunity to underscore the importance of:

a) basic financial skills,
b) preparing for the unexpected,
c) understanding rights and obligations in existing contractual relationships with financial service providers, and
d) that financial literacy is a skill that everyone should seek to acquire.

Money Matters was able to exceed its reach (from previous years) with school aged children with the Programme's adaptation of a virtual mode of delivery.

The programme also marked the highest reach in a single event at its E-Forum on Bank Moratoriums which garnered 14,000 views on the Money Matters Facebook page.

Quarter	EVENT/TOPIC
Q1 2020	**VIDEO** Financial Resilience Tips
	WORKPLACE PRESENTATION From Financial Reliance to Financial Resilience
	LUNCH & LEARN The Ins and Outs of Bank Loans
	LEGAL AID CLINIC Wills & Estate Planning
	POWER TO CREATE WEALTH CONFERENCE The Success Mindset for Wealth Building
	RIGHT START PROGRAMME Lessons in Personal Finance for Young Adults
Q2 2020	**E-FORUM** Bank Moratoriums
	E-FORUM Home, Auto, and Life Insurance
Q3 2020	**SURVEY** Pyramid and Ponzi Schemes Exposure Survey
	FOCUS GROUP SESSIONS Ponzi and Pyramid Schemes
	E-FORUM Ponzi and Pyramid Schemes
	E-FORUM Estate Planning and Alzheimer's Disease
Q4 2020	**I CAN SAVE TOO INITIATIVE** MMBVI Piggy Bank Pageant (Launch)
	MMBVI VIRTUAL SCHOOL VISITS Reading and Student Interaction 'The Four Money Bears' Book
	VIDEO The Economic Impact of Financial Services In the BVI

In addition to the outlined initiatives, Money Matters:

A. assisted with the circulation of BVI FSC notices such as 'Operation of Unlicensed Money Services Business in the BVI', and Advisory Warning on Pyramid Schemes;
B. BVI Bank Association notices regarding operation during Covid-19 lockdowns;
C. disseminated bank contact details for moratorium information; and
D. engaged its social media audiences with periodic commentary.

QUICK FACTS

During the reporting year Money Matters continued to impact audiences as follows:

Interaction with 377+ TIER 1

Interaction with 33,200+ TIERS 2 and 3

OVERALL interactions 33,500+

FINANCIAL EDUCATION NETWORK

The Financial Education Network (FEN) is a stakeholder group includes persons in the financial services sector, the media, governmental and nongovernmental organizations. Due to Covid-19 this group took hiatus but is expected to resume meetings once the demands on members related to the global pandemic plateaus in 2021 or 2022.

MOVING MONEY MATTERS BVI FORWARD

Where traditional microeconomic perspectives on saving and consumption is concerned, it is assumed that a well-informed consumer will spend less then they earn and put overages in intake aside for times when income is reduced. The problem is that within the life-cycle framework in the BVI we see several issues particularly:

(a) A strong preference for high value (especially branded) lifestyle purchases;
(b) A reliance on adding debt on debt as a means of managing debt; and,
(c) An assumption by residents that they can fall back on the safety nets of generosity of others and social welfare to assist with shortcomings in personal financial management.

While people know that they should take steps in proper financial management, they nevertheless procrastinate due to the pressures around them which suggest that resources will continue to be available, and that making money via legitimate means requires too much of their patience.

Further, residents continue to be confused about recourse after receiving poor financial service and some of those who are brave enough to complain harbour concerns about being ostracised by financial services providers as a result. In and of themselves, these concerns show a continued lack of awareness of the mechanisms that come together to make the financial systems in the BVI work in a fair manner for participants.

As the Program continues into 2021, it will utilise the following key knowledge areas in order to determine the type and mode of information that should reach its audiences:

a) Financial related nomenclatures
b) How money can be managed using financial services providers
c) Credit and debt management
d) How to plan, save, and invest
e) How best to evaluate of financial products
f) Financial risk and responsibility

CONCLUSION

All residents of the Territory (as represented in our tiers), regardless of education level and income should have a basic understanding of how to evaluate financial decisions before them; whether that decision is which Christmas gift is in line with parental budget, or the type of car one can afford to purchase. The Commissions' maintenance of MONEY MATTERS BVI has created a huge opportunity for it to educate and empower financial consumers. Apart from being centralised depot of resources for residents, Money Matters has had the major influence of reducing residents' costs (time and dollar) investments in financial knowledge. The more work that the Program does in the community the more residents rely on it as a source of accurate, relevant, and timely information. Children look forward to seeing the program's mascot 'Ace the Ant' making appearances at their schools; also, employers in recognition of the potential benefits of financial education have been calling on the Program to give talks to their staff.

Money Matters pulls together the brightest and best local human resources on various financial subject areas, and as a result has been able to get spend-thrifts rethinking their attitudes and considering their personal financial futures. With the continued support of the Commission, the Program expects to continue to see incremental positive conversions in spending and saving patterns, the setting of goals, understanding of products, and the improvement in opportunities for residents to accomplish their short-term and long-term financial goals.

