



Building on a thriving & sustainable Financial Services sector in the British Virgin Islands

Final Report

December 2014

Foreword

Our jurisdiction is at a critical point in its history. For three decades we experienced tremendous growth in our Financial Services* industry, became one of the largest domiciles for company incorporations, and established a global brand that reached through the Americas, into Europe, and across the Asia Pacific Region. Financial Services directly account for over 60 percent of our government revenues, and likely upwards of 80 percent if indirect sources are included. Financial Services fuel our economy, create our jobs, and fund public services such as education, healthcare, roads and other infrastructure.

For the last few years however, we have faced challenges that may threaten the core of our competitive position in Financial Services. Rising international pressure and new competitors have slowed down our incorporations business. We must therefore further diversify our industry through more value-added activities and offer a wider range of services beyond our traditional business. At the same time we have become critically aware of gaps in capabilities that would allow us to better weather similar storms and sustain the sector in the future.

My Administration came into Office in November of 2011; by early January of 2012 I had begun to consult with the Financial Services Commission, other Government agencies including the BVI International Finance Centre, the private sector and other stake holders about how best to reinvigorate the industry and set it on a firm footing for the long term benefit of the people of this territory. I am satisfied that over the last two years or so through various initiatives a framework for the further development of our financial services has been laid by our financial services experts in Government and Industry.

Building on that framework, my Government commissioned this capstone initiative; an intense three-month effort facilitated by global consultants Mckinsey, with involvement of the industry and other stakeholders to lay out a pragmatic strategy and implementation plan to ensure a thriving and sustainable Financial Services sector. The following Report contains the findings and recommendations of that effort.

Solving the issues at hand is vital to the longevity of our jurisdiction and the livelihood of our community. It will require all of us – the people of the BVI, government and industry – to band together and prioritise our long-term future. I, personally, am committed to seeing through the implementation of these efforts, and we have already started acting on some of the recommendations. I hope that this report serves as a roadmap for our Territory, supporting us as we come together to build a brighter future for the Virgin Islands.

Sincerely,

The Honourable Dr. D. Orlando Smith, OBE

Premier of the Virgin Islands

On behalf of the Steering Committee

* It is common usage in the BVI to refer use the term “Financial Services” to the industry that includes company registrations, legal services, and other related fields. We on the Steering Committee recognize that the term “Global Business Services” would more accurately describe this industry, but we use the term Financial Services in this document, in line with common usage in the BVI.

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Introduction

Over the past 30 years, the British Virgin Islands (BVI) has established itself as a global leader in the provision of financial services, with preeminence in company incorporations. Growth in the related areas of asset management, fiduciary services, fund administration and management together with captive insurance has also been significant.

Financial Services has become a linchpin of this economy. However, as new incorporations began to decline in 2009 - primarily as a consequence of the global economic recession coupled with the fact that the BVI continued to experience only limited success in value-added services - concerns grew about the resilience of our long-term prosperity.

Beginning in January of 2012, the Government launched a territory wide consultation to expand and solidify the financial services industry. This culminated in a three-month project that commenced in August of this year resulting in a strategic implementation plan for reinvigorating the Financial Services sector and ensuring its sustainable growth towards 2020 and beyond. Specifically, the objective of the effort was to: a) assess the economic prospects of the Territory; b) lay out a strategic framework and set of recommended initiatives to spur growth in the future; and c) develop an implementation plan to ensure that the Territory successfully implements these initiatives.

The effort was divided into three phases to achieve these objectives: diagnostic and stocktaking; recommendation design; and implementation planning. The effort was governed by a Steering Committee, chaired by the Premier, and comprising both private and public sector representatives. This Committee took a highly collaborative approach and sought input across the private and public sectors, via the following:

- **Interviews** – 86 individual interviews were carried out, with leaders from the BVI’s private and public sectors as well as experts outside the jurisdiction
- **Working sessions** –13 group working sessions were carried out by the 8-person Steering Committee, the 30-person Local Advisory Committee, and the 10-person International Advisory Committee¹
- **Analysis** – the Steering Committee commissioned and reviewed outside analysis on the BVI’s current position as well as its standing relative to peer jurisdictions.

The remainder of this document lays out the findings and recommendations of this effort, in five chapters:

- **Chapter 1** provides an executive summary of the work overall
- **Chapter 2** lays out the main findings of the diagnostic phase

¹ The list of the members of the Steering Committee and the Advisory Committee (Local and International) is in the Appendix

- **Chapter 3** discusses the strategic vision proposed by the Steering Committee
- **Chapter 4** describes each of the key initiatives to deliver on that strategy
- **Chapter 5** outlines the implementation approach to kick off each initiative.

Executive Summary

Over the past 30 years, the BVI has established a leading position in company incorporations. A robust, easy-to-use, and adaptable legal and regulatory framework made this jurisdiction's product superior to that of many peers. Company incorporations grew from 100,000² in 1993 to over 480,000 by 2013 – five times the number of incorporated companies than any other offshore jurisdiction. The Financial Services sector that burgeoned around this business grew to become the largest and most critical component of government revenue and the linchpin of our overall economy, touching and contributing to the livelihood of nearly every BVIlander through direct and indirect economic activity.

However, the landscape began to change in 2009 following the global economic recession. In its wake political leaders of the G20 countries demanded that there be a renewed focus on offshore jurisdictions around the world. This increased international pressure around compliance and transparency coupled with the entry of new low-cost competitors led to a decline in new incorporations in the BVI by 9 percent from 2011 to 2013. The jurisdiction has always enjoyed a measure of success in its offerings outside basic company incorporations, such as in funds administration and management, trust and estate planning, mergers and acquisitions, the use of SPV's, asset protection and a degree of international trade. But the level of business in these subsectors has not been on par with its competitors and more importantly at current levels cannot ensure the sustainability of the sector in this rapidly changing environment.

The BVI has also faced challenges around execution – both in terms of a dedicated function to coordinate and drive change as well as resources and manpower to do so. Because the Financial Services sector has grown so critical to the economy and the livelihoods of each BVIlander, these issues represent a real impediment to our long-term growth and prosperity.

To ensure a thriving and sustainable Financial Sector, key public and private sector leaders came together and set an ambitious vision for the BVI to innovate boldly into a new trajectory for the jurisdiction. Broadly, the strategic framework laid out for our future Financial Sector can be described in three parts:

- **Build best-in-class enabling mechanisms** for the Financial Services industry – such as a Delivery Unit, and robust marketing, promotion, and business development functions.
- **Remain a world leader in the core business of company incorporations** by improving our international reputation and level of customer service

² Growth in active company incorporations is likely greater than the figure for 2003 implies as records of company incorporations prior to 2006 include inactive companies (whereas post 2006 figures do not)

- **Expand into value-added services** by introducing innovative initiatives, attracting and retaining top talent, from wherever it resides, as well as developing and strengthening BVIlander capabilities, and making the BVI an exceptionally convenient jurisdiction for business, through further investments in infrastructure

A suite of 40 potential initiatives were identified to deliver on the aspiration set. Ideas ranged from the basic and fundamental such as bringing the BVI in line with US and UK FATCA, to the enterprising and audacious such as offering Bitcoin indexed funds and ETFs. From this list 10 priority initiatives were identified and further detailed out to maintain and grow current business, expand into value-added services, and build the requisite enabling capabilities. These priority initiatives will form the foundation of the Financial Services transformation for the BVI and chart a course for the Virgin Islands to pursue a fundamentally more resilient and vibrant future. For each initiative, detailed implementation plans have been developed, the broad strokes of which are contained in this document.

