

THE BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION



ANNUAL REPORT 2005



British Virgin Islands Financial Services Commission
2005 Annual Report

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Motto

Vigilance, Integrity and Accountability

Our

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

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

Mission

Who We Are

We Are: *the regulatory authority for all financial services business operating in and from within the BVI.*

We Regulate: *all financial services activities conducted in and from within the BVI pursuant to relevant BVI laws to ensure compliance with the relevant international standards and best conduct of business practices. Our remit includes banking and fiduciary business, investment business, insolvency services, insurance business, company management, company registration, and intellectual property. We also have a mandate to promote accountability, transparency and good governance.*

We Enforce: *all financial services regulatory and registry legislation, including all related subsidiary legislation and directives issued by the FSC under appropriate legislation.*

We Monitor: *the perimeter of regulated financial services activity to safeguard the public against any illegal and/or unauthorised financial services business operating in and from within the BVI.*

We Educate and Inform: *the general public and industry practitioners on matters relating to financial services business, including the regulatory regime.*

We Facilitate: *the provision of legal and regulatory assistance to overseas regulatory and law enforcement agencies pursuant to BVI laws.*

We Collaborate and Cooperate: *with other public and private sector stakeholders to foster the development of a financial services environment that will remain competitive and attractive for legitimate business.*

We Advise: *the Government on matters relevant to the financial services industry with a view to ensuring that BVI laws and regulations and the scope of supervision are compatible with international standards and appropriate for the sustained competitiveness of the BVI financial services industry.*

We Review: *all financial services and related enforcement legislation and policies with a view to keeping attuned to domestic and international developments affecting the financial services industry so as to continually strengthen the scope of services that we provide.*

Strategic Aims

In support of its mission, the FSC has the following strategic aims:

- To be fully aware of international standards and their application to the BVI and issue guidelines to the industry as necessary;
- To ensure that all entities it authorises and supervises are operating within BVI legislation and regulation and international standards of best practice;
- To ensure that all entities it authorises and supervises meet “fit and proper” criteria at the licensing stage and on an ongoing basis;
- To conduct an ongoing review of financial services legislation and make recommendations for changes where necessary;
- To ensure that the FSC operates effectively and efficiently;
- To identify and deter abuses and breaches of legislation; and
- To raise public awareness of the BVI financial services industry and develop and implement a system of continuing education for industry practitioners.

Introduction

The FSC is the regulatory pillar supporting the financial services industry. Since its establishment by the Financial Services Commission Act, 2001, the FSC has provided a solid foundation for the growth and development of the financial services industry by ensuring that the entities it regulates are operating in tandem with international best standards and practices.

Beneath the banner of “**Strengthening Co-operation and Development**” the FSC over the past year continued to meet the growing and varying demands of international standards-setting organisations and industry practitioners. We believe that active discourse with these stakeholders is important in ensuring the development of the financial services industry.

The FSC realises that it is paramount to incorporate the right balance of regulation and supervision so as not to stifle the development and growth of the financial services industry. The FSC has therefore strengthened its

relationship with industry practitioners by increasing the level of dialogue on emerging regulatory issues.

As a result, legislative reform and development during 2005 continued to satisfy the FSC’s supervisory and regulatory obligations without undermining the marketability of the jurisdiction.

This annual report sets out how the FSC achieved its strategic aims in 2005. It confirms that the FSC is continuing to meet its statutory obligations and demonstrates the crucial role played by the FSC in promoting stability and confidence in the BVI financial sector.



Dear Hon. Minister of Finance,

It is an honour to report to you and the Government, on the work of the Financial Services Commission and the general state of the Territory's financial services industry. The Commission is continuing to build on its solid foundation and continues to regulate and supervise the activities of the entities and persons who are authorised to provide services in the financial sector.

2005 was another exciting year for the Commission and we were able to advance and complete many important initiatives. In accordance with Section 27 of the Financial Services Commission Act, 2001, I am pleased to present this report of the Commission's

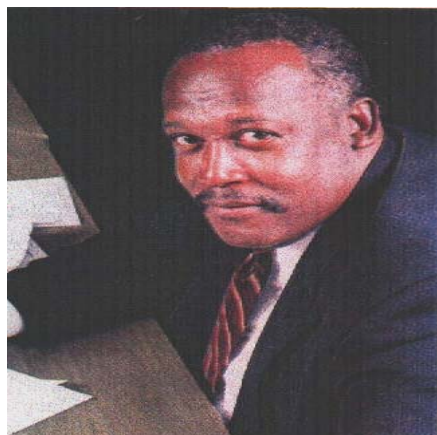
operations and activities for the fiscal year 2005 as well as the Commission's audited financial statements.

On behalf of the Board of Commissioners, we are grateful for the Government's continued support and confidence as we strive to maintain the Territory's stature as a premier international finance centre.

Michael Riegels, Q.C.

Chairman

Managing Director's Statement



It is my pleasure to present the 2005 Annual Report, which documents the FSC's ongoing progress as it strives to maintain an efficient and effective regulatory and supervisory regime. This report meets the statutory obligations of the FSC to report on its operations and activities for the financial year and to present its audited financial statements.

In 2005, the BVI's economy continued to grow despite many challenges both internationally and nationally. The financial services industry continues to be the main driver of the Territory's economy, powered by the incorporation of our trademark International Business Companies (IBCs). Over 58,000 IBCs

were incorporated, including approximately 1,100 new corporate structures known as BVI Business Companies.

Other financial services offerings also showed healthy growth in 2005. The FSC licensed its 500th captive insurer, an impressive milestone of which we are proud. The BVI has also become a prime jurisdiction for the registration and recognition of mutual funds, with over 2,300 active at the end of 2005.

When it comes to banking, the BVI is a very conservative jurisdiction compared with our competitors. The number of banking institutions remained at eight and total assets in the BVI banking system amounted to \$2.52 billion at the end of 2005.

Looking ahead to 2006, the Registry of Corporate Affairs will face the challenge of implementing the new BVI companies' regime. This began on 1 January, 2005 when the BVI started moving to a single corporate vehicle for all registered companies.

The BVI Business Companies Act, 2004, which will replace the International Business Companies Ordinance, 1984, eliminated the tax differential between non-BVI companies and local companies. Much-anticipated amendments to the Act came into effect in December, 2005 after lengthy consultation with the private sector.

These will ensure that there is clarity about how the Act will be implemented. They will also assist in a smooth transition well in advance of January 2006, when all new incorporations will be in the form of BVI Business Companies (BVIBCs), and January 2007, when all remaining companies on the register will be automatically re-registered as BVIBCs.

Among other milestones in 2005, the new Insolvency Rules came into effect at the end of June. These formed the final piece in the BVI's new insolvency and corporate restructuring programme, which began in 2004 with the introduction of the Insolvency Act.

The FSC also made further strides in the area of international cooperation by

establishing Memoranda Of Understanding (MoUs) with two regulatory bodies, the Office of the Superintendent of Financial Institutions (OSFI) in Canada and the Commissioner of Financial Institutions in Puerto Rico.

Within the territory, the introduction of comprehensive on-site inspections for the banking, fiduciary and insurance sectors was a great achievement for the FSC's regulatory staff. We conducted a total of 16 on-site inspections, covering three trust companies and 13 insurance managers. On-site supervision of regulated entities will continue in 2006.

The FSC also honoured its commitment in 2005 to keep the industry abreast of legislative and regulatory developments by continuing its "Meet the Regulator" seminar series, which affords the private sector the opportunity to ask questions on regulatory issues. The sessions held in March and July included an in-depth look at proposed legislation on securities and investment business, non-bank/financial intermediaries and money services. They also focused on the FSC's on-site inspection

programmes, the custodian regime for BVI bearer shares, the new Insolvency Rules and cross border co-operation and information exchange.

The FSC prides itself on recruiting first-rate staff and exposing them on a regular basis to financial services developments through targeted training programmes. We also place great emphasis and importance on continuing education and training for regulators outside the FSC. We were, therefore, pleased to host several conferences and training seminars in the BVI, in conjunction with well-regarded educational service providers and international organisations such as the International Monetary Fund (IMF). Areas covered included preventing money laundering, combating the financing of terrorism, credit risk and forensic accounting. The FSC was also honoured to host the 23rd Annual Conference of the Caribbean Group of Banking Supervisors (CGBS) under the theme of *“Revisiting Regulatory Processes in the face of Regional Challenges and Risks”*. Senior Caribbean banking regulators and

facilitators from international bodies were in attendance.