2021 MONEY MATTERS BVI GOALS

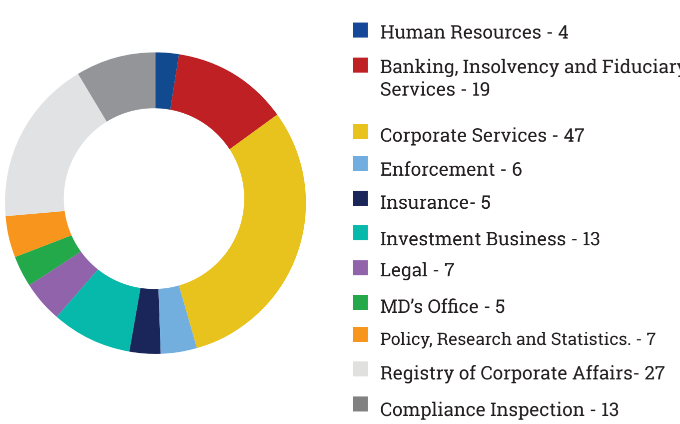
GOALS	INITIATIVES
GOAL 1	Continue Initiatives that Promote Estate Planning generally
GOAL 2	Develop Programs that inform Employees about using Employer facilitated tools for wealth building
GOAL 3	Expand Social Media Reach and Provide Financial Planning Tools
GOAL 4	Implement Initiatives that help financial consumers Understand Financial Risk and Responsibility
GOAL 5	Implement Initiatives that that promote Target Group understanding of Banking Products
GOAL 6	Promote good Money Management Skills among all Target Groups
GOAL 7	Improve the Effectiveness of MONEY MATTERS BVI team securing Training Opportunities

HUMAN RESOURCES

In 2020, the Commission faced unchartered waters due to the pandemic and an unexpected insurgence of COVID-19 cases globally. In an immediate response, the Human Resources Division fast-tracked the digitisation of its processes related to training, benefits and compensation administration. Through joint efforts with the Information Technology Unit, the Division facilitated a smooth transition from on-site to remote work for Commission employees. For those employees whose day-to-day tasks mandated on-site attendance, the Human Resources Division implemented strategic policies to ensure adherence with government protocols and social distancing measures. As an organisation devoted to excellence, we continue to monitor the Human Resources needs of the Commission so that it remains properly equipped to fulfil its duties as the Territory's financial services regulator.

Workforce Composition and Recruitment

The Commission retained a total of 157 employees in 2020. Of these 157 employees, 51 were positioned in regulatory roles and 106 in non-regulatory roles. There was no attrition of employee retention or employee benefits directly related to the Pandemic in 2020.



As a precaution for the safety and wellbeing of employees and potential applicants, the Commission did not offer its annual summer internship programme in 2020.

Nine (9) vacancies ranging from entry-level to senior executive were advertised during the year. This saw the recruitment of six (6) new hires who were assigned to various Divisions within the Commission. There was a notable influx of employment inquiries, which resulted in the processing of over 200 applications

Employee Advancement

The Commission strives to provide a progressive environment where employees are able to hone and strengthen their skillset. We were pleased to appoint four employees from the Corporate Services Division into new roles in 2020.

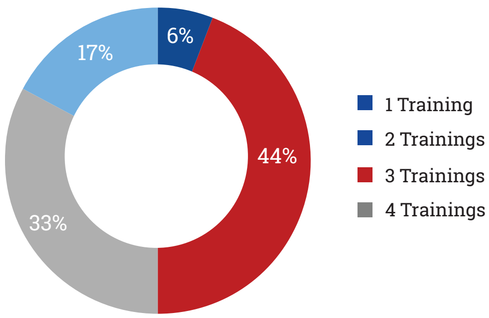
Separations

Six employees separated from the Commission in 2020, one of which was due to the retirement of our long-standing Managing Director/CEO, Mr. Robert Mathavious and another due to the appointment of our General Counsel, Ms. Dawn J. Smith, as the Territory's Attorney General. Although we note a slight increase in employee turnover compared to 2019, the Commission continues to enjoy a high rate of employee retention.

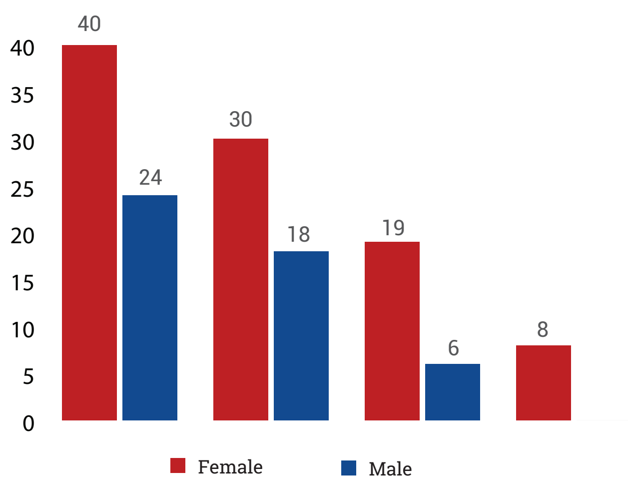
Training and Development

Training remains a priority for the Commission. However, the COVID-19 pandemic that affected the world caused the training function to move online after March 2020. 145 members of staff completed training during the year. Over 75% of employees who completed training participated in at least two training events.

Trainings Completed in 2020



The percentage of females who completed up to two training events remained consistent, 63% females and 38% males. However, the rate of females completing three and four training events, 76% and 100% respectively, increased over males 24% and 0%.



The Commission, in conjunction with the Financial Services Institute at the H. L. Stoutt Community College (FSI), successfully hosted an Internal Master Compliance Course for 49 staff members. There was a 92% pass rate.

The Commission was also able to reinstate the annual AML/CFT Training following a benchmarking exercise conducted at the end of 2019. The AML Unit and the FSI collaborated to create the Commission's first online AML/CFT Foundation Course to train and test 101 selected employees. Plans are in place to design an advanced AML/CFT programme in 2021.

The I.T. Department also hosted two online sessions at the onset of the pandemic to help employees maximize the use of technology and maximize productivity while working remotely.

In addition to 19 structured training events, employees also had an opportunity to enhance their skills on the Microsoft Office suite of applications through participation in a self-paced learning online environment.

