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BVI FSC COMPLIANCE INSPECTION PRIORITIES & EXPECTATIONS FOR 2026

Tortola, British Virgin Islands. The BVI Financial Services Commission (the *Commission*) has established its 2026 Compliance Inspection Program, which will direct the Compliance Inspection Unit's (*CIU*) efforts between March 2026 and February 2027. As the regulatory and supervisory authority for the Territory's financial services sector, the Commission utilises the inspection process as a key supervisory tool to assess, monitor and better understand the risks presented by licensed entities. The 2026 timetable will comprise thematic, focused, follow-up, and full-scope inspections.

Building on the 40 inspections conducted in 2025, the 2026 inspection cycle is expected to initially target 50 licensees, reflecting a 25% increase, and will focus on the higher risk Trust Corporate Service Providers (TCSPs), Investment Business (IB), and Virtual Asset Service Providers (VASPs) sectors. Of the 50 identified licensees, 17 will undergo a full-scope Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) review due to the elevated risks they present. Additionally, the inspections will feature 18 prudential assessments of licensees in sectors that present elevated operational risks, such as Banking, Investment Business, Money Services Business and Financing Business. All 50 inspections will, however, include an AML/CFT/CPF component.

Notwithstanding the planned inspections, CIU anticipates that a further 10 or more licensees may be added to the programme in response to emerging or evolving risks. This is particularly relevant given the recent implementation and analysis of the Revised TCSP Annual Return, which identified additional entities with elevated risk and other elevated risk areas.

Supervisory Approach and Assessment Priorities

The Commission will continue to apply a risk-based approach to the execution of its inspection programme, ensuring that supervisory efforts are proportionate to licensees' risk profiles and reflective of sectoral vulnerabilities. Inspections focus on sectors and entities assessed as presenting higher risks of money laundering (ML), terrorist financing (TF), proliferation financing (PF) and financial crimes, as well as prudential risks where applicable. Specifically, licensees and sectors selected for inspection were determined based on the following licensee/industry-specific and broader risk, threats and vulnerabilities considerations:

- a) *Inherent risks relating to each licensee (considering the ML/TF/PF risks and prudential risks).*
- b) *The compliance history of licensees (identifying licensees that have outcomes of non-compliance from desk-based reviews and previous compliance inspections).*
- c) *Sectoral ML/TF/PF risk (as considered in risk assessments undertaken by or on behalf of the jurisdiction).*
- d) *Published typologies, including those relating to the ML, TF and PF risks of Legal Persons and Legal Arrangements.*
- e) *Application of the Commission's Risk-Based Approach to Supervision Framework, which prescribes the frequency of inspections based on identified risks.*
- f) *Supervisory concerns identified through ongoing monitoring and engagement, inclusive of post-inspection monitoring.*
- g) *History of enforcement action such as disqualifications, convictions, and investigations of directors, senior officers and beneficial owners and any action related to financial crimes including ML, TF and PF.*
- h) *BVI FSC AML/CFT/CPF Policy, BVI FSC AML/CFT/CPF Strategy (2025-2027), Virgin Islands National AML/CFT/CPF Policy and Virgin Islands AML/CFT/CPF Strategy (2024-2026).*
- i) *Other reports produced by other VI Competent Authorities and Law Enforcement Agencies related to ML/TF/PF risk and mitigation.*

Informed by past inspection findings, typologies, and risk assessments, particular attention will be directed toward TCSPs, IBs, and VASPs, as well as risks associated with legal persons and legal arrangements including those related to beneficial ownership.