Internal changes at the FSC included welcoming a new External Commissioner to our Board when Mr. Martin Fuggle replaced Mr. Rodney Gallagher, whose term had expired. Mr. Fuggle brings a wealth of experience and knowledge which is already benefiting the FSC tremendously.

As part of the FSC’s succession planning process, the vacant post of deputy managing director was filled by two highly competent persons from within the FSC. Mr. Kenneth Baker assumed the duties of Deputy Managing Director, Regulation responsible for regulation and the coordination of on-site inspections of regulated entities. Mrs. Jennifer-Potter Questelles, Deputy Managing Director, Corporate Services, became responsible for Corporate matters including Communications, Finance and Information Technology, the Registry of Corporate Affairs and the Registry of Shipping.

In 2005 the FSC welcomed two young professionals to the regulatory cadet

programme. This enables cadets to learn about the various regulatory aspects of the financial services industry by being rotated among the regulatory divisions.

Our goal for 2005 of “Strengthening Co-operation and Development” could not have been achieved without the dedicated efforts of the FSC’s staff. They bring a spirit of true professionalism to the FSC and their hard work has contributed significantly to the promotion and preservation of the BVI’s reputation as a premier financial services jurisdiction. The Board and I commend their efforts and look forward to their maintaining their co-operation and high work ethic.

Robert Mathavious
Managing Director/CEO

Overview of the Commission



Establishment

The BVI Financial Services Commission is an autonomous regulatory body responsible for the regulation, supervision and inspection of all financial services in and from within the BVI. It was established in January, 2002 following the enactment of the Financial Services Commission Act, 2001 (the “FSC Act”).

The establishment of the FSC demonstrates the BVI Government’s ongoing commitment to implementing the recommendations of the KPMG Review of Financial Regulation in the British Caribbean Overseas Territories and Bermuda (2000), and to doing whatever is necessary to ensure that our regulatory regime fully complies with benchmarked international standards.

Functions

As set out in Section 4(1) of the FSC Act, the primary functions of the FSC include:

- Engendering a fit and proper regulatory environment in which financial institutions provide quality products and services for the economic benefit of the BVI;
- Sustaining domestic and international confidence in the BVI financial services industry, as well as contributing to its growth and development;
- Protecting consumers by ensuring that all firms and individuals authorised to provide financial services in and from within the BVI are competent and financially sound;
- Promoting improvements in public understanding of the benefits and risks associated with financial products;
- Facilitating the provision of a system of continuing education for practitioners of financial services;
- Instigating and pursuing enforcement actions against any individual or business found in violation of BVI financial services laws;

- Monitoring and detecting financial crime, as well as assisting in the prosecution of such crime;
- Consulting with the industry and government on financial services legislation and regulations, as well as supervisory policies and practices;
- Facilitating innovation in financial services and monitoring the effectiveness of financial services legislation; and
- Taking account of the international nature of financial regulation and the financial services business, and maintaining regular contact with foreign regulatory authorities.

The Commission is also responsible for maintaining an account called the Government Trust Account at a bank operating in the Territory and approved by Executive Council. All monies received on behalf of the Government, such as annual licence fees, along with other registration and recognition fees payable under financial services legislation and any other such fees as agreed by Council and the FSC, must be paid into this account.

Responsibilities to Government

Although the FSC and its Board operate autonomously, the FSC is fully accountable to the BVI Executive and Legislative Councils for the execution of its activities. Annual accounts, work plans and periodic management reports must be provided by the FSC to both Councils for review.

Management and Governance



Board of Commissioners

The Board of Commissioners is the FSC's governing and policy-setting body and is committed to upholding the integrity of the FSC, protecting the interests of the public and serving all regulated individuals and companies through efficient and accessible service-orientated policies and procedures. The Board monitors and oversees the management of the FSC through the Managing Director, with the objective of ensuring economic and efficient use of resources. The Board also ensures that the FSC's internal financial and management controls are adequate and that the FSC operates in accordance with the principles of good governance. The members of the Board of Commissioners are appointed by the Executive Council for terms ranging from one to three years.

The Board is comprised of the Managing Director and not less than four or more than six other

Commissioners, one of whom must be from outside the Territory and have a financial services background.

Board meetings are convened at least once every month and are presided over by the Chairman or, in his absence, the Deputy Chairman.

The inaugural Board saw the first change in its composition during 2005 when the term of the first external member Mr. Rodney Gallagher expired. Mr. Gallagher was recognised by fellow members of the Board and by the Government for his service and contribution to the Commission during his tenure.

In August, Mr. Martin Fuggle, OBE, joined the Board as the new external Commissioner for a three-year



term. Mr. Fuggle brings to the Board a wealth of experience in financial services which includes executive management in regulation with other

jurisdictions and extensive work with the IMF in international regulatory matters.



From left to right:

Michael Riegels (Chairman)

Phillip Fenty

Eleanor Smith

Robert Mathavious (Managing Director)

Rodney Gallagher

Robin Gaul (Deputy Chairman)

Annet Mactavious (Secretary)

Jacqueline Wilson

(Director, Legal and Enforcement)

E. Walwyn Brewley

The Board during its 12 monthly meetings deliberated and decided on numerous policy and operational matters, including: development of an employee pension plan, benchmarking legislation and international co-operation modalities, transparency and the obligations of confidentiality, a special

monetary contribution to the Caribbean Financial Action Task Force (CFATF) and business continuity planning.

The full complement of Commissioners as at the end of 2005 is as follows:

- Michael Riegels Q.C., *Chairman*
- Robin Gaul, *Deputy Chairman*
- Phillip Fenty, *Commissioner*
- Eleanor Smith, *Commissioner*
- Martin Fuggle, OBE, *Commissioner*
- E. Walwyn Brewley, *Commissioner*

As mandated by the FSC Act, the Board of Commissioners in October convened its annual meeting with Executive Council for the purpose of presenting and discussing the previous year's audited financial statements and proposed operating budget for the upcoming year, as well as strategic plans and development issues that lie ahead.

Financial Services Appeal Board

Any person who is aggrieved by a decision made by the Board of Commissioners, the FSC or the Licensing and Supervisory Committee (the “LSC”) may appeal, to the Financial Services Appeal Board under the provisions set out in the FSC Act.

The Appeal Board comprises three members and a secretary. Its current composition is as follows:

- Attorney Cecil Dawson, *Chairman*
- Edison O’Neal, *Member*
- Diana Maduro, *Member - replaced Thelma Penn in May 2005 after Ms Penn’s resignation.*