TheFATF Standards Training event which was planned for July 2020, was postponed until further notice due to Covid-19.

Study Leave

The Commission continues to have two (2) employees on full-time study leave in the United Kingdom. Both are expected to complete their course work and resume duties within the Commission during the second half of 2021. Another employee continues course work leading to a Masters of Accounting degree while working full time.

One employeewho began undergraduate studies while continuing full-time work under the tuition assistance programme applied for and was granted permission to progress on full-time leave. Another employee began a two-year Legal Education Certificate programme. Both employees are expected to go on full-time study leave during the first quarter of 2021.

Employee Health and Wellness

The Commission was able to secure 34 gym memberships for employees during 2020. Unfortunately, further initiatives that were being planned under the internal fitness programme, FSC Get Moving, had to be postponed due to COVID-19 restrictions. As the health and safety of staff remains an utmost priority, the Commission prepared and distributed PPE packages to all employees upon their return to work. These included masks, sanitizers and protective hand equipment.

As an end-of-year Christmas Celebration, the Commission organised a night of fun and relaxation for staff and their families, which was held at the Tortola Pier Park.

Highlights

The Human Resources Division encouraged staff to download the Human Resources Management System Application to their phones. This allowed for effective dissemination of information and for some HR services to be readily accessible by staff.

We were also able to aid staff in accessing the online portals for both their pensions as well as the Commission's primary Health Insurance to receive real-time updates on their benefits.

Looking Ahead

As the presence of COVID-19 continues to affect the manner in which organisations do business, we are committed to equipping our employees with the tools, training and the support required to fulfil the Commission's objectives for 2021.

CORPORATE SERVICES

The Corporate Services Division of the BVI Financial Services Commission is primarily focused on the operations of the infrastructure and general client facing services of the Commission. The Division includes several units: Business Services, Facilities, Information Technology, Creative Services and Corporate Communications. While much of the work affects the day-to-day function of the Commission, the Division is also charged with innovation as it identifies creative solutions to service delivery and process improvements.

The year 2020 was an eventful year for the Corporate Services Division as the Commission sought to reshape its operations to provide remote services to its clients in response to the initial outbreak of COVID-19 in the Territory. The Division was able to quickly implement measures which prioritised the protection of employees and the general public in line with the Government's This undertaking involved, liaising with internal divisions to determine the appropriate solutions to allow for effective remote operations, regular communication with the industry and general public about changes to our operations and access to our services, outfitting our campuses to provide for adequate social distancing amongst employees equipping employees with technological tools to ensure business continuity during any Territory wide lock down periods.

This report reflects the work of the Division throughout the year and outlines goals for 2021.

Finance Department

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

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

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

Our People – The key to the Finance Department carrying out its remit is its people. The Director, Finance oversees four team members; an Accounts Payable Manager, Staff Accountant, Accounts Officer, and an Accounts Assistant/Cadet.

Budget, financial management services, and advice - The Finance Department is responsible for delivering and managing the annual budget. During the year the Finance Department oversaw a $27.2MM (2019: $29.5MM) expenditure budget comprised of $25.6MM (2019: $26.6MM) for operating expenditures and $1.7MM (2019: $2.9MM) for capital expenditures. In 2020 the Commission realized expenditures of $24MM. That was $3.2MM or 12% within budget estimates. In 2020 $23.4MM was realized in operating expenditures which was $2.2MM or 9% within budget estimates. Capital expenditures of $669k were 60% below budget estimates.

The Finance Department is also responsible for collecting fees on behalf of the Government. The 2020 budget estimates for those fees were $207.6MM (2019: $236.7MM). Actual receipts (excluding those to the sole credit of the Commission) amounted to $214.6MM (2019: $231.7MM) which was $7MM or 3% above budget estimates. Out of those fees, the Finance Department transferred $190MM (2019: $205MM) to the Government pursuant to the retention agreement between the Commission and the Government for 2020.

From its 11.5% retention of fees collected on behalf of the Government (2019: 11.5%, 2018: 11.5 %) and other collections, the Commission had available $27.2MM (2019: $29.6MM) in direct revenue to fund the Commission's operations. After operating expenditures the Commission generated an operating surplus of $2.8MM (2019: $4.2MM).

The Finance Department also prepared the 2021 budget that was subsequently approved by the Board and government during the year.

Management and Accountability - The Finance Department's (the Department) operations are subject to scrutiny from external bodies. In 2020 the Commission's external auditor was engaged to assess the Commission's financial statements for the year ended December 31, 2019. That included considering internal controls, evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made. The auditor issued an unqualified report on those statements on September 24, 2020.

Investment Funds Administration – The Finance Department also administers the Commission's reserves and other assets through investments. At the end of 2020, the Commission's brokerage account had a market value of $13.6MM, of which $8.3MM in US Treasuries, time deposits, and cash was attributed to regulatory deposits held on behalf of licensees. The balance of $5.2MM was held in time deposits. An additional $5.3MM was held in time deposits with local retail banks. The average interest rate on time deposits was 0.93% (2019: 1.88%).

Support and Procedural Assistance – During the year, the Department collaborated with other areas to plan, support, and execute various initiatives. In addition to financial knowledge, the Department provided business insights to help guide business decisions.

Financial Support and Technical Assistance to Government – The Commission is tasked with partially funding several Government initiatives and bodies, and the Department is charged with overseeing those appropriations. The Commission made financial contributions to the Financial Investigation Agency, Financial Services Institute at H. L. Stoutt Community College, the BVI International Arbitration Centre (IAC), and Complaints Tribunal amounting to approximately $2.5MM (2019: $3.2MM). In addition to the financial support to the IAC, the Department also provides financial management services in the form of accounting and payroll services.

