BVI FINANCIAL SERVICES COMMISSION

ANNUAL REPORT 2022

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION FSC

CONTENTS

About Us

OUR MISSION

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

PROTECTING

the interest of the public and market participants

ENSURING INDUSTRY COMPLIANCE

with the highest international regulatory standards and best business practices

ENSURING THE BVI

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

OUR PLEDGE

VIGILANCE

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

LEADERSHIP

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

INTEGRITY

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

ACCOUNTABILITY

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

OUR AIMS

TO BE FULLY AWARE

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

TO ENSURE

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

TO ENSURE

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

TO CONDUCT

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

TO ENSURE

that the FSC operates effectively and efficiently.

TO IDENTIFY

and deter abuses and breaches of legislation.

TO RAISE

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

TO ENSURE

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

OUR LOGO:
THE LIGHTHOUSE

It is 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 in and from within the BVI.

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

OUR ORGANISATION

CABINET

BOARD OF COMMISSIONERS

Board Secretary
Annet Mactavious

Kenneth Baker
Managing Director/ CEO

Vacant

Deputy Managing Director- Operations

Glenford Malone
Deputy Managing Director - Regulation

Operations

Director
Vacant

Deputy Director
Kamika Aisha Forbes

Registry of Corporate Affairs

Director
Myrna Herbert

Deputy Director
Lydia George

Information Technology

Deputy Director
Michael George

Authorisation and Supervision

Director
Vacant

Deputy Director: Prudential Supervision
Yolanda McCoy

Deputy Director: Authorisation
Trevecca Hodge

Deputy Director: Specialised Supervision
Kishelle Blaize-Cameron

Manager: Market Conduct
Carlton O'Neal

AML Unit

Deputy Director
Alva McCall

Compliance Inspection Unit

Deputy Director
Leon Wheatley

Cherno Jallow, KC
Policy Development and External Relations Division

Policy Development and External Relations

Director
Cherno Jallow, KC

Deputy Director
Allene Gumbs

FSC (HK) Ltd.
Asia Representative
Shane Baptiste

Annet Mactavious
Human Resources Division

Human Resources Division

Director
Annet Mactavious

Deputy Director - Benefits
Solika Carey

Deputy Director
Training & Development
Trecia Dawson

Sheldon Scatliffe
Finance Division

Finance

Director
Sheldon Scatliffe

Deputy Director
Sharifa Maloney-Smith

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
Vacant

Simone Martin
Special Projects

Director
Simone Martin

Burton Chalwell Jr.
Internal Audit

Director
Burton Chalwell Jr.

BOARD PROFILE

Robin F. Gaul
Chairman

Paul O.S. Carty
Commissioner

Kharid T. Fraser
Deputy Chairman

William C. Gilmore
Commissioner

Melvin N. Stoutt
Commissioner

Ramnarine Mungroo
Commissioner

Johanna M. Boyd
Commissioner

Kenneth B. Baker
Ex Officio

Chairman's
STATEMENT

It is my pleasure to report to the Government and people of the British Virgin Islands concerning the activities of the Commission during 2022. The results for 2022 reflect total fees collected on behalf of Government close to $222 million, some 700 thousand short of the collections in the previous year, out of which direct payments to Government were made of $195 million. The Commission's net income has covered operational costs – however, with the need to expend substantial monies in the implementation of new technology, prudence has been exercised in determining the amount of funds available, and a distribution to Government has not been deemed possible.

In accordance with section 27 of the Act, I present this report on the operation and activities of the Commission for 2022, together with the enclosed auditor's report and accompanying financial statements.

Robin Gaul
Chairman

Managing Director's
STATEMENT

The global economic backdrop of 2022 was of systemic shocks and transitions. Globally, the systemic effects of the COVID-19 pandemic continued to create shocks to financial services, and other sectors. These impacts include inflationary pressures and the rapid responses of numerous Central Banks around the world to raise interest rates that impact debt, GDP and other economic drivers. Systemic impacts also resulted in ongoing instability in various markets and challenged the stabilization of economic growth. Realized risks experienced throughout the global economy because of the pandemic were not fully resolved during 2022.

February 2022 also saw the escalation of military action being taken by Russia against Ukraine. In response the United Nations as well as sovereign countries responded with the imposition of sanctions against Russian enterprises, persons, and government officials. The breadth and scope of economic sanctions imposed upon Russian designated persons impacted financial institutions globally, with sanctions impacting key aspects of trade and financial flows into and out of Russia.

Sanctions imposed by the United Kingdom resulted in swift action by the Commission to ensure that service providers were aware of and acted immediately on these sanctions. The sanctions compliance efforts of service providers came into review and featured in a component of Thematic Inspections conducted during 2022. Where investigations evidenced poor sanctions compliance by licensed service providers, the Commission took enforcement action.

Enforcement is an integral part of the regulatory toolkit to ensure that, where market participants operate outside of established legal parameters, action can be taken to modify behaviour. Evolving threats and typologies necessitated a rethink of the approach towards enforcement. As such, the Commission published its Enforcement Philosophy which set out the updated principles and standards that underpin the Commission's methodology in taking enforcement action, as well as other priorities. Given the importance of the enforcement function within any regulatory authority, the repositioning of the Enforcement Division must allow for proper and timely engagement will ultimately enhance the quality and effectiveness of regulatory policy and delivery.

Plans for the transition to an evolved Commission were endorsed by the Board of Commissioners prior to the pandemic. Importantly, the aim of restructuring the Commission was and remains towards becoming a more agile regulatory authority with a customer-centric culture and responsiveness. During 2022, substantial progress was made and the efforts to execute the phased restructuring continued in earnest into 2023.

As economies, international standards, technological applications and business practices evolve, so too must the Commission's regulatory approach. The restructuring changed the approach of supervision from being driven by sector – previously identified by the divisional aspects of Investment Business, Banking, Fiduciary Services, Insurance Business – are now collectively addressed in supervisory units that are focused along functional lines. The supervisory units – Authorisation, Prudential Supervision, Specialised Supervision and Market Conduct Supervision were established during 2022 and led by existing talent from within the Commission. This change has resulted in an improvement in the efficiency, transparency and consistency of the Commission's supervisory approach across the entire industry.

We anticipate the continued integration of technology to aid in the Commission's restructuring, particularly in the improvement of supervisory processes and data analytics. The goal of the Commission, as it is for all forward-looking regulatory authorities, is to ultimately achieve a more nuanced regulatory posture that can appropriately and rapidly respond to the dynamic financial services environment.

Finally, against the backdrop of a year filled with uncertainty and new challenges, I must highlight the greatest asset in our continued supervisory efforts and outreach for the year. The success of our achievements for 2022 was as a direct result of the resilience and tenacity of the staff and management of the BVI Financial Services Commission.

Kenneth Baker
MD/CEO

2022 – Highlights

At the outset of 2022, the Commission's mandate was clear and set out squarely within its 3-year Strategic Work Plan for 2022- 2024 (the "Plan"). This annual report will outline the Commission's key activities and the performance of the regulated sectors within the growing financial services industry in the British Virgin Islands and the progress made against the Plan. Key highlights found within this report are:

Transition of the Commission from Product Regulation to Functional Regulation under the Authorisation and Supervisions Division as part of the Commission's overall restructuring exercise

Authorisation and Supervision Division of the Commission becomes functional as of **1 July, 2022** following restructuring of regulatory functions

Expanded Commission functions under the FSC Act to include promoting financial stability

Enhanced powers of the Commission to issue disqualification notices against Directors and other Senior Officers

Passed legislation:

- Abolishing Bearer Shares regime
- Repealing authorised custodian regime
- Automatically dissolving struck-off BVI Business Companies
- Imposing requirements for BVI Business Companies to file annual financial returns
- Introducing new and increased existing transaction fees
- To effect the transfer of the Office of the Official Receiver from the Commission to BVI Government

Over **29,000** BVI Business Companies were incorporated by the Registry of Corporate Affairs

Enactment of Virtual Assets Service Providers Act, 2022

2

Full Scope Compliance Inspections on Fiduciary Licensees

Key Appointments:

- Mr. Glenford Malone as Deputy Managing Director, Regulation
- Mr. Burton Chalwell Jr. as Director of Internal Audit Unit
- Mr. Shane Baptiste appointed as the Commission's new Asia Representative at BVI FSC (HK) Limited

Completion of Fiduciary Sector Report which sets out key compliance findings within that sector by the Compliance Inspection Unit

17

Thematic Compliance Inspections of Fiduciary, Investment and Money Services Licensees

$237,000

Issued in Administrative Penalties and Fines

14

Trust Companies and Service Providers after implementation of AML & CFT corrective measures were released from ongoing desk-based monitoring

AMLU (Anti-Money Laundering Unit)

AMLU designated as centralised secretariat for all AML/CFT related Commission committees

Completion of the Virgin Islands Proliferation Financing Risk Assessment by the Commission's AMLU

114 Penalty Notices, USD$82,300 issued for late filing of AML/ CFT Annual Returns

Development and publication of the Commission's Enforcement Philosophy

478 companies flagged

Robust implementation of Sanction Orders resulted in the flagging and transaction monitoring of 478 companies

20,000 Money Matters BVI impacts over 20,000 lives in the BVI through its financial literacy initiatives

2.78% Growth in the BVI Funds Sector

34% increase in Trade Mark Registrations by the Office of the Registrar of Trade Marks, Patents and Copyright

Over **61** Training Event opportunities made available to employees

OVERVIEW AND PERFORMANCE OF REGULATED SECTORS

BANKING

At the end of 2022, there were 7 commercial banks operating in the BVI all of which are regulated by the Commission. Of the 7 banks, three are branches and, three are subsidiaries of regional banks and one is domestic bank.

The Territory's banking market size (by asset) grew by 2.16% between 31 December 2021 and 31 December 2022. Capital levels were reported at 48.05% in 4th Quarter 2022 and remained relatively consistent and above the regulatory requirement[1] quarter-on-quarter. The liquidity ratio, also at 4th Quarter 2022, was 20.20%. The banks continue to demonstrate the ability to repay liabilities that can be claimed at short notice.

Combined total assets stood at USD2,863,530,000 at 31 December 2022, in comparison to USD2,803,008,000 at 31 December 2021. Table 1, immediately below, summarizes the growth / decrease of assets for the years 2022 and 2021.

Table 1: Market Size in Assets for 2021 & 2022

Market Size	Quarter 4	Quarter 3	Quarter 2	Quarter 1
2022 Combined Market Size	2,863,530,000	2,833,837,000	2,875,476,000	2,812,774,000
2021 Combined Market Size	2,803,008,000	2,657,595,000	2,266,183,000	2,352,469,000

The Commission compiles Financial Soundness Indicators ("FSIs") to monitor the health, stability, soundness and performance of regulated entities that hold a banking licence. Table 2 shows the results of the banks' performance for 2022 and 4th Quarter 2021.

Table 2: Key Financial Soundness Indicators

Financial Soundness Indicators	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Capital Adequacy					
Tier 1 Capital to Adjusted Risk Weighted Assets	48.05%	47.74%	46.27%	45.73%	46.01%
Tier 1 Capital to Total Assets	22.07%	21.99%	21.20%	21.31%	21.12%
Asset Quality					
Loss Reserves	14.6	7.6	8.6	9.1	4.2
Non-Performing Loans (net of Provisions) to Capital	14.36%	17.75%	16.58%	16.62%	18.67%
Non-Performing Loans to Total Loans	6.75%	7.39%	7.68%	8.37%	9.33%
Earnings and Profitability					
Return on Assets	0.99%	1.41%	0.89%	0.56%	1.08%
Return on Equity	4.50%	6.39%	4.18%	2.63%	5.11%
Net Interest Margin to Gross Income	86.17%	73.90%	75.24%	70.25%	78.84%
Non-Interest Expense to Gross Income	51.92%	51.31%	53.02%	52.33%	47.15%
Liquidity					
Liquid Assets to Total Assets	20.20%	21.96%	22.89%	27.75%	31.49%
Liquid Assets to Total Deposits	26.57%	29.12%	29.84%	36.26%	41.12%
Total Loans to Total Assets	55.46%	53.64%	50.44%	46.70%	44.64%
Total Loans to Total Deposits	72.93%	71.12%	65.76%	61.03%	58.30%

[1] Section 83(1) of the Regulatory Code states that a BVI bank shall, at all times, maintain a minimum risk weighted capital adequacy ratio of twelve percent (12%).

Aggregate Balance Sheet

The Aggregate Balance Sheet, at Table 3 below, compares assets, liabilities and shareholders' equity and shows the percentage changes in these items between 2021 and 2022.

Table 3: Aggregate Balance Sheet 2022 / 2021 (USD '000)

	Q4 2022	Q4 2021	% Change 2021-2022
ASSETS			
Cash Items	559,555	823,730	-32% ↓
Marketable Securities	18,934	58,959	-68% ↓
Loans & Advances	1,588,148	1,251,320	27% ↑
Investments	26,853	18,219	47% ↑
Other Assets	670,041	650,780	3% ↑
Total Assets	2,863,531	2,803,008	2% ↑
LIABILITIES			
Deposits	2,177,591	2,146,398	1% ↑
Long-Term Debt	5,008	4,127	21% ↑
Accrued Liabilities	10,821	9,526	14% ↑
Other Liabilities	23,783	42,317	-44% ↓
Loss Reserves	14,689	11,709	25% ↑
TOTAL LIABILITIES	2,231,892	2,214,077	1% ↑
TOTAL SHAREHOLDER'S EQUITY	631,638	588,931	7% ↑
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,863,530	2,803,008	2% ↑

Asset Quality – Loan Portfolio

At 4th Quarter 2022, loans and advances amounted to USD1.588 billion and NPLs amounted to approximately USD107.1 million. Both years compared, the ratio of NPLs as a percentage of total gross loans was 9.33% at 4th Quarter 2021 and 6.75% at 4th Quarter 2022. At 4th Quarter 2021, all banks combined, loans and advances were approximately USD1.251 billion and non-performing loans (NPLs) were approximately USD116.7 million.

Loan loss reserves at 4th Quarter 2022 were approximately USD14.6 million (Reserve Coverage Ratio: 13.70%) and at 4th Quarter 2021 approximately USD11.7 million (Reserve Coverage Ratio: 10.03%).

Capital Adequacy

Capital levels were reported at 48.05% in 4th Quarter 2022 and remained relatively consistent and above the regulatory requirement quarter-on-quarter [3rd Quarter 2022: 47.74%] [2nd Quarter 2022: 46.27%] [1st Quarter 2022: 45.73%].

Liquidity

Liquidity remained satisfactory during 2022. Liquid Asset Ratio - [4th Quarter 2022: 20.20%] [3rd Quarter 2022: 21.96%] [2nd Quarter 2022: 22.89%] and [1st Quarter 2022: 27.75%]. The banks continue to demonstrate the ability to repay liabilities that can be claimed at short notice.

The ratio of liquid assets as a percentage of short-term liabilities and as a percentage of total deposits was 26.57% in both cases for 4th Quarter 2022, indicating that the bank sector will be able to satisfy primary short-term liabilities and current obligations, including demands for deposits. Table 4 shows the liquidity condition of the bank sector for the last five quarters.

Table 4: Liquidity Condition of Bank Sector: Q4 2022 – Q4 2021

Financial Soundness Indicators	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Liquid Assets to Total Assets	20.20%	21.96%	22.89%	27.75%	31.49%
Liquid Assets to Total Deposits	26.57%	29.12%	29.84%	36.26%	41.12%
Total Loans to Total Assets	55.46%	53.64%	50.44%	46.70%	44.64%
Total Loans to Total Deposits	72.93%	71.12%	65.76%	61.03%	58.30%

Income Statement Summary

Retained earnings for 4th Quarter 2022 amounted to USD28.4 million, a decrease from USD37.3 million reported at 4th Quarter 2021. Table 5 provides an Income Statement Summary comparing the last five calendar years' respective performance.

Table 5: Income Statement Summary: Q4 2022 – Q4 2018 (USD Millions)

	Q4 2022	Q4 2021	Q4 2020	Q4 2019	Q4 2018
Interest Income	57.2	48.6	53.3	60.1	59.2
Interest Expense	6.8	3.7	7.8	10.9	6.8
Net Interest Income	50.3	44.8	45.5	49.2	52.4
Provisions for losses	1.1	-3.3	5.0	-2.4	-3.0
Non-Interest Income	9.2	16.9	7.4	8.2	6.6
Operating Income	58.4	65.1	47.9	59.8	62.6
Non-Interest (Overhead) Expense	30.3	27.9	25.7	25.4	27.2
Net Gain / (Loss)	.322	0.2	0.3	0.3	0.5
Income before Taxes	28.4	37.3	22.5	34.6	35.2
Net Income	28.4	37.3	22.5	34.6	35.2
Net Income Retained	28.4	37.3	22.5	34.6	35.2

FIDUCIARY

At the end of 2022, the Fiduciary Sector in the Territory remained robust with a total of 288 licensees.

