



ANGUILLA FINANCIAL SERVICES COMMISSION
Annual Report and Accounts 2008

H.E The Governor's Report

INTERNATIONAL FINANCIAL REGULATION IN ANGUILLA

- A CHALLENGING TIME



“The FSC will need to adapt and expand to meet the new challenges. It deserves the strongest support from all of us in performing its vital task.”

I am delighted to contribute to the Annual Report of the Anguilla Financial Services Commission. In the six months that, as Governor, I have been responsible for the oversight of international financial regulation in Anguilla, I have come to realise how important such regulation is to the jurisdiction, and in particular to the economic well-being and reputation of the island.

I should like to begin by paying tribute to the work of the Chairman and Director of the FSC, both of whom are sadly leaving us in the next few months; and to the Deputy Director and all the staff at the FSC. It has been a busy and challenging year. Next year is likely to bring new and greater challenges. As I have just become Governor of Anguilla it may be appropriate for me to offer some thoughts on the future, particularly the next few years as the world hopefully moves out of the current financial crisis.

I learnt that I was to be appointed Governor of Anguilla in September 2008, the same week that Lehman Brothers collapsed. It was soon clear that the financial crisis that followed would have far-reaching consequences throughout the world. Despite the fact that Anguilla had no part in the creation of the crisis, this island was sadly never going to be immune from those consequences. The impact on tourist revenue was the most immediate and severe consequence. But, for the financial services industry, it rapidly became clear that there would be a new international focus on regulation and transparency, in particular on small offshore jurisdictions, and that the crisis had been a major game-changer.



H.E. The Governor Alistair Harrison

We cannot ignore the new challenges that those changes have brought. Put simply and starkly, if Anguilla and other small offshore jurisdictions want to stay in the financial services industry, we have to match up to international standards and play our part in the global supervisory network. Some argue as to whether Anguilla should stay in the game, or is capable of doing so. I am clear that we should and can rise to the challenge. Financial services accounts for around 12% of our GDP. They employ around 6% of the workforce. And they represent an important area of diversification in an economy that is very dependent on tourism.

We have made a promising start. Anguilla is well on the way to signing the OECD minimum of twelve Tax Information Exchange Agreements - TIEAs - and will be well placed to add more as the standard is raised.



INTERNATIONAL FINANCIAL REGULATION IN ANGUILLA - A CHALLENGING TIME (continued)

But the process of ever-increasing attention and new demands on us will continue, and we need to be in a position to respond, by demonstrating the effective implementation of our laws in order to ensure Anguilla's reputation as a good place to do business. That is not just a matter for the regulators of course. The onus is on the industry itself, to "Know Your Customer", to maintain the highest standards, and to report promptly any activity which you suspect deviates from them or appears to do so. Reporting suspicious activity must be pro-active, not an exercise in covering one's back. If you saw an old lady being mugged in the street you would report it to the police immediately. Be just as decisive if you suspect a mugging by electronic means.

So the challenges ahead are immense, and we will all - practitioners, regulators, lawyers, politicians, and even Governors, have to work hard to meet them. The next year will throw up the unexpected, just as the last one has. Already in 2009 we have begun to meet the next series of challenges. A review of UK offshore jurisdictions, both the OTs and the Crown Dependencies, will also offer important advice and set us new challenges when it is completed soon. The FSC will need to adapt and expand to meet the new challenges. It deserves the strongest support from all of us in performing its vital task .