Executive Management Team

Robert Mathavious

Managing Director/CEO

Kenneth Baker

**Deputy Managing Director,
Regulation**

Jennifer Potter-Questelles

**Deputy Managing Director, Corporate
Services**

Regulatory Divisions

Kenneth Baker

**Director, Banking & Fiduciary
Services**

Ayana Glasgow

**Deputy Director, Banking & Fiduciary
Services**

Christopher Hill

Director, Insolvency Services

David Abednego

Deputy Director, Insolvency Services

Michael Oliver

Director, Insurance

Elton Lettsome

Deputy Director, Insurance

Ruth Chadwick

Director, Investment Business

Brodrick Penn

**Deputy Director, Investment
Business**

Legal and Enforcement

Jacqueline Wilson

**Director, Legal & Enforcement
Legal Counsel**

Joanne Williams-Roberts

**Deputy Director, Legal &
Enforcement**

Policy, Research & Statistics

Mark McKenzie

**Director, Policy, Research and
Statistics**

Registry of Corporate Affairs

Myrna Herbert

**Director, Registry of Corporate
Affairs**

Hugh Allington Hodge
**Deputy Director, Registry of
Corporate Affairs**

Lydia Cline-Parsons
**Deputy Director, Registry of
Corporate Affairs**

Registry of Shipping

Captain Baboucar Sallah
Director, Registry of Shipping

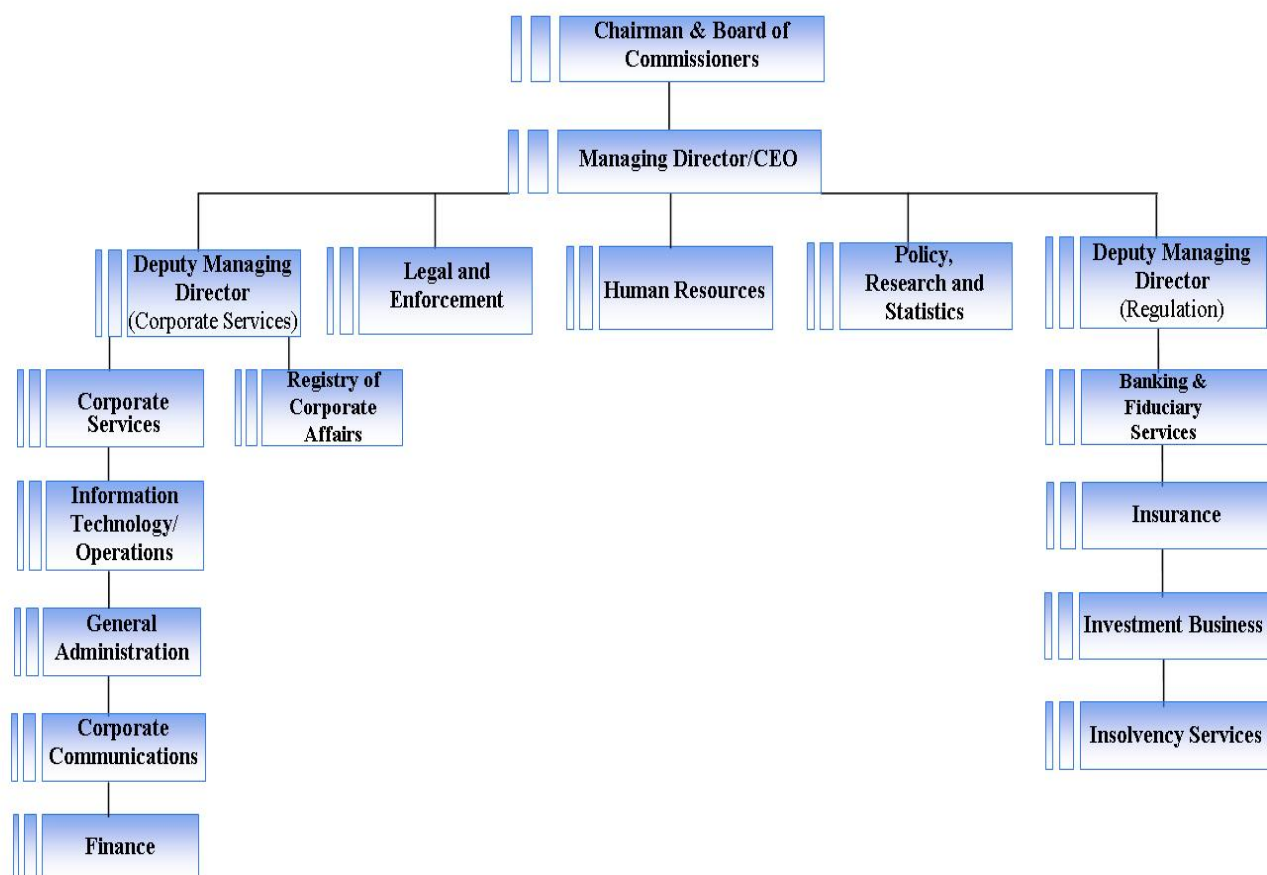
Corporate Services

Jennifer Potter-Questelles
Director, Corporate Services

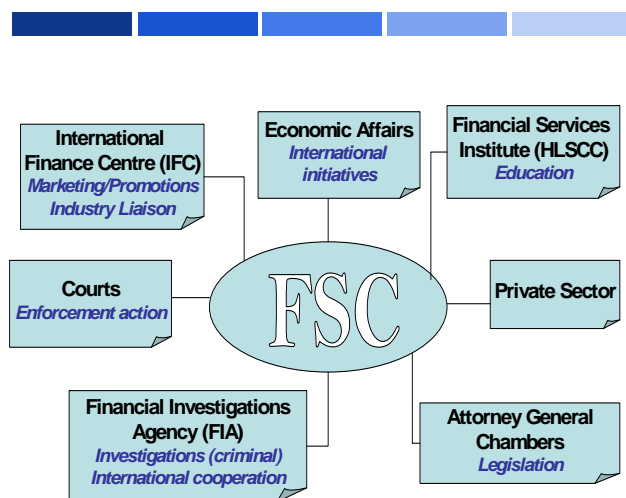
Human Resources

Annet Mactavious
Manager, Human Resources
Secretary, Board of Commissioners

Organisational Chart



Strategic Partners



Financial Services Institute (FSI)

The Financial Services Institute (FSI) at the H. Lavity Stoutt Community College was launched in October, 2002 to provide educational and training opportunities to the local financial services industry.

The FSI develops programmes to give the financial services industry the tools to respond to human resources needs as the industry evolves and expands.

The FSI currently offers an Associates Degree in Financial Services. This programme incorporates the curriculum of the Foundation Certificate in International Trust Management of the Society of Trust and Estate Practitioners

(STEP) and the Introductory Certificate in Compliance and Anti-Money Laundering of the International Compliance Association (ICA). Students can therefore simultaneously earn an Associates Degree in Financial Services as well as STEP and ICA qualifications. Since the introduction of the programme, 15 students have registered and four have graduated.

The FSC continues to work closely with the FSI to develop and propagate relevant training materials in support of the FSC's mandate of educating the public and providing additional training to industry practitioners. FSC staff have also continued to make presentations and teach classes on regulatory matters at the FSI.

International Finance Centre (IFC)

The IFC was established in 2002 to separate formally the roles of regulation and promotion of the Territory's financial sector. The Centre's primary function is to enhance and promote the BVI as a premier jurisdiction for the conduct of

international financial business.

As the official agency responsible for marketing the BVI financial services industry and managing the finance centre's international image, the IFC's responsibilities include: creating a shared understanding of the current and future value and benefits of financial services to the BVI; devising and implementing national and international marketing and communications programmes to support business development and to further enhance the BVI's reputation; and creating and executing information and education programmes to create awareness and understanding of the BVI as a financial centre.

Throughout the year, the FSC and IFC have partnered on a number of initiatives aimed at the local and international business community, in order to raise the profile of the BVI as an international finance centre and increase understanding of all it has to offer.

In 2005, at the invitation of the IFC, the FSC participated in a number of Road

Shows in Switzerland, mainland China and Hong Kong, aimed at promoting the BVI as a premier international financial centre and increasing our exposure in established markets.

These highly successful events featured presentations by BVI public and private sector representatives and included breakout seminars and panel discussions, in which FSC staff clarified the FSC's regulatory approach and changes in regulation. The sessions allowed delegates to focus on particular areas of interest such as insolvency, trusts and investment business.

The FSC also provided technical assistance to the Government when an official delegation led by the Ministry of Finance and IFC was warmly received by senior officials of the Peoples' Republic of China. On the heels of international news reports regarding the popularity of BVI corporate structures as investment vehicles in China, the FSC's Managing Director provided information about the BVI's regulatory and registration regime. The Chinese officials were particularly keen to learn about the regulation of trust and

corporate service providers and the BVI's comprehensive AML/CFT and international cooperation measures.

Financial Investigation Agency (FIA)

The FIA is responsible for: processing requests for legal assistance from international judicial and law enforcement bodies; assisting with the investigation of financial crimes; and receiving, analysing and investigating suspicious transaction reports filed under the Proceeds of Criminal Conduct Act. It provides intelligence to the FSC for due diligence and enforcement action purposes and conducts certain investigations.

The FIA's Executive Body comprises the Deputy Governor as Chairman, the Financial Secretary, the Commissioner of Police, the Comptroller of Customs and the Managing Director of the FSC, who is also a member of the FIA's Steering Committee.

The FSC makes an annual allocation in its operating budget to support the FIA financially.

The FIA takes on the responsibility for the Reporting Authority, which formerly came under the FSC through the Managing Director as Chairman.