During the year 2022:

- 14 licenses in the fiduciary sector were issued
- 2 licenses were reclassified
- 5 licenses were cancelled.

The Commission also revoked one license in 2022.

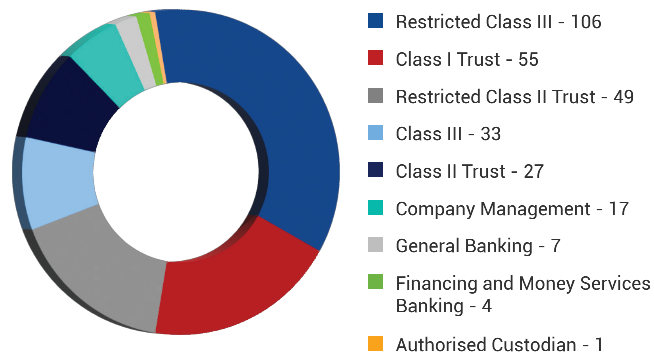
Following the restructuring of the regulatory teams at the Commission, entities which hold a license for fiduciary services, and which present a lower level of risk are monitored and supervised by the Prudential Supervision Unit. The Unit is also responsible for reviewing and processing all post-licensing filings submitted by these licensees.

There was a marginal increase in the number of Trust and Corporate Services Providers, from 282 in 2021 to 288 in 2022. However there continued to be a decline in Class I Trust Licensees as a result of cancellations, mergers, acquisitions and reclassifications.

Table 6: Licensees by Licence Type 2021 - 2022

Licence Type	31-Dec-2021	21-Dec-2022	Change YOY
Class I Trust	57	55	↓
Class II Trust	27	27	●
Class III	27	33	↑
Class IV	0	0	●
Class V	0	0	●
Restricted Class II Trust	49	49	●
Restricted Class III	105	106	↑
Company Management	16	17	↑
Authorised Custodian	1	1	●
Total	282	299	↑

Figure 1: No. of Licensees as at 31-Dec-2022



In 2022, the Prudential Supervision Unit also engaged in a project to reconcile the records of all authorised representatives and regularise the outstanding payments owed to the Commission by licensees within the portfolio of each authorised representative.

The Prudential Supervision Unit reports positive progress in achieving greater regulatory compliance after 14 of its licensees were released from reporting and monitoring after rectifying deficiencies which were identified during compliance inspections. A snapshot of the activity is included in the Key Achievements Table below.

Table 7: Key Achievements

14	Licensees released from all reporting requirements and monitoring after rectifying the deficiencies identified during compliance inspections
84	Risk assessments conducted in line with the Commission's Risk Assessment Framework (81 TCSPs and 3 Financing and Money Services Businesses)
285	Compliance Officer Reports assessed
1,225*	Financial Statements assessed
273	Prudential and Statistical Returns assessed
205	Regulatory Search Requests received and responded to
14	Licences issued
2	Licences reclassified
5	Licences cancelled
1	Licence revoked
288	Licensees as at 31st December 2022

2022 Highlights - Fiduciary Services

Licences Issued
14
2021: 12

Licences Cancelled
6*
2021: 20
*Includes revocation

Total Licensees
299
31 Dec 2021: 293
*Includes banking and Money Services

Onsite Inspections
16
2021: 13

Total Revenue Received
4.40m
2021: 4.05m

Total Regulatory Deposits
7.95m
30 Sep 2022: 7.86m

Transaction Levy Collected
2.40m
2021: 3.11m

Administrative Penalties
156,226
2021: 186,300

Compliance Officer Reports
285
2021: 289

Financial Statements
1,225*
2021: 100
*Includes Investment Business Entities

Prudential and Statistical Returns
273
2021: 252

Regulatory Search Requests
205
2021: 250

INSURANCE

At the end of 2022, the Commission had 46 captive insurers as 3 licences were cancelled during the year. The Commission regulates 38 domestic insurers. The Commission regulated 6 insurance managers and 3 loss adjusters. The licensees to whom insurance agency and brokerage licenses are granted remained static with 12 and 2 respectively at the end of 2022.

Table1 below sets out the statistical data for Captive and Domestic insurers for the years 2021 and 2022.

Statistics for Captive and Domestic insurers

Table 8: Statistics for Captive insurers

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

Table 9: Statistics for Domestic insurers

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

Monitoring of the licensees within the insurance sector is generally undertaken by the Commission's Authorisation and Supervision team. However, the Specialised Supervision Unit supervises 1 high risk captive and 3 systemically important domestic Insurers.

Enhanced supervision and monitoring of the insurance sector with SSU has focused on safeguarding policyholders in the jurisdiction. Specifically, ensuring that the entities continue to retain the financial capacity to meet their obligations to their policyholders in settlement of claims and or benefits when they fall due.

Captive Insurers Business Written Summary

Table 10: Comparison of Captive Insurers Business Written[2]

	2021	2020	2019
Gross Written Premiums	$383,957,520	$392,499,897	$559,240,181
Net Written Premiums	$382,246,141	$390,788,518	$562,248,028
Claims Incurred	$0	$663,686	$3,957,937
Underwriting Results	$22,708,229	$22,581,294	$14,861,246
Total Assets	$1,224,016,315	$1,356,566,441	$2,061,221,317
Allowable Assets	$365,465,599	$739,107,810	$765,290,199
Net Worth	$81,658,530	$96,891,728	$1,392,351,515

The 2021 results when compared to 2020 show decreases in Gross Written Premiums by $8,542,377; Net Written Premiums by $8,542,377; Claims Incurred to zero; and significant decreases Total Assets by $132,550,126; Allowable Assets by $373,642,211 and Net Worth by $15,233,198.

Generally, the variation in the Gross written premium figures were due changes in the number of policies sold or renewed, the amount of reinsurance purchased or ceded by the insurer. the economic conditions, and rate changes.

The significant variation Allowable Assets reported year over year are generally due to factors such as, increasing liabilities and decrease in the amount of liquid assets. The difference in Total Assets is attributable to a decrease in the number of licensees which hold substantial assets.

[2] 2022 financial statements are due by 30 June 2023 or by an approved extended deadline, by no later than 30 September 2023

Table 11: Domestic Insurance Companies Total Gross Written Premiums [3]			
Line of Business	**2021 Annual Returns**	**2020 Annual Returns**	**2019 Annual Returns**
Motor	$8,891,222	$9,710,840	$10,854,807
Property	$54,872,717	$55,574,658	$56,402,805
Liability	$22,368,781	$17,927,074	$21,703,164
Marine & Aviation	$13,998,987	$15,954,307	$17,356,890
Financial Loss	$574,850	$735,107	$0
Health	$10,568,301	$2,901,820	$12,029,875
Accident	$33,792,475	$39,621,373	$40,839,883
Annuities	$113,546	$122,386	$0
Life	$9,302,165	$20,036,057	$7,293,179
Goods in Transit	$169,013	-	-
Other Property & Casualty	$4,066,797	$8,711,396	$10,996,140
Other Life & Health	$1,052,141.31	-	-
Totals	**$159,770,996**	**$171,295,018**	**$177,476,743**

Property, Liability, Marine Aviation, Accident and Life continue to be the leading lines of business. There has been little variation in the value of gross written premiums for Property. However, there has been notable declines in Accident (14%), Life (53%) and Other Property & Casualty (53%). Conversely there has been notable increases in Liability (25%), Health (260%) and Other Life & Health[4].

Aggregate Exposures for Domestic Insurers

- 2021: Property - $8,497,074,706;
  Marine/Aviation - $7,735,916,866
- 2020: Property - $13,411,576,273;
  Marine/Aviation - $11,377,529,002
- 2019: Property-$11,672,125,413;
  Marine/Aviation - $12,363,532,044

Table 12: Domestic Insurance Companies Total Gross Claims Paid			
Line of Business	**2021 Annual Returns**	**2020 Annual Returns**	**2019 Annual Returns**
Motor	$3,765,739	$3,530,357	$4,580,985
Property	$3,987,459	$19,118,064	$83,509,859
Liability	$1,910,378	$4,385,213	$5,518,264
Financial Loss	$293,526	$10,294	$0
Marine & Aviation	$3,405,319	$6,238,836	$13,459,836
Health	$2,084,843	$566,313	$4,662,020
Accident	$776,875	$18,052,309	$22,281,528
Annuities	$0	$96,743	$0
Life	$5,243,380	$7,921,906	$3,445,717
Other Property & Casualty	($3,801,251)[5]	$28,176,722[6]	$4,882,086
Totals	**$17,666,268**	**$63,756,751**	**$140,340,295**

The decrease in motor claims paid in 2021 and 2020 when compared to 2019 figure was primarily due to the lockdowns during the Covid-19 pandemic which led to a drastic reduction in traffic levels in 2020 and much of 2021 resulting in a significant reduction in vehicle accidents and in claim numbers.

The significant variation in claims paid for property, liability, marine and aviation, accident between 2021, 2020 and 2019 were primarily due to payment of long-tail claims[7] stemming from catastrophic events such as 2017 hurricanes, flooding in various parts of the US, forest fires, etc.

The significant variation in the high amount of health claims paid in 2019 as compared to 2020 was primarily caused by the lockdowns due to the Covid 19 global pandemic which saw less doctor visits. The variation in the high amount of health claims paid in 2021 as compared to 2020 was primarily caused by higher hospitalization in 2021 compared to the first wave of the pandemic in 2020.

[3] 2022 Returns are due by 31 March 2023; Figures reflect domestic business (i.e. premium collected from BVI policyholders only)
[4] The variation in the premiums collected under Life in 2021 as compared to zero reported in 2019 and 2020 resulted from previously having this figure added as part of the premium collected for either Health or Life. Insurers are required to now ensure to report this premium separately.
[5] The overall total is shown as negative due to a large amount of (5,670,846) reported by an insurer based on a refund received in respect of a contract frustration (pecuniary loss class) claim for non-payment of gas oil cargoes.
[6] A single insurer reported $21,453,822
[7] Long-tail claims are insurance claims that are not settled until well beyond a policy has expired

Table 13: Domestic Business Trusts and Regulatory Deposits		
	Total Amount of Domestic Business Trusts held in 2022 by Trustees on behalf of nine (9) specified foreign insurers	Total Amount of Domestic Business Trusts held in 2022 by Trustees on behalf of nine (9) specified foreign insurers
Quarter 1	$14,163,297.05	$900,000
Quarter 2	$13,959,970.75	$900,000
Quarter 3	$19,368,533.07	$900,000
Quarter 4	$19,501,292.69	$900,000

Certain Foreign Insurers are required to establish Domestic Business to ensure that the value of the approved assets that constitute the trust property is at least equal to the total of its domestic liabilities. Certain foreign insurers are allowed to maintain a regulatory deposit instead of a Domestic Business Trust and all Domestic insurers are required to pay a regulatory (a) in the amount of $250,000, or (b) in an amount that is equal to the total of its domestic liabilities.

INVESTMENT BUSINESS

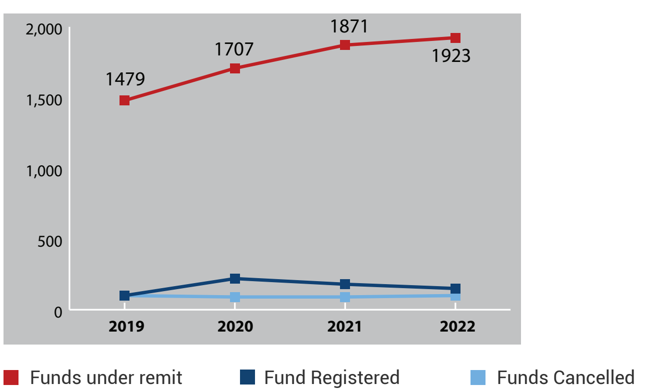
The Investment Business Division ("the Division"), regulates and supervises investment business licensees, approved investment managers, authorised representatives and mutual funds (private, professional, public, foreign, incubator and approved funds).

The Division's authorisation functions comprises gatekeeping responsibilities as well as post licensing authorisation obligations. To carry on Investment Business in or from the jurisdiction, persons must seek and be authorised to conduct said business by the Commission vis a vis the Authorisation Unit.

Funds Industry

The Funds industry in the BVI continues to grow. For the past 3 years, number of funds registered have exceeded number of funds cancelled, resulting in continued growth of approximately 2.78% in 2022.

Figure 2: Fund Industry Growth



As provided in previous years, a significant portion of the 2022 growth has been driven by Private Investment Fund regime which was enacted in 2020. Growth in the industry is also attributed to the popularity of fund products (Approved and Incubator Funds) which were introduced in 2015.

The largest number of funds under remit continue to be Professional Funds, which account for almost 47% of all funds. Private Investment Funds, Approved Funds and Private Funds account for approximately 15% each of the total funds. Incubator Funds make up 8% and Public Funds account for 1% of all funds under remit.

Figure 3: Fund Applications

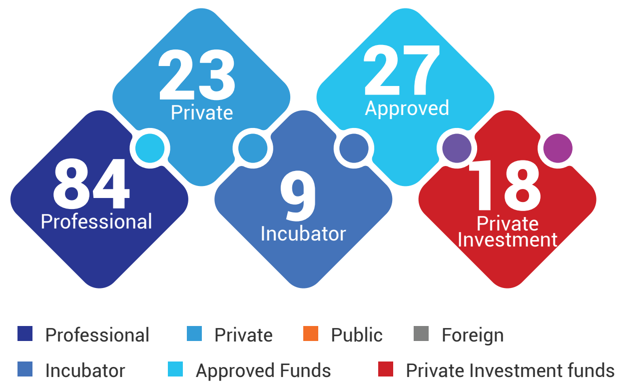


Figure 4: Recognised/Registrations Applications

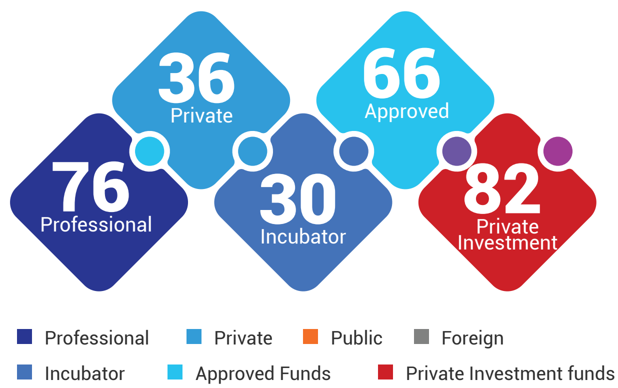


Figure 5: Funds Cancelled

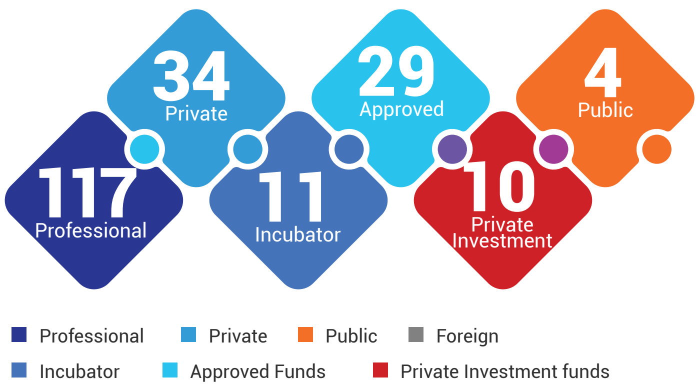
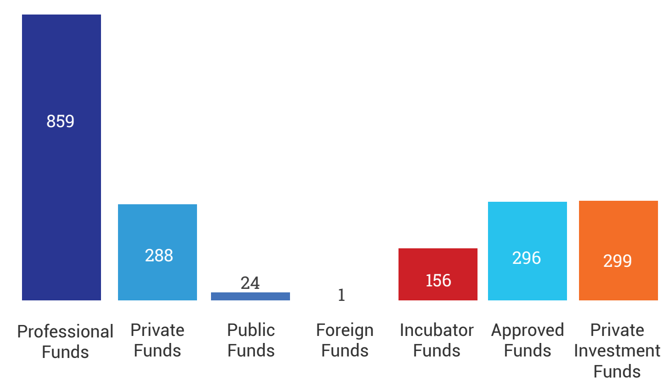


Figure 6: Funds Under Remit



Investment Business Licensees

The number of entities licensed under SIBA continues to decline. During 2022, the number of Investment Business licensees decreased by 20%. During 2022, the Division continued with its cancellation project which ultimately decreases the number of licensees cancelled annually. These projects are necessary to remove in-active licensees so that the Division can better gauge the actual size of the market.