Priority initiatives and recommendations

- **Build best-in-class enabling mechanisms and enabling capabilities:**

1. **Establish a Delivery Unit.** Build a world-class team reporting at the highest level of government, which is responsible for driving progress and delivering results across each priority Financial Services initiative
2. **Revamp the International Finance Center (IFC).** Revamp and restructure the IFC into a cutting-edge marketing body that is able to promote the Financial Services industry to the right stakeholders, through the right channels, at the right time
3. **Strengthen the business development function.** Establish a compelling and permanent business development function by determining the right home, structure, and mandate for the Financial Services Business Development Committee.
4. **Engage our population.** Support our population in understanding the importance of the Financial Services industry, its impact on all of our daily lives, and its criticality in transforming the prosperity of the Territory
5. **Strengthen BVIlander capability.** Invest to bolster BVIlander Financial Services talent to sustain the industry in the long term, and create more opportunities for BVIlanders to enter and contribute to the industry starting today.

- **Remain a world leader in the core business of company incorporations:**
- 6. **Pursue tax initiatives.** Fully roll out US and UK FATCA requirements and lobby France and the OECD to improve compliance ratings and the jurisdiction's reputation in the international financial services community
- 7. **Enhance FSC customer service.** Build on the strengths of the FSC to develop a holistic customer service culture across the organization to improve process transparency, response time, and help provided to customers.

- **Expand into new value-added services:**
- 8. **Attract value-added services.** Identify and incentivize top-priority highly skilled, secondary-service providers in collaboration with the private sector to establish themselves in the BVI and grow the Financial Services sector
- 9. **Reform immigration and labour.** Bring immigration and labour policies and processes in line with international best practices to attract and retain the necessary skilled labour (domestic and external), that will be needed to broaden into and sustain a substantive offering
- 10. **Invest in infrastructure.** Set up the BVI as a world-class business jurisdiction, with a focus on convenient transportation, and seamless telecommunications

Taken together, these priority initiatives will put our Financial Services sector on a better path – by addressing short-term challenges and creating an environment for long-term sustainable growth. The remaining potential initiatives and ideas should be further considered and potentially implemented after these priority initiatives are well underway and showing impact.

This effort and these recommended initiatives will not have an effect on the BVI if a great deal of emphasis is not placed on implementation. With that in mind, we have begun to urgently fast-track establishment of the Delivery Unit (Initiative 6 above) in particular, which will serve as the coordinating and accelerating function, and to create working teams for the remaining nine priority initiatives to capitalise on the recent momentum behind the effort. Both the Delivery Unit and working teams will work in collaboration to kick off, implement, and track each initiative over the next three to six months.

Finally, while the Delivery Unit and working teams for these initiatives will provide the drive to get initiatives off the ground, the real test in seeing eventual success may be whether we can all band together around these initiatives and prioritize the jurisdiction's long-term growth and prosperity. It will be essential to develop and maintain the support

of the individuals and communities in our jurisdiction and create a national impetus around a Financial Services transformation.

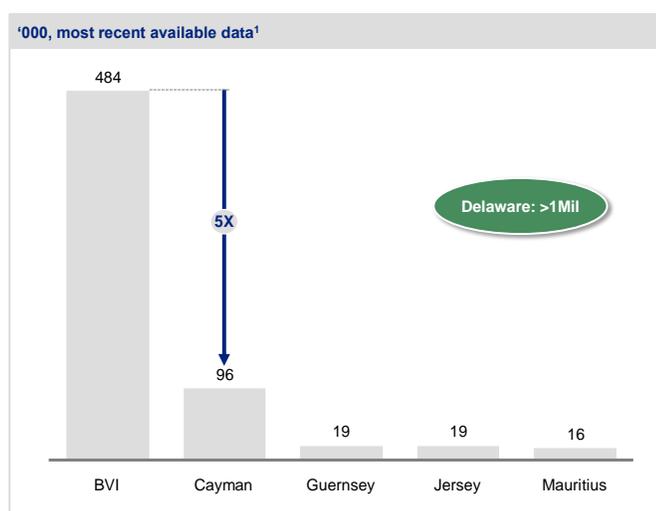
This is a journey that will go beyond any single government administration. Therefore, this effort must become a priority on a national agenda, for all sides of political parties to work together towards a common vision for the years to come.

1 Diagnostic study

1.1 STRONG PAST PERFORMANCE IN COMPANY INCORPORATIONS

Over the past 30 years, the BVI has established a leading position in company incorporations. A robust, easy-to-use, and adaptable legal and regulatory framework made our product superior to that of many peers, and company incorporation grew from 100,000³ in 1993 to 480,000 in 2013, making the islands the domicile for five times the number of incorporated companies than any other offshore jurisdiction (**Figure 1**).

Figure 1: Company incorporations by Financial Centre



¹ BVI 1G14, Cayman 4Q13, Guernsey 1Q14, Jersey 2013, Mauritius 2012

SOURCE: BVIFSC statistical bulletins; Cayman FSA; Mauritius FSA; Jersey FSA; Guernsey FSA

The BVI Financial Services Commission has been pivotal to the BVI's development and growth as a leader in Financial Services, with a strong yet flexible regulatory framework combined with a highly regarded staff. Its focus has always been on the growth of corporate structures, investment funds, trusts and fiduciary services and captive insurance within a well-regulated and supervised environment.

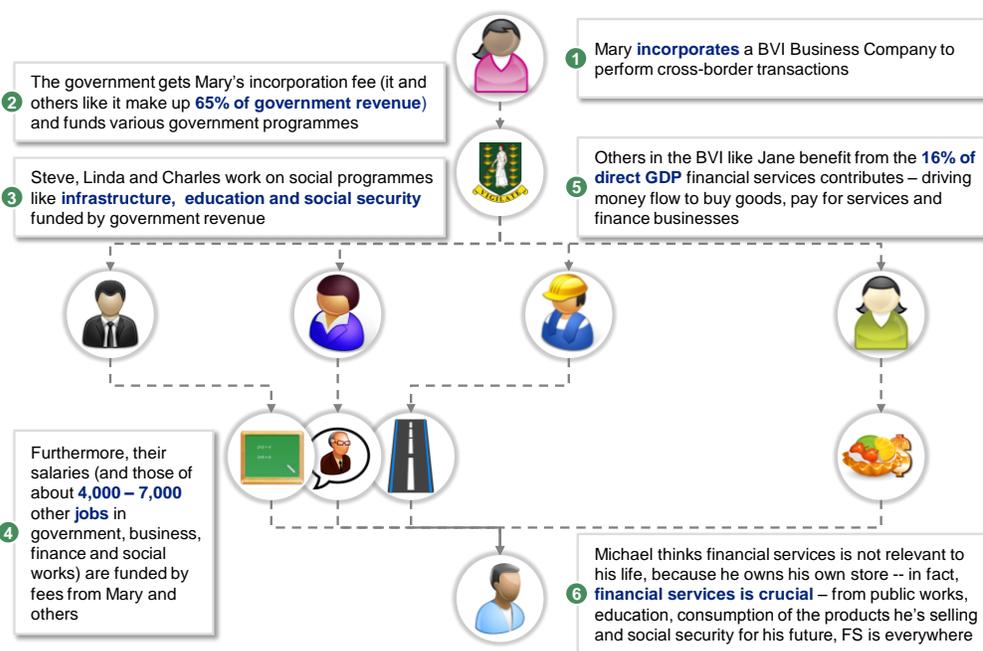
The BVI has become world-renowned for its well-structured, low-cost, transparent, and secure Registry of Corporate Affairs. A few years after the establishment of the Commission it introduced VIRRGIN, a state of the art online company registration system that made possible registering a company and obtaining key corporate documents within 24 hours. The unique features of VIRRGIN have ensured that the BVI continues to retain its preeminent position as a corporate domicile over the years.

