



## Legal Insights

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# The future for the BVI under Globalization

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### [Introduction](#)

Globalization is defined as the process of interaction and integration among people, companies, and governments worldwide. It is primarily an economic process of interaction and integration causing a growth in international trade and the exchange of ideas, beliefs, and culture.

Economically, globalization involves the international exchange of goods, services, data, technology, and the economic resources of capital which along with advances in telecommunication have developed and expanded global markets to facilitate the economic activities of the exchange of goods, services and capital.

This article seeks to briefly assess where the British Virgin Islands (BVI) stands in the current period of globalization (Globalization 3.0) and also to explore the future of the BVI under the next phase of Globalization 3.0.

### [Periods of Globalization](#)

The American political commentator, Thomas L. Friedman in his book, “*The World Is Flat: A Brief History of the Twenty-first Century*” divides the history of globalization into three periods: Globalization 1.0 (1492–1800), Globalization 2.0 (1800–2000) and Globalization 3.0 (2000–present). The Globalization 1.0 period, according to Friedman, involved the globalization of countries, “the main agent of globalization was the nation-state globalizing for Empire, or for resources, or for power.” Globalization 2.0 involved the globalization of companies. During this period, Friedman argues, globalization “was spearheaded by companies globalizing for markets, for labor, and for resources.” The activities related to this phase further broke down the barriers of international borders, trade, and cross-cultural connections.

The third and current phase of globalization, what is referred to as Globalization 3.0, involves the globalization of individuals. This began around the year 2000. Friedman noted that “what’s really new, really exciting, and really terrifying about this era of globalization is that it is built around individuals. What is really new about this era is that we now have individuals that can compete, connect, and collaborate globally as individuals.”

### [Features of Globalization 3.0](#)

Features of Globalization 3.0 include the development of the personal computer, which “allowed individuals, for the first time in history, to author their own content” in digital form, the “dot com bubble,” which funded the necessary infrastructure for global internet access, the development of optical fibre and cable connectivity arrangements, leading to a revolution in global connectivity. The development of the internet from the “static web”, made of read-only webpages that, by and large, lacked much in the way of interactive features, to web 2.0, which is what we have now, and marks the internet’s evolution into an era of dynamic

content. Users can interact with web pages, communicate with each other and create content – for example on social media networks like Weibo, Twitter, WeChat, Facebook, and Instagram.

Developers of Web 3.0 infrastructure (with its different sectors, such as (i) Decentralised Finance or DeFi, (ii) NFTs, and (iii) Decentralized autonomous organizations (DAOs)) are increasingly using BVI entities to own and manage their creations as BVI companies are relatively cheap to establish, take 1-2 days to be formed and their annual maintenance costs compare well against other offshore jurisdictions like the Cayman Islands and Bermuda, and mid-shore jurisdictions like Luxembourg, Hong Kong and Singapore.

Web3.0 is predicted to include the next evolutionary stage of the internet which involves decentralization, token-based economies and blockchain technology. Decentralization means internet users can transact business peer-to-peer, cutting out intermediaries and removing power from controlling entities. With Web 3.0, there is a greater focus on user privacy, transparency and ownership. The BVI has a common law legal system that facilitates commercial transactions and maximizes flexibility and additionally has been introducing legislation such as the Data Protection Act, 2021 (“**DPA**”) to enhance the protection of rights related to privacy, transparency and ownership. Under the DPA, any BVI entity that handles an individual’s personal information will have obligations with respect to how that data is handled. For example, the individual to whom the information relates must be informed of what their personal information is being used for, and by whom. The processing and control of such data must also abide by certain specific principles.

#### [The Next Phase of Globalization 3.0 – Artificial Intelligence and Web 3.0](#)

The increasing use of Blockchain and other distributed ledger technology (DLT), big data and artificial intelligence (AI) as well as cloud computing is likely to cause significant transformation of the financial sector as the use of DeFi, NFTs and other DLT features expand. For example, investment Fund managers are already being significantly affected by improved availability of data, by algorithms, the digitization of assets, and by new processes in custody, settlement and reporting. As a fast-growing jurisdiction for offshore investment funds investing in sectors such as web3.0 and AI, the BVI has been developing its laws to ensure that it encourages the use of BVI structures within the framework of international standards. The BVI is committed to ensuring that its financial services industry is aligned with international best practices and compliant with the standards imposed by the Financial Action Task Force in order to actively participate in the various aspects of this next exciting phase of Globalization 3.0. The BVI has enacted the *Virtual Asset Service Providers Act, 2022* (“**VASP Act**”) to implement the Financial Action Task Force’s standards on virtual assets and virtual asset service providers (“**VASPs**”). The VASP Act creates the legal framework for the registration and supervision of Virtual Assets Service Providers (VASPs) operating in and from within the BVI.

On 1 December 2022, the BVI implemented measures to ensure a VASP which is carrying on or providing "virtual asset services" when a transaction involves virtual assets valued at US\$1,000 or more is required to be compliant with the BVI's Anti-Money Laundering Regulations (“**AMLRs**”) and related Anti-Money Laundering and Terrorist Financing Code of Practice (“**Code**”).

With the advantage of having a sophisticated legal framework that includes the VASP Act, the AMLRs, the Code, and the DPA, the BVI is setting itself as a key jurisdiction for individuals around the globe to set up corporate structures to actively participate in the next phase of Globalization 3.0, namely the development and growth of (i) artificial intelligence (AI) and (ii) Web 3.0 infrastructure (e.g. DeFi, NFTs, etc.).

Other advantages of the BVI such as (i) aligning with international best practices and compliant with the standards imposed by the Financial Action Task Force, (ii) the absence of currency exchange controls, (iii) tax neutrality (i.e. utilizing BVI entities or trusts does not add to the tax burden or complexity of a corporate group structure as there are no income tax, capital gains tax, corporation tax, wealth tax or other taxes applicable to the BVI entities or trusts), (iv) political stability, and (v) a common law legal system that facilitates commercial transactions and maximizes flexibility, will make the BVI increasingly competitive in the next phase of Globalization 3.0.

***This publication is not intended to be a substitute for specific legal advice or a legal opinion. For specific advice on the formation, structuring and regulation of crypto/digital***

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## SERVING CLIENTS GLOBALLY



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Loeb Smith is an offshore corporate law firm, with offices in the British Virgin Islands, the Cayman Islands, and Hong Kong, whose Attorneys have an outstanding record of advising on the Cayman Islands' law aspects and BVI law aspects of international corporate, investment, and finance transactions. Our team delivers high quality Partner-led professional legal services at competitive rates and has an excellent track record of advising investment fund managers, in-house counsels, financial institutions, onshore counsels, banks, companies, and private clients to find successful outcomes and solutions to their day-to-day issues and complex, strategic matters