Table 14: Licensed Entities

	2022	2021
Licence Applicants	11	10
Licensees Granted	9	5
Licensees Cancelled	76	19
Licensees Entities	274	341

Approved Investment Managers

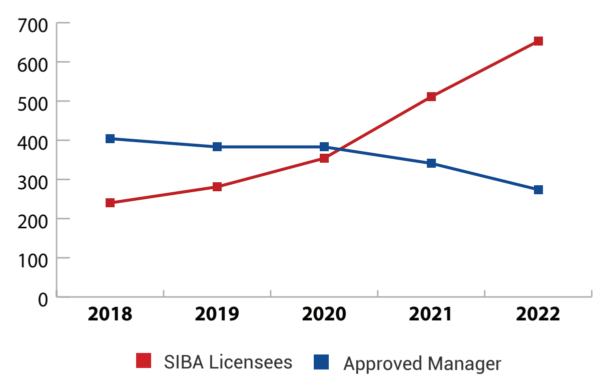
The Approved Investments regime provides an alternative "light touch" regime for BVI Investment Advisors/Managers who would otherwise require licensing under SIBA.

Table 15: Investment Managers

	2022	2021	2020
Approved Investment Manager Applications	206	187	77
Approved Investment Managers Approvals Granted	200	188	93
Approved Investment Managers Cancelled	58	31	20
Approved Investment Managers	653	511	354

Approved Managers continue to be the most popular Investment Business product requested by the industry. Application rates in 2021 increased by 10% when compared to 2021. Additionally, lower cancellation numbers and high numbers of approvals being granted has led to total Approved Investment Managers under remit increasing by 28% in 2022.

Figure 7: Investment Business Product



An inverse relationship continues to exist between Approved Managers and SIBA licensees. This trend is expected to remain consistent as the sector has shown a strong preference for lighter touch products such as approved managers.

AML Supervision of the Investment Business Sector

Supervision of the sector continues to consider the AML/CFT provisions relevant to the sector.

Supervisory efforts for this sector in 2022 focused on the AML risks. This is because the investment complex structures which can be attractive for illegitimate purposes and can also increase the opportunity for regulatory arbitrage by those seeking to misuse the system. In addition, the large volume and value of the products traded, and the diversity of strategic investment approaches offer unique opportunities to disguise the true nature of the investment, the investor, and sources of funds.

The vulnerabilities within the investment sector have been assessed as Medium-High, while the mitigating controls have been assessed as Medium-Low. This has resulted in the Investment Business sector being assessed as having an overall ML risk level of Medium-High.

Given the AML vulnerabilities, reviews were undertaken via a hybrid of desk-based and onsite inspections which focused on whether licensees have established appropriate customer identification programs and whether they are satisfying their SAR filing obligations, conducting due diligence on customers, complying with beneficial ownership requirements, and conducting robust and timely independent tests of their AML programs.

New Market Entrants- Virtual Assets Services Providers

The unit continues to dedicate efforts towards preparing for the enactment of the Virtual Assets Service Providers Act (VASPA) under which the team will supervise novel and complex business models.

VASPA was passed into law in November 2022

In November 2022, VASPA was passed into law. The VASPA makes provision, inter alia, for the registration and supervision of VASPs in relation to transactions involving VAs, the approval of the provision of VA custody services, and the approval of VA exchanges. Additionally, as of Dec 1, 2022, all VASPs have been deemed relevant persons and must now comply with BVI AML/CFT framework. VASPA is scheduled to come into force on Feb 1, 2023.

Significant efforts have been made towards training and capacity building of existing regulators in this area. This has included attendance at many regional, international, and virtual conferences and trainings where supervision of VASPs has been a central topic. Training and capacity building in this sector will continue to be a priority to build the necessary supervisory capacity in this area.

FINANCING BUSINESS

The Commission regulates financing businesses which physically operate in the Virgin Islands under the Financing and Money Services Act, Revised 2020. Entities licensed in this sector are permitted to engage in a wide range of credit services.

These services include:

- pay day advances;
- leasing property under financing lease agreements;
- consumer finance loans under a financing agreement to a borrower in the Virgin Islands;
- cheque cashing; and
- international financing and lending.

There are currently

3

licensed entities

within the sector who collectively service approximately

800

resident clients on an annual basis.

The sector reported an average of

420

transactions annually.

MONEY SERVICES

Money Services Business includes the provision of a wide range of services, from money transmissions, cheque cashing, issuance, sale and redemption of money orders and traveller's cheques, and operation of a bureau de change. Since the coming into force of the FMSA in 2009, only 2 money services licences have been issued and these entities are limited to providing money transfer services;

- Approximately $43.2 million was sent to foreign countries during 2022.
- Approximately $7.2 million was received from foreign countries during 2022.
- The number of outgoing transactions for 2022 was 148,074 and averages $292.
- The number of incoming transactions for 2022 was 16,121 and averages $444.

The top two countries receiving remittances from the BVI in 2022 were: Jamaica $8.6 million and the Dominican Republic $6.3 million. This is a consistent trend annually given the large resident population from both countries. The top two countries which sent remittances in 2022 was The United States of America $3.3 million and The United Kingdom $0.5 Million.

Figure 8: 2022 Top 5 Countries for Incoming Transfers

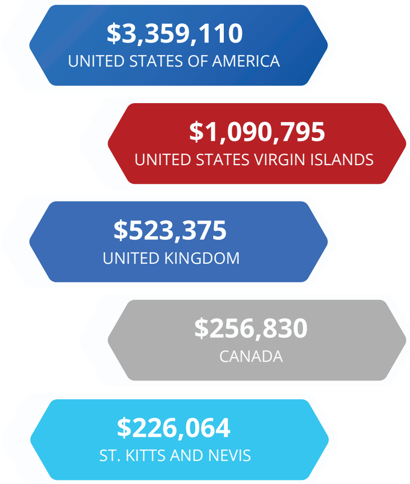
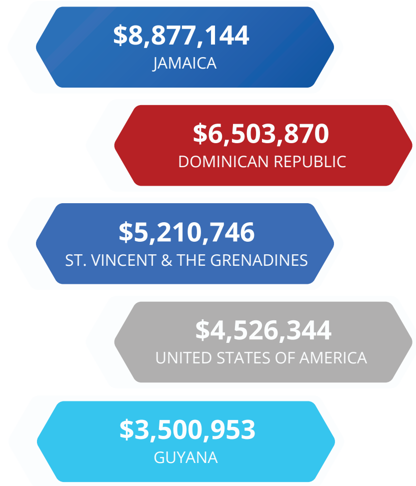


Figure 9: 2022 Top 5 Countries for Outgoing Transfers



In 2023 the transaction levy on money transmission services was reduced from 7% to 3.5% of the gross amount being transmitted.

INSOLVENCY

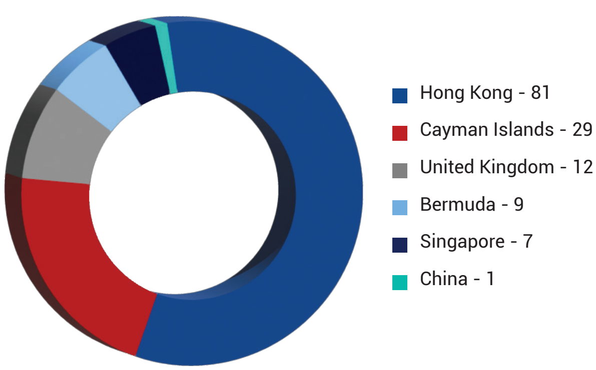
At the end of 2022 there were 25 licensed insolvency practitioners, which represented a nominal (less than) 4% decrease from 2021. All licensed insolvency practitioners held full licenses. During the year 7 new licenses were issued and 8 licences were revoked.

To mitigate against the inherent risk in asset recovery within foreign jurisdictions, Overseas Practitioners must be jointly appointed with BVI Practitioners. In some instances, more than one overseas Insolvency Practitioner may be appointed to a case. In 2022, the top three jurisdictions from which appointments of overseas joint liquidators were made were Hong Kong, Cayman Islands and the United Kingdom. In 2022 there was almost an almost 100% increase in the number of cases handled by overseas joint liquidators who were appointed from the UK, and now account for 17% of all cases.

Table 16: Overseas Joint Appointments by Jurisdiction

Jurisdiction	2021 No. of Cases	2021 %	2022 No. of Cases	2022 %
Hong Kong	81	58%	62	59%
Cayman Islands	29	21%	20	19%
United Kingdom	12	9%	18	17%
Bermuda	9	6%	3	3%
Singapore	7	5%	2	2%
China	1	1%	0	0%
Total	139	100%	105	100%

Figure 10: Overseas Joint Appointments by Jurisdiction



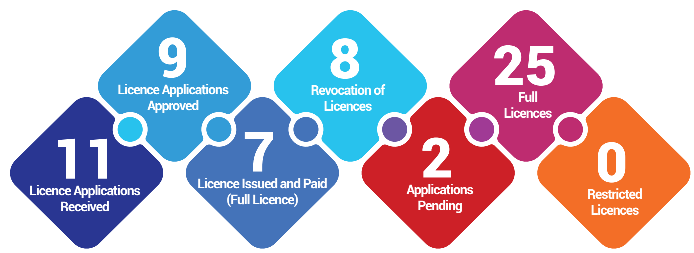
There was a 25% decrease in the number of Insolvency cases in 2022 when compared to 2021.

The activities of the Insolvency Team are outlined in the Table below:

KEY STATISTICS:

Insolvency Business

Figure 11: Licensing Applications, Approvals and Revocations - Insolvency Practitioners



In an effort to reduce the inherent conflict between the role of the Commission as the regulator of the financial services sector and the role of the Office of the Official Receiver, the role of the Official Receiver will be transferred to the Ministry of Finance under the Insolvency (Amendment) Act, 2022. The Act is expected to come into force on 1 March 2023.

AML UNIT

The Commission's Anti-Money Laundering Unit (AMLU) is responsible for developing and implementing the Commission's anti-money laundering supervisory strategy an ensuring an efficient, effective professional operation that meets international standards. The Unit is responsible for coordinating the Commission's AML training programme, preparing for the 2023 CFATF Mutual Evaluation and addressing the deficiencies identified in the Territory's Risk and Immediate Outcome Effectiveness Assessment reports relative to the work of the Commission as the Territory's primary financial services regulator. The AMLU also serves as Secretariat to the Commission's statutorily established AML/CFT related committees.

The Unit completed the Virgin Islands Proliferation Financing Risk Assessment in September 2022. This assessment is the first of its kind and took an in-depth look at the proliferation financing (PF) risks facing the Territory based on international trade and the collection and movement of funds, ship registration and shipping related activities, and the use of legal persons and legal arrangements.

<u>Other key achievements of the AMLU in 2022 included:</u>

- spearheading efforts to implement the Commission's AML/CFT Policy and AML/CFT Strategy through the Commission's AML Strategic Action Plan.
- monitoring the Commission's progress on the implementation of actions required to satisfy the effectiveness criteria of the FATF's Immediate Outcomes (IO) relative to supervision.
- facilitating Mutual Evaluation pre-assessment training by the International Monetary Fund.
- facilitating proliferation financing (PF) training conducted by the Royal United Services Institute for Defence and Security Studies (RUSI).
- leading and coordinating with the Competent Authorities and Law Enforcement Agencies on the preparation of documents for submission to the IMF assessment team.
- Receiving and processing annual AML Returns from licensed entities.
- Issuing 114 penalty notices for late filing of annual AML Returns. The value of these penalties totalled $82,300.
- Establishing a centralised secretariat for Commission led AML/CFT related committees to achieve enhanced external coordination and cooperation.

REGULATORY COMPLIANCE

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

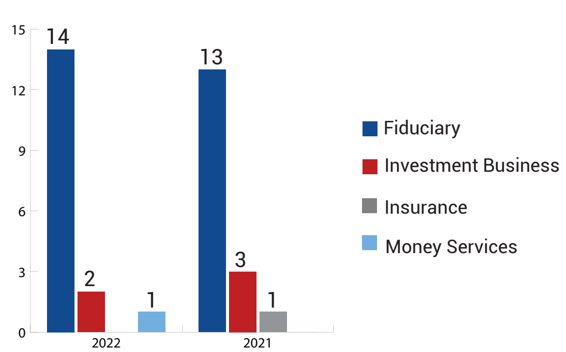
The onsite inspection process is a tool used to verify and monitor licensees as a key part of the Commission's supervisory function. Findings are combined to help with risk assessment and identify common issues across the industry. Findings are also used to identify industry or sector specific compliance trends, which in turn are used to identify the Commission's strategic objectives.

CIU completed nineteen (19) inspections in 2022, representing a 19% increase when compared to the number of inspections completed in 2021. Seventeen (17) inspections were thematic in nature and two (2) were full scope, reflecting a more comprehensive assessment of the operations of the Licensees.

Table 17: Compliance Inspections by Type

	2022	2021
Thematic	17	14
Full Scope	2	2

Figure 12: Compliance Inspections



In 2022, the Thematic Inspections focused on the following areas:

- Record Keeping;
- Internal Audit;
- Sanctions Monitoring; and
- Suspicious Activity Reporting Procedures.

The Commission also published its schedule of thematic inspections to be conducted in 2022 in its March newsletter. Details included topics of focus, proposed assessment period and sectors to be targeted. The table below includes additional details in this regard.

Table 18: 2022 Thematic Inspections

Topics to be Reviewed	Assessment Period	Targeted Sector	Inspections Completed
Record-Keeping Transaction Records	1^{st} Quarter	TCSPs	2 in 2021 and 6 in 2022 (series 100% completed)
Internal Audit	2^{nd} -4^{th} Quarter	All Sectors	8 TCSPs and 2 Investment Business Licensees in 2022 (series 100% completed)
Sanctions Monitoring	2^{nd} – 4^{th} Quarter	All Sectors	8 TCSPs and 2 Investment Business Licensees in 2022 (series 100% completed)
Suspicious Activity Reporting Procedures and Reports	2^{nd} - 4^{th} Quarter	All Sectors	8 TCSPs and 2 Investment Business Licensees in 2022 (series 100% completed)

- A full scope inspection represents a review of the full operations and lines of business of the licensee.

- A themed or limited scope inspection is limited to a review of a particular line of business or review of a particular function carried out by the Licensee.

In 2022, CIU also undertook other key development and strategic work including:

1. The continuance of post inspection surveys;

2. Revision of the Onsite Inspection Manual which is expected to be published in 2023; and

3. Completion of the Fiduciary Sector report which focused on the Maintenance of Transaction Records (expected to be published in 2023).

The Commission is encouraged by the responsiveness of its Licensees, as in 2022 there was a 56% response rate (almost doubling that of 2021). Eighty percent of respondents to the survey strongly agreed or agreed that reports were timely disseminated, while 10% were neutral and 10% disagreed.

On-site Inspections

CIU completed nineteen (19) of the twenty-one (21) inspections planned. Seventeen (17) of the inspections conducted were thematic in nature and the remaining two (2) were full scope. In terms of sectors covered, two (2) of the inspections were in respect of Investment Business Licensees, one (1) covered a Money Services Licensee and sixteen (16) were conducted on Fiduciary Licensees.

REGULATORY ENFORCEMENT

The Enforcement Division seeks to ensure that licensed entities comply with the requisite legislative framework and best practices set out in the Commission's policies and codes. Where licensees fail to comply, enforcement action within the Commission's expressed powers are considered.

The Enforcement Division receives and analyses intelligence on behalf of the Commission and conducts investigations of breaches of financial services legislation. The Division's investigative work ranges from regulatory breaches, such as entities engaging in unauthorized 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.

Where warranted, the dedicated teams within the Commission make requisite referrals to the Enforcement Committee to determine the appropriateness of enforcement action, where other measures have not yielded the desired results, or the concerned infraction is egregious. In 2022, the Enforcement Division received 20 internal referrals.

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

In 2022, the Division investigated 258 matters. The primary sources and triggers for investigations were from enquiries and complaints, many of which are administrative in nature.

Table 19 below, portrays a snapshot of the Division's workload in 2022:

Table 19; Comparison of Matters Generated

	2022	2021
Enquiries	258	372
Complaints	51	75
Internal Referrals	20	23
External Referrals*	16	5
Other	10	0
Total	**355**	**475**

*Includes referrals from local and international counterparts as of Q2 2022.