It was created by the Financial Investigation Agency Act, 2003, which came into effect on 1 April, 2004.

Economic Affairs Secretariat (EAS)

The Economic Affairs Secretariat (EAS) is a unit of the Ministry of Finance. The Secretariat was developed to provide a focal point in the Government for elaborating policy responses and handling international initiatives, such as tax-related matters.

The Secretariat also leads strategic planning in the areas of finance and economic development for the Government and gathers, analyses and distributes information on current and future international initiatives.

The FSC, through the contributions of the Managing Director, provided technical assistance in 2005 to the Government and the EAS in assessing

the potential impact of the EU Savings Tax Directive initiative on the Territory's financial services industry and helped to coordinate necessary responses and activities.

Corporate Services

The Corporate Services Division is responsible for the day-to-day running and administration of the FSC, which includes the provision of support services to product-related divisions. Services include accounting and finance, human resources, information technology and facilities management and corporate communications.

Human Resources

Since the FSC's establishment in 2002, the number of employees has increased as the demands of regulating have evolved. At the end of 2005, the FSC's total employee complement was 120 employees. At the end of 2005, the FSC's total employee complement was 120 employees.

Corporate Services	21
Banking	8
Human Resources	3
Insolvency Services	5
Insurance	8
Investment Business	9
Legal and Enforcement	5
MD's Office	2
Policy, Research & Statistics	3
Registry of Corporate Affairs	52
Registry of Shipping	4
Total	120

This comprises 12 management and senior management staff, 48 professional staff, and 60 administrative and support staff.

The FSC's regulatory cadet programme, which is an 18-month induction course, completed its second year in 2005. The objective of the programme is to expand the pool of qualified persons that the FSC can draw on. Recruitment is aimed at candidates who have completed a first university degree in a relevant discipline and are interested in exploring a career in regulation.

To date, nine cadets have completed the programme and have been permanently placed within an FSC regulatory division.

The structured programme includes formal classroom sessions as well as scheduled rotations within each of the regulatory divisions. It introduces candidates to the FSC's approach to effective regulation and exposes them to current issues of particular significance to the work of the FSC including international initiatives and changes in the international supervisory framework.

In 2005 the FSC welcomed two additional cadets to the programme.

Training and Professional Development

The FSC maintains a commitment to promoting and developing its staff to enhance their interpersonal, technical and management skills and to develop professional expertise. The FSC is proud of its record in offering its employees training opportunities.

FSC employees participated in a wide range of short-term training opportunities, locally, regionally and internationally. Key areas for training in 2005 included: combating money laundering and financial crime, compliance issues, on-site and off-site supervision and credit risk analysis. As part of the FSC's formal training regime for regulators and supervisors, in 2005, five staff attended the 15th Annual Oxford Offshore Symposium at Jesus College, Oxford in the United Kingdom. While attending the week-long symposium, FSC staff interacted with financial experts and industry practitioners from around the world. The FSC continues to use this intensive

symposium as a critical component of our skills enrichment programme. Two FSC staff were members of the team awarded the prestigious Willoughby Memorial Award at the end of the symposium for presenting the winning case study.

Two senior managers further participated in the annual Cambridge, UK conference on Economic Crime.

During the year, the FSC organised its first formal forensic accounting course for public sector officials, extending invitations to key government departments that also play an integral part in the Territory's commitment to fight money laundering including the Attorney General's Chambers, and the Inland Revenue and Customs departments. The two-day course was conducted by internationally recognised experts in the field.

The Commission encourages employees to pursue specialised training and to attain internationally recognised professional qualifications in regulatory and other relevant disciplines.

Seven employees commenced academic studies in 2005, some concurrent with their employment at FSC. Three were granted study leave and their education was fully funded by the FSC.

Four other employees concluded their studies in 2005, including the first employee to have had their education funded solely by the FSC since its establishment as an autonomous body.

At the end of 2005 eight employees were still on study leave and expected to complete their programmes of study between 2006 and 2007.

The FSC actively seeks out opportunities for inward and outward secondment of employees to vary their professional experience. A regulator in the Insurance Division undertook a seven-week secondment with the Guernsey Financial Services Commission.

<u>QUALIFICATION</u>	<u>AREA OF SPECIALISATION</u>
Associate Degree	<ul style="list-style-type: none"> ○ Accounting ○ Human Services ○ Paralegal Studies
Master of Business Administration	<ul style="list-style-type: none"> ○ Global Business Leadership with concentration in Organisational Leadership
Master of Laws	<ul style="list-style-type: none"> ○ International Financial Centres ○ Tax Planning and Estate Planning
Professional Certificate	<ul style="list-style-type: none"> ○ Compliance (ICSA) ○ Anti-money Laundering (ACAM) ○ Trusts (STEP)

Pension Plan

To complement and expand the FSC's benefit package and in fulfilment of an obligation to former employees of the Government who were transferred to the FSC on its establishment, the Board of Commissioners approved the establishment and implementation of a pension plan for FSC employees, which took effect in July, 2005. The plan is a defined contribution plan in which employees are partially vested after seven years of service with the FSC,

and fully vested after ten years of service.



Pension Plan Trustees and Administrators at Official Pension Plan Launch

Employer contributions to the plan are retroactive to when the FSC was established in 2002 and are funded from a special reserve account previously set up for that purpose.

Other Activities

Employees were treated to a number of hour-long presentations during the FSC's "Brown Bag Lunch" series. The series, which was introduced by the Managing Director, provides an opportunity to give staff nuggets of information and training on a variety of topics. It is also a very effective way of cross-training and disseminating

information throughout the FSC as it encourages more experienced employees to share experiences with junior ones.

The annual employee recognition event was hosted by the Board of Commissioners at the Bitter End Yacht Club on Virgin Gorda in January. High Court Justice Denys Barrow gave a stimulating talk about being motivated and service to your country. The Managing Director also took the opportunity to recognise, with gifts and plaques, the long-service contributions of the "pioneers", former employees of the ex-Financial Services Department.

With the financial support of the FSC, FSC staff participated for a second year in the BVI's August Emancipation Celebrations.



The theme of this year's entry, "Orient, Alive in BVI Festival 2005", paid homage to the considerable success and popularity that the BVI IBC has had in the Far East. The costumes depicted the various colours, spirit and culture of the orient, specifically China, Thailand and Singapore, while a temple, accented by an oriental garden, formed the centrepiece of the float. The colourful troupe won first prize in the adult troupe and troupe categories and second prize in the float competition.

Financial Performance

The FSC's financial statements for the year ended 31 December, 2005 are set out in Appendix I together with the report from the Independent Auditors.

Fees collected on behalf of the Government were approximately \$24.1 million higher than in 2004. The growth in revenue was generated primarily from an increase in the number of incorporations along with a general increase in fees and penalties that took effect in 2005 as specified in the BVI Business Companies Act, 2004.

In 2005 and 2004, the sum payable to the Government amounted to 90 per cent of all monies collected by the Commission on behalf of the Government, according to the retention agreement with Executive Council pursuant to Sections 19 and 20 of the FSC Act. The contribution to the Government in 2005 amounted to \$131 million compared to \$109.6 million in 2004, an increase of just over \$21.0 million.

Operating expenses increased by 11 per cent (\$0.5 million) to \$5.3 million. This was principally due changes in premises and expenses relating to the Registry of Corporate Affairs' relocation at the beginning of 2005.

Staff costs also increased, reflecting additional recruitment during the year as well as new pension obligations and the new BVI Payroll Tax, which is payable to at a rate of 6 per cent on total salaries and allowances.

The Commission generated an operating surplus of \$2.4 million. After the completion of its annual financial audit, in April the Board of Commissioners approved a distribution to the Government of \$1 million from its operating surplus in 2005. This decision was taken after assessing the Commission's required reserves. As a consequence the Commission produced a net surplus of \$1.4 million, giving a rise in reserves to \$13.3 million.

Regulation and Supervision



The Approach to Regulation

The FSC's regulatory approach aims to ensure that the FSC effectively supervises the entities and persons licensed and authorised to conduct financial services business in and from within the BVI

The ultimate aim is to ensure that regulated entities act in compliance with all regulatory requirements, international standards and best practices. The FSC employs a risk-based approach based on the principle that a burden or restriction which is imposed on an entity should be proportionate to the broad benefits expected. The FSC is also mindful of its responsibilities to ensure that the financial services sector is sound and demonstrate that the jurisdiction is committed to sound regulatory practices in support of legitimate business.