³ Growth in active company incorporations is likely greater than the figure for 2003 implies as records of company incorporations prior to 2006 include inactive companies (wpost 2006 figures do not)

Supporting structures around our financial services also developed over the years – for example we established a top-tier legal system including a strong insolvency regime and a highly-regarded commercial court.

The Financial Services sector has grown to become the largest and most critical component of government revenue, contributing at least 65 percent of direct government revenue in 2013 and likely upwards of 80 percent if indirect sources were to be included. Moreover, the industry impacts and contributes to the livelihood of nearly every BVIlander through direct and indirect economic activity. For example, the critical public services such as education, healthcare, social security, and infrastructure are funded by the revenues contributed by the Financial Services sector (e.g., registration and annual license fees); the sector contributes to between 4,000 and 7,000 jobs on the islands. Industry employees - many of whom are not BVIlanders - further fuel the economy through their consumption, including significant rental income for BVIlander property owners. (Figure 2).

Figure 2: Overall impact of the Financial Services industry on the BVI



1.2 RECENT CHALLENGES FACING THE BVI

In recent years, however, our strong foundation has been challenged. Most critically, the new company incorporations have been declining since 2011 due to increased international pressure around compliance and transparency and the entry of new competitors (Figure 3). At the same time the BVI has not been able to materially expand its product offerings and as such the industry has also from time to time reported that it has struggled to keep up with evolving customer needs.

Figure 3: Decline in new BVI company incorporations

1. International pressure: Three factors around international pressure on compliance and transparency together with questions of security of data have had significant implications for the incorporation business:

- **Increased pressure from international regulators.** A poor compliance rating from the OECD and blacklisting by the French government affected the reputation of the BVI and may have driven down customer demand.
- **Changes in policy of major financial institutions.** Several banks in Asia (notably HSBC and Standard Chartered) possibly in reaction to international pressures or due to their own new internal policies, are making it markedly more difficult for BVI BCs to open bank accounts
- **Customer confidentiality concerns.** A recent massive data leak to the ICIJ has raised concerns about the ability of BVI to protect the confidentiality of clients.

2. Increased competition. Seeing these pressures on the BVI, smaller jurisdictions also began to capitalise by growing their company incorporation business, with a cost-effective offering modeled after the BVI's company incorporation product. Seychelles and Samoa, for example, grew company incorporations by over 10 percent from 2011 to 2013, while new incorporations in the BVI declined 9 percent over the same period.

3. Value added services. Basic company incorporations contribute the vast majority of government revenue derived from Financial Services. Some post-incorporation transactions and legal services, as well as insolvency and restructuring accounting services, are offered, but it is clear that there is need for more substantive offerings in

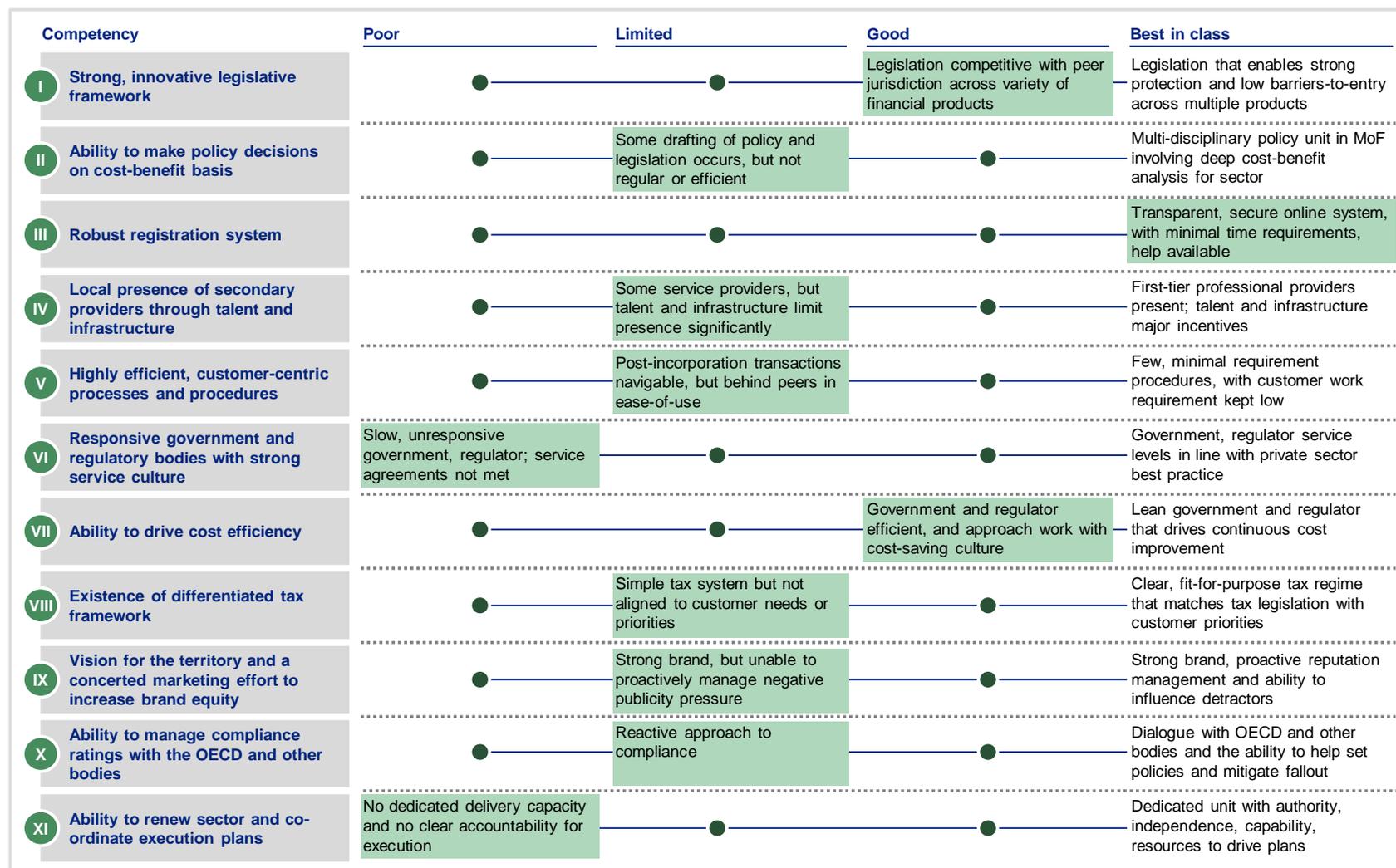
areas such as administration, accounting, corporate restructuring or in investment management. This 'value-added'/substance is crucial for our industry, not only to build the sustainability and profitability of the industry, but also to provide the jurisdiction with additional evidence of its existence as a domicile of substantive work rather than a destination for profit-shifting. A number of factors were identified as the constraints on further expansion of the value-added services:

- **Limited base of capable BVIIslander talent.** The BVI has a very limited population base from which to supply talent to the Financial Services industry -- with a community of approximately 10,000 BVIIslanders only a small proportion are of working age. Moreover, while there are certainly growing numbers of exceptional BVIIslanders who have helped transform and drive the jurisdiction, there are not enough persons within that subset of workers with the expertise and training to meet the current skills demands that a greater value-added offering requires.
- **Difficulty in attracting and retaining talent.** Expanding into value added services require a good mix of BVIIslander and external talent. However, current immigration and labour policies and processes could inhibit our ability to attract and retain world-class talent. Challenges include variability in service quality and overly onerous restrictions (for example, requirements to leave the Territory if changing work permit status, or a lack of parallel processing of families, leading to separation from spouses and children). For private-sector companies in the industry, it is a substantial disincentive to building more substance if skilled labour cannot be hired to fill gaps in the industry that BVIIslanders currently cannot fill. It is expected that outside talent will help to develop and train BVIIslander staff, as well as bring critically important contacts and connections to new clientele.
- **Strong incorporations focus of regulatory body.** The FSC is considered among the best regulators in the world and is the envy of many other international financial centres. A perception exists, however, that there is insufficient focus on other subsectors beyond incorporations. Industry members involved in value-added services (such as funds, trusts, insurance, and banking) have indicated that the quality of FSC service to these product lines is less consistent than the regulation of registered agents. In addition, industry has expressed concern at the perception that the FSC operates under a compliance-focused regulatory approach for non-BVIBC products, adopting regulation that is sufficiently conservative as to drive demand out of the jurisdiction (cited examples include the captive insurance market and initial resistance to funds products with regulatory exemptions). Validity of the perceptions aside, a clear disconnect exists between government, the regulator, and industry, and the roles of each are unclear, especially with respect to product updates and iteration

- **Lagging infrastructure.** We face infrastructure challenges as a result of our relative inaccessibility which inhibits growth of value-added services, through lowering accessibility and convenience for business leaders. For example, other jurisdictions enjoy nonstop flights, while flights to the BVI require connections from nearby islands. The BVI has embarked on plans to improve access to the islands, but these plans are reactive to current challenges, and will take several years to alleviate the access difficulties. In addition, connectivity in the BVI is a challenge for businesses. World-class jurisdictions such as Hong Kong and Singapore are exceptionally technology-enabled, underpinned by a backbone of fast and cost-effective Internet and broad band coverage (Hong Kong tops the Net Index download speed rankings at 96.98Mbps, with Singapore at No. 3 with 88.16Mbps). In contrast, the BVI cannot pursue a high level of technological capability without stronger Internet infrastructure (BVI average download speeds are 4.74Mbps).

4. Meeting customer needs. Benchmarking our Territory against what potential customers care about (value drivers) and the competencies of peer jurisdictions provide some light into the underlying challenges facing the jurisdiction in broadening its offering (**Figure 4**). While our product offering is able to meet customer needs around cost, ease, and speed of incorporation, and legal rights, protection, and recourse – all important for the basic incorporations business – it has struggled to attract and retain the right value-added service providers and talent, and create an adequate business environment for professionals on the ground. Peers, such as the Cayman Islands, for example, have established targeted economic zones to specifically incentivise services providers to locate themselves in the jurisdiction providing customers with the full service offering they require. Furthermore, BVI financial products, particularly funds, insurance, and, to a lesser extent, trusts, have lagged behind competitors due to the difficulty in updating or modifying legislation, and inefficiencies in marketing the jurisdiction and its product competitiveness abroad.

Figure 4: Benchmarking our industry against major International Financial Centre competencies



1.3 ASSESSMENT OF PAST EFFORTS TO REINVIGORATE THE FINANCIAL SERVICES SECTOR

Previous to the three-month effort that is the main subject of this report, there were several efforts commissioned by the government to address the challenges facing our Financial Services sector. As recently as 2012, the Premier's Financial Services Task Force was set up to deliver on recommendations gathered in January of that year. This Task Force presented its Interim Report in November 2012. The government subsequently hosted a Retreat in February 2013, which culminated in the creation of the Wadham Report (named after James A.F. Wadham). Both Reports were synthesised into the Territorial Action Plan, issued in November 2013. These efforts did identify a thoughtful set of initiatives across three broad themes:

- 1) adapt to the changing environment including entering into an IGA with the US in relation to FATCA;
- 2) sustain the current BVI value proposition with the requisite changes demanded but build a parallel model based on substance; and
- 3) educate the BVI islander populace as well as the international community about what the BVI does and how this benefits them..

These action themes were thoughtful and well-reasoned, but implementation did not reach fruition despite strong recommendations. The issues around implementation, in fact, were a key theme throughout the current diagnostic phase both with the Steering and Advisory Committees (**Figure 5** below). There are several lessons learned from these prior efforts:

- **Lack of coordination and execution.** Prior to this current endeavour, there was no dedicated resource assigned specifically to coordinate and execute a plan. Initiatives were assigned to various pockets of government and industry, and lacked a strong coordination function, resulting in limited insight into activities and overall performance management
- **Constraints on resource and capability.** Budget is not flexibly reallocated to where it is needed to deliver on the initiatives. Those individuals tapped to lead initiatives were often already overburdened with multiple initiatives and responsibilities, unable to dedicate the required time, energy, and attention to drive the initiative
- **Domestic and political complexity.** Some of the recommendations such as reforms in immigration and labour policy require strong political will and bipartisan support. Ensuring a better understanding of the importance of the Financial Services sector by the populace would allow for greater buy-in to pursue difficult but necessary reforms.

These findings from the diagnostic form a strong foundation for defining the strategic vision and priority initiatives for the BVI's Financial Services sector.

Figure 5: Comments from Steering and Advisory Committee members on implementation

<p>““ We've had lots of good plans, and we've just not managed to get the sort of impact we've been hoping for</p>	<p>““ The people tasked with implementing are over-burdened; we need someone to co-ordinate the execution</p>
<p>““ Implementation is the biggest issue we face – if we can't get it right, we won't be able to fix anything else</p>	<p>““ We in the BVI are excellent talkers – we talk and talk and plan and plan but then nothing ever comes of it</p>
<p>““ We have to break the cycle of planning and not doing if we're going to recover from the recent slide</p>	<p>““ We need a dedicated resource to just execute plans and push them when they stall</p>

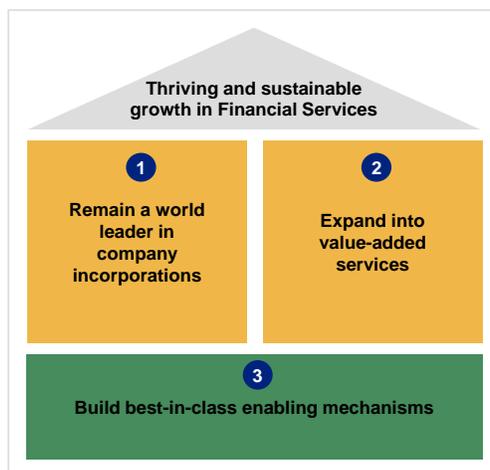
2 Strategic vision for the BVI

To reverse the recent downward trend and to ensure a thriving and sustainable Financial Sector, the Steering and Advisory Committees have agreed on an ambitious strategic vision for the jurisdiction – to innovate boldly into a new trajectory. The strategic vision we have laid out for the BVI is described in three parts:

- **Remain a world leader in the core business of company incorporations** by improving our international reputation and level of customer service
- **Expand into value-added services** by attracting and retaining top talent as well as bolstering BVIlander capabilities, and making the BVI an exceptionally convenient destination for business, through investments in infrastructure
- **Build best-in-class enabling mechanisms** for the Financial Services industry, such as a Delivery Unit, effective marketing and promotion, and business development functions

All initiatives in the following section fall into one of these three parts and support the overall strategy of moving the BVI boldly into a new trajectory (**Figure 6**).