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Assessment priorities in respect of each sector will address the following from both a desk-based and an on-site inspection perspective:

TCSPs	INVESTMENT BUSINESS	VASPs	BANKS	MONEY SERVICES	FINANCING BUSINESS
AML/CFT <ul style="list-style-type: none"> • Third Party Obligations • Customer Due Diligence (CDD) • Institutional and Customer Risk Assessment • Ongoing Monitoring (Transaction Monitoring and Screening) • Enhanced Customer Due Diligence (ECDD) • Identification and Verification to Legal Persons and Legal Arrangements • Staff Training • Internal Controls • Sanctions Handling • Suspicious Activity Reporting 	AML/CFT <ul style="list-style-type: none"> • CDD/Verification • Institutional and Customer Risk Identification • Ongoing Monitoring (Transaction Monitoring and Screening) • Sanctions Handling • Suspicious Activity Reporting • BO Verification • Staff Training • Internal Controls • Staff Training • Internal Audit 	AML/CFT <ul style="list-style-type: none"> • CDD/Verification • Travel Rule • Ongoing Monitoring (Transaction Monitoring) • Sanctions Handling • Institutional & Customer Risk Assessments • Suspicious Activity Reporting • Staff Training • Product/Service/Deliver Channel Risk 	Full scope AML/CFT Reviews <ul style="list-style-type: none"> • CDD • Risk Classification • Transaction Monitoring • Third Party Obligations • Institutional and Customer Risk Assessment • Ongoing Monitoring (Transaction Monitoring and Screening) • ECDD • Identification and Verification to Legal Persons and Legal Arrangements • Internal Controls • Sanctions Handling • Suspicious Activity Reporting • Enhanced Due Diligence application • Staff Training 	AML/CFT Focused Reviews <ul style="list-style-type: none"> • CDD • ECDD • Risk Assessment • Suspicious Activity Reporting • Staff Training 	AML/CFT Focused Reviews <ul style="list-style-type: none"> • Internal Controls • Institutional Risk Assessment and Risk Classification • Suspicious Activity Reporting • Staff Training
	Prudential Reviews <ul style="list-style-type: none"> • Operational Risk Management • Liquidity & Credit Risk Management • Complaints Handling 	Prudential Reviews <ul style="list-style-type: none"> • Liquidity Management • Complaints Handling • Operational Risk Management • Corporate Governance • Capital Requirements 	Prudential Reviews <ul style="list-style-type: none"> • Third Party Risk Management • Credit and Liquidity Risk Management • Operational Risk Management • Intergroup Transactions • Adherence to Banking Standards 	Prudential Reviews <ul style="list-style-type: none"> • Reconciliation and Segregation of Accounts 	Prudential Reviews <ul style="list-style-type: none"> • Third Party Risk Management • Financial Soundness Assessment • Intercompany, Group and Related Party Transactions

Core Areas of Assessment

During 2026 inspections, the Commission will assess both the design and effectiveness of licensees’ internal control frameworks. Particular focus will be placed on internal controls, internal audit functions, staff training arrangements and suspicious reporting procedures.

In relation to internal controls, the Commission will assess whether licensees have established and maintained comprehensive AML/CFT/CPF frameworks, including policies and procedures that are aligned with the AMLTF Code and reflect current legislative requirements. Licensees will be expected to demonstrate effective sanctions screening processes, robust suspicious activity reporting mechanisms, and risk-based controls that are appropriately tailored to the nature, size, and complexity of their operations.

With respect to internal audit and independent review, the Commission will evaluate whether licensees conduct regular and sufficiently independent reviews of their control frameworks. This will include assessing whether controls are tested for effectiveness, whether deficiencies are identified in a timely manner, and whether appropriate remedial actions are implemented. The adequacy of governance arrangements, including oversight by senior management and the board, will also be examined.

In assessing staff training, the Commission will consider whether licensees provide ongoing AML/CFT/CPF training that is tailored to staff roles and responsibilities. The Commission will also assess whether licensees maintain adequate records of training and whether staff demonstrate an appropriate level of understanding of policies, procedures, and emerging risks.

Sector Specific Vulnerabilities Identified for 2026 Inspections

In preparation for the 2026 inspection cycle, the Commission has identified several sector-specific vulnerabilities based on ongoing monitoring, supervisory engagements, desk-based reviews, and prior inspection findings that pose the greatest challenge to achieving compliance.