Our risk-based approach to supervision focuses on the mitigation of risks to our regulatory objectives and has regard to

the need to use the FSC's resources in the most effective way.

One important arsenal in the regulatory tool-kit is to develop core competencies in the cadre of trained regulators that the FSC depends on to carry out its work. The FSC is always keen to work with regional and international counterparts, in informal ways as well as through organisations specifically set up to exchange ideas and information and in addition to brainstorm on critical developments within the sector.

In May, the FSC hosted regional counterparts in the banking sector for the XXIII Annual Caribbean Group of Banking Supervisors Conference under the theme *"Re-visiting Regulatory Processes in the Face of Regional Challenges and Risks"*. The conference included speakers from the US Federal Reserve Board, the International Monetary Fund (IMF) and the Bank for International Settlement, along with bank supervisors from the region. The FSC also hosted, in collaboration with FIRST and the IMF, an AML/CFT Workshop for regional regulators of company and trust services providers in

June and hosted a Offshore Group of Insurance Supervisors workshop on insurance regulations in July.



BVI and Regional Delegates at the OGIS Workshop: June 2005

On-site Inspection Programme

The FSC introduced an on-site inspection programme in 2004 to complement its other methods for ongoing supervision of regulated entities. On-site inspection visits focus on those areas deemed by the FSC to be the most significant. They assist us in understanding the complexity of business carried out by licensees and in controlling the risks incurred by the regulated entity.

Each on-site inspection team is headed by a senior regulator from the FSC division responsible for the day-to-day supervision of the regulated entity. After a preliminary in-house review, regulators conduct specific tests for compliance with legislative requirements and regulatory guidance and best practice.

The extent of the on-site inspection is determined by the complexity of the regulated entity's business, its available resources and the FSC's specific concerns. Inspection visits culminate with wrap-up meetings with senior personnel at the regulated entity to review the entity's internal control systems. The FSC provides the entity with a formal inspection report, summarising the areas assessed and setting out recommendations for corrective action where required.

The FSC conducted 16 on-site inspections in 2005: 13 in the area of insurance and three of trust and corporate service providers.

Licensing and Supervisory Committee

The Licensing and Supervisory Committee (LSC) was created under Section 14(1) of the FSC Act. It is the authorisation arm of the Commission, responsible for assessing and granting all applications for licences and certificates to operate in and from within the BVI. It also supervises authorised entities to ensure continued compliance with relevant laws and regulations.

The licensing process is highly sensitive. Eligibility for a BVI license is restricted to organisations with adequate capital and control systems, and sound ownership and management. Applications for assessment by the LSC are submitted by the head of the regulatory division responsible for supervising the entity. The committee takes its decisions by consensus. Where the decision is not in the applicant's favour, the LSC forwards a copy of the application and decision to the Board of Commissioners.

Licensees are required to notify the FSC of any significant matter relating to their fitness and propriety as soon as the firm

becomes aware of it. Furthermore, the conditions for fitness and propriety must be met on a continuing basis. All changes in control of the entity are subject to regulatory approval.

Members of the LSC are governed by the committee's guidelines and by the FSCA. The Committee comprises:

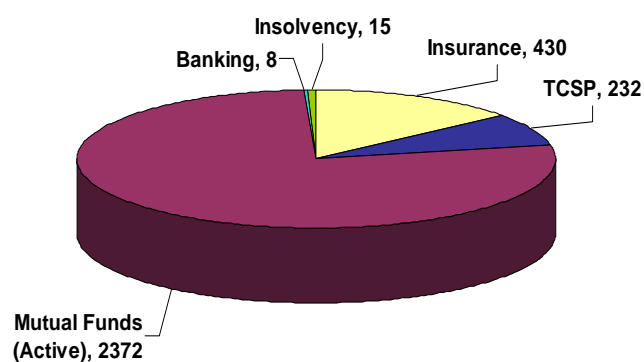
- (a) the Managing Director as Chairman;
- (b) the Deputy Managing Directors;
- (c) the heads of regulatory and supervisory divisions with the FSC; and
- (d) such other senior officers of the FSC as the Managing Director may, within the approval of the Board, designate.

Meetings of the LSC are convened weekly and presided over by the Managing Director or, in his absence, any other officer designated by him.

Prior to issuing a licence or certificate, the LSC must be satisfied that the action is in the interest of the BVI and that the entities (including their senior managers, directors and shareholders) meet

relevant “fit and proper” tests established by BVI laws and policies or by the appropriate international standards-setting organisation.

Total Regulatory Licences as at 31 December, 2005



In 2005 the LSC refused 14 applications that failed to meet the “fit and proper” criteria.

Enforcement Matters

The FSC's Legal and Enforcement Division is responsible for legal representation of the FSC in general and enforcement matters and legal support and advice to the Board of Commissioners, Executive Management and internal divisions. The FSC's enforcement powers are used primarily to ensure that regulated persons comply with the requirements of the FSC Act and the various financial services legislation. They also enable the FSC to achieve its various regulatory objectives as set out in the FSC Act by making recommendations to the government for the amendment of financial services legislation or the introduction of new or complementary legislation to improve the FSC's regulatory regime.

Legal and Enforcement Division Statistics	2005
Advisory Warnings	5
Enforcement Matters	8
International Cooperation	
Formal Requests	14
Informal Requests	32
Directives	3

In 2005, 252 matters internally, were referred to the Legal and Enforcement Division for advice and the FSC took enforcement action in 18 of those cases.

In taking enforcement action, the FSC aims to arrive at a decision that is reasonable, proportionate and consistent with both the FSC's earlier decisions and sound regulatory practice.

In ten of the enforcement cases, the contraventions were minor and the regulated persons took immediate steps to remedy them. The FSC thus issued a strongly worded warning letter. In three cases, the FSC issued directives requiring the regulated entities to take specified remedial action and in one case, the entity's authorisation to carry on financial services business was revoked. The FSC issued advisory warnings in four cases.

2005 saw the Legal and Enforcement Division represent the Registrar of Companies in 12 High Court applications. The applications sought the revocation of the dissolution of certain companies and their restoration to the register of companies for the sole

purpose of disposing of outstanding assets.

International Cooperation

Continuing an exercise started in 2004, this year the FSC engaged a consultant to conduct a comparative analysis of the FSC's international co-operation powers with those of other key players in the international financial services industry. Deficiencies identified were addressed through recommendations to Government for the amendment of the FSC Act and the various financial services legislation. The FSC also engaged in ongoing discussions with the International Organisation of Securities Commissions (IOSCO) about the BVI's international co-operation legislation, practices and procedures.

To demonstrate further its commitment to honouring legitimate requests for information from qualified authorities, the FSC, in conjunction with the Attorney General's Chambers, also began work on the preparation of an International Co-operation Handbook. The Handbook will contain all the relevant information required in making

requests for assistance to BVI authorities, such as the scope of assistance that may be granted under the various international co-operation legislation, the relevant authority to whom requests should be referred and the legal requirements for the granting of assistance.

During 2005, the FSC received requests from foreign regulatory authorities for assistance in the investigation of violations of their laws, including improper trading and solicitation practices and fraudulent activity such as market manipulation and insider trading. Once the requirements for the grant of assistance were satisfied, the FSC exercised its compulsory powers under the Financial Services (International Co-operation) Act, 2000 to obtain the required information and to provide the assistance requested.

Also in 2005, the FSC expanded the list of approved jurisdictions for the purpose of information sharing, pursuant to section 29 of the FSC Act. The expanded list allows the FSC to conduct consolidated supervision of regulated entities more effectively and will assist

with countering money laundering and terrorist financing threats.

Policy Development and International Initiatives

The FSC recognises the importance of staying abreast of international developments in the area of financial services regulation in order to maintain a well-regarded and well-regulated jurisdiction. As international regulatory practices and the framework of regulation evolve, the FSC must make every effort to assess the impact of the changes and trends on the Territory's financial services industry. This requires a continual process of reviewing legislation, monitoring international policy shifts and developing, introducing and reviewing guidance to the industry.