Figure 6: Strategic vision for the BVI



Overwhelmingly, both the Steering and Advisory Committees believe that this strategy should be pursued boldly to ensure that the BVI will remain competitive and expand into a preeminent centre in the changing global financial services industry. We anticipate a sea-change in response to trends in regulatory pressure and technological sophistication, and we believe that the customer of tomorrow will require largely different products and skill sets than what the BVI currently offers. We also believe that changes in innovation and technology will only accelerate. With that in mind, it was agreed that the BVI must fully invest in the strategy to both address current short-term challenges, and prepare the jurisdiction for long-term sustainable growth.

3 Recommended initiatives

3.1 INITIATIVE IDENTIFICATION AND PRIORITIZATION

A suite of 40 potential initiatives were identified to deliver on the aspiration set by our Steering Committee. The ideas ranged from the basic and fundamental such as bringing the BVI in line with US and UK FATCA requirements, to the enterprising and audacious such as offering Bitcoin indexed funds and ETFs. The full list is described in **Figure 7** on the next page.

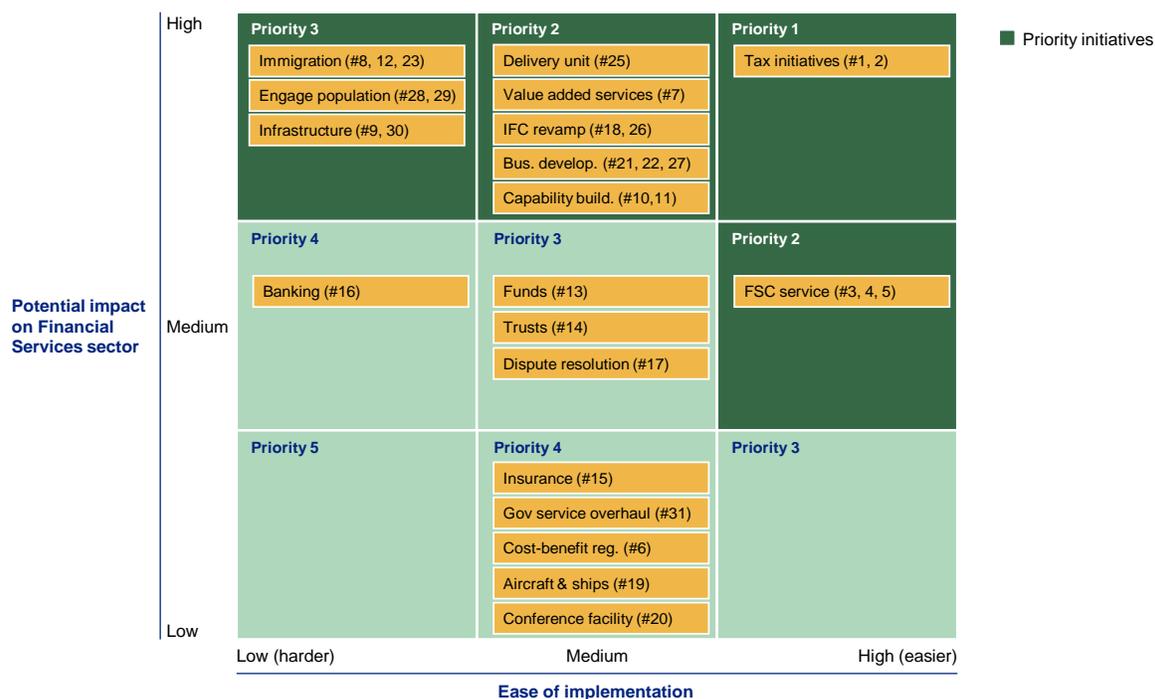
From this list, 10 initiatives were prioritized based on the potential impact on the Financial Services sector (e.g., establishing a Delivery Unit), and relative ease of implementation (e.g., pursuing tax initiatives) (**Figure 8**). These priority initiatives will form the foundation of the Financial Services transformation for our jurisdiction and set the Territory on a new course for the future

The remaining 30 initiatives are worthy of further exploration and consideration. However, given the BVI's resource availability and capability, the recommendation from the Steering Committee is for us to focus on the top 10 initiatives at least for the next six to 12 months period, and the Delivery Unit should revisit the remaining initiatives in the future once those top 10 initiatives are well under way.

Figure 7: Suite of 40 initiatives for transforming Financial Services

		Description
Maintain and increase current business	1 US/UK FATCA	Roll out FATCA requirements and technology
	2 TIEAs	Implement automatic information exchange initiatives (superseded by multilateral conventions)
	3 FSC service	Strengthen consistent customer service culture at the FSC, across all departments
	4 VIRRGIN access	Make VIRRGIN accessible to all geographies at all times
	5 Separate registry	Move the registry out of the FSC into a separate entity or into the government
	6 Cost-benefit regulation	Conduct cost-benefit analyses on international regulation compliance and enact accordingly
Expand into value-added services	7 Value added services	Identify high-potential value-added service providers and provide incentives to attract
	8 Immigration and labour	Bring Immigration and Labour policy in line with best practice
	9 Infrastructure	Improve business infrastructure to increase convenience of the BVI (telecommunications, transport)
	10 Education reform	Develop local talent through education reform (curriculum, teacher training and overhaul of FSI)
	11 Scholarship/Internship	Strengthen the scholarship and internship systems to promote local involvement in financial services
	12 Land and stamp duty	Make it easier for non-Belongers to own land and reduce stamp duty to encourage retention
	13 Fund product update	Update fund legislation and regulation to provide new selling points for industry
	14 HNWI trust products	Invest to attract substantially more business from HNWIs from Asia seeking trust products
	15 Insurance products	Halt decline in captive insurance business through update in insurance legislation and regulation
	16 Banking	Review banking legislation and regulation; if required, attract Chinese bank to open BVI branch
	17 Arbitration	Establish an arbitration center in the BVI, enact immigration exemptions and develop physical space
	18 HNWI targeting	Increase focus on, and direct marketing to, HNWIs and other priority customer segments
	19 Aircraft and shipping	Prioritize and develop aircraft and shipping registries
	20 Conference facilities	Invest to develop international conferencing facilities and attract large-scale conferences
Build world-class enabling mechanisms	21 LatAm presence	Focus marketing and products towards Latin America and rising demand from the region
	22 China relationship	Focus on developing China relationship into one where China advocates for or promotes BVI products
	23 Work permit fees	Rationalize work permit fee structure to be more in line with peers
	24 Intellectual property	Pursue legislation and policy to make the BVI a leader in intellectual property
	25 Delivery unit	Establish a financial services delivery unit to catalyse implementation in the sector
	26 IFC revamp	Develop and resource the IFC to establish it as a world-class promotion and marketing entity
	27 Business development	Dedicate full-time resources to strengthening the business development capability of the BVI
	28 National agenda	Make financial services initiatives part of a bipartisan national agenda to depoliticize priority actions
	29 Engage population	Educate population on value and importance of financial services industry to build buy-in
	30 IT and technology	Build IT and technology skills and platforms through the jurisdiction to set the BVI up for future success
	31 Gov't & industry skills	Embark on a skills-development programme to build sectoral skills based on current and future needs
Investigate big, "out-of-the-box" ideas	32 Retail banking	Offer seamless retail banking to BVI BCs in key international markets (through BVI bank or other)
	33 Islamic finance	Develop Islamic finance-focused product offering and target Middle East customers
	34 Data repository	Set up jurisdiction as data repository for offshore, secure data and legal protection from surveillance
	35 Pharma prospecting	Create marine biology hub to pursue pharmaceutical/biomedical prospecting in BVI waters
	36 Renewable energy	Set up environment for solar and wave-power energy testing within the BVI
	37 RMB internationalization	Explore opportunities in Chinese currency, e.g. offshore currency clearing house, bilateral swaps
	38 Wealthy benefactor	Pursue wealthy benefactor to develop infrastructure and new technology-based industries
	39 Bitcoin products	Offer Bitcoin index funds and ETF products and accept Bitcoin-denominated deposits and collateral
	40 China revenue sharing	Enter into incorporation-revenue sharing agreement with China in exchange for direct endorsement