Pandemic Impact - The World Health Organization declared the Coronavirus outbreak a global health emergency on January 30, 2020, and a global pandemic on March 11, 2020. The Commission's footprint expands from Hong Kong to the Virgin Islands. From the early days of the pandemic, the Commission has taken the necessary steps to create a safe and healthy environment for staff and visitors to its premises. The related direct costs include, but are not limited to, the procurement of the following:

- Personal protective equipment
- Hand sanitizers
- Periodic sanitization of workspaces
- Plexiglass barriers, dividers, screens
- IT solutions to facilitate remote work

Facilities

Our Facilities Unit is charged with ensuring the operations of the infrastructure at the Commission's five buildings on its campus. Major projects to be undertaken by the Unit in 2020 were forestalled by the COVID-19 pandemic and the impacts to business operations. The focus of the Unit following the advent of the pandemic was to ensure the safety of the buildings to allow for continued occupation by employees. As a result, the frequency of sanitizations of the buildings were increased by 100% and all workspaces were retrofitted in compliance with the requirements of the BVI Government to allow for adequate social distancing.

The work of the Unit for 2021 to expand and improve the Commission's existing physical premises is dependant on the ongoing pandemic. The Unit continues to closely monitor the Government's suggested protocols for building safety during the pandemic and makes adjustments to ensure compliance with all guidelines.

Business Services

As many conferences and trainings adapted to the ongoing COVID-19 Pandemic by rescheduling in person events online, the Business Services Unit saw a remarkable decrease in the number of travels arranged for Commission employees. In 2020 there was a 96% decrease in travels when compared to 2019. To facilitate business continuity during the Pandemic the Commission increased the use of external platforms to conduct meetings. In 2020 only 51% of all meetings were physically held at our campus. The Business Services Unit was instrumental in ensuring that adequate sanitisation protocols were implemented in accordance with the government guidelines. The team also worked to acquire and distribute personal protection equipment for all employees for their health and safety. The Unit continued to engage with local environmental health authorities on best practices to help prevent and control the spread of the Covid-19.

Information Technology

As the world was forced to embrace a new way of working, the Information Technology (IT) Department shifted its services to facilitate the Commission's business remotely in a secure and resilient manner. 2020's Pandemic presented a unique set of challenges as well as opportunities for improving on IT services and projects for the IT team.

The IT Team was able to implement 100% remote work arrangements for employees through deployment of electronic resources and implementation of software. The Team took this opportunity to review and assess the Commission's recovery plans laid out in 2018 after the 2017 hurricanes. Improvements in our thinking and approach to servicing our clients internally and externally resulted in a reorganisation of our priorities. These priorities mostly focused on tested and proved disaster recovery measures across all aspects of our technology resources. Our focus was identifying and mitigating potential risks and deploying redundancy where applicable.

Like most organizations our attention and awareness of the increased cyber risks is at an all-time high. Our IT team dedicates time to research and understand the impact that these risks can introduced to our daily operations. System uptime and service goals for 2020 met our defined standards above at 98% uptime.

Corporate Communications

The Communications function proved critical to the implementation of business continuity plans in 2020 with the onset of the COVID-19 Pandemic. Notwithstanding the inherent challenges which the pandemic presented, the Commission placed more emphasis on increased and regular engagement with industry practitioners. The introduction of a monthly industry publication provided industry practitioners with key on time messages and information on regulatory developments as well as changes to the Commission's operations. The publication also regularly features AML/ CFT guidance.

In 2020 the Commission modified some of the traditional modes of engagement. One of these engagements was the Meet the Regulator forum, which is usually held in person and regularly attracts attendance of hundreds of industry practitioners. Given the restrictions and control measures which remail in place the Meet the Regulator forum was adapted to a virtual platform. The Corporate Communications Unit assisted in facilitating the first Virtual Meet The Regulator Forum which was hosted by our Investment Business Division and focused on Private Investment Funds.

In 2021 the Unit intends to maintain increased communication with industry practitioners and also develop sector targeted communication for persons within each of the spheres regulated by the Commission. Continued emphasis will be placed on timely messaging while assessing any lacunae in our communications strategy through the employment of surveys and industry focus groups.

FINANCIAL STATEMENTS

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For the Year Ended December 31, 2020

BDO

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For the Year Ended December 31, 2020

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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BOARD OF COMMISSIONERS

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

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SECRETARY TO THE BOARD

Ms. Annet Mactavious

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British Virgin Islands

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the British Virgin Islands Financial Services Commission and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of comprehensive income, changes in contributed capital and reserves and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditor's Report (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

BDO Limited

Tortola, British Virgin Islands
October 8, 2021

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2020
Expressed in United States Dollars