The Enforcement Division undertook significant work to improve the effectiveness and operation of the enforcement regime through a series of initiatives during 2022. These include:

- Initial Assessment of effectiveness of enforcement regime;
- Development of the FSC's Enforcement Philosophy; and
- Development and Implementation of the Sanctions Guidelines.

As a result of the assessment undertaken in the Enforcement Division recommended that the Commission adopt enforcement practices, actions and outcomes that are stronger and more dissuasive in their impact. This materialized through the development of the FSC's Enforcement Philosophy and changes to the assessment methodology during the on-site inspections.

The Enforcement Philosophy was developed, issued, and implemented as of 1 October 2022. It emphasizes strategic priorities that focus on enhanced enforcement action, initiatives, practices, fines, and penalties that are stronger and more dissuasive in nature.

The Enforcement Division also considered a more integrated approach to the Commission's implementation of International Sanctions. This approach provided detailed procedures and practices to be undertaken by various internal stakeholders.

The imposition of administrative penalties and fines are two of the more acute types of enforcement actions. In 2022, the Commission meted out administrative penalties and fines in the amount of US$237,000 against licensees for non-compliance and other regulatory failings. Other enforcement actions include Warning Letters and revocation of licensees.

Figure 13: Enforcement Actions by Year

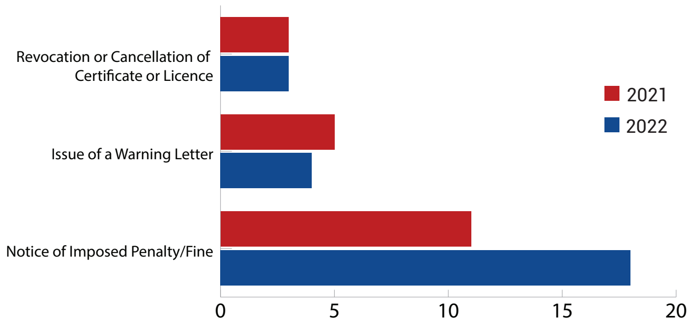
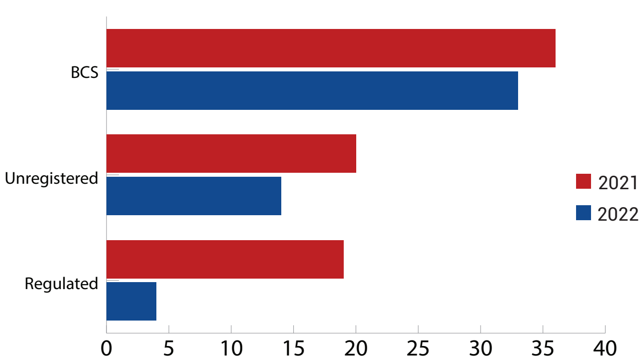


Figure 13: Illustrates the types of enforcement actions executed on a yearly basis.

Table 20: Summary of internal referrals and actions taken					
Sector/Division	**Monetary Penalty**	**Warning Letter**	**Revocation**	**No Enforcement Action**	**Ongoing**
Investment Business	2[8]	0	0	1	0
Banking Insolvency & Fiduciary Services	1	0	0	1	1
Insurance	1	1	1	3[9]	2
Authorisation	1	0	0	1[10]	1
CIU	0	0	0	0	1
Prudential Supervision	0	0	0	1	1
TOTAL	**5**	**1**	**1**	**7**	**6**

The Enforcement Team reported a 35% decrease in the number of complaints received in 2022 and specifically as it relates to regulated entities, a 79% decrease from complaints received in 2021. The Enforcement Team received complaints in relation to 4 regulated entities. Of the complaints received about regulated entities in 2022, 75% related to alleged trading platform errors, unnotified margin calls, and trading disputes which all resulted in losses.

Figure 14: Complaints by Type of Entity



[8]The monetary penalty/fine was imposed in 2022
[9]Two matters were returned to the Supervisory Division for further assessment. The EC agreed that the penalty imposed in 2017 should not be pursued in the other matter.
[10]The matter was returned to the Division for further supervisory assessment and to provide a more complete referral to Enforcement.

RISK MANAGEMENT

The Supervisory Strategy

In executing its remit, the Commission continuously strives to enhance its authorization and supervision processes while remaining committed to the overall achievement of its statutory objectives prescribed in section 4(1) of FSC Act. The continuous implementation of this risk-based supervisory approach is in furtherance of this aim. The overarching goal of the Commission's supervisory approach is to manage and mitigate the prudential and AML/CFT risk that have the potential to undermine the stability of the jurisdiction's financial systems and its supervisory objectives. As such, identification and early intervention of any threat to the financial services industry, the financial markets or the reputation of the territory are critical and continue to be of regulatory priority.

As guided by the Commission's Risk Based Framework, the Commission expends the highest amount of its resources to the supervision of entities in higher risk buckets (buckets 3 and 4 currently) and which pose higher level of AML/CFT risk. In 2022, the Commission sought to further enhance the operational ambit of this approach vis a vis the reorganisation of its regulatory units. Specifically, this new structure transitioned the Commission's supervisory framework from product-based supervision to risk-based functional management, allowing the Commission to more efficiently enhance oversight of high risk regulated businesses and individuals.

Our AML risk assessments of licensees continues to be a critical component in determining the supervisory plan for specific sectors and licensees. Primary risks identified by the 2022 AML sector report notes that there is an increased inherent ML risk for TCSP's given their placement as the primary gateway to the Virgin Islands' international financial services sector. Additionally, the assessment noted that the TCSP sector can be attractive to persons who wish to obscure ownership of property, evade foreign taxes or conceal the criminal origins of their property due primarily to the nature of products offered.

The ML sector report further noted that the Investment Business Sector also had high inherent risks stemming from the nature of investment business, which can involve the movement of large sums of money across multiple borders and high numbers of non-face to face business.

Further, the 2022 PF sector report identifies PF threats emanating from:

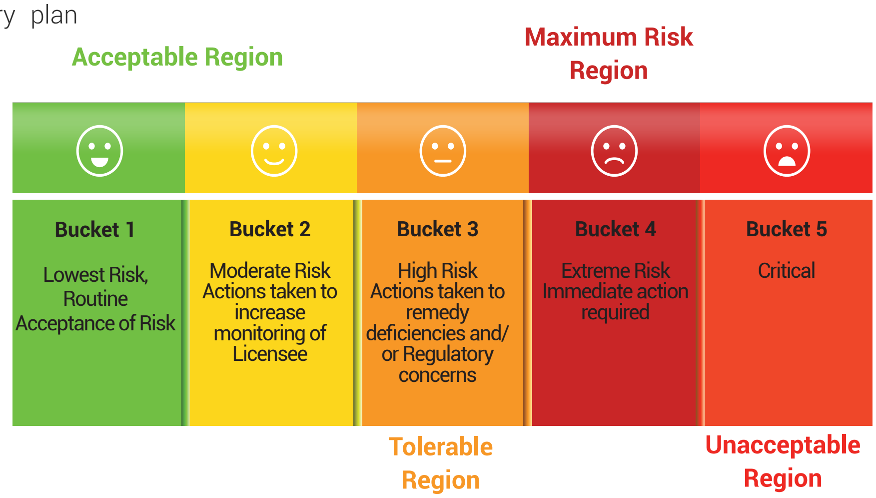
- use of legal persons and legal arrangements;
- international trade and collection and movement of funds;
- the use of ships registered in the Territory and their related activities; and
- vulnerabilities of Registered Agents acting as gatekeepers

Whilst sector reports describe a regulatory environment where licensees have implemented satisfactory measures and control necessary for the forestalling of financial crime related to ml/tf/pf, the identified inherent risks associated with these sectors are still of concern to the Commission. As such, licensees who have been assessed as having higher inherent and residual risks for ml/tf/pf abuse will be subjected to enhanced monitoring by the Commission.

Risk Appetite

The Commission's risk appetite is detailed below and is described on a continuum from buckets 1 (lowest level of risk) to bucket 5 (unacceptable levels of risk).

Figure 15: Commission's risk appetite for continues relationships with licensees



The combined results of the Commission's AML/CFT and Prudential Risk Assessment are provided below.

Figure 16: Risk Distribution, Primary Sectors

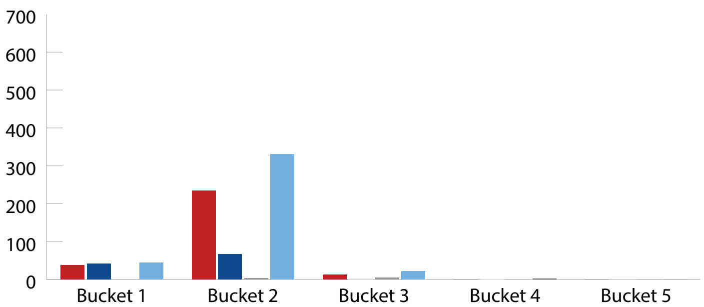
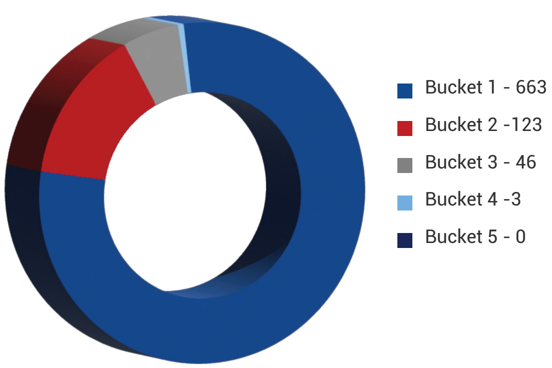


Table 21: Risk Distribution

	Bucket 1	Bucket 2	Bucket 3	Bucket 4	Bucket 5
TCSP's	38	234	15	0	0
Insurance	41	67	2	1	0
Banking	0	3	4	0	0
Investments	44	331	22	2	0

At the end of 2022 all licensees in Buckets 3 or higher, systemically important licensees and any licensees having higher ML/TF/PF risk have been placed with the Specialised Supervision Unit for enhanced monitoring. At the end of 2022, 79 % of licensees were in risk bucket 2 whilst 15% of licensees were risk assessed and placed in to bucket 1. As a reminder, risk assessments are dynamic and subject to change.

Figure 17: Risk Distribution



Forwarding looking Risk Priorities

2022 sectors assessments, desk-based reviews and comprehensive risk assessments have directed the Commission to prioritise aml/cft themes related to 3rd party transactions, sanctions handling, adequacy of SAR reporting across all sectors and the appropriateness of systems for the proper identification of beneficial ownership. Likewise, prudential themes to be prioritised as a result of 2022 assessments will include operational resiliency and licensee conduct. These themes will continue to be of priority in 2023 and beyond.

SANCTIONS IMPLEMENTATION

As a British Overseas Territory, the British Virgin Islands is required to implement all international sanctions that are extended to it by the UK government through Orders in Council. The application of financial sanctions is wide and applies to any person in the Virgin Islands as well as companies incorporated in the BVI.

The Commission's key responsibility relative to the implementation of sanctions is to ensure that regulated entities and other relevant entities maintain adequate policies and procedures in relation to sanctions compliance and adequate systems and internal controls for sanction screening, monitoring, reporting, and staff training.

A second key responsibility is for the Commission to file reports with the Financial Investigation Agency (FIA) of any suspicion in relation to a transactions or activities by companies connected to sanctioned persons or companies. As well, the Commission is also responsible for publishing the list of Overseas Territories Sanctions Orders in Force (including the names of designated persons and entities) and its relevant Amendments on its website.

The Governor of the Virgin Islands is the Competent Authority responsible for enforcing the Orders in Council relative to international sanctions. As such, all sanctions-related license applications, notifications, and authorisations are handled through the Governor's Office (GO).

The Commission's Sanctions Handling Procedures

In furtherance of its obligations, the Commission adopted and implemented the new protocols, which set out technical responsibilities and processes to be undertaken by various units to implement the sanctions orders. It guides the Commission on the handling of intelligence received in relation to entities connected to sanctioned persons or entities, how the Commission conducts screening of its Register of Directors against the sanctions list for potential matches and the process of flagging Companies in VIRRGIN based on those data sources. There are also procedures on the publication of sanctions orders and the Commission's reporting obligation.

Intelligence Gathering

Throughout 2022 the Commission gathered a large amount of intelligence regarding companies possible connections to designated persons from various sources including International regulatory counterparts, the FIA, and regulated licensees. in the intelligence led to the flagging of several BVI Companies.

The Commission also identified designated persons' connection to BVI BCs from its own proactive measure of screening the Registers of Director maintained at the Corporate Registry against the UK consolidated sanctions lists. This screening process is conducted for each new addition to the OFSI List.

Flagging, Transaction Monitoring and Reporting

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

The intelligence gathered resulted in the flagging of approximately four hundred and seventy-eight (478) BVI BCs suspected to be owned/controlled by designated persons/entities. Approximately 54% of the flagged companies were active and the remaining 48% were not.

Figure 18: BVI Business Companies Flagged in 2022

Company Transaction Monitoring and Reporting

The Commission's review of corporate transactions identified that corporate filings made at the Registry, in the main, in of themselves, do not appear to amount to dealing in the funds or the economic resources of the designated person or making the funds or economic resources available to or for the benefit of a designated person or entity. However, in keeping with its mandate, the Commission has also made reports to the GO and FIA on some transactions that would require further investigation.

As at 30th November, 2022 the Commission restricted 108 transactions in relation to flagged BVI Business Companies. Most of these transactions related to the Request for Certificates of Good Standing (27), Appointments of Registered Agent (26), Register of Directors (19) and Registration of Insolvency and Insolvency Documents. A detailed breakdown of the transactions appear in the table immediately below:

Table 22: Restricted Transactions

3	Amendment of Memorandum and/or Article of Association
1	Application for Change of Company Name
1	Application for Registration of Charge
26	Appointment of Registered Agent
6	Appointment of Liquidator
1	Notice of Completion of Liquidation
19	Register of Directors
2	Register of Member
18	Registration of Insolvency and Insolvency Documents
27	Request for Certificate of Good Standing
4	Request for Certification

Compliance Assessments

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

31 registered agents were assessed, and demand notices were issued to obtain information to help determine the adequacy of the Licensees policies and procedures and systems and controls for sanctions screening, monitoring, report and training.

In summary, it was found that the Licensees have established appropriate policies and procedures to identify and assess potential sanctions risk. Approximately 48% of Licensees assessed have automated systems to conduct sanction screening and monitoring, whereas the other licensees have taken a manual approach to screening and monitoring of clients against the consolidated sanctions list.

The majority of the Licensees' policies restricted them from engaging in new or existing business with any designated person or entity and led to the suspension or termination of all business activities where entities they act for were found to be connected with designated persons.

LEGISLATIVE DEVELOPMENT

In 2022, the Commission's legislative development focused, amongst other areas on:

- enhancing compliance with requirements established by international standard setting bodies;
- expanding the scope of the Commission's powers; and
- aligning certain financial services legislation for collaborative operation with the Virgin Islands Deposit Insurance Corporation.

In developing draft legislation, the Commission seeks to understand the impact of proposed substantive legislation on all relevant stakeholders, prior to finalising substantive legislation. This is achieved by soliciting feedback and commentary from a wide range of interested parties through focus group consultations and public consultations. The Commission's Policy, Research and Statistics Division facilitated focus group consultations in developing legislation, during 2022 the Division initiated public consultations on the following draft legislation:

Legislation	Consultation Period
BVI Business Companies (Amendment) Act, 2022	1st - 14th June, 2022
BVI Business Companies (Amendment) Act, 2022	1st - 14th June, 2022
Draft BVI Business Companies (Financial Returns) Order, 2022	1st - 14th June, 2022
Anti-Money Laundering and Terrorist Financing (Amendment) Code of Practice, 2022	7th - 20th July, 2022
Anti-money Laundering (Amendment) Regulations, 2022	7th - 20th July, 2022
Virtual Assets Services Providers Act, 2022	9th - 23rd September, 2022

With such consultative endeavours, the Division is able to consider a wide array of factors and garner broader and diverse perspectives on the utility and feasibility of the proposed legislation, identify any opposition to the legislation and gain insight on any unintended effects to introducing the legislation that may have not been previously considered.