Figure 8: Initiative prioritization



3.2 PRIORITY INITIATIVES TO REMAIN A WORLD LEADER IN THE CORE BUSINESS OF COMPANY INCORPORATIONS

Initiative 1. Pursue tax initiatives

Rationale and objective. With increased pressure from the US and UK on FATCA and automatic information exchange agreements, along with a recent poor compliance rating from the OECD and blacklisting by the French government, our reputation (and, consequently, customer demand) has declined. Fully rolling out US and UK FATCA requirements and engaging France and the OECD to improve compliance ratings will help improve our image in a world where the reputation of international financial centres is growing ever more important. The path to executing these tax initiatives is clear and government has already begun the process (for example, both US and UK FATCA have been signed and work is underway to fulfill all requirements).

Suggested actions. The recommended actions for this initiative include the following:

- Roll out the requirements for compliance with FATCA and develop an IT system to support FATCA compliance
- Engage France and OECD at high levels to improve compliance ratings
- Adopt standards for Common Reporting Standards (Competent Authority Agreement)

- Proactively align on what the jurisdiction will do to manage pressure on Base Erosion/Profit Shifting.

Initiative 2. Enhance FSC customer service

Rationale and objective. The Financial Services Commission (FSC) has developed an international reputation for excellent regulation of the Financial Services industry. The Registry of Corporate Affairs' on line information system (VIRRGIN) is widely known to be secure and efficient. However, there has been a question whether limiting the access of VIRRGIN to BVI-based businesses (in order to protect the jobs here in the Territory) is leading to potential opportunity loss of company registrations from key markets, especially in Asia. In addition, the industry raised concerns over the customer orientation and responsiveness of the FSC, outside clear pockets of excellence, which have affected private sector perception of the Commission. Leveraging existing strengths to develop a holistic customer service culture across the organization (for example, to improve process transparency, response time, and help provided to customers) would go a long way in improving the Commission's performance and relationship with the private sector.

Suggested actions. The recommended actions for this initiative include the following:

- Analyze the current service level of FSC and customer satisfaction to identify gaps and opportunities for improvement
- Establish and communicate senior commitment to culture change and set aspirations for new customer-centric culture; provide training and incentives to FSC staff
- Conduct cost-benefit analysis of wider VIRRGIN's access and make a determination of whether it should move to a 24-hour access from anywhere in the world
- Improve existing VIRRGIN system with additional characteristics with personal portals, websites in Spanish and Chinese, progress tracking, self-help, customer input. This will require tendering out supplementary IT systems.

3.3 PRIORITY INITIATIVES TO EXPAND INTO NEW VALUE-ADDED SERVICES

Initiative 3. Attract value-added services

Rationale and objective. A number of cross-cutting priority initiatives – such as better immigration and labour policies and processes, improved business infrastructure, and a revamped IFC – will help to address the challenge of growing into a more substantive service offering. This initiative in particular is aimed at identifying and providing

specific incentives for targeted secondary service providers to establish themselves in the BVI, thereby stimulating economic growth and providing employment opportunities for our people. The Cayman Islands, for example, has established Special Economic Zones to target specific businesses through tax, immigration, and other benefits. In collaboration with the private sector, we must identify and target a specific set of businesses and put together the right set of incentives to attract them to the jurisdiction.

Suggested actions. The recommended actions for this initiative include the following:

- Identify an anchor company or group that could be targeted to become a leader in the provision of that value-added service in the jurisdiction in each product (funds, trusts, insurance, banking) and service (administration, audit, etc.) area
- Identify which incentives would be required to attract these core companies and others, and determine which level of investment in incentives is acceptable
- Architect what a Special Economic Zone in the BVI could look like (i.e., virtual SEZ or physical SEZ)
- Model the economics of a Special Economic Zone in the BVI and decide on whether or not to pursue such an endeavour.

Initiative 4. Reform immigration and labour

Rationale and objective. Issues around immigration and labour are some of the most ardent in the BVI. Improved immigration and labour policies and processes are critical to attracting and retaining the necessary mix of local and external talent to support a substantive Financial Services industry. Therefore, policies which promote locally trained talent and improve access for external skills should be equally addressed. It is clear that the BVI must take a thoughtful approach to solving the issue by first agreeing on a vision for the role of skilled labour in the BVI and then putting in place the necessary policy and process changes to realize that vision.

Suggested actions. The recommended actions for this initiative include the following:

- Develop a clear vision for the role of skilled labour in the BVI and for the development of BVIlander talent in financial services and discuss with communities and leaders
- Reform immigration and labour policies to align with this vision (including entry paths, requirements, and fees) and enact as government policy (reforming ordinances where required)
- Restructure the immigration and labour departments to be better set up to deliver consistent and high-quality service, potentially by moving work permitting out of labour

- Rationalize and reengineer work permitting and immigration processes and invest in technology and systems to support the creation of a system that customers find helpful and professional.

Initiative 5. Invest in infrastructure

Rationale and objective. To establish BVI as a jurisdiction known for its substantial service offering and ability to attract and retain top talent, we must improve our business infrastructure. First and foremost, the jurisdiction should prioritise building an environment that offers convenient air and sea transportation and seamless telecommunications. The Terrence B. Lettsome airport upgrade, and better use of shuttle connections to the Cyril E. King International Airport in nearby St. Thomas, should continue to be fast-tracked. And, increasing the quality and cost-efficiency of telecommunications is vital to ensure even in the short term. Over the long term our jurisdiction should consider which tactical initiatives we can undertake to develop pockets of excellence on par with other peers.

