



**GOOD GOVERNANCE:** *Cultivating a competitive advantage amidst a probe*

Gaining momentum through the Eastern sojourn of pioneering Virgin Islanders and their international partners, the financial services industry of the British Virgin Islands shot to global acclaim in quick time. Its meteoric rise to prominence as the world's premier financial centre rested heavily on a predictably steady socio-political climate and a largely advantageous legal, fiscal and administrative corporate structure. Even after decades, the Territory's positioning as a global leader has been lauded by its patrons and regulators, most recently being recognised for its resilience and innovation as the "Best Offshore Financial Services Provider-Global 2020".

Credit must be ascribed not just to the substance of the BVI Company as a product, but also to the Virgin Islands as a producer. Commerce is simply transactions enacted across networks. Networks are themselves the sum of relationships which in turn are founded on trust. In the transnational market reality all are simultaneously strangers, competitors and potential clients, with reputation being the intangible first point of contact. The Virgin Islands' reputation as stable, proven and agile has undoubtedly underpinned the success of its financial services provision.

**In its esoteric ivory tower predicated on high economic performance, the industry has certainly exhibited an allowed modicum of self-determined isolation, but no economic activity can ever be entirely removed from the context and nuances of its domestic market. The sterling reputation of the Virgin Islands as an offshore financial centre; its greatest appeal, shares the threat of the mammoth implications of the United Kingdom's mandated Commission of Inquiry, even if only peripherally.**

Arguably separate and apart from its claims of political malfeasance, criminal interference and fiscal mismanagement, the notion of a Territory's reputation is underpinned by perception. The erroneous, albeit instinctive, conflation of our alleged poor governance with a misconception of decreased virtue as a jurisdiction upon which trust can be placed therefore damages our product.

While reputation is by its nature entrenched, it is also defined by its reparability. As compliance professionals, Driftwood's perspective is inclined towards hope. The era of COVID-19 has taught the industry and the Territory to not only employ resilience and adaptability to survive crisis, but also to wield ingenuity and build on new opportunities.



International scrutiny has been levelled at the Virgin Islands before. Within the unturned finer details of our governance, we encounter the prime occasion to reestablish ourselves as an upright and virtuous jurisdiction epitomising the hallmarks of good governance.

The United Nations characterised ‘good governance’ as exhibiting eight fundamental qualities;

**“It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law.”**

It is evident that the direct and most obvious ramifications of the Territory’s Commission of Inquiry will be felt within the executive and managerial ranks of the elected and appointed civil service. However, the Virgin Islands’ private sector must continue to play its role in defining the landscape on which our future course will be chartered.

**Good governance must be top-down; communicated and exemplified by senior firms and professionals as well as regulatory agencies, but it must also be lateral. We champion the idea of a universal shift across industries towards operating in a manner that builds trust, stability and ultimately greater international appeal. Despite our diminutive stature as a geo-political power, we boast an impressive corner of the market for international commerce and finance. As industry leaders, we must therefore be unified in our assumption of an exemplary role. The onus is on our political administration, regulatory agencies and ‘magic-circle firms’ to contribute to a culture of transparency, accountability and predictability.**

Contrary to the implied individualism of democratic institutions, our decades of training and management as a firm have solidified a system-centric approach to fostering good governance within organisations. Our proven results over the years have cultivated our belief in trusting the process instead of the person. Taking into consideration the work flow and resources available to our clients, we implement regimes that lend towards predictable and measurable outcomes achieved through strategic, goal oriented and regulated action. Systems of sound corporate governance lessen the frequency and severity of human error and its impact on the efficacy of the organisation.

**Much like corporate social responsibility, in the new era of the conscientious and informed consumer, good governance is not only an obligation of idealism, but also an imperative of hard, numbers-driven capitalism. Reflected in the**



**microcosm of corporations, good governance on a national scale results in palpable value creation. Upturns in operational productivity and financial performance are met by increases in community goodwill and investor confidence.**

Through interaction with the dynamic of our financial services centre at its every facet over a combined thirty years, the Driftwood team appreciates the impact of our stellar reputation on the industry's capacity. Within this epoch of audit, our experience grants us a vision of a jurisdiction reborn. By investing in the erection of systems that are fair, responsible, transparent and accountable we can engender market confidence, creating an environment ripe for investment.

The industry is once again presented with an opportunity to lead by example, how will we respond?

#### **RECOMMENDED READING:**

- <https://www.europeanceo.com/home/british-virgin-islands-retains-status-as-leading-financial-centre/>
- <https://cfi-co.cdn.ampproject.org/c/s/cfi.co/menu/cfi-co-meets/2021/02/british-virgin-islands-rise-to-top-of-financial-services-industry-with-bvi-finance-ceo-elise-donovan/amp/>
- <https://www.osce.org/oceea/446335>
- <https://www.unescap.org/sites/default/files/good-governance.pdf>
- [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1521370](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1521370)
- <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD544.pdf>