

The House that Robert Mathavious Built

Robert Mathavious, my illustrious predecessor, is a man known for looking forward so it may seem odd for me to start by looking back.

But to gain a measure of the man and his achievements for the BVI, we need to remember how poor and tough life was in our beloved islands just a generation ago, when an economic adviser sent by the British government concluded the future was so bleak that the islands should be abandoned, the people moved to a larger Caribbean island with jobs and the BVI left to become a bird sanctuary.

Then, our people lived in wooden or board houses, cooked on stone or kerosene stoves and washed their clothes in the ghut. Now we have comfortable concrete houses with all mod cons. Then, BVI Islanders left these islands to seek work. Today, our young people go to university and we are a thriving middle class society.

This didn't happen by itself. It happened because of the foresight and perseverance of BVI Islanders, among whom few shine more brilliantly than Robert Mathavious.

Back when times were tough, as Deputy Financial Secretary Mr Mathavious was among a bright cadre who saw a pathway to economic improvement based on services.

At first, they capitalised on the UK's extension of its global network of double taxation treaties to our Territory. When the treaties were terminated, Mr Mathavious led the drive to develop what turned out to be the transformational International Business Companies Act of 1984.

The IBC Act and its successor, the BVI Business Companies Act of 2004, led our country's metamorphosis from a fledging, low-tax centre to the thriving international finance centre we are today.

Becoming Financial Secretary and then Director of Financial Services and from 2002 Managing Director and Chief Executive Officer of the Financial Services Commission, Mr Mathavious built a financial services house which in the last twenty years has provided between 55 and 65 cents of every dollar the government has spent.

It has accounted for an average of \$165 million a year for the BVI's schools, roads, infrastructure, healthcare and other public services.

The industry has also stimulated a plethora of support businesses and now provides hundreds of jobs both directly and indirectly to BVI Islanders. It puts food in people's mouths, shelter over people's heads and is a major factor in why the BVI now enjoys a per capita GDP of more than \$34,000, among the world's highest.

This alone merits the utmost praise. But Mr Mathavious did much more.

His mentor, former Chief Minister H.L. Stoutt, had had the courage to entrust the development of the financial services sector to BVI Islanders themselves when others, particularly in the UK, felt they were not capable of this. And Mr Mathavious is a leading light of the Methodist church, which has a proud history of providing education to BVI Islanders before today's system was introduced.

It is little wonder, then, that, with his rare and generous gift for spotting and nurturing talent, Mr Mathavious brought BVI Islanders straight from college into the Commission. He hothoused them, investing ceaselessly in their skills and professional training and working with the H. Lavity Stoutt Community College to establish the BVI's own Financial Services Institute.

As a result, 98% per cent of the Commission's 164 staff today are BVI Islanders – a home-grown team of internationally acknowledged experts in their respective fields.

As someone in whom he placed his faith and who now has the honour of taking forward his work as head of the Commission, I owe Mr Mathavious a personal debt of gratitude.

Mr Mathavious also wanted to see more BVI Islanders in senior positions in the financial services firms attracted to our shores. He urged successive governments to encourage our people to raise their financial services skills, including by working in other jurisdictions, so that the need for expats was less.

When people have very little money, they often manage it well. As our income grows, this skill can get lost. Mr Mathavious saw this, and the Money Matters programme he introduced continues to support BVI Islanders with their personal finances and warn them about scams.

From the start, Mr Mathavious worked to build the BVI as a top-drawer international finance centre. His motto was, "Do it right rather than do it fast".

He saw that the BVI would only be able to attract good business and talented employees, create useful alliances and win a hearing in the international arena if its regulatory reputation was strong.

Over the years, he regularly exhorted audiences to learn this mantra: “My reputation matters to me. My organisation’s reputation matters to me. My country’s reputation matters to me. My region’s reputation matters to me.”

He focused relentlessly on the need for compliance. As I have heard him say on countless occasions, it is not enough for anyone – whether a company or a country – to “talk the talk” about complying with international standards. They have to “walk the talk” too, because non-compliance by one damages the reputation of all.

It is not always realised what a huge reputation Mr Mathavious himself enjoys across the world. Time after time I have met regulators or political leaders from abroad who, on hearing I am from the BVI, ask after him and say something about his generosity in helping them or his positive impact on our region or our shared industry.

Mr Mathavious has pursued a vision of a global offshore finance industry that meets the highest standards and engenders international respect.

He is perhaps the only person who could have responded in such a far-seeing and effective way to the mounting global threat to offshore by managing to bring together 17 small and developing economies with international finance centres to develop a collective response.

In an industry beset by beggar-thy-neighbour competition between countries, the establishment of the International Trade and Investment Organisation (ITIO) in 2001 was a tribute to his own immense personal standing

The ITIO proved a great success. It shared information, ideas and strategies, helped members’ negotiations and won the argument that the initiatives led by the Organisation for Economic Cooperation and Development should operate on the basis of a level playing field.

Unfortunately, many members then miscalculated that they had escaped the hurricane, not realising they were actually in its eye, and to the BVI’s frustration allowed the ITIO to wither on the vine. There is still just as great a need for it today.

In 2002, Mr Mathavious secured the BVI’s place as one of the world’s most respected and trusted finance centres by ensuring the passage of the Financial Services Commission Act. By making regulation independent of government while still accountable to it, this guaranteed that our Territory was, and would always strive to remain, a jurisdiction of excellence.

Numerous other pieces of legislation, including the immobilisation of bearer shares and the regulation of trust and corporate service providers, have all boosted the BVI's competitive position and regulatory regime. The strength of these is due to the partnership which Mr Mathavious instigated between regulator, government and the industry and which continues today.

This partnership has helped to keep the BVI off international blacklists and to ensure we come out well from the endless international assessments and reassessments of our regulatory regime by international bodies.

Mr Mathavious saw early on that that challenging times would become our business as usual – that increased regulation, greater scrutiny and peer reviews would become a fact of life; the regulatory perimeter would continue to widen; and non-compliance would have increasingly serious implications.

The Commission will pursue his balanced and differentiated approach to regulation. We know that too little regulation or inadequate enforcement can lead to avoidable failures and wrongdoing and destroy confidence and business. On the other hand, over-regulation can create unnecessary bureaucratic burdens, stifle innovation, hamper success and also destroy business.

Looking ahead, the challenges facing the BVI are as intense as ever. Among them, we will need to work through and respond to the implications of the recent G7 corporate tax agreement as it makes its way to the G20 this July and is then negotiated among 139 countries by the OECD.

Throughout his career, Mr Mathavious has sought to stop those he calls the “ethically challenged” from abusing BVI structures. With a view to achieving the highest levels of industry compliance, not least with anti-money laundering requirements, the Commission will later this year publish its formal “enforcement philosophy”.

This will articulate that prompt corrective action will be taken, there will be enhanced administrative penalties for AML/CFT and prudential contraventions, and market conduct failures will be incorporated into the enforcement regime. There will be wide-ranging actions and meaningful consequences for firms and individuals who don't follow the rules.

The great scientist Isaac Newton said, “If I have seen further, it is by standing on the shoulders of giants.” Robert Mathavious is one such giant. The financial services

house that he built has transformed our economy and the opportunities our people enjoy.

Standing on his shoulders, the Commission is well positioned to look into the future and, working with government and industry, to support and enhance the wellbeing of BVI for years to come. He deserves all our recognition and thanks.

Kenneth Baker

Managing Director and Chief Executive Officer, BVI Financial Services Commission