



ANGUILLA FINANCIAL SERVICES COMMISSION  
Annual Report and Accounts 2010

*Anguilla's licensing and regulatory body for the financial services industry*



## **OUR MISSION**

*To enhance the safety, stability and integrity of Anguilla's financial system and contribute to Anguilla being a premier financial centre, through appropriate regulation and legislation, judicious licensing, comprehensive monitoring and good governance.*



HELEN HATTON

*“The work of a regulatory authority is important; it is also interesting, complex and often challenging.”*

It is with pleasure that I write this first statement as Chairman of the Anguilla Financial Services Commission. I hope this short statement will give readers some insight into the daily work of the regulator and how this work not only adds value to the financial services offering, but indeed is vital to a successful one.

Since taking up my appointment in 1 May 2010, I have been reminded of the challenge small jurisdictions face in meeting the international regulatory standards, even though those standards are faced by all, on a level playing field basis, regardless of the country's size, complexity or capacity to meet them.

This challenge has actually been the main thread of my professional life for over twenty years – first challenging my colleagues and I in the Isle of Man in the early 1990s, then in Jersey throughout the late 90s and most of the first decade of the new millennium, and most recently, since I retired from the role of Deputy Director General of the Jersey Financial Services Authority, in the jurisdictions where I have worked as advisor on regulatory matters, many of which are either island OFCs (Offshore Financial Centres) or emerging economies.

My conclusion in respect of the challenge is, simply, that it can be met.

It is possible, with enormous hard work and some not inconsiderable changes to attitudes and pricing models, for a financial services industry in a small jurisdiction to introduce safeguards and standards that make its businesses as safe and as competent as those in larger and more sophisticated economies.

It takes a mind shift to see evidence of meeting international standards as a marketing opportunity rather than a cost; to see the international agenda as an endorsement of standards rather than an imposition of burden.

But, where jurisdictions can adopt that mind set and work cohesively and collectively towards implementing international standards, the rewards are high - as can be seen by the very successful economies of Jersey, Guernsey and the Isle of Man

## CHAIRMAN'S REPORT (continued)



and closer to home, the British Virgin Islands, Cayman and a number of other centres in the region.

I firmly believe that in this respect smaller centres can reposition themselves to turn these international standards to a positive advantage. Anguilla cannot compete on size, it cannot compete on market share, it cannot compete by showing off a list of 50 household name major banks; but it can compete with the simple statement “Anguilla has been independently assessed as meeting international standards”.

In a world where the most powerful centres have seen insolvency, where the mightiest of names have folded worth only pennies, and where the biggest of regulatory authorities have failed to protect their markets and their public, simply stating that one meets international standards is a clear, third party endorsement of fact.

If a jurisdiction can do that and can also deliver a quality skills pool, approachable and proportionate regulation, a good judiciary and the right balance between legitimate client confidentiality and proper co operation in criminal matters, it can compete with any centre, anywhere.

Some of these objectives are outside the scope of the Commission, but many fall within it.

Clearly it is the regulator's job to keep up with international standard developments and ensure the local regime is upgraded and the industry appraised and supported as the various measures are implemented. The regulatory authority can also do much to encourage the development of a deeper skills pool through the competency requirements and encouraging training and development amongst practitioners.

The regulator must also take care to be approachable and proportionate in its dealings: enforcing the law is an important responsibility of the Commission and one which is seldom popular. Nonetheless, it is vital that the public and the industry know the regime is applied evenly, fairly and in a balanced and proportionate way.

However, not all tasks fall to the regulator and in this respect my fellow Board members and I have had interesting discussions with other key agencies and bodies, as well as with Government, to ensure our willingness to be part of Anguilla's “community of interest” is understood. It is essential that all agencies work together effectively, respecting each other's roles and areas of contribution, with the shared aim of securing a quality financial services sector that can make a real contribution to the economy of the Island, protect its reputation as a growing centre and above all, protect the interests of the many international clients who have already entrusted Island businesses with their financial affairs.

In the same way as a “regulator” on the hot water cylinder must keep the temperature of the water within sensible limits for safety's sake, so the Commission must ensure controls are in place across the industry to reduce the likelihood of breakdown in the regulated community. Regulatory controls come in the shape of competency and solvency requirements, organisation and structure standards, know your customer and due diligence standards, protocols for segregating client assets, reporting and audit requirements and so on.

Where businesses are not operating safely, to continue the analogy, the expansion room in a boiler, for example, might equate to the solvency margin in a licenceholder, the Commission must take action to try to regulate the position, adopting steps aimed to bring the practice back within normal operating stresses. Just like an engineer, sometimes, regulators find things that are too broken to fix and in these circumstances, for the good of the public, the business sadly must be closed down or reconstructed to a better design.

Turning to particular achievements and events through the year, my fellow Board members and I would like to thank the Executive for a year of enormous effort. Much legislative progress has been made and of course managing the responses to the Foot Report and CFATF evaluations is a lengthy process as laws need to be drafted and the industry consulted upon them; consultation responses have



## CHAIRMAN'S REPORT (continued)

to be analysed and considered and revised proposals drafted and put through the Parliamentary process; implementation and application processes devised; regulatory staff recruited and trained and finally the recommendations become law and are put into force. This process must be largely repeated each time there is a new statutory development and of course previously implemented provisions need to be administered on an ongoing basis with all the associated review of periodic financial information, examinations and on site visits.

In addition to these activities between Commission staff and the local industry, supervisors must maintain their international co operation and service requests for information from members of the regulatory community around the globe. It is again important that sister regulators receive responses from the Anguilla Commission that demonstrate competency, and understanding of our own marketplace and a willingness to take our place as part of the international community of supervisory authorities.

The work of a regulatory authority is important; it is also interesting, complex and often challenging. I am grateful to Governor Harrison for his guidance and advice, to fellow Board members for helping me “learn the ropes” and for making me so welcome and I am grateful to the Director and her staff, certainly for their kind welcome, but particularly for their commitment and focussed endeavour throughout the year, without which the progress set out in the rest of the Report would simply not have been achieved.

In a meeting with industry some months ago, a senior figure shared with me a phrase he liked to use to describe the Anguillian finance sector offering: “Red Carpet, not Red Tape.”

It's a great strap line and I could see why he was attracted to it.

As a regulator very much committed to international standards, I cannot promise a red tape free zone, but we can commit to doing our best to keep it proportionate.

Thank you.