Throughout the year, the Commission led the development of the following financial services legislation which were issued, passed and/or enacted:

New Legislation

Legislation	Relevant Dates	Key Objectives
Virtual Assets Service Providers Act, 2022	Passed: 24th November, 2022 In Force: 1st February, 2023	• Establishes a legal framework for the registration and supervision of Virtual Assets Service Providers ("VASPs"). • Establishes additional requirements for approval of VASPs seeking to provide virtual assets custody services or operate as a virtual assets exchange.

Amended Legislation

Legislation	Relevant Dates	Key Objectives
Anti-money Laundering (Amendment) Regulations, 2022	Made by Cabinet 19th August, 2022 In Force 22nd August, 2022	• Incorporates Co-operative Societies and virtual assets service providers within the Territory's AML/CFT regime. • Removes exemption from undertaking identification procedures on foreign regulated persons that are low risk, instead requiring simplified identification procedures.

Legislation	Relevant Dates	Key Objectives
Anti-Money Laundering and Terrorist Financing (Amendment) Code of Practice, 2022	Issued: 26th August, 2022 In Force 29th August, 2022	• Imposes a requirement for entities and professionals to conduct institutional ML/TF/PF risk assessments. • Requires senior management approval of internal controls to be approved by senior management and that enable the entities and professionals to identify, understand, assess, mitigate and manage overall ML/TF risks. • Introduces specific CDD and ECDD requirements for customers that are beneficiaries of trusts and life insurance policies. • Expands requirements for ongoing CDD. • Introduces categorisation of politically exposed persons and the application of a risk-based approach to CDD and monitoring for different categories of PEPs. • Introduces requirements for the transfer of virtual assets. • Requires entities and professionals to undertake assessment of ML/TF risks posed by countries to which they have exposure through customers and business interaction. • Increased penalty ranges for breaches in compliance with the Code.

Legislation	Relevant Dates	Key Objectives
BVI Business Companies (Amendment) Act, 2022	Passed 21st July, 2022 In Force 1st January, 2023	• Abolishes the bearer shares regime. • Inserts provisions that automatically dissolve a BVIBC once it has been struck off the Register of Companies. • Grants the Registrar powers to approve the incorporation of BVIBCs wishing to undertake charitable or non-commercial activity while engaged in commercial business, subject to certain conditions. • Establishes a legal framework for BVIBCs to file annual financial returns with their Registered Agents. • Allows the Registrar to provide any person with a list of directors of a BVIBC upon request. • Imposes a requirement that voluntary liquidators must be resident in the Virgin Islands.

Legislation	Relevant Dates	Key Objectives
BVI Business Companies (Amendment) Regulations, 2022	Made by Cabinet 12th August, 2022 In Force 1st January, 2023	• Outlines the eligibility to be appointed to act as a voluntary liquidator, pursuant to section 199(5) of the BVI Business Companies Act. • Requires a voluntary liquidator to maintain relevant records during the course of liquidating a BVIBC and provide such records to the BVIBC's registered agent after liquidation. • Introduces a requirement for BVIBCs to file their annual financial return as a condition for receiving a Certificate of Good standing.

Legislation	Relevant Dates	Key Objectives
BVI Business Companies (Amendment of Schedule 1) Order, 2022	Made by Cabinet 20th January, 2022 In Force 1st February, 2022	• Introduces new transaction fees and enhances existing transaction fees under the BVI Business Companies Regime.

Legislation	Relevant Dates	Key Objectives
BVI Business Companies (Amendment of Schedule 1) (No. 2) Order, 2022	Made by Cabinet 6th October, 2022 In Force 1st January, 2023	• Amends transactions fees to align with new requirements introduced under the BVI Business Companies (Amendment) Act, 2022.

Legislation	Relevant Dates	Key Objectives
Banks and Trust Companies (Amendment) Act, 2022	Passed 24th November, 2022 In Force 1st March, 2023	• Introduces provisions governing the Commission's exercise of powers relating to bank resolution, the functions of a bridge bank and the designation of banks as systemically important, aiding in ensuring financial stability. • Imposes requirements for banks to provide copies of deposit insurance policies issued under the Virgin Islands Deposit Insurance Act, to the Commission.

Legislation	Relevant Dates	Key Objectives
Financial Services Commission (Amendment) Act, 2022	Passed 24th November, 2022 In Force 1st March, 2023	• Expands the scope of the Commission's functions to include the promotion of financial stability and empowers the Commission to initiate and undertake resolution powers against licensees in financial distress. • Empowers the Commission to issue disqualification orders against directors and senior officers of licensees, BVIBCs and limited partnerships. • Streamlines the relationship between the Commission and the Virgin Islands Deposit Insurance Corporation in maintaining financial stability. • Establishes a cooperation regime between the Commission and other domestic competent authorities. • Establishes a Register of Directors and Senior Officers approved to act for licensees and a Register of Disqualified Persons. • Grants the Commission powers to appoint a rehabilitator to take over and direct the affairs of a licensee in financial distress. • Places an obligation on licensees to notify customers of any fraud that may have been committed by employees related to their customers. • Repeals provisions relating to authorised custodians and recognised custodians, given the abolition of the bearer shares regime.

Legislation	Relevant Dates	Key Objectives
Insolvency (Amendment) Act, 2022	Passed 24th November, 2022 In Force 1st March, 2023	• Enables the Virgin Islands Deposit Insurance Corporation to make an application to the High Court to appoint an eligible insolvency practitioner as liquidator of a bank and remove an insolvency practitioner. • Transfers the Office of the Official Receiver from the Commission to the Government of the Virgin Islands.

Legislation	Relevant Dates	Key Objectives
Regulatory Code (Recognised Exchanges) (Amendment) Notice, 2022	Issued and In Force 5th January, 2022	• Recognises the Fusang Exchange Ltd as a recognised exchange within the Regulatory Code (Recognised Exchanges) Notice.

NON-SUPERVISORY

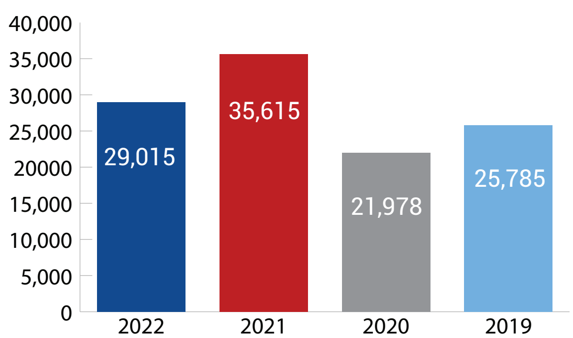
REGISTRY OF CORPORATE AFFAIRS

The Registry of Corporate Affairs is responsible for the registration of entities in the British Virgin Islands and has exclusive responsibility for the registration of BVI Business Companies, Limited Partnerships, Trade Marks and Patents.

In addition to its registration functions, the Registry also maintains all related registers and processed almost 500,000post registration transactions for these corporate structures and assets over the course of 2022.

In 2022, the Registry incorporated 29,015 new BVI Business Companies. This represents a 19% decrease when compared to 2021, which had a significant increase of 25% post Covid-19. Notwithstanding the decrease in volume, the incorporation figures for 2022 are consistent with the median range over the past few years.

Figure 19: New Incorporations



The volume of post-incorporation transactions processed by the Registry in 2022 reduced by 3.76%. See the comparison of the Registry's transactions from 2020 through 2022.

Table 23: Transactions 2020 - 2022

	2022	2021	2020
Annual Fee Renewals	333,270	329,219	333,116
Continuations into BVI	343	569	384
Continuation Out of the VI	572	723	848
ROD Registration	29,015	36,177	23,158
L.P. Registration	371	636	196
International Searches	26,615	28,484	15,484
Local Searches	39,175	45,665	45,737
Premium Service Transaction	312	379	335
Dissolutions	8,721	9,438	9,687
Request for certificate of Good Standing	39,020	44,820	43,075
Register of Members	419	415	473

Programs were modified in VIRRGIN to provide the option of Premium Service filing for all existing VIRRGIN transactions. This gives the ability to allow other transactions to be given the premium service filings as the need arises.

VIRRGIN system was updated to accommodate legislative amendments during the year including changes to transactions and fees.

Annual fees for companies on the register increased by 1.2% in 2022 compared to 2021.

The ongoing project to digitize companies' physical files to make them available in VIRRGIN was revamped. This new process should expedite the project to make more files available for electronic searches.

At the end of 2022 approximately 35% of companies' physical files were scanned in total with over 45,000 files scanned during 2022.

Intellectual Property

The Office of the Registrar of Trade Marks, Patents and Copyright reported a notable 34% increase in the number of trade mark registrations in 2022 compared to 2021. Registration and post-registration transactions were submitted by the 27 Registered Trade Mark Agents.

The most frequent trade mark registration class was class 9 in the Nice Classification System, which relates to Scientific, Research, Navigation, Surveying and other scientific apparatus and instruments.

Table 24: Frequent Trade Mark Registration Classes

	Trade Mark Registration Class	Frequency of Registrations
2022	9	113
2021	36	63
2020	36	51

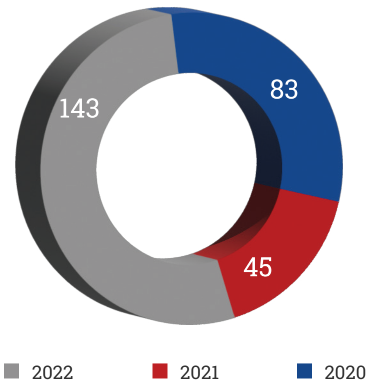
In 2022, the Office issued 332 Certificates of Registration for trade marks.

At the end of 2022, the Office also completed 90% of an ongoing exercise to update the register of Trade Marks and reclassify all existing trade marks under the Nice Classification System as provided for by the Trade Marks Act, 2013.

Patent Re-Registration

Patents Registration in the Office also increased significantly. All of the Patent registrations processed by the Office are existing United Kingdom Patents and European Union Patents which are re-registered in the British Virgin Islands for added protection. The Office registered 143 patents in 2022, 218% more than in 2021, where the Office saw a 46% decrease which was believed to be owing to service interruptions caused by the Covid-19 Pandemic.

Figure 20: Patent Renewals over 3 years (2020 – 2022)



The Office maintained its Register of 27 Registered Trade Mark Agents and processed 2091 transactions in 2022. There was a 34% increase in Trade Mark Registrations during 2022 compared to 2021.

Figure 21: Trade Marks and Patents Transactions (2021-2022)

TRADE MARKS	
2022	2021
332	**247**

PATENTS	
2022	2021
12	**14**

Office Initiatives to Update and Maintain the Register of Trade Marks

As part of the Office's ongoing reclassification project 59 Trade Marks were reclassified under the NICE Classification System as provided by the Trade Marks Act, 2013. Since the enactment of the Trade Marks Act, the Office has been executing various initiatives to ensure that the Register is updated and maintained, which has included the reclassification exercise, digitisation of files and other administrative tasks. In 2022, the Office had completed 90% of the project. At the end of 2022, 7,792 trade mark files were scanned and digitized which equals 71% of the Register.

BVI FSC (HK) LIMITED

The Commission maintains representative office in Hong Kong SAR to represent the Commission in the Asia-Pacific region. BVI FSC HK is governed by its Board of Directors, with day-to-day operations managed by the resident Director/Asia Representative.

New Director Appointed

Mr. Shane Baptiste was appointed as the Commission's new Asia Representative at BVI FSC (HK) Limited effective 1st July 2022. With 14 years of financial services experience, including in the Commission's Supervisory and Enforcement Divisions, Mr. Baptiste is well positioned to lead the delivery of services in Asia. Mr. Baptiste succeeded Mr. Burton Chalwell Jr., who completed his tenure on 30th June 2022.

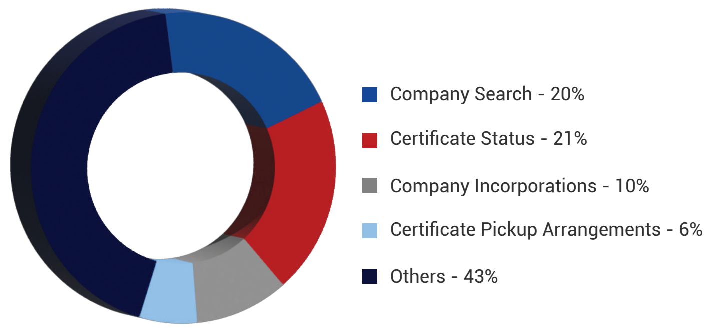
Operations in 2022, were similar to 2021 in that the BVI FSC HK was limited in its ability to perform its outreach and business development functions as a result of the ongoing effects of the COVID-19 pandemic in the region. The Office was able to engage with local industry stakeholders and potential applicants during Hong Kong FinTech Week which resumed in the fourth quarter of 2022. This was the first time the event was held in person since 2019.

Enquiries

In 2022, BVI FSC HK received and processed a total of 232 enquiries from agents and other stakeholders. This was a 14% decrease in the inquiries received in 2021. The most commonly received enquiries were in relation to persons seeking to conduct searches of the Register of Companies and procedures for incorporating a company.

The office also received enquiries related to licensing activity, specifically from entities who were interested in engaging in Trust and Corporate Services and Investment Business. The main areas of interest were the Class III License and the popular Approved Manager and Funds offerings.

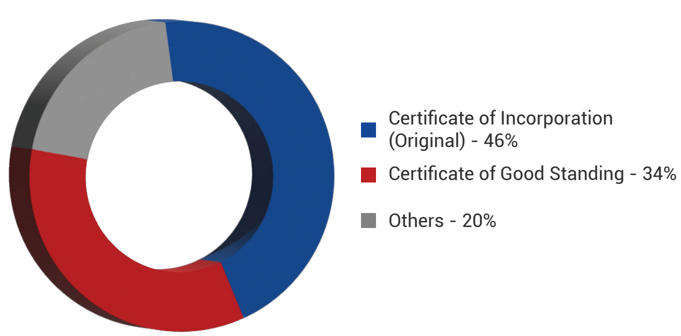
Figure 22: Enquiries in 2022



Certificate Printing

During the peak of the COVID-19 pandemic, the Office provided services to Registered Agent Offices in Hong Kong through printing of certificates. In 2022, 18,626 certificates were printed by the Office in Hong Kong. This represents a 30.4% decrease from 2021, which is likely attributable to the downward pressure in the global market due to uncertainty driven by the global pandemic. Notwithstanding this decline, some agents saw as much as a 25% increase in requests for certificates.

Figure 23: Requested Certificates in 2022



Certificates of incorporate and Certificates of Good standing remain the most requested certificates.

LEGAL SERVICES

The Commission maintains in house legal counsel which provides an array of legal services to the Commission including opinions, legal advice, and litigation services. The Legal Division is responsible for providing advice to the decision-making committees to ensure that all decision taken by the Commission are legally sound and conform to the rules of natural justice.

Litigation

The Department also has primary responsibility for handling all litigation matters. In 2022, commercial matters continued to be heard via on-line video link while civil matters resumed in person hearings. The Commission's legal team dealt with 120 new litigation cases, which represents a 5% increase from 2021. 108 of the litigation matters were applications to the court to restore dissolved companies to the Register, typically following the striking-off and dissolution of the company because of non-payment of annual registration fees.

Although there has been a significant development of the jurisprudence relating to company restoration and other applications under the BC Act, some applications are, by their nature, more complex than others and often require several appearances / adjournments, usually due to a lack of evidence before a matter can be settled. The Commission has always approached litigation with the overriding objective in mind. However, increasingly, Commission's legal counsel have been engaging in full trials, usually related to disputes with respect to the interpretation of a particular provision, or sufficiency of evidence, which usually means more time and expense for the parties involved.

The breakdown of the cases by causes of action is depicted in the following table.

