



TODAY IS THE FUTURE

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Today is the Future

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Today, the BVI financial services industry is changing and has changed and today is the future. Today, our environment is about “more” of everything: more urgency, more focus, and more dynamic approaches. And at the same time we also have to think about and grapple with the concept of less: less certainty in an industry that craves it and less crowded in the marketplace. In the face of more and less, uncertainty and change, how do we ensure resilience? In 2017, we were tested for physical resilience. If operational resilience is our next test, how will we fare, if today is the future?

I can speak with confidence and from experience that the Commission strives to be prepared for the future and is constantly forward looking so that we are always one step ahead in the game.

In the future, an industry client will start a business that competes with his current service provider.

In the future, new licensees will start operations with fully digital activities and solutions and will not have legacy files they need to scan and make digital.

In the future, ‘tech companies’ that were not acknowledged as financial services providers will be an integral part of the industry. Today is the future.

From the Commission’s perspective, the changes looming for our industry must be viewed through the lens of opportunity.

The BVI as a financial services provider has new opportunities to:

1. Sell our services and products
2. Demonstrate our robust regulation in action

3. Lead international finance
4. Demonstrate the global value of the services we provide
5. Embrace technology and
6. Innovate to grow

We are facing challenges new and old. However, we have relevant and useful experience to bring to these battles. Our most significant armour has long been our ability to innovate.

Didn't we successfully fight past charges of ring fencing? Not having regulatory independence?

To quote the Commission's Managing Director, "We cannot allow the greatest threat to our long term success to be our own failure to prepare properly for the future."

Today, not far in the future, those that will realise immense success in the industry know that success is all about the customer: their needs, expectations and our ability to provide value and insight.

Our future is tied to our mutual success and we are poised to conquer the challenges of change together.

Looking ahead

In our forum last April, the Commission outlined its legislative agenda, cautioned about looming assessments, introduced changes recommended as part of the National Risk Assessment exercise and shared some insights on its risk-based supervision model. These changes and more were introduced during 2018 and the Registry recorded a respectable year, growing the Register by a net total of approximately 13,000 companies.

As we continue to forge ahead, industry friends, we have for years looked at each other across a divide. A gulf often widened by frustration and misunderstandings. Today, I am reminding you that we are more alike

than we are different. More aligned than disparate and we have many of the same goals.

The Commission embraces its pivotal role and the leadership stance to conquer the challenges surrounding us. As part of our leadership strategy, we are eager to debut new approaches, new teams, new functional areas and innovative attitudes. We are changing HOW we do things and restating WHAT our mission is and WHY we are doing the things we are doing. It is critical to our future success. Industry, the Commission is the voice of a SUPER regulator on the road to leading a SMART financial centre. The Commission will lead the charge to conquer these challenges.

We are:

PROTECTORS of consumers and market participants

PROMOTERS of sustainable economic growth and development and

PROPONENTS of financial sector stability

We aim to ensure that the financial services regulatory environment is appropriate, that our actions enhance the infrastructure and that we provide support for innovation.

With that said, I am here today to also talk about some of the commitments that we have to you, the industry.

We *commit* to improving our communication with the industry by getting closer to the operations of our licensees and other stakeholders and by using more opportunities for informal communication to increase our understanding of your business models, challenges and plans.

We *commit* to increasing collaboration by working together to develop new approaches to regulatory compliance, risk mitigation strategies and dynamic ways of managing regulatory obligations.

We *commit* to converting our ideas to action, with greater alacrity and to converting legislative language and structure to improve value and execution.

We believe that it is mutually beneficial for us to be a constant and direct source of information to avoid misinterpretation and unintended consequences.

To honour these commitments, we are reshaping the way we do business. It is critical to the success of our relationship with you.

Nevertheless, the Commission still believes that a reliable and effective regulatory environment is paramount. Our consistent objective is to preside over a regulatory regime, that is fair and transparent, one that meets international scrutiny and one that our licensed community is compliant with.

A more inclusive approach, however, calls for industry to aspire to more than meeting the minimum bar for compliance, to more than seeing compliance solely as a gobble of revenue, profit and resources and to truly integrate the tenets of compliance into a competitive advantage.

Your goals should not include fighting or winning the Commission. I ask you to think about assisting the Commission; help us and other competent authorities to get it right. Assist the jurisdiction by partnering to provide ammunition for the broader, more substantial battles. Share your data as evidence of the direction regulation can take, share your client expectations to enable the development of more market friendly legislation, share your new business models to help with directing the development of human capital and share your knowledge to assist with confirming priorities.

