

# The BVI - resilient and rebuilding



Simon Gray discusses the BVI's financial services sector and its role as a pivotal cog in global trade and investment

**T**he British Virgin Islands has long been a leading player in the international business ecosystem and global economy. For decades, the international finance centre has played a vital role supporting the growth of the global economy and facilitating investment, while remaining resilient in the face of fast-changing circumstances and seismic events.

This resilience was highlighted in September as the BVI commemorated the 5-year anniversary of Hurricane Irma. One of the most powerful storms ever seen in the Atlantic, Irma caused unprecedented havoc to the BVI, destroying or damaging 85% of the buildings on the islands and causing more than \$3.6 billion in damage.

Looking back, one of the most extraordinary aspects of this period was the strength and tenacity displayed by both the business sector and local community. In a matter of days after the storm passed, key services of the financial service were back, including access to the company register via the online portal, VIRRGIN. The business community went above and beyond in supporting its staff and the community and by October, 73% of employees were back on the island and working.

This collaborative effort of the financial services sector was crucial for the overall recovery of the islands and played a huge part in supporting the economy whilst other industries – such as tourism – rebuilt. However, it was only two and a half years later when the BVI would be hit with another ‘unprecedented’ event, causing economic shockwaves through the jurisdiction – COVID-19.

Like Irma, the effect of the global pandemic in the BVI was immediate. The closure of borders and complete void of tourism shook the economy, with the GDP dropping 3.9% – broadly in line with major economies but significantly less than other Caribbean nations.

The impact of the pandemic on tourism exceeded that of Hurricane Irma. There were more overnight visitors to the BVI in 2018, when the islands were rebuilding than in 2020 and 2021 combined. Yet once again, the BVI demonstrated why it has stood as a world-leading business centre for decades, bouncing back stronger than before.

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## Building resilience

The economic resilience displayed in the aftermath of these events highlights the competence of the financial services sector in rapidly adapting to shifting circumstances and the unique attractiveness of doing business in the BVI.

The BVI's unwavering success in drawing businesses and entrepreneurs from across the world lies in the depth and breadth of its services and expertise. The BVI financial services sector caters to the entire lifecycle of a company - from incorporation, mergers and acquisitions, public listings, privatisations, through to restructuring and insolvency - and is a trusted partner for companies across the globe due to its tax neutrality, agile framework and strong legal environment.

As a result, the BVI economy has bounced back. For example, in 2021 when the pandemic was still disrupting many elements of economic and social life, annual GDP growth was 2.2 per cent and this year, the BVI is expecting growth of 1.8 percent.

The second year of the pandemic also saw the highest level of new company incorporations by financial services in the BVI since 2018, and in addition, the number of new limited partnerships formed in 2021 was more than three times that of 2019 and 2020.

This continued success has provided the jurisdiction with some of the highest levels of prosperity in the Caribbean. The BVI's resilience and strength has also had global implications, with the BVI remaining a vital cog in facilitating growth and investment.

## Looking ahead

Remaining resilient, however, requires staying with your finger on the pulse of international trends and developments. As an International Financial Centre, this requires keeping pace with the innovations that are transforming the financial and economic landscape and ensuring that the services of the jurisdiction can facilitate the new demands of emerging sectors.

From cryptocurrencies to fintech, the BVI has embraced innovative companies and emerging technologies, establishing itself as a trailblazer in the digital assets sector. For example, in 2015 when most jurisdictions were rejecting digital asset funds, the BVI Investment Fund Association was working with the BVI FSC to create new frameworks to facilitate them and as a result succeeded in creating an ecosystem ripe for fast-growing businesses to thrive, attracting businesses from the West Coast to Hong Kong.

Earlier this year, the BVI Financial Services Commission also admitted Fusang, Asia's only fully regulated end-to-end digital securities exchange, to its list of recognized exchanges paving the way for Asian-based, BVI-registered companies to benefit from the efficiencies of listing their shares digitally via equity tokens.

The nature of the crypto and digital asset space has made regulation increasingly complex and the collapse of high-profile companies in 2022, Three Arrows Capital and most recently FTX, has underscored the importance of comprehensive frameworks and structures in the sector.

The BVI is well equipped to deal with the fast-moving landscape, with the litigation and restructuring capabilities to deal effectively with such incidents.

Earlier this year, for example, advisory firm Teneo BVI, by appointment of the courts, took control of high-profile Three Arrows Capital assets, the \$10 billion crypto hedge fund that the courts ordered liquidated, and

demonstrated the high calibre of the British Virgin Islands Court system and the jurisdiction's litigators and insolvency practitioners.

The crypto and digital sector is, in many ways, still in its infancy and as it matures, the BVI will continue to evolve its regulatory frameworks to cater to the emerging sector.

### **Moving forward**

The BVI's continued success in recent years has been a testament to the strength of the financial services sector and its role as a pivotal cog in global trade and investment.

While geopolitical challenges and breakneck speed innovation continues to disrupt and shift the global economic landscape, the BVI remains steadfast in its commitment to facilitate economic growth, remaining agile in the face of any challenge. ■

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#### **ABOUT THE AUTHOR**

*Simon and the BVI Finance team lead the efforts of the BVI in promoting the territory's international business and financial services both locally and overseas. Simon is a senior financial services professional with a strong international background with experience of Europe, the Middle East, North America, Asia, Africa and Latin America and an established track record of success.*