	Notes	2020 $	2019 $
ASSETS			
Non-current assets			
Property and equipment	4	6,044,486	6,456,068
Right-of-use assets, leasehold premises	5	6,489,689	7,523,674
Total non-current assets		12,534,175	13,979,742
Current assets			
Regulatory deposits	7	9,367,972	8,642,017
Cash	8	21,809,941	20,734,009
Time deposits	9	10,564,121	10,356,264
Other receivables and deposits	10	683,441	803,408
Total current assets		42,425,475	40,535,698
TOTAL ASSETS		**54,959,650**	**54,515,440**
CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES			
Contributed capital and capital reserves			
Contributed capital	11	3,993,900	3,993,900
Property and equipment reserve	11	6,044,486	6,456,068
Future capital expansion reserve	11	7,500,000	7,500,000
Total contributed capital and capital reserves		17,538,386	17,949,968
Surplus and revenue reserves			
Training reserve	11	400,000	400,000
Loan revolving reserve	11	165,000	165,000
Refunds and drawback reserve	11	50,000	50,000
Enforcement reserve	11	2,000,000	2,000,000
Contingency reserve	11	4,844,797	2,610,857
Administrative penalties fund reserve	11	2,812,644	2,720,985
Total surplus and revenue reserves		10,272,441	7,946,842
Total contributed capital and reserves		27,810,827	25,896,810
Non-current liabilities			
Lease liabilities	5	5,675,672	6,639,402
Total non-current liabilities		5,675,672	6,639,402
Current liabilities			
Lease liabilities	5	1,113,498	1,013,352
Trade and other payables	12	2,330,831	2,114,393
Deposits on account and other deposits	13	7,660,850	6,209,466
Distribution payable to Government	14	1,000,000	4,000,000
Regulatory deposits from licensed entities	7	9,367,972	8,642,017
Total current liabilities		21,473,151	21,979,228
Total liabilities		27,148,823	28,618,630
TOTAL CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES		**54,959,650**	**54,515,440**

Signed on behalf of the Commission on September 28, 2021

Chairman   *Managing Director / CEO*

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2020
Expressed in United States Dollars

	Notes	2020 $	2019 $
INCOME			
Fees collected on behalf of the Government	15	216,946,278	234,230,674
Less: Fees due to the Government	15	(190,001,117)	(204,997,880)
Fees retained by the Commission	15	26,945,161	29,232,794
Other income	16	265,833	382,357
Gains on disposal of property and equipment		8,000	-
TOTAL INCOME		27,218,994	29,615,151
EXPENSES			
Staff costs	19	15,399,986	14,882,189
Professional services		1,477,119	1,355,707
International Arbitration Centre funding	22	1,223,345	1,940,938
Lease amortisation	5	1,190,272	1,164,965
Depreciation	4	1,080,172	1,088,397
Maintenance and hire		791,360	1,184,817
Financial Investigations Agency funding	22	750,000	750,000
Telephone and communications		521,264	541,502
Financial Services Institute funding	22	450,000	450,000
Office expenses		239,081	200,715
Licenses and fees		221,975	139,415
Utilities		218,551	247,186
Insurance		136,819	147,825
Literature and reference		129,833	111,301
Travel and subsistence		84,075	583,825
Miscellaneous		72,418	31,832
Memberships and subscriptions		68,481	81,808
Complaints Tribunal	22	97,245	98,274
Rent and lease		22,467	71,441
Public relations		18,552	96,106
Conferences and seminars		2,202	68,910
Impairment loss	4	-	57,500
BVI House Asia funding		-	7,463
TOTAL EXPENSES		24,195,217	25,302,116
FINANCE COST			
Interest expense related to lease liability	5	(398,189)	(408,130)
Interest income	17	197,369	257,173
NET FINANCE COST		(200,820)	(150,957)
SURPLUS BEFORE GOVERNMENT DISTRIBUTION AND ENFORCEMENT PROCEEDS		2,822,957	4,162,078
Government allocation	14	(1,000,000)	(4,000,000)
SURPLUS BEFORE ENFORCEMENT PROCEEDS		1,822,957	162,078
Enforcement proceeds	18	91,060	366,745
SURPLUS FOR THE YEAR		**1,914,017**	**528,823**

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Changes in Contributed Capital and Reserves
For the Year Ended December 31, 2020
Expressed in United States Dollars

	Opening balance $	Surplus for the year $	Transfers $	Utilisation of reserve $	Closing balance $
2020:					
Surplus	-	1,914,017	(1,914,017)	-	-
Contributed capital	3,993,900	-	-	-	3,993,900
Property and equipment reserve	6,456,068	-	(411,582)	-	6,044,486
Training reserve	400,000	-	-	-	400,000
Loan revolving reserve	165,000	-	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	-	7,500,000
Refunds and drawbacks reserve	50,000	-	-	-	50,000
Enforcement reserve	2,000,000	-	-	-	2,000,000
Contingency reserve	2,610,857	-	2,254,871	-	4,865,728
Administrative penalties fund reserve	2,720,985	-	91,060	(20,332)	2,791,713
	25,896,810	**1,914,017**	**20,332**	**(20,332)**	**27,810,827**
2019:					
Surplus	-	528,823	(528,823)	-	-
Contributed capital	3,993,900	-	-	-	3,993,900
Property & equipment reserve	6,082,437	-	373,631	-	6,456,068
Training reserve	400,000	-	-	-	400,000
Loan revolving reserve	165,000	-	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	-	7,500,000
Refunds & drawbacks reserve	50,000	-	-	-	50,000
Enforcement reserve	2,000,000	-	-	-	2,000,000
Contingency reserve	2,766,834	-	-	(155,977)	2,610,857
Administrative penalties fund reserve	2,409,816	-	366,745	(55,576)	2,720,985
	25,367,987	**528,823**	**211,553**	**(211,553)**	**25,896,810**

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, 2020
Expressed in United States Dollars