The FSC values the effectiveness of its partnership with the private sector. This helps us to maintain the standards of the jurisdiction through constant dialogue and review.

In 2005, the FSC conducted sessions of its popular Meet-the-Regulator Forum with industry practitioners. The Forum

gives the FSC an extra opportunity to receive feedback, enforce messages and clarify changes in its regulatory approach. In addition to the Forums, the FSC convened technical workshops for specific sectors of the local industry on the introduction of the new BVI Business Companies Act and proposed amendments to the Mutual Funds Act.

The FSC also convened a special focus group of industry practitioners to review the use of the new companies legislation and make recommendations for improving the Act and the FSC's administration of it.

The FSC was invited to participate in an IMF workshop on the IMF's Information, Dissemination and Monitoring Framework Initiative and to participate in the IMF round table for Offshore and Onshore Supervisors and Standard Setters, which was held in Australia in November.

During 2005, the Insolvency Rules took effect. These provide greater certainty to industry insolvency stakeholders and are the final piece in the Territory's new

insolvency and corporate restructuring programme.

The industry also welcomed the passage in December of Segregated Portfolio Company (SPC) regulations for the Business Companies Act. For BVI funds, SPCs provide a particularly attractive incorporation opportunity. The FSC thus intends to issue policy guidelines on the use of SPCs for mutual funds.

The FSC further undertook benchmarking research to assist with developing guidelines for complaints-handling procedures for regulated entities.

Work also began on revising the FSC's bank licensing guidelines, on developing a Code of Practice for regulated insurance providers and on creating formal service standards to help manage the expectations of industry practitioners and other stakeholders.

The FSC undertook to draft a regulatory handbook to provide further clarity to industry stakeholders about the FSC's

objectives and approach in carrying out its supervisory mandate.

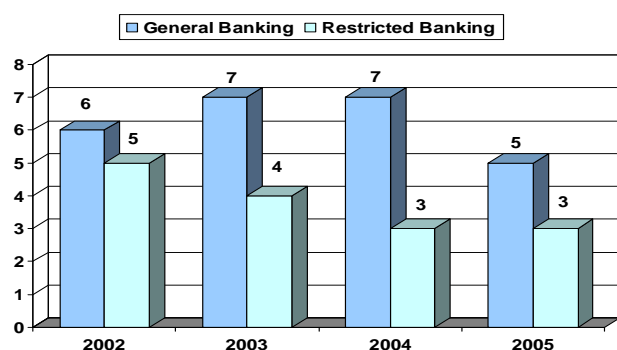
In February, insolvency regulators were invited to pay a courtesy call on colleagues at the UK's Insolvency Service (INSOL) office, where they discussed director disqualification procedures with UK officials.

Banking and Fiduciary Services

The Banking and Fiduciary Services Division ensures that all banks and corporate service providers operating in and from within the BVI comply with international regulatory standards, established best business practices and relevant BVI laws.

The BVI continues to be a conservative banking jurisdiction and as a consequence only eight institutions have been licensed to operate in and from within the BVI.

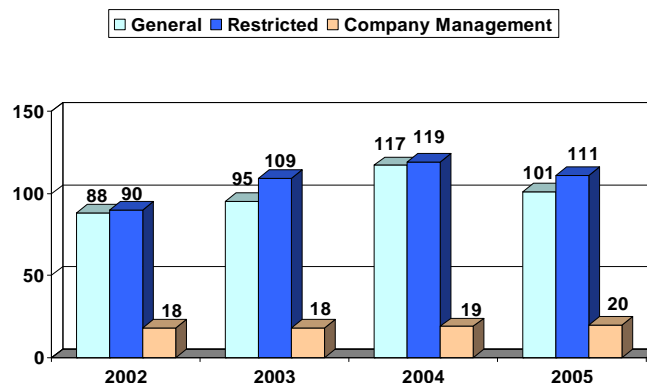
**Banking Licences Granted
2002-2005**



Holders of general banking licences are authorised to engage in banking business within and outside the BVI while banks with restricted licences may only conduct banking business outside the BVI. All current BVI banks, with the exception of the state-owned bank, are either subsidiaries or branches of a foreign banking group. In 2005, the

FSC issued five general and three restricted banking licences.

**Trust Business Licences
Granted 2002-2005**

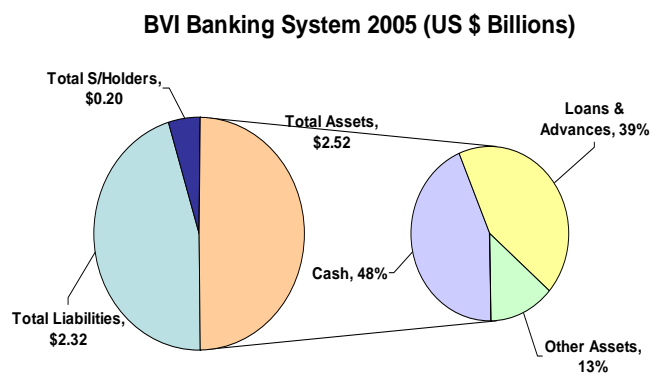


In the area of fiduciary services, two classes of trust licences are issued by the FSC: general and restricted. In 2005, the FSC issued 101 general trust licences, a 14 per cent decrease compared with 2004. There was a smaller decrease of six per cent in the number of restricted trust licences issued.

Assets in the BVI banking system at the end of 2005 totalled \$2.52 billion, of which 48 per cent were cash instruments, 39 per cent loans and advances and the remaining 13 per cent other assets. Total liabilities at the same date amounted to \$2.32 billion.

The Banking and Fiduciary Services Division continued in 2005 to maintain

regular contact with the boards of directors, senior officers and external auditors of regulated entities.



Investment Business

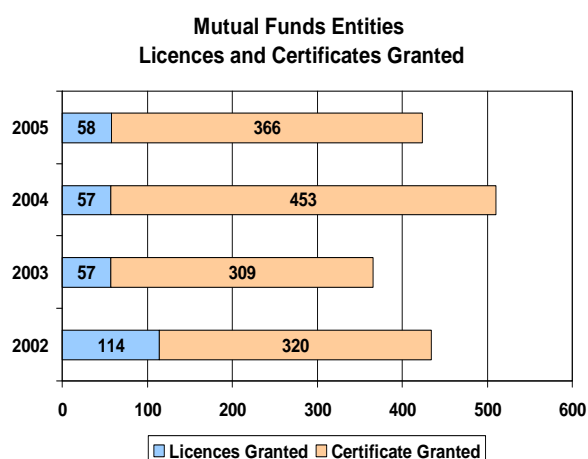
The Investment Business Division is responsible for the regulation and supervision of all collective investment schemes, including mutual funds, operating in and from within the Territory. The Division is also responsible for licensing and supervision of functionaries providing services to the collective investment schemes.

The BVI mutual funds sector continues to grow and to be a formidable part of the financial services industry. Since the enactment of the Mutual Funds Act in 1996, 3,791 mutual funds have been registered and recognised and 699 managers and/or administrators have been licensed.

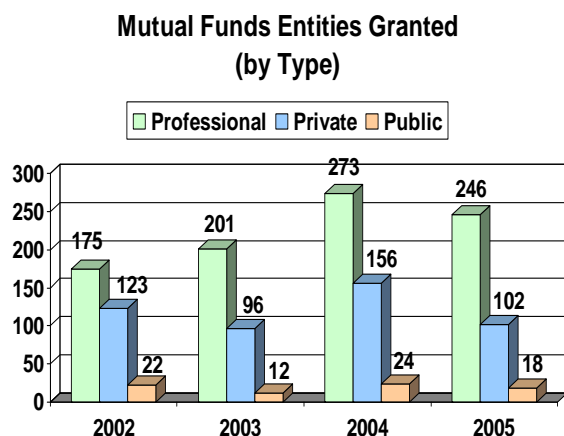
BVI Mutual Funds			
Product Segment	Cumulative granted	Active	% Active of Total granted
Mutual Funds	3791	2372	63%
Manager/ Administrator	699	514	74%

During 2005, the Division issued 366 certificates of recognition and registration to mutual funds seeking to

conduct business under the Mutual Funds Act, 1996. 2004 was a stellar year for the division, one of the most active since the early introduction of the legislation. Although 2005 registrations and recognitions figures did not match that performance, the overall the number of mutual funds increased year over year.



