British Virgin Islands Client Update

December 2025

1 Introduction

1.1 There has been an increased focus on regulatory compliance of British Virgin Islands ("**BVI**") entities in the last few years following peer reviews from the Financial Action Task Force ("**FATF**") and the Organisation for Economic Cooperation and Development ("**OECD**") which has resulted in the BVI being added to the FATF grey list and the European Union's ("**EU**") list of countries which cooperate with the EU and have pending commitments.

1.2 In response, we have seen increased activity from BVI government, the Financial Investigation Agency ("**FIA**"), the Financial Services Commission (the "**Commission**"), the International Tax Authority ("**ITA**") and the Registry in terms of new legislation and regulation, increased reporting obligations, inspections, information requests, and issuance of breach and penalty notices.

2 Beneficial Ownership

2.1 The most significant change has arguably been the obligation for BVI companies and partnerships to file their beneficial ownership information with the registrar via the BVI online VIRRGIN platform or face potentially significant penalties. Thankfully the BVI government has granted an extension for BVI companies and limited partnerships (existing before 2 January 2025) to file their beneficial ownership information by 1 January 2026.

3 Additional Information Form

3.1 The BVI has now aligned with other offshore jurisdictions to introduce the Additional Information Form. Annually, all reporting financial institutions and non-reporting financial institutions must now submit an Additional Information Form via the Virgin Islands Financial Account Reporting System ("**BVI FARS**") within nine months from the end of each financial period.

3.2 The Additional Information Form poses certain questions, including whether the entity has a training programme for compliance with the common reporting standard ("**CRS**") and policies and procedures.

4 International Tax Authority

4.1 The ITA has been focused on:

(a) issuing requests for information from entities.

(b) assessing compliance with economic substance obligations; and

(c) assessing compliance with common reporting standards (including the foreign account tax compliance act).

4.2 Where an entity has a global intermediary identification number ("**GIIN**") (which is publicly available on the United States Internal Revenue Service website) but does not have a Virgin Islands financial institution number and has not undertaken reporting through BVI FARS such entities have received letters of enquiry from the ITA. The ITA has also raised questions regarding economic substance classification and reporting obligations.

4.3 We would suggest that entities take the opportunity to assess whether they are in fact financial institutions with Foreign Account Tax Compliance Act ("**FATCA**") and CRS reporting and compliance obligations and consider their economic substance classification to prepare for any potential enquiry from the ITA. We are aware of the ITA issuing breach and penalty notices.

5 Regulated Entities

5.1 Entities which are registered with or licensed by the Commission could potentially be subject to an inspection from the Commission. As we understand, the Commission will cover all sectors through its inspections, however the majority of the inspections are focused on trust and corporate service providers, investment business sectors and virtual asset service providers. There is no published methodology as to which entities will be selected for an inspection and some entities have received administrative penalties.

5.2 Inspections will generally focus on compliance with anti-money laundering ("**AML**"), counter terrorist financing ("**CTF**"), counter proliferation financing ("**CPF**") and sanctions obligations. We would suggest that entities take the opportunity to assess whether they have undertaken specific BVI training and have policies and procedures, systems and controls which comply with the BVI laws. We have assisted clients to prepare for an inspection, including preparing relevant policies, procedures and risk assessments the Commission, or the FIA could request.

6 Virtual Asset Service Providers

6.1 Following the FATF review of the BVI there is a drive for unregulated virtual asset service providers ("**VASP**") to be registered with the Commission.

6.2 Section 5 of the Virtual Assets Service Providers Act states that *"(1) no person shall carry on in or from within the Virgin Islands the business of providing a virtual asset service without being registered by the Commission in that regard. (2) An individual shall not carry on, or hold himself or herself out as carrying on, in or from within the Virgin Islands, virtual assets service as a business or in the course of business."*

6.3 Section 6(1) states that an application for registration as a VASP must be made to the Commission to undertake business in one or more of the following categories:

(a) carrying on the business of providing a virtual assets service;

(b) engaging in the business of providing a virtual assets custody; and/or

(c) operating a virtual assets exchange.

6.4 The penalty for carrying on virtual assets service business without being registered is US$100,000 or 5-years imprisonment or both for a corporate or US$75,000 or 5-years imprisonment or both for an individual.

Please do not hesitate to contact us for assistance with your regulatory enquiries, including AML, CTF, CPF, sanctions, beneficial ownership, registration and licensing, economic substance and FATCA, CRS classification advice and reporting obligations, including assistance with the portals.

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