	2020 $	2019 $
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	1,914,017	528,823
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Depreciation	1,080,172	1,088,397
Amortisation of right-of-use asset, leasehold premises	1,190,271	1,164,965
Gains on disposal of property and equipment	(8,000)	-
Impairment loss	-	57,500
Interest expense on leases	398,189	408,130
Interest income	(197,369)	(257,173)
Operating surplus before working capital changes	4,377,280	2,990,642
Increase in other receivables and deposits	128,150	22,350
Increase (decrease) in trade and other payables	216,441	(316,064)
Increase in deposits on account and other deposits	1,451,384	65,508
(Decrease) increase in distribution payable to Government	(3,000,000)	3,000,000
Net cash flows from operating activities	3,173,255	5,762,436
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in time deposits - net	(207,856)	(117,544)
Acquisition of property and equipment	(668,590)	(1,519,528)
Proceeds from sale of property and equipment	8,000	-
Interest received	189,183	153,783
Net cash used in investing activities	(679,263)	(1,483,289)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest payments on leases	(398,189)	(408,130)
Principal payments on leases	(1,019,871)	(1,035,885)
Net cash used in financing activities	(1,418,060)	(1,444,015)
NET INCREASE (DECREASE) IN CASH	**1,075,932**	**2,835,132**
CASH, At beginning of year	20,734,009	17,898,877
CASH, At end of year	**21,809,941**	**20,734,009**

Cash is comprised of:

	2020 $	2019 $
Restricted cash (see Note 9)	11,711,069	7,353,376
Unrestricted cash	10,098,872	13,380,633
Total	21,809,941	20,734,009

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

1. ORGANISATION AND OBJECTIVES

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

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

2. BASIS OF PREPARATION

2.1 Presentation of financial statements

(i) International Financial Reporting Standards

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

(ii) Accounting convention

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

(iii) Presentation and functional currency

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

(iv) Significant accounting estimates and judgement

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

(v) Going Concern

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

2.2 Adoption of New Standards, Amendments and Interpretations

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

The adoption of new standards or amendments effective January 1, 2020 by Group did not have a significant effect on the consolidated financial statements.

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 25, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Critical judgements in applying accounting policies

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

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

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

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

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

(b) Key sources of estimation uncertainty

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

Useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2020, 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.

Borrowing rate used for leases

The Group estimates the incremental borrowing rate used in the calculation of its lease liabilities in relation to its adoption of the IFRS 16. IFRS 16 requires that lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate shall be used. The borrowing rate was determined to be 5.25% (2019:5.5%).

Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT

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

	Freehold land $	Leasehold land $	Motor vehicles $	Furniture and equipment $	Computer and software $	Leasehold improvements $	Total $
Cost							
Balance at December 31, 2019	4,500,000	130,000	264,797	3,464,834	17,644,634	3,063,023	29,067,289
Additions	-	-	29,800	106,625	466,184	65,981	668,590
Disposal	-	-	(26,500)	-	-	-	(26,500)
Balance at December 31, 2020	4,500,000	130,000	268,097	3,571,460	18,110,818	3,129,004	29,709,379
Accumulated depreciation							
Balance at December 31, 2019	-	30,954	264,797	2,988,613	15,499,771	2,533,126	21,317,261
Depreciation	-	2,063	5,960	187,681	739,451	145,017	1,080,172
Disposal	-	-	(26,500)	-	-	-	(26,500)
Balance at December 31, 2020	-	33,017	244,257	3,176,294	16,239,222	2,678,143	22,370,933
Accumulated impairment							
Balance at December 31, 2019	-	-	-	-	1,293,960	-	1,293,960
Impairment	-	-	-	-	-	-	-
Balance at December 31, 2020	-	-	-	-	1,293,960	-	1,293,960
Carrying amount At December 31, 2020	4,500,000	96,983	23,840	395,166	577,636	450,861	6,044,486
Cost							
Balance at December 31, 2018	4,500,000	130,000	264,797	3,100,107	16,786,593	2,432,103	27,213,600
Additions	-	-	-	272,414	839,313	407,801	1,519,528
Transfer from project under development	-	-	-	92,313	18,728	223,120	334,161
Balance at December 31, 2019	4,500,000	130,000	264,797	3,464,834	17,644,634	3,063,023	29,067,289
Accumulated depreciation							
Balance at December 31, 2018	-	28,890	228,179	2,786,792	14,795,623	2,389,380	20,228,864
Depreciation	-	2,064	36,618	201,821	704,148	143,746	1,088,397
Balance at December 31, 2019	-	30,954	264,797	2,988,613	15,499,771	2,533,126	21,317,261
Accumulated impairment							
Balance at December 31, 2018	-	-	-	-	1,236,460	-	1,236,460
Impairment	-	-	-	-	57,500	-	57,500
Balance at December 31, 2019 Carrying amount	4,500,000	99,046	-	476,221	850,903	529,897	6,456,068

Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT (Continued)

(i) Micro Business Companies ("MBC")

In March 2017, the Group engaged a vendor to develop an application system to administer and manage Micro Business Companies. The MBC project was completed during 2018 and all development cost amounting to $1,236,460 were written-off. During the year ended December 31, 2019, additional costs of $57,500 were incurred and written off.

(ii) Resource Center ("RC")

During the year ended December 31, 2019, the Group completed its RC; a resource center facility to be utilised for staff trainings and meetings and costs amounting to $334,161 were transferred to Property and Equipment.

5. LEASES

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

Impact of modification

During the year ended December 31, 2020, lease payments were increased on three of the Group's leases. This resulted in the remeasurement of lease liabilities. The effect of this has been recorded in the consolidated statement of financial position in Right-of-use assets and Lease liabilities within "Impact of modification".