The BVI professional mutual fund remained the most popular fund vehicle. 246 were recognised in 2005. The number of private funds granted recognition was 102, followed by 18 new retail (public) funds. At the end of 2005, 58 percent of the active funds were professional funds, 33 percent were private funds and 9 percent were public funds.



In 2005 the majority of licences were granted to companies seeking to provide management services (as has been the trend since the coming into force of the Mutual Funds Act). Of the 58 licences granted, over 90 percent were granted to companies provide management services to mutual funds. BVI Fund management business continues to exhibit steady growth and demonstrates itself as one of the core-regulated activities of the Division.

Mutual Fund Entities Granted (by Type)	2004	2005
Manager	47	54
Administrator	3	3
Manager & Administrator	5	1

During 2005, as in previous years, the Division undertook an exercise to cancel all funds and licence-holders that had not paid their annual fees. This exercise served to bring any delinquent entities into compliance with the Mutual Funds Act through regularisation of their status. During 2005, 132 funds and 19 licensed entities were cancelled.

The net effect of all cancellations over the years has resulted in over 2,300 funds and 500 licence-holders remaining active. The BVI industry has experienced an average growth rate of approximately 7% in the number of active funds over the past 5 years.

As part of the development of the Investment Business regime, the BVI Mutual Funds (Restricted Public Fund) Regulations as well as the Segregated Portfolio Companies Regulations were introduced in 2005.

The regulations which were issued under Section 42 of The Mutual Funds Act, 1996 designate a class of fund, known as the "restricted public fund", which is a UCITS equivalent. The regulations stipulate that a public fund

which meets certain requirements [that are specific to the UCITS Directive] shall be deemed a restrictive public fund. During 2005, no funds qualified as a restricted public fund under the regulations.

The Segregated Portfolio Companies Regulations, 2005, were approved by the Executive Council and should take effect early next year. The Regulations govern the incorporation or registration of a segregated portfolio company that is, or on its incorporation will be, a mutual fund. The Regulations include provisions related to the following:

- (1) the application process for the Commission's approval for the incorporation and registration of mutual funds as SPCs;
- (2) the requirements for the functionaries that must be appointed with respect to a mutual fund SPC, including administrators, managers and custodians;
- (3) the requirements for the creation of segregated portfolios by SPCs; and
- (4) the approval process for names that may be utilised by SPCs

The Commission expects that the introduction of these regulations will further increase the attractiveness of the BVI as a jurisdiction of choice for the domicile and regulation of hedge funds. The new provisions are expected to create an opportunity for the introduction of innovative legal structures across a range of business areas. Mutual funds, in particular, are expected to benefit from the use of SPCs. Standard mutual fund structures, such as multi-class hedge funds, umbrella funds and master-feeder structures may all be able to benefit through the ability to set up a statutory "ring-fence" to protect against cross liability issues between assets and liabilities of the segregated portfolios within an SPC.

Insurance

The Insurance Division regulates, supervises and inspects all insurance companies, insurance managers and other intermediaries operating in and from within the BVI to ensure compliance with the provisions established in the Insurance Act, 1994 and the Insurance Regulations, 1995.

The BVI continues to be one of the fastest growing captive insurance jurisdictions. During 2005, the FSC licensed its 500th captive insurance company since the enactment of the Insurance Act in 1994 and 68 new captive insurance licences were issued bringing the total to 543.

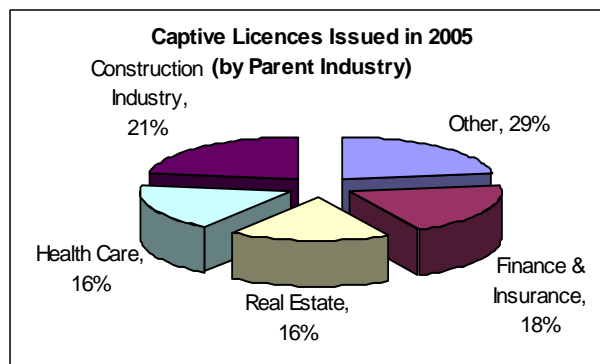
In September, 2002 amendments to the Insurance Act, 1994 created a regime for Segregated Portfolio Companies (SPCs).

At the end of 2005, the total number of active captive insurance companies stood at 380 (a 10 percent increase on 2004), comprising nine SPCs (with 27 segregated portfolios between them), 21 credit life insurers and 350 other captives.

BVI Insurance Sector Licence Holders				
	2002	2003	2004	2005
Captive Insurers	283	309	346	381
Domestic Insurers	28	28	27	27
Insurance Managers	14	15	17	23

With regards to insurance managers, the FSC licensed six new ones in 2005, bringing the total to 23, a 35 percent increase on 2004. No new domestic licences were issued in 2005.

Following the trend of earlier years, the region of origin for most BVI-domiciled captives was the United States. Other popular countries and regions of origin were Guernsey, Taiwan, Switzerland, US Virgin Islands, the Middle East, Puerto Rico and South America.



Parent company business for the captives was balanced at 21 percent construction, 18 percent finance and insurance, 16 percent real estate and 16 percent healthcare and social assistance.

Approximately 68 percent of the companies approved in the year ending 31 December, 2005 will elect to be taxed as USA businesses by the IRS, taking advantage of certain tax advantages available to small to medium sized businesses in the USA.

Insolvency Services

The Insolvency Services Division is responsible for the licensing and regulation of insolvency practitioners in the British Virgin Islands.

The final piece of the Insolvency regime fell into place with the passage of the Insolvency Rules, 2005 (the “Rules”) on 30 June, 2005. The Rules provide the detailed provisions supporting a number of higher level requirements set out in the Insolvency Act, 2004. The Insolvency Act refers frequently to detailed provisions in the Rules and, therefore, bringing them into force yields additional credibility to the overall regime.

As at 31 December, 2005, a total of 15 insolvency practitioners’ licences had been issued. As expected, the initial flow of licence applications following the introduction of the new insolvency regime has slowed down.

Insolvency licence holders are required to submit annual returns to the FSC during the first quarter of each year. These returns highlight any changes in the licence holder’s circumstances and

contact details and update the “fit and proper” review process carried out at the time of licensing. The licensees also provide annual statistics on the number and type of insolvency cases undertaken as well as the jurisdiction to which the cases relate.

Type of Case	Number of Cases
Receiverships	1
Administrative Receiverships	2
Company Creditor Arrangements	0
Administrations	0
Provisional Liquidations	4
Liquidations - appointed by members	7
Liquidations – appointed by the Court	9
Bankruptcies	0
Individual Creditor Arrangements	0
Total	23

No enforcement action was required during 2005. The Division intends to introduce on-site inspections of licensed insolvency practitioners during 2006. Work has begun on designing the programme and checklists.

The Director, Insolvency also acts as the Government’s Official Receiver. The Official Receiver was appointed by the Court in one insolvency case during 2005.

Additionally, the Division continued to maintain close contact with industry practitioners and regulated entities through various presentations on the new BVI insolvency regime and the Insolvency Rules, 2005.

Registry of Corporate Affairs

The Registry of Corporate Affairs is responsible for ensuring that entities doing business in and from within the BVI are duly registered. The division also facilitates the registration of BVI and UK trade and service marks and patents.

The BVI Business Companies Act, 2004 (BVIBC Act) came into force on 1 January, 2005. This introduced the BVI Business Company (BVIBC) while still allowing the incorporation of IBCs until 31 December, 2005

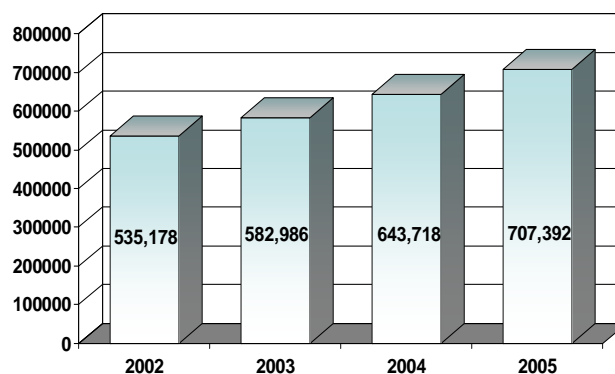
During 2005, the number of incorporations declined by approximately four percent to just over 58,000 companies. Although 1,167 BVIBCs were incorporated in the latter part of 2005, incorporations did not surpass 2004 figures of approximately 60,000 IBCs. 2005, however, did translate to the third best year in the Registry's history with respect to the number of incorporations.