Suggested actions. The recommended actions for this initiative include the following:

- Identify alternatives for financing large infrastructure projects (such as PPPs, subsidies, or other methods) and decide on suitability for the BVI (especially for the airport)
- Fast-track the airport upgrade, by expediting the pre-construction process (once financing is agreed) and employing best-practice capital productivity approaches or provide first-class, convenient, targeted ferry connections to St Thomas International Airport incorporating on-board Immigration and Customs facilities
- Clarify aspiration for the jurisdiction for technology-enablement and connectivity, and pursue specific investments or co-investments to bring us closer to our aspiration.

3.4 PRIORITY INITIATIVES TO BUILD BEST-IN-CLASS ENABLING MECHANISMS AND ENABLING CAPABILITIES

Initiative 6. Establish a Delivery Unit

Rationale and objective. The primary reason that prior efforts to bolster Financial Services did not achieve the impact envisioned were challenges around implementation. To ensure that does not happen again, we must invest in a small but exceptional team to drive progress and deliver results across each priority initiative. The unit should report to the highest level of government to cut through bureaucracy, and not only manage performance but also help debottleneck problematic situations and take corrective actions

to address poor performance. More than any other initiative, the Delivery Unit should be fast-tracked and resourced to preserve the momentum of this effort and ensure all initiatives get off the ground and keep moving forward.

Suggested actions. The recommended actions for this initiative include the following:

- Identify and hire an exceptional leader and a highly capable team for the Delivery Unit
- Establish a governing board with technical expertise and high-level private and public leadership
- Develop tools for the team to use in monitoring progress and expediting delivery
- Enact a pilot series of performance dialogues for the Delivery Unit with initiative teams, and refine the approach and interactions to have maximum impact in debottlenecking delivery.

Initiative 7. Revamp the International Finance Center (IFC)

Rationale and objective. The BVI will invest to revamp and restructure the IFC into a cutting-edge marketing body that is able to promote the Financial Services industry to the right stakeholders, through the right channels, and at the right time. Currently, activities are not in line with the goal of the jurisdiction for a world-class marketing and promotion body. The body is putting in place a new strategic plan to help steer efforts in the right direction; however, more emphasis needs to be placed on which stakeholders will be targeted, and how and when they will be targeted. Much of this input can come from the private sector, which will work far more closely with the body going forward to ensure that it invests resources into the correct priorities

Suggested actions. The recommended actions for this initiative include the following:

- Recruit professionals with industry experience, credibility, and strong management skills, and recruit a team to cover key geographies, products, and functions (e.g. ,event planning, member relations)
- Complete the strategic business plan to guide activities and priorities, focusing on existing and potential customers, emerging markets, and new products
- Decide on unit governance and budget; bring budget closer to best-in-class peers
- Introduce an industry membership programme with attractive benefits to encourage private-sector input in strategy and to raise private funds to supplement the budget.

Initiative 8. Strengthen the business development function

Rationale and objective. The current business development function – the FSBDC – is a regular gathering of private and public stakeholders. It is important to formalise the function through dedicated human resources to take forward the recommendations of the Committee, and to coordinate a regular and active dialogue with the private sector with a given perception that proposals and ideas will be taken seriously and pursued vigorously in order to achieve continuous improvement to Financial Services. The BVI must also decide where to house business development, whether as an independent body or a fully supported function of another enabling entity (e.g., the Delivery Unit or the IFC). Given the synergies around marketing activities, the best fit may be a dedicated place within the IFC, where it currently resides; but going forward, business development must properly be established as a compelling and permanent function of the organisation.

Suggested actions. The recommended actions for this initiative include the following:

- Align on the placement of the business development function – independent (FSBDC), Delivery Unit, or IFC (recommended)
- Dedicate additional human resources to leading business development and industry working groups, which will supplement internal market intelligence with expert perspectives and strategic input (resembling the existing but under-utilised Team BVI and FSBDC subcommittee structures)
 - If placed in the IFC, have these staff report to the IFC body
 - For an independent function, allocate permanent budget and determine how the unit interacts with the Delivery Unit and the IFC to gather market intelligence, guide marketing, and optimise implementation of measures.

Initiative 9. Engage the population

Rationale and objective. Without broad-based commitment and support, many key initiatives have little hope of succeeding. Changes to immigration and labour policies, for example, will be challenging without the support of our people. While the Financial Services industry drives so much economic activity in the BVI, it is unclear whether our population appreciates its impact on our lives and, consequently, the importance of initiatives to preserve the sector. A comprehensive programme to inform and educate our BVI Islander population on the importance of the Financial Services industry and the effect it has on our daily lives is absolutely necessary to ensure that the Financial Services transformation is successful overall. We must use clear, simple, crisp messages, compelling stories, multi-channel marketing, and credible spokespersons to convey the day-to-day positive impact of Financial Services on BVI Islanders (rather than the intricacies of the industry) and motivate them to support the other transformative initiatives.

Suggested actions. The recommended actions for this initiative include the following:

- Gauge current public opinion and understanding of Financial Services as a starting point for any intervention
- Define key messages, craft stories, identify public champions who can participate in a public campaign
- Design and implement a multi-channel public engagement and education campaign

Initiative 10. Build BVIlander capabilities

Rationale and objective. We will invest to build BVIlander Financial Services talent and create opportunities for BVIlanders to enter, contribute, and participate more meaningfully in the industry. In parallel, we must push forward on initiatives to educate the populace on the importance of the Financial Services industry and the skilled labour that contributes to it, as well as fast track the development of more BVIlander Financial Services skills and involvement in the industry. Interventions must be considered across educational institutions to help BVIlanders develop the necessary skills to fill target jobs. For example, the structure and resourcing of the Financial Services Institute (FSI) should be reviewed, and its curriculum should be revamped with input from the private sector to better tailor courses to employer hiring needs. Interventions at the tertiary level can be made by improving scholarship and internship programmes, and secondary schools can help students to better grasp opportunities in Financial Services through formal curriculum changes and informal career counseling. Finally, targeted secondment agreements with select companies could improve government capabilities through the exposure of public employees to the private sector.

Suggested actions. The recommended actions for this initiative include the following:

- Conduct a territory and industry-wide skills assessment, through surveys and industry focus groups, to identify current and future capability shortages
- Shape educational and training interventions to develop skills for key professions facing capability shortages. Examples could include:
 - Reform the FSI to co-develop curricula with the industry; offer courses and programmes tailored to BVI Financial Services needs
 - Increase scholarship funds through private sponsorships, and connect recipients with internships and job placements in the industry
 - Measure success of the secondary school VI-Standards Financial Services Programme through a national financial services examination or essay contest
 - Require Financial Services providers to provide appropriate training programmes and secondments.

Implementation

The key to delivering on the recommendations of this effort and having impact will be a relentless focus on implementation. As described earlier, the primary reason prior efforts fell short was challenges around getting initiatives off the ground. To avoid that result this time, it will be critical for us to prioritize the initiative on establishing a Delivery Unit and individual initiative working teams, and coalesce support across government, the private sector, and our local community.

4.1 DELIVERY UNIT

The Delivery Unit will be the heart of the Financial Services transformation. It will monitor, drive, and debottleneck progress across all initiatives and serve as the central coordination point for all initiative leads and working teams. Similar units have been deployed across the globe, for example in Chile, the UK, and Malaysia, to drive significant and quantifiable results in a short period of time. We have the opportunity to deliver similarly bold results by investing in a small but talented team.