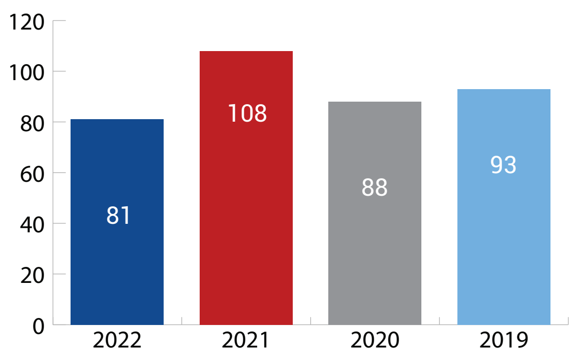
Table 25: Litigation Cases (2021-2022)

#	Litigation - Cause of Action	Number of Cases by Year	
		2021	**2022**
1	Para 57, Sch 2 – BVI Business Companies Act, 2004 ("BCA") Application for restoration of a dissolved company	3	2
2	Section 207A – BCA Application for the termination of voluntary liquidation of a BCA company	3	3
3	Litigation outside of the jurisdiction	-	0
4	High Court Appeal against Financial Services Appeal Board Decision	-	0
5	Stop Notice	5	2
6	Section 218 – BCA Application for restoration of a dissolved company	102	106
7	High Court Intervention for FSC in proceedings as an interested party	-	1
8	Freezing injunctions	-	-
9	Appointment of a Receiver over a BCA company	-	2
10	Amendment to M & A of a BCA company	-	1
11	Application to set aside Restoration Order of a BCA company	-	-
12	Application for removal of Voluntary Liquidator of a BCA company	-	0
13	Change of Continuance Date for a former BCA company	1	0
14	Appeal against Company Restoration Order, Court of Appeal		1
15	Resignation of a Liquidator		1
16	Withdrawal of an appeal before the Financial Services Appeal Board		
	Annual Totals	**114**	**120**

International Cooperation

All International Requests and Disclosures are received, processed and responded to by the Legal Department at the Commission. In 2022, the Department received 81 requests. The Commission is legally mandated to cooperate with requests from foreign regulatory and law enforcement authorities. The Commission is also a signatory to the International Organization of Securities Commissions (IOSCO) Memorandum of Understanding which provides a framework for members to share confidential information for regulatory and supervisory purposes.

Figure 24: Total Incoming Requests



Other Services

In addition to attending to all litigation and International Cooperation matters, Legal also undertakes several key activities:

- Drafts and reviews all contracts and agreements to which the Commission is a party;
- Provides legal advice on all enforcement action cases;
- Drafts and reviews all enforcement actions, directives, and public notices;
- Receives, actions and responds to all international cooperation matters as well as matters before the Financial Services Appeal Board; and
- Advises on and handles matters of legislative interpretation, including engagement with key industry stakeholders.

In 2022, the Legal Department was integral in providing advice to the Commission on its internal procedures, as well as other government stakeholders to implement the sanctions against Russian nationals as imposed by the United Kingdom.

The Legal Department of the Commission is held in high regard by the BVI Courts and regularly assists the Courts in matters concerning the interpretation of financial services legislation.

FINANCE

The Finance Department (the "Department") supports the Commission in achieving its objectives in various areas. The Department provides high-quality advice and services, particularly regarding fiscal and economic matters.

The central processes of the department include:

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

The 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 time.

The Department also proposes and enforces policies and procedures to encourage compliance with accounting standards and best business practices and achieve financial success.

Reorganisation

In 2022, the Department underwent a reorganisation to support the new structure of the Commission.

Key initiatives included:

- Centralisation of the cash receipt function for regulatory activities to realign with the Commission's restructured functions and increase responsiveness;
- Management of the Centralised cash function by an Accounts Receivable Manager;
- Appointment of a Senior Staff Accountant to assist in supporting the new structure; and
- Appointment of a Deputy Director of Finance to oversee accounting and financial reporting.

Table 26: 2022 Budget Management Summary

	2022	2021
Total Budgeted Expenditure	**33.3MM**	**24.2MM**
Operating Exp.	25.7MM	22.9MM
Capital Exp.	7.7MM	1.3MM
Total Realised Expenditure [11]	**25.7MM**	**23.5MM**
Realised Operating Exp.[12]	24.6MM	22.6MM
Realised Capital Exp.[13]	1.1MM	943K

Table 27: 2022 Budget Management Summary

	2022	2021
Estimated Budgeted Fees	201.9MM	186.7MM
Actual[14]	219.5MM[15]	219.9MM
Budget to Actual	17.MM[16]	33.2MM[17]
Retained Fees and Other Collections	27.1MM	26.9MM

Management and Accountability

In 2022, the Commission's external auditor was engaged to assess the Commission's financial statements for the year ended December 31, 2021. That included considering internal controls, evaluating the appropriateness of accounting policies, and the reasonableness of accounting estimates. The auditor issued an unqualified report on those statements on October 4th, 2022.

[11] In 2022, the Commission realised expenditures of $25.7MM. That was $7.7MM, or 23%, within budget estimates.
[12] In 2022, $24.6MM was realised in operating expenditures, which was $1.1MM or 4% within budget estimates.
[13] Capital expenditures of $1.1MM were 86% below budget estimates due to not realising the revamp of VIRRGIN.
[14] Excludes fees of sole credit to the Commission
[15] Out of those fees, the Finance Department transferred $194.6MM (2021: $195.8MM) to the Government pursuant to the retention agreement between the Commission and the Government for 2022.
[16] This amounted to 9% above budgeted estimates
[17] This amounted to 18% above budgeted estimates

Investment Funds Administration

The Finance Department also administers the Commission's reserves and other assets through investments. At the end of 2022, the Commission's brokerage account had a market value of $16.4MM, of which $8.5MM in time deposits and cash were attributed to regulatory deposits held on behalf of licensees. The balance of $7.9MM was held in time deposits. An additional $2.7MM was held in a time deposit with a local retail bank. The average interest rate on time deposits was 1.18% (2021: 0.21%).

Financial Support and Technical Assistance to Government

The Commission is tasked with partially funding several Government initiatives and bodies, and the Department oversees those appropriations. The Commission made financial contributions to the Financial Investigation Agency, Robert Mathavious Institute at H. L. Stoutt Community College, the BVI International Arbitration Centre (IAC), and the Financial Services Complaints Tribunal amounting to approximately $2.7MM (2021: $2.6MM).

CORPORATE SERVICES

The work of the Corporate Services Teams fuels the operations of the Commission. The regulatory teams, non-regulatory teams and administrative focused teams demand innovative tools, quality service and an agile approach to business operations.

The Corporate Services Division includes the Office of the Deputy Managing Director of Operations which spearheads project management, the Information Technology Team, the Facilities Unit, the Business Services Team and Creative Services. Responsibilities of the Teams also encompasses the event management, records and inventory management and internal customer services.

The teams regularly interface with senior management and supervisory leads within the Commission to ensure that the teams are equipped with the necessary tools to execute their respective functions, as well as ensure our processes yield the most efficient delivery of our objectives.

The Corporate Services Division engages a multi-disciplinary approach to the resolution of even the most novel or complex business challenges. This approach ensures that the individual teams can effectively prioritise work while offering the benefit of comprehensive solutions which are informed by the resident expertise of our most technical team members.

Information Technology

In 2022, the IT Team expended significant efforts to identify and implement custom solutions which would continue to safeguard the Commission's infrastructure, its physical and virtual premises, intellectual property and productivity tools. Work completed by the IT Team further cemented the Commission's ability to offer uninterrupted, efficient and reliable service to industry participants and the general public.

Key Achievements of the Information Technology Team to buttress security in 2022 included:

- Upgrading key infrastructure on premise;
- Segmentation of network;
- Increased processing power for VM (virtual machine) performance;
- Full implementation of Management Detection and response solution;
- Implementation of Visitor Tracking Application for monitoring traffic across FSC Campus; and
- Implementation of Multi Factor Authentication across multiple platforms.

The IT Team also delivered on new and improved productivity tools for the Commission. The Teams efforts included:

- Deployment and implementation of document management solution to pilot group;
- Updates to the AML/CFT Annual Returns Filing System;
- Updates to the flagship enterprise registry VIRRGIN;
- Updates to the Mutual Funds Annual Returns Platform; and
- Continued development of the Commission's Data Management Tool.

Facilities

The Facilities Team is responsible for the efficient operation and maintenance of the Commission's physical premises. As the resident occupational safety and health experts, the Team is also charged with ensuring that employees are trained to offer emergency assistance if the need arises. In 2022, the team underwent an internal reorganisation to support effective crisis management.

Occupational health and safety continued to be prioritised as new volunteer First Responders were trained in throughout the compound to fill vacancies left by employees who had either transitioned out of the organisation or relocated because of the Commission's restructuring.

Other activities completed by the Facilities Team in 2022 included:

- Implementation of enhanced security measures in external employee areas;
- Comprehensive first responder and VHF radio trainings;
- Biannual air treatment of all occupied buildings;
- Routine maintenance and renovations to employee spaces
- Completion of upgrades to improve accessibility to external premises operated by the Commission; and
- Upgrade of UPS system and battery replacement

Business Services

The Business Services Unit of the Commission has responsibility for the Office Operations, including customer service, Event Management, Physical Records and Inventory Management, Supplies Inventory Management and Janitorial Management at the Commission.

In 2022, the Teams of the unit facilitated the hosting of 92 events at the Commission. The management of the physical records and archives of the Commission continued in 2022, with over 1 million files under its remit within secured vaults.

In 2022, business travel following the Covid-19 Pandemic increased significantly for the Commission, with the resumption of in person global meetings, conferences and trainings. The team processed 24 travels.

FINANCIAL LITERACY

MONEY MATTERS BVI

Money Matters BVI (MMBVI) is the Commission's financial literacy programme. The programme uses various financial literacy education teaching applications to motivate youth, young adults, and adults in the Territory to develop stronger financial literacy skills. The objective is to enable residents to make sound decisions regarding spending, saving, protecting and managing their money in line with their short- and long-term goals.

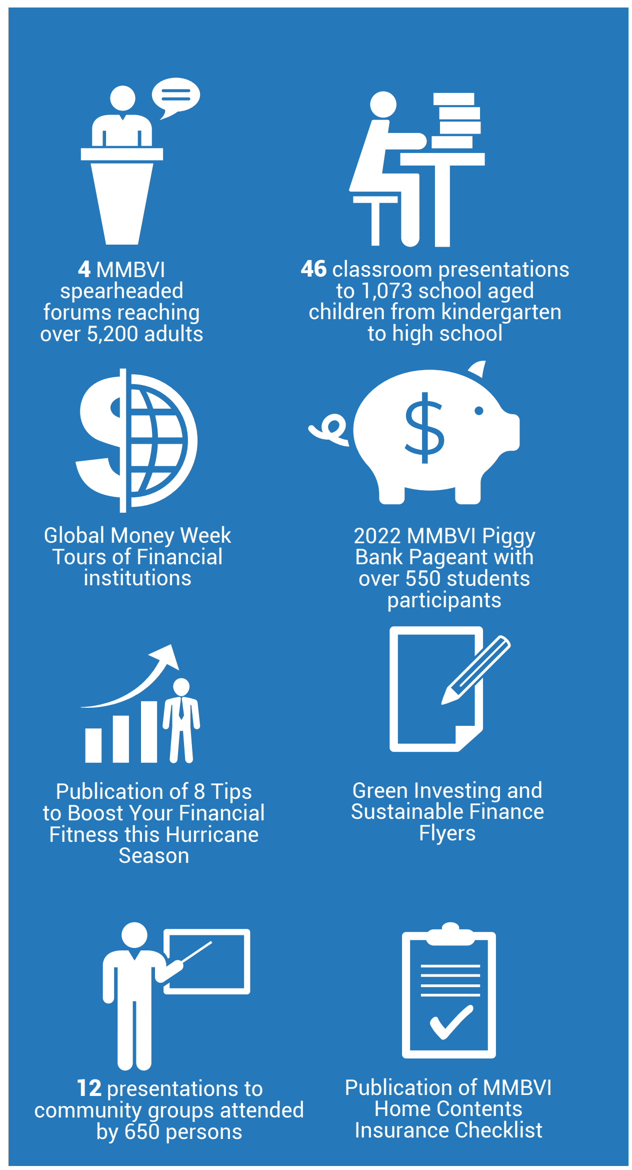
The primary goal of MMBVI is to reach and inform the public and inspire a change in attitudes and perceptions towards money.

Signature Annual Events include:

- Wills and Estate Planning Forum
- MMBVI Piggy Bank Pageant
- Adolescent Financial Literacy Perspectives Forum
- Global Money Week Tours of Financial Institutions

During its outreach programs MMBVI reached over 20,000 persons in the BVI. MMBVI engaged in face-to-face contact with over 2,000 persons. Engagements also included:

Figure 25: MMBVI Engagements in 2022



FSC TEAM

RESTRUCTURING

In 2022, the Commission began to implement in earnest its "restructuring plan" to among other things, help improve on the Commission's efficiency and effectiveness and to help deliver on its strategic objectives.

Central to the restructuring was the establishment of an Authorisation and Supervision Division, which is in effect a reorganisation of the Commission's core regulatory activities to ensure a focus on its critical functions rather than along regulated sectors.

The Authorisation and Supervision Division was implemented internally on April 1 2022 and became fully operational on July 1 2022.

The new structure transitions the Commission's supervisory framework from product-based supervision to risk-based functional management, allowing the Commission to more efficiently enhance oversight of regulated businesses and individuals and reduce potential harm to consumers and markets.

The Authorisation and Supervision Division comprises the following four (4) new units, which now replace the traditional Investment Business, Insurance, and Banking, Insolvency and Fiduciary Services divisions:

- Authorisation
- Prudential Supervision
- Specialised Supervision
- Market Conduct Supervision and

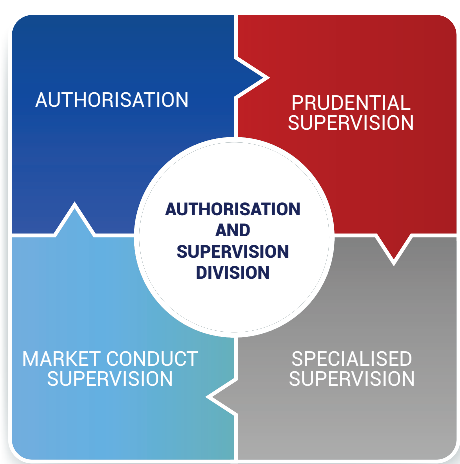
In addition, the Compliance Inspection Unit, AML/CFT Compliance Unit and the Enforcement Division, also now fall under the wider regulatory umbrella of regulation and supervision.

The Authorisation Unit is a centralised unit responsible for processing applications for authorisation for all regulated businesses, products and individuals. This unit ensures applicants meet the requirements to carry-out the regulated activity. The unit also handles all post licensing approvals.

The Prudential Supervision Unit and the Specialised Supervision Unit (SSU) are the primary supervisors for all sectors. The SSU is specifically charged with the Supervision of all systemically important entities and all entities which have been assessed as high risk. The prudential supervision is charged with the supervision of all other licensees that fall below certain high-risk profiles.

Conduct Supervision is charged with ensuring fair and transparent market practices by Commission Licensees and that consumers of financial services are treated fairly, and that their rights and interests are protected.

Figure 26: Authorisation and Supervision Division Units



PEOPLE MOVEMENT AND DEVELOPMENT

Fundamental to the Commission's success is the complement of the human resources in its employ. The Commission continues to attract a cadre of professionals and administrators who understand its unique function.

At the end of 2022 the Commission employed 154 employees and boasts a relatively low turnover rate. Employees were engaged across 10 core groupings including:

- Authorisation & Supervision
- Corporate Services
- Enforcement
- Finance
- Human Resources
- Legal
- Policy, Research & Statistics
- Managing Director's Office
- Registry of Corporate Affairs

Figure 27: Total Number of Employees

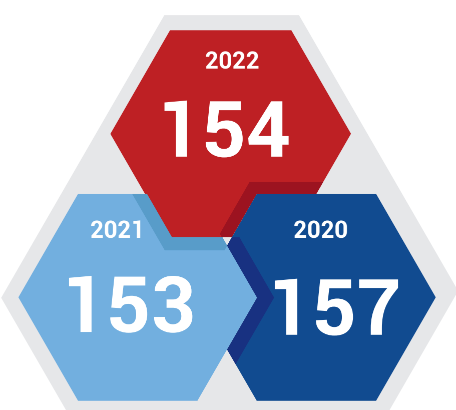


Figure 28: Staffing

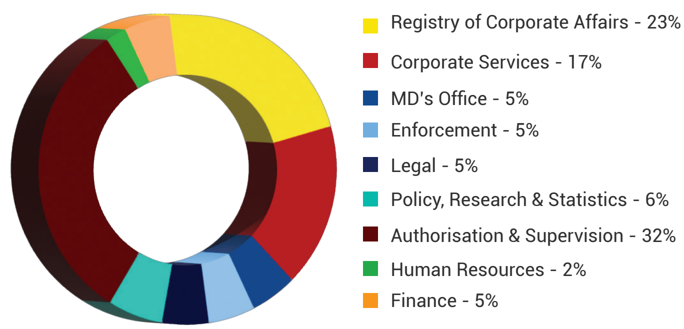


Figure 29: Internal Mobility and Employee Development 2022

Training and Development

The Commission continued to invest in the training and development of its team as there was a significant 57% increase in the training opportunities which were made available to employees. The increase is mildly attributable to the return of in person training engagements following the end of the COVID-19 pandemic. Training is made available to permanent employees and short-term employees.