Trust and Corporate Service Providers

Within the TCSP sector, licensees have generally established robust onboarding frameworks capable of collecting key customer due diligence information. However, gaps remain in the verification of beneficial ownership, particularly for legal persons and legal arrangements as well as the conduct of enhanced CDD where appropriate. Inspections will therefore focus on the consistency and effectiveness of verification processes including those related to beneficial ownership, as well as the adequacy of risk classification frameworks and the application of enhanced due diligence in higher-risk scenarios.

Investment Business Sector

In the Investment Business sector, onboarding practices are generally sound. However, the Commission has identified the need for more sophisticated transaction monitoring systems to address the volume and complexity of transactions. Inspections will assess licensees' ability to detect and investigate atypical activity, as well as the adequacy of their suspicious activity reporting frameworks. Additional focus will be placed on sanctions compliance and prudential soundness, including governance and capital adequacy.

Banking Sector

The banking sector within the Virgin Islands is systemically important and has been found to have established sound onboarding practices. Supervisory concerns encompass both financial crime and prudential risks. Inspections will, therefore, assess the effectiveness of customer risk classification, enhanced due diligence measures, and transaction monitoring systems. From a prudential perspective, particular attention will be given to credit risk management, asset classification, and deficiencies in loan origination and risk modelling processes, which may impact the accurate classification of exposures and the timely recognition of expected credit losses.

Financing Business Sector

The financing business sector continues to grow, and supervisory focus will centre on prudential soundness, including lending practices, capital adequacy, and resilience to economic fluctuations. The Commission will assess whether licensees have robust risk management frameworks capable of withstanding periods of market stress.

Money Services Business Sector

In the money services sector, inspections will focus on operational risk management, including the effectiveness of controls, oversight mechanisms, and reconciliation processes to safeguard customer funds.

Virtual Asset Service Providers

The VASP sector remains a key area of supervisory focus due to the heightened ML/TF/PF risks associated with virtual asset activities. Inspections will assess the effectiveness in licensees' application of the Travel Rule, adequacy of customer due diligence and risk classification frameworks, the application of enhanced due diligence in higher-risk scenarios, and the effectiveness of transaction monitoring systems in identifying suspicious activity. The Commission will also evaluate the robustness of investigation and reporting procedures and sanctions compliance.

Insurance Sector

In the insurance sector, supervisory concerns are primarily prudential in nature. Given the lower level of ML/TF/PF risk within the sector, desk-based reviews will be conducted, which will focus on financial soundness, including capital adequacy, liquidity management, and the effectiveness of reinsurance arrangements, to ensure that insurers are adequately positioned to withstand market volatility.

Inspection Findings

At the end of the inspection cycle, aggregate information on the findings and potential recommended actions will be shared with the industry to provide added guidance on how to improve compliance.

Ensuring Compliance

Inspections will involve engagement with senior management, demonstrations of systems and controls, and detailed testing of client files and transactions. The Commission will place significant emphasis on the implementation and effectiveness of control frameworks during the 2026 inspection cycle. Licensees will be expected to demonstrate that policies and procedures are not only documented but are effectively embedded within their operations and are sufficiently robust and allow for effective implementation, as an effective control system, when implemented, would allow for the mitigation of relevant risks.

The Commission is committed to ensuring that its licensed entities comply with legislation, prudential standards, and other best practices. Licensees are therefore, expected to take proactive steps to ensure compliance and, where necessary, strengthen their compliance frameworks. Continued focus on implementation, governance, and effectiveness will be critical to ensuring compliance with regulatory requirements and maintaining the integrity and reputation of the BVI financial services sector. Where deficiencies or instances of repeated non-compliance are identified, the Commission will, where necessary, take proportionate and dissuasive enforcement action.

Queries regarding this Press Release should be directed to the Commission's Compliance Division at compliance@bvifsc.vg

About Us

The BVI Financial Services Commission is the autonomous regulatory agency responsible for regulating and supervising financial services business conducted in and from within the Territory of the Virgin Islands.

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