The unit will be responsible for managing performance and driving delivery, as well as problem-solving critical issues and providing working teams with support. On one hand it will be accountable for co-defining and syndicating the targets, milestones, and responsibilities, setting up monitoring and tracking tools and processes including dashboards, meeting schedules, performance dialogues, and rigorously monitoring and reporting on progress. On the other hand, the team will actively problem-solve issues with working teams, resolve bottlenecks, and propose course corrections along the way. The unit will facilitate work across organizational boundaries including between ministries and the private sector when necessary, and bring in the necessary expertise when needed.

To ensure that the unit cuts through government bureaucracy, it will report to the highest level of government. A public/private sector board, chaired by the Premier, will allow for excellent oversight and guidance on crucial cross-cutting issues. Critically, the BVI will identify a strong leader with the right capabilities, experience and personal characteristics. It is essential that we recruit this leader as soon as possible and work with him or her to build a five- to six-person team. More than any other initiative, the Delivery Unit will be fast-tracked and resourced to preserve the momentum of this effort and ensure all initiatives get off the ground.

4.2 INITIATIVE WORKING TEAMS

To deliver on the top 10 priority initiatives forward in the three to six months, the Steering Committee will establish individual working teams to further explore outstanding questions and prepare for important decisions, or to move forward in implementing the enabling mechanisms such as the Delivery Unit, IFC, and business development function. Each initiative will be sponsored by a member of the Steering

Committee and have three to five relevant experts and Advisory Committee members as part of the working team.

The role of the working teams will be to: a) kick off each priority initiative by aligning on a charter and workplan, agreeing on the major decision to reach; b) collaborate closely with the Delivery Unit and line ministries in executing on immediate next steps; and c) regularly report back on progress to the Premier's office and other necessary stakeholders.

It will be essential for us to establish working teams as soon as possible to capitalise on the momentum of the effort and begin the work to transform the Financial Services sector in earnest. To that end, as part of this effort, "initiative kickoff packs" were prepared for each initiative to fast-track the launch of these initiatives. These initiative kickoff packs include the background materials relevant to the issue, the workplan for the next three to six months, suggested key questions for the initiative working teams to resolve and report on to the Steering Committee, and other useful tools.

With this guidance, working groups should be able to build on the momentum of the effort and begin to transform the sector as envisioned.

4.3 NATIONAL SUPPORT FOR THE TRANSFORMATION

Finally, while the Delivery Unit and initiative working teams will provide the drive to push initiatives forward, many may be stalled without national support for the Financial Services transformation overall. Changes to immigration and labour policies, for example, will be challenging without the support of our people and the political will to bring our people along with the process.

While we as the Steering Committee have closed off the effort with a real sense of excitement and a clear path forward, the real test in getting these initiatives off the ground and having eventual success in the Financial Services industry may be whether our islands as a whole can rally around these projects and prioritize the jurisdiction's long-term growth and prosperity.

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This Territory, and especially our Financial Services sector, is at a crossroad. If political leaders, government, industry, and our people realize what is at stake, and join forces around the priority initiatives outlined in this report, there is much hope for re-building a thriving and sustainable sector for the Territory. We must learn from past lessons of falling short of implementing many good recommendations, and wholeheartedly do things differently this time around to bring to fruition a future with a vibrant, resilient, preeminent Territory, powered by a transformed Financial Services sector.

Appendix

Financial Services Steering Committee

Name	Profile
Hon. D. Orlando Smith, OBE	Premier of the Virgin Islands
Mr. Brodrick Penn	Acting Permanent Secretary, Premier's Office
Mr. Robert Mathavious	CEO & Managing Director, Financial Services Commission
Mrs. Lorna Smith, OBE	Chair, Financial Services Business Development Committee
Mr. Neil Smith	Financial Secretary, Ministry of Finance
Mr. Michael Riegels, Q.C.	(Retired)
Mr. Gerard Farara, Q.C.	Director, Farara and Kerins
Mr. Humphry Leue	Director, Orange Field

Financial Services Advisory Committee

Name	Profile
Mr. Robert Briant	Partner and MD Conyers Dill and Pearman
Ms. Vanessa King	Partner and Head of Commercial, O'Neal Webster's
Mr. Ray Wearmouth	Managing Partner, Ogier Fiduciary Services
Mr. Niall Brooks	Director, Castlegate Investment
Mr. Jerome Rubin Delanchy	Deputy Manager, ATU General Trust; President BVI Association of Registered Agents
Mr. Kenneth Morgan	Partner, Rawlinson & Hunter Limited
Mr. Simon Schilder	Partner and Head of Investment Funds, Ogier Fiduciary Services
Ms. Helene Lewis	Managing Director, Simonette Lewis
Mr. Sjoerd Korster	General Manager, VP Bank
Mr. Nicholas Lane	Directing Manager, Equity/TMF (BVI) Ltd
Mrs. Rosemarie Flax	Group Advisor, Mossack Fonseca
Ms. Rosa Restrepo	Managing Director, Arifas Fabrega & Fabrega Trust Co
Mr. Ryan Geluk	Director, BDO
Mr. Miles Walton	Managing Director, Osiris Intl Trustees
Mr. Meade Malone	Managing Director, MWM Holdings
Mr. Derek Lloyd	Director, AMS Trustees
Mr. Richard May	Partner, Maples and Calder
Ms. Jennifer Questelles	Deputy Managing Director, Corporate Service, Financial Services Commission
Mr. Glenroy Forbes	Managing Director, Forbes Hare
Ms. Marianne Rajic	Partner, Walkers
Mrs. Ayana Liburd	CEO/Resident Manager, Aleman Cordero Galindo &

Name	Profile
	Lee Trust
Mr. Simon Filmer	Managing Director, Offshore Incorporation Limited (OIL)
Mrs. Janice Skelton	Managing Director, New Haven
Mr. Edward Chiles	Director, Smith's Gore
Mr. John Samuels	Director, Virgin Islands Shipping Registry
Mr. Anthony McMaster	Acting Permanent Secretary, Ministry of Communications and Works
Mrs. Marcia Potter	Permanent Secretary, Ministry of Education and Culture
Ms. Petrona Davies	Permanent Secretary, Ministry of Health & Social Development
Mr. Ronald Smith-Berkeley	Permanent Secretary, Ministry of Natural Resources and Labour
Mr. Russell Harrigan	Chair, BVI Tourist Board
Mr. Louis Potter	Chair, BVI Chamber of Commerce and Hotel Association
Ms. Ayana Hull	Chair, Telecommunications Regulatory Commission

Financial Services International Advisory Committee

Name	Profile
Mr. Derek Adler	Director, IFINA
Mr. Peter Tarn	Managing Partner, Harney Westwood & Riegels LLP
Mr. John Rogers	Managing Partner, Walkers
Mr. Simon Pascoe	Partner, Bedell
Mr. Michael Gagie	Partner, Maples and Calder
Mr. Martin Litwak	Managing Partner, Litwak & Partners
Mr. Martin Crawford	CEO, OV Group Limited (Offshore Incorporations Limited)
Mr. Allan Collins	Executive Director, Newhaven Hong Kong
Mr. Christopher McKenzie	Partner, O'Neal Webster
Mr. Zac Lucas	Partner, Wragge Lawrence Graham & Co.