Demonstrating compliance with international standards for responsible regulation is only part of the requirement. The industry must also share and confirm how it meets the 21st century expectations of clients: expectations of responsible governance, professional, relevant business

advice, protection of client data and resilience in the face of unexpected adversity.

Collaborating without Capture (Embedding Digitization)

I have started to outline some of the ways that we are committed to the future. The future of our organization. The future of the industry. The future of our relationship with you. As industry professionals, you should also be asking yourselves, are you adequately prepared for the future with your current operations?

For instance, if your firm has not already integrally embraced and embedded technology to support its operations you are skating on thin ice. Business models that cannot operate more quickly, more accurately and with resilience are severely at risk. Think about it? Your clients will view you as riskier, your supervisor will view you as riskier. Without technology, is your ability to monitor changes in your environment and the risk profile and behavior of clients compromised? Digitization is our ticket to managing the evolving industry and unfortunately we are playing catch up.

Re-organisation

The industry has been creating new functions and roles to meet the challenges of compliance and the shifting business needs and models and the Commission is also engaged in similar exercises. As part of our revised outlook, the Commission is set to reorganize existing product silos to functional activity areas.

Seizing the mandate introduced with the amendment to the Financial Services Commission Act, the Commission has set its attention to addressing the market conduct of regulated entities, alongside its traditional prudential remit. Focused consultation in the insurance sector

is currently underway on the proposed Code of Conduct for Insurers and insurance intermediaries.

Innovation

As I mentioned before, in order for us to continue on the path we are on, this upward trajectory, we must continue to innovate at all levels of our organization and we are doing just that.

Our regulatory sandbox and innovation suite are set to debut before the end of 2019. These tools will facilitate interaction with firms curious about regulation. And they will help the Commission engage in the mutually beneficial process of helping market entrants explore operating within the regulatory framework.

We are anxious to use technology to improve our insight, lead earlier intervention and improve the timeliness and quality of our observations. This supervisory technology or SupTech Strategy calls for requesting additional data. Efficiency for both of us will be improved if the data is compiled and analysed electronically.

The broad and increasing adoption of technology produces increased cyber risks, making all of us more vulnerable. This vulnerability increases daily as tech has become a significant asset, a critical component in service delivery and a must for efficient regulatory compliance. Whether you are a fan or not, we must manage tech, integrate tech, direct tech and police tech.

Let us agree to digitize to defend! However, digitisation alone will not protect the business. We must use digitization to deliver additional value and to root out additional competitive advantages. Experience is a friend but it cannot be our only friend or we risk covering up opportunities for innovation to thrive.

Conclusion

I am reminded of the adage to dress for the job you want, not the one you have. Are we dressing the Territory as a provider of substance, as a financial services hub, a SMART financial services center? Or we searching for a new role, while still dressed as an incorporation jurisdiction?

Adaptation is woven into the DNA of BVI financial services. Our entire industry has been cultivated from the remnants of change. Here we are again in 2019 staring down its challenge. History tells us we do not retreat and we dare not surrender. We move forward confident as ever that what we offer the world are quality services which are delivered professionally and are the desires of our clients current and future.

Organizational inertia is a death sentence. Make decisions about how to embrace and integrate digitalization and data driven decisions or risk being run over by competitors who do. Digitization has already changed the way we live and work. It is changing society, the economy and human behavior. Our industry is not immune.

Our geographic distance from clients is not an advantage; let's do more to bridge the gap it creates. If our products are mostly the same as they were 30 years ago and the client isn't, what will our future look like?

One could argue that we are not yet being disrupted by technology but by geography fueled by digital ability. It is an interesting nuance that may change the lens we use to view developments in our industry. Have onshore and midshore perfected the proverbial if you can't beat them join them?

Have midshore and onshore used value integrations, technology, political will, client data and expectations to pull off the perfect storm of disruption?

As your regulator we:

- ensure that the products are sound, the providers are qualified and the playing field is fair.
- operate with greater agility than in the past so that supervision is seen as an evaluation rather than as a barrier to newer market activities.
- champion the development of regulations such that they do not constrain innovation
- promote growth through responsible, innovative regulation
- update prudential rules to support the digital economy and environment
- are closing the supervisory divide

Integrity and sustainability of the industry are dependent on all the collective parts and more importantly on our connections to each other. Weak links, whether large or small can have significant effect and impact. Sometimes size doesn't matter, but strength always does. We need every connection to be strong.

We, Regulator and regulated, have a symbiotic relationship. We strengthen each other, we depend on each other and we share some common goals. Today, we are renewing our commitment, tomorrow we conquer new ground. Today is the future. Let us go out and conquer the challenges of change.

Thank you.