The completion of an educational audit of all employee files has provided further data to enable to Commission to identify and facilitate suitable training opportunities and engagements for employees.

In addition to short term training engagements the Commission continues to offer tuition assistance for the completion of professional certification and degree programs within related fields of business for eligible employees. In 2022, 4 employees were engaged in funded studies at universities in the Bahamas, Spain, the United Kingdom and the United States.

In addition to degree focused training opportunities, trainings for employees were offered in the following areas in 2022:

Innovative and Technical
FinTech
Project Management
Digital Transformation Workshop
VHF Land Mobile Radio Communication Training
Emergency Responder

Professional Development
Human Resources Management
Governance, Culture and Behaviour Risks
Soft Skills
Professional and Personal Productivity
Customer Service
Time Management
Change Mangement
Communication
Team Building
Writing Skills
Corporate Culture Assessment

Regulatory
Bank Solvency Stress Testing facilitated by CARTAC
Specialised Supervision Internal Training
Regulatory and Supervisory Training
Captive Insurance
Compliance
ICA International Diploma in Governance, Risk and Compliance
STEP
AML/CFT
Countering Proliferation Financing

Finance and Accounting
QuickBooks
Bank Reconciliation

Employees

The Commission continued to prioritise the holistic wellness of all employees. At the beginning of 2022 the Commission employees worked on a shift system for health and safety reason as we continued to cope with the remaining effects of the pandemic. However, by 14th February 2022 in office work resumed for all employees.

The Human Resources Team continued its initiative of providing employee social activities to promote engagement outside of the office setting and encourage greater camaraderie among its employees. Under the Umbrella of "FSC Gets Social" a game night complete with small prizes and a Day sail were arranged for employees.

PROGRESSING THE 3 YEAR STRATEGIC WORK PLAN

Strategic Priority	Initiatives Undertaken 2022
Alignment of BVI Laws with Global Standards for Financial Stability	Various Legislative Development and Reform[18]
Enhancing our Service Scope	Restructuring and the establishment of the Authorisation and Supervision Division along functional lines to create greater efficiency, centralise the authorisation function and to target risk.
	Centralising the accounts receivables function to enable greater efficiency in the processing of regulatory activities and fees.
	Revision of the service standards to ensure that the Commission's teams continue to adequately meet the demands of the commercial landscape.
	Building out the Market Conduct function to assist with the processing and handling of complaints.

Strategic Priority	Initiatives Undertaken 2022
Promoting a Competitive and Attractive Financial Services Environment	Support exploration for innovative financial services offerings through participation in the Commission's Sandbox
	Enactment of the Virtual Assets Service Providers Act, 2022, which provides the legal framework for the supervision and monitoring of virtual assets in conformity with the established standards set by FATF.
	Public consultation to understand the impact of proposed substantive legislation on all relevant stakeholders.
	Ongoing engagement with industry stakeholders through established committees and groups including: BVI Finance, Association of Compliance Officers, and Association of Registered Agents.

Strategic Priority	Initiatives Undertaken 2022
Enforcement of Regulations	Increase number of onsite inspections to ensure compliance with legislative framework.
	Instituting more robust programme of desk-based supervision, particularly for TCSPs.
	Conducting Thematic Inspections focused priority areas.
	Revision of FSC On-site Compliance Inspection Procedures Manual.
	Development and Issuance of the Enforcement Philosophy.
	Identification of filing failures leading to the Imposition of Fines for AML and other returns.
	Identification of regulatory breaches leading to the issuance of fines and administrative penalties.

Strategic Priority	Initiatives Undertaken 2022
Supporting Industry Innovation	Establishing mechanisms like the Regulatory Sandbox and the newly created Virtual Assets Service Providers Regime.
	Partnership and collaboration with the H. Lavity Stoutt Community College Robert Mathavious Institute for Financial Services, the National University Singapore, BVI Finance, Ltd, and the Government of Virgin Islands on the BVI FinTech Training Programme.
	Engaging with CLRAC and the Restructuring and Insolvency Specialists Association, on proposed amendments to the BVI Business Companies Regime and the Insolvency Regime, respectively.
	Appointment of Commission's Director for Internal Audit

Strategic Priority	Initiatives Undertaken 2022
Promoting accountability, transparency and good governance	Conducted a review of service standards to ensure the Commission remains responsive to the demands of the industry and provides a high level of quality service.
	Publication of Statistical Bulletin to disseminate relevant financial services data.
	Raising public awareness of financial services matters through: - BVI FSC Newsletter - FSC Direct Video Series - Industry Circulars - Launch of FSC's YouTube channel - FSC Collaborations on BVI - Finance Breakfast Forums

Strategic Priority	Initiatives Undertaken 2022
Investment in Innovative Technology for Digital Transformation	Ongoing upgrades to the flagship platform, VIRRGIN
	Exploratory work on the development of an enterprise management solution to further support the regulatory functions of the Commission.
	Continued development of a Data Management Tool to assist with efficient processing of application and another regulatory transactions
	Development of a platform for the electronic receipt and processing of AML/CFT Annual Returns
	Upgrades to platform for processing of Mutual Funds Annual Reports

[18] See section on Legislative Development

GOVERNANCE

Board Supervision

The Board of the Financial Services Commission executes its functions through delegation of certain tasks to its subcommittees. These committees include: Audit and Risk Committee, Finance and Investment Committee and the Human Resources and Remuneration Committee. Each committee is chaired by a Board Member.

Board Meetings and Board Sub-Committee Meetings – 2022

Table 28: 2022 Board of Meetings

Commissioners	Required Meetings	Attendance
Robin F. Gaul (Chair)	12	11
Kharid T. Fraser (Dep. Chair)	12	12
Johanna M. Boyd	12	12
Paul O. S. Carty	12	12
William C. Gilmore	12	12
Ramnarine Mungroo	12	11
Melvin N. Stoutt	12	12
Kenneth B. Baker (MD – Ex Officio)	12	12

Audit and Risk Committee

The Audit and Risk Committee (ARC) assists the board in the oversight of the integrity of the Commission's financial reporting, supporting the Board in meeting responsibilities in relation to financial statements, financial reporting systems and internal controls. Its responsibilities include monitors the effectiveness and objectivity of internal and external auditors. ARC provides oversight of the Commission's risk management framework including regular review for its effectiveness.

As part of its mandate, ARC also monitors the implementation of policies, systems, procedures, strategies and resources for the management of quality of the core functions of the Commission. The monitoring responsibilities of ARC also extend to the effectiveness of the Commission's quality management systems and level of services provided to internal and external stakeholders. ARC also oversees the executive team's identification of key risks facing the Commission as well as the risk management infrastructure's capacity to address those risks.

Table 29: Audit and Risk Committee

Commissioners	Meeting(s)	Attendance
Paul O. S. Carty	1	1
Johanna M. Boyd	1	1
William C. Gilmore	1	1
Ramnarine Mungroo	1	1

The Audit and Risk Committee agreed the Charter to govern its operations in 2021.

Finance and Investment Committee

The Finance and Investment Committee (FIC) assists the Board in fulfilling its oversight responsibilities in relation to financial reporting and compliance with legal and regulatory requirements which relate to financial reporting and certain corporate policies. Central to FIC's function is also the oversight of investment policies, guidelines and investment performance.

In exercise of its functions, FIC recommends the implementation of policies to maintain and improve the financial health and integrity of the Commission and that the annual operating budget and annual capital budget are consistent with the long-range financial plan and financial policies. FIC also approves the selection of independent investment advisers and managers and monitors the financial performance of the Commission as a whole and including subsidiaries and business lines against approved budgets, long-term trends and industry benchmarks.

Table 30: Finance and Investment Committee		
Commissioners	**Meeting(s)**	**Attendance**
Robin F. Gaul (Chair)	1	1
Paul O. S. Carty	1	1
Kharid T. Fraser	1	1
Melvin N. Stoutt	1	1

The Committee fulfilled its mandate as in 2022, and agreed the 2023 Budget for the Commission, which was later approved by the Board of Commissioners.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee ("HRRC") supports the Board by making recommendations in regard to its oversight responsibilities and reviewing recommendations proposed by management. HRRC also make recommendations related to the Commission's organisational structure, the design and competitive positioning of Director compensation.

The responsibility to provide oversight for the revision and approval of the Commission's long-term succession planning strategy for executive officers of the Commission, including talent management and establishing development programs for suitable candidates also falls within the remit of HRRC.

HRRC approves all human resources policies and is fully empowered by the Board to assist with fulfilling the Board's responsibilities as it relates to human resources and remuneration matters.

Table 31: Human Resources and Remuneration Committee		
Commissioners	**Meeting(s)**	**Attendance**
Kharid T. Fraser (Chair)	1	1
Johanna M. Boyd	1	1
Melvin N. Stoutt	1	1
Ramnarine Mungroo	1	1

In 2022, the members were able to the deliberate, discuss and agree on the revisions and updates to the Commission's Employee Handbook. The Employee Handbook is expected to come into force in 2023.

INTERNAL AUDIT

The Commission appointed a Director the Internal Audit Unit in July 2022.

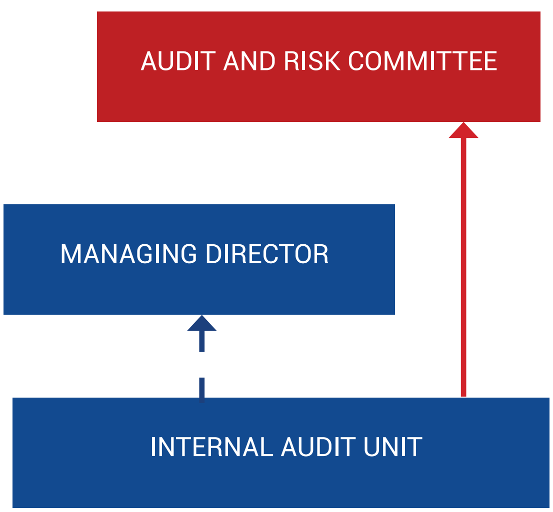
The Unit functions as an independent, objective assurance to the organisation's management team and Board of Directors and consulting service designed to add value and improve the Commission's operations.

The Unit's mission is to elevate the Commission's activities and determine whether internal controls are placed to mitigate risks; the governance processes are adequate and efficient and organisational goals and objectives are met.

The Unit is expected to continue to provide oversight and maintain the Commission's integrity while ensuring that the organisation continues to operate successfully.

As a respected business partner and trusted advisor the unit will provide value-added audit and advisory services and further promote a culture of accountability and good governance throughout the Commission.

Figure 30: Reporting Obligations



LOOKING AHEAD:
2023 AND BEYOND

In 2023, the Commission will continue to advance work initiatives and plans to deliver on its 2022- 2024 Strategic Work Plan. The Divisions, Departments and Units have committed their efforts to evolve and adapt to ensure that the Commission meets its statutory objectives and strategic goals.

International Standards Development

As global regulatory standards evolve, the Commission will continue (through its Policy, Research and Statistics team) to monitor the developments in the regional and global financial services sector. Key areas of focus will include FATF's revised recommendations, and in particular, requirements relating the beneficial ownership of legal arrangements, as well as other areas such as virtual asset regulation.

Regulatory

The Commission's core business, regulatory, is expected to see several key tasks and initiatives implemented in 2023. This is in furtherance of our strategic priorities to ensure supervisory actions are aligned, appropriate, robust, and sustainable. The regulatory initiatives will focus on a few central themes which include:

- development of regulation that is efficient for new risks stemming from technology and business model innovations;
- operational resilience reviews of the adequacy or appropriateness of current solvency/ capital models and control frameworks; and
- ensuring that licensees are required to operate with a specific standard for market conduct.

In addition, renewed focus would be placed on conducting desk-based inspections to ensure ongoing and regular reviews of licensees in an efficient manner, continued and revised risk assessments of regulated entities, consolidating and updating operations and procedures to align with the revised operational structure, developing leadership capacity to facilitate succession planning and accelerating the Commission's digital transformation journey.

Key Priorities and Work Streams for 2023

Banking

1) The Development of Model of Supervisory Guidance for Banks' KPIs in order better monitor their performance.
2) Developing core requirements and a monitoring and evaluation framework to ensure operational resilience.
3) Strengthening bank conduct regulation and practices and more robustly enforcing them.
4) Implementing Basel II Standards utilising a fit for purpose methodology.
5) Review of Bank's SAR reporting practices, through desk-based monitoring.

Trust and Corporate Service Providers

1) Monitoring of third-party relationship and reliance to ensure that all the relevant standards for business, reporting and reviews are undertaken.
2) Ensure that they are engaging robust verification processes on Beneficial Ownership.
3) Monitoring market convergence in the sector and managing or mitigating the resulting risks.

Investment Business Providers

1) Conducting reviews of KYC practices, to ensure Compliance with AML/CFT framework.
2) Review of the significant market conduct issues arising in this sector, and to strengthen where applicable laws and regulations to deter poor conduct.

Insurance Business

1) Collaborative supervision of Foreign Domestic insurers and review and determination of a more fit for purpose supervisory regime for Systemically Important Foreign Insurers.

2) Review of the Domestic Business Trust regime to determine its applicability and whether it requires strengthening.

Money Services Business

The Commission will focus its efforts on SSAR reporting practices and AML/KYC practices.

Compliance Inspections

1) Implement the revised FSC Onsite Inspection Procedures Manual in 2023.

2) Prioritise the conduct of thematic inspections based on the findings of the Risk Based Framework and in accordance with the identified priorities.

3) Timely issuance of completed inspection reports by securing additional resources, optimising current processes, and improved planning and analysis.

4) Continued issuance of post inspection surveys to gain feedback that could help to improve inspection process.

5) Continued issuance of sector reports to provide feedback to the licensees and enhance compliance.

Enforcement

1) Implementation of the Commission's enforcement philosophy which delivers greater enforcement action practices, fines, and penalties that are stronger and more dissuasive in nature.,

2) Continue implementation of the Sanctions Regime.

3) Developing policies and practices to investigate un-regulated business companies.

Restructuring

The Commission continuously strives to ensure that its organisational structure is fit for purpose and its resources are appropriately targeted to meet its objectives. In that vein, and consistent with its on-going restructuring initiative, our Policy Division will transform to house two Units, namely the Policy Research and Development Unit and the External Relations Unit. The Policy Research and Development Unit will continue to undertake its traditional functions, and the External Relations Unit will be responsible for developing and implementing communications and relationship management strategies.

Key work streams for External Relations and Policy will also include:

- Amendments to FSC Act to promote customer protection
- Revisions to the Admin Penalty Regime to ensure penalties are dissuasive
- Revisions to Regulatory Code

Equally, the Corporate Services Division is expected to be restructured and will add to its portfolio 'Operational Strategy and Innovation' as well as 'Data Management and Business Intelligence'. A key focus of the new work will to develop efficient project management capacity to support innovation initiatives and other projects. Focus will also be placed on instituting new data management solutions and business intelligence to support decision making and analysis.

Digital Transformation

The Commission will continue to digitally transform. Already the Commission has made a major investment in new data management technology and expects to finalise the build out, and implement the use of, its Data Management Tool in 2023. The Data Management Tool will help to more effectively manage the vast amount of regulatory data handled by the Commission.

The Commission is also expected to embark on work to develop its beneficial ownership platform by the end of 2023 and subsequently implement its use in 2024 to collect beneficial ownership information on all BVI companies.

The Commission also anticipates that the exploratory and planning work will continue in 2023 on its enterprise management solution and that it will advance towards the development stage. It is anticipated that the new platform will provide a modernised and upgraded platform like the VIRRGIN flagship product to facilitate all company incorporation and transactions filings, digitise and automate certain regulatory filings, and provide digital tools to aid various regulatory processes and analysis.

Corporate Registrations

Company Registration remains the foundation and backbone of the BVI Financial Services Industry. It continues to be the most significant source of income for the Commission and the Government. As such it remains one of the most pivotal departments within the Commission. In 2023 it is anticipated that company incorporation numbers will not see significant variances from recent past numbers, but are expected to decline in line with the long-term trend being experienced.

Overall total number of registered companies are expected to decline following changes to the Commission's struck/off dissolved regime to automatically dissolve companies that are struck off and which will come in force in 2023.

Revenue is not expected to be negatively impacted, particularly given the 2022 changes which increased various transaction fees.

Increasingly, the Registry of Corporate Affairs is endowed with greater responsibility as the corporate regime evolves and it is therefore expected that there will be incremental changes to both the structure and resourcing of the Registry.