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

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

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

	Building $
Cost	
Balance at January 1 and December 31, 2019	8,688,639
Accumulated amortization	
Balance at January 1, 2019	-
Amortisation	1,164,965
Balance at December 31, 2019	1,164,965
Carrying amount	
Balance at December 31,2019	7,523,674

Expressed in United States Dollars

5. LEASES (Continued)

(b) Lease liabilities

	2020 $	2019 $
Balance at January 1	7,652,754	8,688,639
Impact of modification	156,287	-
Lease payments for the year	(1,418,060)	(1,444,015)
Interest expense	398,189	408,130
Balance at December 31	6,789,170	7,652,754
Less: Current portion	(1,113,498)	(1,013,352)
Non-current portion	5,675,672	6,639,402

The undiscounted analysis of the lease liabilities is disclosed below:

	2020 $	2019 $
Up to 3 months	320,169	226,607
Between 3 and 12 months	960,507	786,745
Between 1 and 2 years	1,280,677	1,123,646
Between 2 and 5 years	3,842,029	3,266,976
Over 5 years	1,360,510	2,248,780
	7,763,892	7,652,754

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

	2020 $
Amortisation of right-of-use asset	1,190,272
Interest expense	398,189
Expense relating to short term lease	67,669
Total	1,656,130

6. SUBSIDIARIES

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2020, two of which are domiciled in the BVI and one in Hong Kong. These subsidiaries provide disaster recovery and Hong Kong liaison services to the Parent.

Financial support

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

Expressed in United States Dollars

7. REGULATORY DEPOSITS

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

	2020 $	2019 $
Cash in bank	2,421,530	430,937
Time deposits	4,193,849	-
Treasury bills	2,752,593	8,211,080
	9,367,972	8,642,017

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

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

The deposits are refundable upon surrender of the licence. For the year ended December 31, 2020, the deposits earned an average rate of interest of 1.11% (2019: 1.27%). Total interest income earned for these deposits amounted to $100,781 (2019: $107,334). These regulatory deposits are restricted and not available for general use.

8. CASH

	2020 $	2019 $
Cash held in Government Trust Account	12,747,044	8,981,018
Payable to Government	(5,097,819)	(5,713,403)
Net cash held in Government Trust Account	7,649,225	3,267,615
Cash in operating accounts	13,374,952	16,683,259
Cash in insolvency account	785,764	783,135
Total cash	21,809,941	20,734,009

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. This resulted in cash of $5,097,819 (2019: $5,713,403) being held on behalf of the Government as at December 31, 2020.

Restricted cash

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

The cash disclosed above and in the consolidated statement of cash flows includes $2,812,644 (2019: $2,776,561) which is held in a separate bank account. This relates to funds received for administrative penalties and are not available for general use by the Group (see Note 12 for restrictions on the administrative penalties fund reserve).

In addition, the Group's cash balance includes restricted funds for deposits on account (held in Government Trust Account), insolvency surplus reserve and deferred revenue transactions totalling $7,660,850 (2019: $6,209,466), see note 13.

9. TIME DEPOSITS

Time deposits represent short term placements with local depository banks whose maturity dates are between 140 and 368 days from the reporting date (2019: between 92 and 353 days), and are more than three months from the placement date with an average interest rate of 0.93% (2019: 1.88%). As at December 31, 2020, the total time deposits amounted to $10,564,121 (2019: $10,356,264). For the year ended December 31, 2020, total interest earned from time deposits amounted to $111,925 (2019: $184,202).

Expressed in United States Dollars

10. OTHER RECEIVABLES AND DEPOSITS

	2020 $	2019 $
Prepaid expenses	350,331	351,464
Due from BVI House Asia	245,210	245,210
Travel advances	39,487	38,312
Loan to employees	25,165	50,602
Other receivables	15,062	14,429
Interest receivable	8,186	103,391
	683,441	803,408

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

11. CONTRIBUTED CAPITAL AND RESERVES

Contributed Capital

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

Surplus and reserves

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

Capital reserves

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

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

Revenue reserves

(i) Training reserve for long term training / study leave of staff;

(ii) Loan revolving reserve to facilitate staff loans (personal, medical, etc.);

(iii) Refunds and drawback reserve to provide cash for making refunds when necessary;

(iv) Enforcement reserve to establish a fund to address enforcement expenses as they arise; and

(v) Contingency reserve to establish a fund in the event of unforeseen circumstances.

(vi) Administrative penalties fund reserve is funded by administrative penalties' proceeds imposed and received by the Group and is restricted for administration of public awareness and education in salient areas identified by the Group.

12. TRADE AND OTHER PAYABLES

	2020 $	2019 $
Accounts payable and accrued expenses	1,085,261	997,471
Employee deductions and benefits payable	1,245,570	1,116,922
	2,330,831	2,114,393

Employee deductions and benefits payable

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $1,245,570 (2019: $1,116,922) to the Group employees.

Expressed in United States Dollars

13. DEPOSITS ON ACCOUNT AND OTHER DEPOSITS

	2020 $	2019 $
Deposits on VIRRGIN accounts	6,351,650	4,900,266
Insolvency surplus deposit	760,698	760,698
Fees from Official Receiver	548,502	548,502
	7,660,850	6,209,466

Deposits on VIRRGIN accounts

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

The bank account associated with Deposits on VIRRGIN Accounts is a separate bank account which is not available for general use.

Insolvency surplus deposit

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

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

Fees from Official Receiver

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

14. ALLOCATION PAYABLE TO GOVERNMENT

The Board approved a total allocation to the Government of $4,000,000 for the year ended December 31, 2019.

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

15. FEES COLLECTED ON BEHALF OF GOVERNMENT

	2020 $	2019 $
Fees from the Registry of Corporate Affairs	209,717,173	227,097,079
Regulatory fees	7,229,105	7,133,595
	216,946,278	234,230,674

Prior to the commencement of the Group’s financial year, the Cabinet of Government (“Cabinet”) determines the percentage of fees collected on its behalf that is to be remitted to the Government, with the Group retaining the balance. For the year ended December 31, 2020, the Group retained 11.5% (2019: 11.5%) of revenue up to the projected revenue stream and thereafter, the Group retained 7.5% (2019: 7.5%) of any revenue in excess of the projected revenue stream.