At the end of 2005, the total number of IBCs and BVIBCs incorporated in the BVI stood at approximately 690,000, of which approximately 340,000 are active.



The number of local companies incorporated in the BVI during 2005 decreased by 2.9 percent from 217 in 2004 to 154 in 2005. This slight decrease can be explained by the registration of local companies under the BVIBC Act. As of 31 December, 2005, the total number of local companies registered was 10,678.

Total Number of Companies on the BVI Register



The Registry of Corporate Affairs is the highest revenue generating division of the FSC contributing over US\$140 million in 2005, mainly in the form of

licence and registration fees from the various corporate vehicles. This represented a 20.6 per cent increase from 2004.

During 2005, the staff at the Registry settled into new premises which they moved into in December, 2004. The move, which required an enormous physical effort and was made possible by the commitment of the Registry's own staff, resulted in the Registry having to meet customer demands for documents and files from two remote locations until the end of the second quarter. The staff made their best effort to ensure that customers were serviced satisfactorily during this difficult time. The staff also had the very difficult task of adjusting to the new BVIBC Act after decades of administering the very familiar IBC ordinance. Training, development of forms and new administrative procedures were the order of the year.

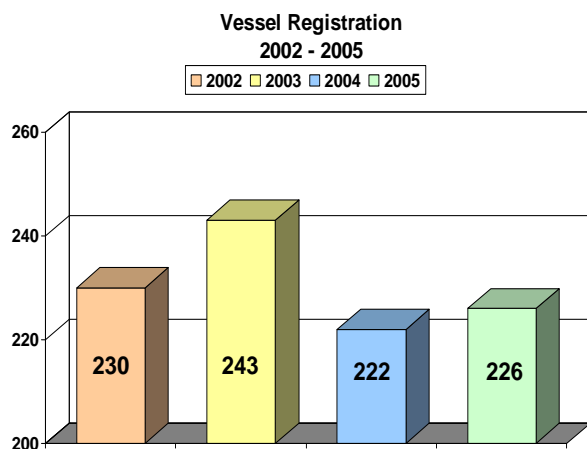
The FSC is committed to ensuring that the Registry is operating at the highest level of effectiveness and efficiency and the ever-increasing volumes of new and post incorporations activities has

demanding that the FSC explore new ways to meet industry and client expectations. The FSC actively set out during the year to get a little closer to seeing its dreams of a near paperless Registry become a reality. The Deputy Managing Director, Corporate Services led a small delegation to Singapore and Hong Kong in November for the purpose of continuing its benchmarking of automated registries systems in those countries. The FSC is committed to delivering a quantum leap improvement in customer service delivery and satisfaction within one year. This is a goal now within sight after very successful initial meetings with leading technology developers in the East with particular experience in multi-language capable incorporation application systems. The highly successful discussions centred around our unique requirements and transaction volumes as well as the use of cutting edge technology and FSC's aggressive timeline.

Registry of Shipping

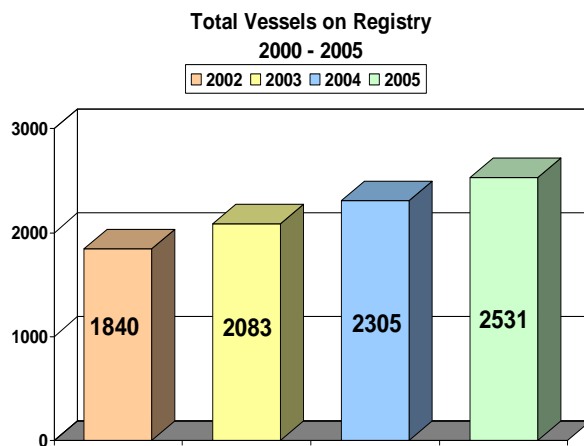
The Registry of Shipping is responsible for the registration of vessels for owners seeking to fly the renowned Red Ensign. It also records mortgages and changes of ownership and provides transcripts of the Register. It is a branch of the General Registry of British ships.

In 2005, 226 vessels were registered, representing an 1.8 percent increase in comparison to 2004. The total number of vessels registered in the BVI as at 31 December 2005 is 2531.



One of the factors inhibiting faster growth in registration relates to the Registry of Shipping's current Category 2 status, which limits registration to commercial vessels up to 150 Gross Registered Tonnage (GRT). This restriction will be removed when the status of the Registry is upgraded to a

Category 1 Red Ensign Registry, which is expected to happen during the latter half of 2006.



In preparation for this upgrade, the Merchant Shipping (Adoption of UK Enactments) Order was enacted in May, 2005. This facilitates the adoption of U.K. regulation, giving effect to International Maritime Organisation Conventions which apply to the larger ships that the BVI will be permitted to register as Category 1.

With the anticipated upgrade to Category 1, which will also include merging the activities of the present Marine Services Unit of the Government, the Registry of Shipping will no longer closely align with the core services of the FSC. As a consequence, a greater transition to a new agency is anticipated during the later part of 2006.

If this takes place, the FSC will be bidding a warm bon voyage to its Registry of Shipping staff. The Executive Council approved the general framework for the merger of activities with the Marine Services Unit in December.

*Legal and Regulatory
Developments*

The following regulatory milestones
were reached during 2005.

NAME OF ACT/REGULATION		DATE GAZETTED
1.	Memorandum of Understanding between the OSFI and the FSC	Apr. 20, 2005
2.	BVI Mutual Funds (Restricted Public Fund) Regulations, 2005	Apr. 22, 2005
3.	Insolvency Rules, 2005	June 30, 2005
4.	Financial Services Commission (Fees) Regulations, 2005	Aug. 4, 2005
5.	Memorandum of Understanding between the Office of the Commissioner of Financial Institutions in Puerto Rico and the FSC	Nov. 14, 2005
6.	Segregated Portfolio Companies Regulations, 2005	Dec. 22, 2005
7.	BVI Business Companies (Amendment) Act, 2005	Dec. 22, 2005

On the Horizon: Looking Ahead to 2006



Legislative Agenda

The FSC, in collaboration with the Attorney General's chambers, continues to review the BVI's financial services legislation to ensure that it is in compliance with international standards and that it incorporates recommendations made by the IMF during their review of the BVI's legislative framework.

We anticipate introducing legislation on money services business, non-bank financial institutions, securities and investment business by the last quarter of 2006.

By the same date, we also anticipate making amendments to the FSC Act, the BVI Business Companies Act and the Banks and Trust Companies Act.

The Joint Anti-Money Laundering Coordination Committee (JAMLACC) will be re-constituted in 2006 to review and update the Anti-Money Laundering Code of Practice as well as the BVI's

Guidance Notes on the Prevention of Money Laundering so that they are in line with the revised FATF recommendations on money laundering and terrorist financing.

IMF Visit 2007

In 2007, we are looking forward to a further assessment by the IMF as part of its second round of evaluation of international financial centres. In preparation for this, the IMF Evaluation Steering Committee will be re-established. The Committee will be responsible for: reviewing the progress made towards correcting deficiencies highlighted by the IMF in its previous assessment reviewing the new methodology that will be used in the second evaluation, and developing and implementing an action plan to ensure that ongoing legislation and policies are fully compatible with established international standards and take into account the IMF's recommendations.

Other Initiatives

In 2006 the FSC is committed to raising public awareness of FSC programmes,

policies and practices. This will include the establishment of FSC-wide service standards and the development of a FSC Regulatory Handbook.

The FSC will ensure that the compliance regime is fully functional in 2006. The FSC will begin the approval process for Compliance Officers and ensure the industry is aware of the requirements of the new regime.

Given the volume of business originating from the south-east Asian region, the FSC intends to create a satellite office in Hong Kong in 2006. This will improve the efficiency of the services offered by the FSC, particularly by the Registry of Corporate Affairs, to the region and will alleviate the difficulties of conducting business in a different language, culture and business environment.