Resourcing

As we evolve our regulatory and operational practices, so must our human resources. Therefore, staff training and capacity building will continue to be a priority in 2023 and beyond throughout the Commission to ensure that the right resources are in place to effect the evolving regulatory agenda.

The Commission's HR Division will seek to implement its partner business model to fully support divisional and staffing needs.

Some of the units where new or reassigned staffing resources would be prioritised include: Authorisation and Supervision, External Relations, Internal Audit, Project Management, Information Technology, and Corporate Registry Digitisation Projects.

The Commission intends to reinstate its Regulatory Cadet Programme and recruit regulators and team members to operate within the newly restructured functional areas.

The Commission will also develop its succession plan in order to ensure continuity of a well skilled and resourced Commission.

FINANCIALS

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For the Year Ended December 31, 2022

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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For the Year Ended December 31, 2022

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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BOARD OF COMMISSIONERS

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

REGISTERED OFFICE

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

SECRETARY TO THE BOARD

Ms. Annet Mactavious

INDEPENDENT AUDITORS

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Tortola VG1110
British Virgin Islands

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the British Virgin Islands Financial Services Commission and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2022, 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, 2022, 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
July 7, 2023

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2022
Expressed in United States Dollars

	Notes	2022 $	2021 $
ASSETS			
Non-current assets			
Property and equipment	4	6,111,004	6,030,854
Right-of-use assets, leasehold premises	5	5,722,469	5,290,545
Total non-current assets		11,833,473	11,321,399
Current assets			
Regulatory deposits	7	8,977,648	8,946,108
Cash	8	24,424,161	24,107,202
Time deposits	9	10,653,024	10,589,196
Other receivables and deposits	10	589,542	504,134
Total current assets		44,644,375	44,146,640
TOTAL ASSETS		**56,477,848**	**55,468,039**
CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES			
Contributed capital and capital reserves			
Contributed capital	11	3,993,900	3,993,900
Property and equipment reserve	11	6,111,004	6,030,854
Capital expenditure reserve	11	10,500,000	7,500,000
Total contributed capital and capital reserves		20,604,904	17,524,754
Surplus and revenue reserves			
Training reserve	11	-	400,000
Loan revolving reserve	11	-	165,000
Refunds and drawback reserve	11	-	50,000
Enforcement reserve	11	-	2,000,000
Contingency reserve	11	8,649,014	7,256,023
Administrative penalties fund reserve	11	3,569,498	3,096,907
Total surplus and revenue reserves		12,218,512	12,967,930
Total contributed capital and reserves		32,823,416	30,492,684
Non-current liabilities			
Lease liabilities	5	4,960,490	4,655,978
Total non-current liabilities		4,960,490	4,655,978
Current liabilities			
Lease liabilities	5	1,208,711	1,006,079
Trade and other payables	12	1,666,008	1,438,188
Deposits on account and other deposits	13	6,841,575	7,929,002
Distribution payable to the Government	14	-	1,000,000
Regulatory deposits from licensed entities	7	8,977,648	8,946,108
Total current liabilities		18,693,942	20,319,377
Total liabilities		23,654,432	24,975,355
TOTAL CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES		**56,477,848**	**55,468,039**

Signed on behalf of the Commission on June 27, 2023

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, 2022
Expressed in United States Dollars

	Notes	2022 $	2021 $
INCOME			
Fees collected on behalf of the Government	15	221,660,417	222,368,422
Less: Fees due to the Government	15	(194,591,930)	(195,791,342)
Fees retained by the Commission	15	27,068,487	26,577,080
Other income	16	284,827	331,599
TOTAL INCOME		27,353,314	26,908,679
EXPENSES			
Staff costs	19	15,717,464	14,416,008
Professional services		1,348,032	1,417,471
International Arbitration Centre funding	22	1,445,145	1,294,113
Lease amortization	5	1,232,840	1,199,144
Depreciation	4	998,148	956,758
Maintenance and hire		967,310	850,369
Financial Investigations Agency funding	22	750,000	750,000
Telephone and communications		599,917	595,597
Robert Mathavious Institute funding	22	450,000	450,000
Utilities		426,441	220,969
Licenses and fees		396,147	302,101
Travel and subsistence		222,292	42,731
Office expenses		219,598	227,054
Memberships and subscriptions		133,878	63,373
Insurance		127,067	129,371
Literature and reference		112,148	115,116
Financial Services Complaints Tribunal funding	22	79,410	88,500
Public relations		71,906	57,454
Rent and lease		34,420	35,577
Miscellaneous		26,990	7,257
Conferences and seminars		5,385	73,260
TOTAL EXPENSES		25,364,538	23,292,223
FINANCE COST			
Interest expense related to lease liability	5	(323,029)	(342,703)
Interest income	17	180,063	80,539
NET FINANCE COST		(142,966)	(262,164)
SURPLUS BEFORE GOVERNMENT DISTRIBUTION AND ENFORCEMENT PROCEEDS		1,845,810	3,354,292
Government allocation	14	-	(1,000,000)
SURPLUS BEFORE ENFORCEMENT PROCEEDS		1,845,810	2,354,292
Enforcement proceeds	18	484,922	327,565
SURPLUS FOR THE YEAR		**2,330,732**	**2,681,857**

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, 2022
Expressed in United States Dollars

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

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

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, 2022
Expressed in United States Dollars

	2022 $	2021 $
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	2,330,732	2,681,857
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Depreciation	998,148	956,758
Amortisation of right-of-use asset, leasehold premises	1,232,840	1,199,144
Interest expense on leases	323,029	342,703
Interest income	(180,063)	(80,539)
Operating surplus before working capital changes	4,704,686	5,099,923
(Increase) decrease in other receivables and deposits	(85,407)	179,307
Increase (decrease) in trade and other payables	227,820	(892,643)
(Decrease) increase in deposits on account and other deposits	(1,087,427)	268,152
Decrease in distribution payable to the Government	(1,000,000)	-
Net cash flows from operating activities	2,759,672	4,654,739
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in time deposits – net	(63,828)	(25,075)
Acquisition of property and equipment	(1,078,299)	(943,126)
Interest received	180,063	80,539
Net cash used in investing activities	(962,064)	(887,662)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest payments on leases	(323,029)	(342,703)
Principal payments on leases	(1,157,620)	(1,127,113)
Net cash used in financing activities	(1,480,649)	(1,469,816)
NET INCREASE IN CASH	**316,959**	**2,297,261**
CASH, At beginning of year	24,107,202	21,809,941
CASH, At end of year	**24,424,161**	**24,107,202**

Cash is comprised of:

	2022 $	2021 $
Restricted cash (see Note 8)	10,517,877	11,062,690
Unrestricted cash	13,906,284	13,044,512
Total	24,424,161	24,107,202

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

2. BASIS OF PREPARATION

2.1 Presentation of financial statements

(i) International Financial Reporting Standards

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

(ii) Accounting convention

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

(iii) Presentation and functional currency

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

(iv) Significant accounting estimates and judgement

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

(v) Going Concern

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

2.2 Adoption of New Standards, Amendments and Interpretations

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

The adoption of new standards or amendments effective January 1, 2022 by the Group did not have a significant effect on the consolidated financial statements.

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 24, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Critical judgements in applying accounting policies

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

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

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

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

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

(b) Key sources of estimation uncertainty

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

Useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2022, there is no change in the estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Borrowing rate used for leases

The Group estimates the incremental borrowing rate used in the calculation of its lease liabilities in relation to its adoption of IFRS 16. IFRS 16 requires that lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate shall be used. The borrowing rate was determined to range between 5.25% and 9% (2021: 5.25%).

Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT

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

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

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

Expressed in United States Dollars

5. LEASES

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

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

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

	Building $
Cost	
Balance at December 31, 2021	8,844,926
Addition	173,670
Lease modification	1,007,859
Balance at December 31, 2022	10,026,455
Accumulated amortization	
Balance at December 31, 2021	3,554,381
Lease modification	(483,235)
Amortisation	1,232,840
Balance at December 31, 2022	4,303,986
Carrying amount	
Balance at December 31,2022	5,722,469

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

Expressed in United States Dollars

5. LEASES (Continued)

(b) Lease liabilities

	2022 $	2021 $
Balance at January 1	5,662,057	6,789,170
Addition	173,670	-
Impact of modification	1,483,711	-
Lease payments for the year	(1,473,266)	(1,469,816)
Interest expense	323,029	342,703
Balance at December 31	6,169,201	5,662,057
Less: Current portion	(1,208,711)	(1,006,079)
Non-current portion	4,960,490	4,655,978

The undiscounted analysis of the lease liabilities is disclosed below:

	2022 $	2021 $
Up to 3 months	386,304	329,364
Between 3 and 12 months	1,158,914	960,507
Between 1 and 2 years	1,545,219	1,280,676
Between 2 and 5 years	3,418,094	3,835,623
Over 5 years	557,930	86,240
	7,066,461	6,492,410

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

	2022 $	2021 $
Amortisation of right-of-use asset	1,232,840	1,199,144
Interest expense	323,029	342,703
Expenses relating to short term lease	34,420	29,600
Total	1,590,289	1,571,447

6. SUBSIDIARIES

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2022, 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:

	2022 $	2021 $
Cash in bank	511,782	3,386,008
Time deposits	8,465,866	5,560,100
	8,977,648	8,946,108

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

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

The deposits are refundable upon surrender of the licence. For the year ended December 31, 2022, the deposits earned an average rate of interest of 0.12% (2021: 0.10%). Total interest income earned for these deposits amounted to $26,694 (2021: $12,658). These regulatory deposits are restricted and not available for general use.

8. CASH

	2022 $	2021 $
Cash held in Government Trust Account	12,848,396	13,645,440
Payable to Government	(5,772,077)	(5,420,540)
Net cash held in Government Trust Account	7,076,319	8,224,900
Cash in operating accounts	16,556,356	15,096,145
Cash in insolvency account	791,486	786,157
	24,424,161	24,107,202

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 $5,772,077 (2021: $5,420,540) being held on behalf of the Government as at December 31, 2022.

Restricted cash

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

The cash disclosed above and in the consolidated statement of cash flows includes $3,676,301 (2021: $3,133,688) held in a separate bank account. This relates to funds received for administrative penalties and are not available for general use by the Group (see Note 11 for restrictions on the administrative penalties fund reserve).

In addition, the Group's cash balance includes restricted funds for deposits on account (held in Government Trust Account), insolvency surplus reserve, and deferred revenue transactions totalling $6,841,575 (2021: $7,929,002), see note 13.

9. TIME DEPOSITS

Time deposits represent short term placements with local depository banks whose maturity dates are between 76 and 352 days from the reporting date (2021: between 37 and 131 days), and are more than three months from the placement date with an average interest rate of 1.18% (2021: 0.21%). As at December 31, 2022, the total time deposits amounted to $10,653,024 (2021: $10,589,196). For the year ended December 31, 2022, total interest earned from time deposits amounted to $118,610 (2021: $21,845).

Expressed in United States Dollars

10. OTHER RECEIVABLES AND DEPOSITS

	2022 $	2021 $
Prepaid expenses	418,201	411,238
Due from BVI Hong Kong Office	6,130	-
Travel advances	14,257	30,845
Loan to employees	69,132	39,536
Other receivables	21,665	17,559
Interest receivable	60,157	4,956
	589,542	504,134

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

11. CONTRIBUTED CAPITAL AND RESERVES

Contributed Capital

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

Surplus and reserves

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

Capital reserves

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

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

Revenue reserves

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

12. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Accounts payable and accrued expenses	1,086,483	868,174
Employee deductions and benefits payable	579,525	570,014
	1,666,008	1,438,188

Employee deductions and benefits payable

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $579,525 (2021: $570,014) to the Group employees.

Expressed in United States Dollars

13. DEPOSITS ON ACCOUNT AND OTHER DEPOSITS

	2022 $	2021 $
Deposits on VIRRGIN accounts	5,527,442	6,619,802
Insolvency surplus deposit	765,634	760,698
Fees from the Official Receiver	548,499	548,502
	6,841,575	7,929,002

Deposits on VIRRGIN accounts

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

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

Insolvency surplus deposits

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

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

Fees from the Official Receiver

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

14. ALLOCATION PAYABLE TO THE GOVERNMENT

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

15. FEES COLLECTED ON BEHALF OF THE GOVERNMENT

	2022 $	2021 $
Fees from the Registry of Corporate Affairs	211,837,163	215,085,722
Regulatory fees	9,823,254	7,282,700
	221,660,417	222,368,422

Prior to the commencement of the Group’s financial year, the Cabinet determines the percentage of fees collected that should be remitted to the Government, with the Group retaining the balance. For the year ended December 31, 2022, the Group retained 11.5% (2021: 11.5%) of revenue up to the projected revenue stream and thereafter, the Group retained 7.5% (2021: 7.5%) of any revenue in excess of the projected revenue stream.

Expressed in United States Dollars

16. OTHER INCOME

	2022 $	2021 $
Receipts of court ordered legal costs	135,020	132,980
Rental income	86,600	90,466
Receipts of miscellaneous income	63,207	108,153
	284,827	331,599

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

17. INTEREST INCOME

	2022 $	2021 $
Interest income from time deposits	118,610	21,845
Interest income from cash	61,453	58,694
	180,063	80,539

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

	2022 $	2021 $
Wages and salaries	11,840,772	10,809,005
Allowances and benefits	2,463,109	2,200,511
Payroll taxes	590,485	567,570
National health insurance	358,968	331,339
Social Security benefits	281,988	270,506
Employment costs	182,142	237,077
	15,717,464	14,416,008

The average number of full-time employees in 2022 was 172 (2021: 160).

During the year ended December 31, 2022, the Group paid $1,509,368 (2021: $1,459,366) for current service costs toward a defined contribution plan (see Note 20), which has been included in allowances and benefits.

20. DEFINED CONTRIBUTION PENSION PLAN

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

21. RELATED PARTY BALANCES

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

Key Management Personnel and Board of Commissioners Remuneration

During the year ended December 31, 2022, the salaries and allowances paid to the Group's key management personnel and Board of Commissioners amounted to $647,595 (2021: $811,875).

22. COMMITMENTS AND CONTINGENCIES

Commitments

The Group contracted Equinix Canada Limited to provide the Group with data center services. The contract commenced in 2021 with a monthly cost of CAD 4,542. In 2022, the Group's commitment with Equinix Canada Limited expired and the contract is now on an automatic renewal term of one year that can be terminated by either party.

The Group is committed to providing funding to the Financial Investigation Agency, Robert Mathavious Institute, International Arbitration Centre and Financial Services Complaints Tribunal as support for their operations. The Board of Commissioners and the Government determine the 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 $2,724,555 (2021: $2,582,613). 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, 2022, the Group did not have any significant foreign currency denominated assets or liabilities.

(ii) Interest rate risk

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents, regulatory deposits and time deposits. As at December 31, 2022 approximately 77% (2021: 72%) 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 $109,855 (2021: $100,324). A decrease of 25 basis points in the market interest rate, with all other variables held constant, would decrease the Group's surplus by an equal amount.

23.2 Credit risk

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

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

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

Moody's	2022 $	2021 $
A1	40,008	-
A2	-	99,684
Ba2	336,072	1,724
Ba3	-	24,566,807
Baa3	23,365,300	-
Total rated	23,741,380	24,668,215
Non-rated	20,905,840	19,056,842
Total	44,647,220	43,725,057

23.3 Liquidity risk

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

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

23.3 Liquidity risk (Continued)

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

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

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

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

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2021:

	On demand $	Within one year $	Total $
Trade and other payables	1,438,188	-	1,438,188
Deposits on account and other deposits	7,929,002	-	7,929,002
Regulatory deposits from licensed entities	8,946,108	-	8,946,108
Distribution payable to the Government	1,000,000	-	1,000,000
Total	19,313,298	-	19,313,298

24. SIGNIFICANT ACCOUNTING POLICIES

24.1 Basis of consolidation

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

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

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

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

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24.1 Basis of consolidation (Continued)

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

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

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

24.2 Financial instruments

(i) Recognition and measurement

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

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

(ii) Financial assets

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

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

(iii) Financial liabilities

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

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24.3 Property and equipment

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

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

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

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

24.4 Leases

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

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

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

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

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

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

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

Leasehold premises	3-8 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 24.2.

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.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24.4 Leases (Continued)

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

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

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

24.5 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.

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

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

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

24.6 Expense recognition

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

24.7 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.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24.8 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.

24.9 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.

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

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

25. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2022 and before the date of the report that would have a significant effect on these financial statements.

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