Expressed in United States Dollars

16. OTHER INCOME

	2020 $	2019 $
Receipts of court ordered legal costs	134,700	121,000
Rental income	77,443	156,132
Receipts of miscellaneous income	53,690	105,225
	265,833	382,357

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

17. INTEREST INCOME

	2020 $	2019 $
Interest income from time deposits	111,925	184,202
Interest income from cash	85,444	72,971
	197,369	257,173

18. ENFORCEMENT PROCEEDS

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

19. STAFF COSTS

	2020 $	2019 $
Wages and salaries	11,507,914	11,241,635
Allowances and benefits	2,457,614	2,198,612
Payroll taxes	564,112	575,945
National health insurance	339,766	333,640
Social Security benefits	271,072	269,517
Employment costs	259,508	262,840
	15,399,986	14,882,189

The average number of full-time employees in 2020 was 174 (2019: 181).

During the year ended December 31, 2020, the Group paid $1,454,398 (2019: $1,401,968) for current service costs toward a defined contribution plan (see Note 20), which has been included in allowances and benefits.

20. DEFINED CONTRIBUTION PENSION PLAN

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

21. RELATED PARTY BALANCES

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

Key Management Personnel and Board of Commissioners Remuneration

During the year ended December 31, 2020, the salaries and allowances paid to the Group's key management personnel and board of commissioners amounted to $1,045,646 (2019: $891,397).

22. COMMITMENTS AND CONTINGENCIES

Commitments

The Group contracted Equinix Hong Kong Limited to provide the Group with data center services. The contract commenced in 2014 with a monthly cost of $3,886. In 2017, the Group's commitment with Equinix Hong Kong Limited expired and the contract is now on an automatic renewal term of two years that can be terminated by either party.

The Group is committed to provide funding to BVI House Asia, Financial Investigation Agency, Financial Services Institute, International Arbitration Centre and Complaints Tribunal as support for their operations. The Board of Commissioners and the Government determine necessary funding requirements of these entities on an annual basis as part of the Commission's budget discussion. The total funding recorded during the year amounted to $2,520,590 (2019: $3,246,675). All commitments were fully paid as at reporting date. These are recorded as part of the expenses in the consolidated statement of comprehensive income of the Group.

Contingencies

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

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Financial assets of the Group include cash, time deposits, regulatory deposits, other receivables and deposits. Financial liabilities include lease liabilities, trade and other payables, deposits on account and other deposits, distribution payable to Government, and regulatory deposits from licensed entities.

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

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

23.1 Market risk

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

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

23.1 Market risk (Continued)

(i) Foreign currency risk

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

As at December 31, 2020, the Group did not have any significant foreign currency denominated assets or liabilities.

(ii) Interest rate risk

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and time deposits. As at December 31, 2020 approximately 68% (2019: 47%) of the Group's assets were held in bank accounts, with floating interest rates.

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Group's surplus would increase by $92,905 (2019: $63,699). A decrease of 25 basis points in the market interest rate, with all other variables held constant, would decrease the Group's surplus by an equal amount.

23.2 Credit risk

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

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

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

Moody's	2020 $	2019 $
Aa2	1,031	2,782,726
A2	45,230	53,664
Ba1	21,017,237	17,293,535
Ba2	1,392,504	-
Ba3	-	3,140,106
Total rated	22,456,002	23,270,031
Non-rated	16,955,646	8,344,179
Total	39,411,648	31,614,210

23.3 Liquidity risk

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

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

23.3 Liquidity risk (Continued)

The Group is exposed to liquidity risk from its financial liabilities which include lease liabilities, trade and other payables, licence fees and other deposits, distribution payable to Government and regulatory deposits from licensed entities. Prudent liquidity risk management implies maintaining sufficient cash to meet its current operating requirements. The Commission is not exposed to significant liquidity risk as it maintains sufficient cash and cash equivalents to meet its current and foreseeable future obligations.

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

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

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

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2019:

	On demand $	Within one year $	Total $
Trade and other payables	2,114,392	-	2,114,392
Deposits on account and other deposits	6,209,466	-	6,209,466
Regulatory deposits from licensed entities	8,642,017	-	8,642,017
Distribution payable to Government	4,000,000	-	4,000,000
Total	20,965,875	-	20,965,875

24. UNCERTAINTY OF EVENTS

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Group's operations have not been significantly impacted as the Commission continued the implementation of its business continuity protocols; However, the Group continues to monitor the situation. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgement regarding this could change in the future. In addition, while the Group's results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

25. SIGNIFICANT ACCOUNTING POLICIES

25.1 Basis of consolidation

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

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

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

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

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

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

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

25.2 Financial instruments

(i) Recognition and measurement

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

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

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.2 Financial instruments (Continued)

(ii) Financial assets

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

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

(iii) Financial liabilities

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

25.3 Property and equipment

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

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

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

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

25.4 Leases

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

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

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

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

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.4 Leases (Continued)

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

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

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

Leasehold premises	3-8 years

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

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

Nature of leasing activities (in the capacity as lessee)

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

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

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

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

25.5 Revenue recognition

Revenue Streams, Performance Obligations and Revenue Recognition Policies

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

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

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.5 Revenue recognition (Continued)

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

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

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

25.6 Expense recognition

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

25.7 Taxation

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

25.8 Foreign currencies

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

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

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

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

25.9 Pension plan

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

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

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.9 Pension plan (Continued)

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

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

26. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2020 and before the date of the report that would have a significant effect on these financial statements other than those already disclosed in the notes and the below.

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