



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.

DIRECTOR'S REPORT



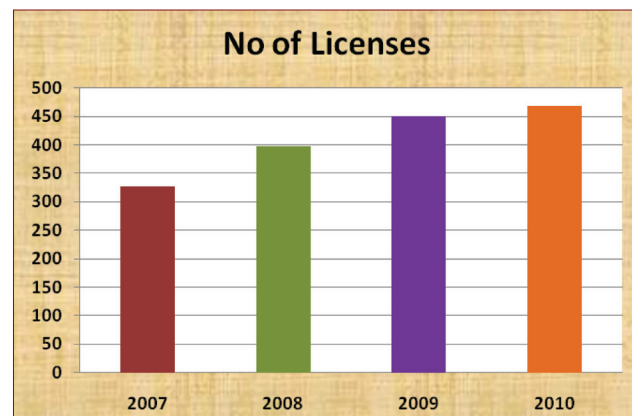
ELEANOR ASTAPHAN

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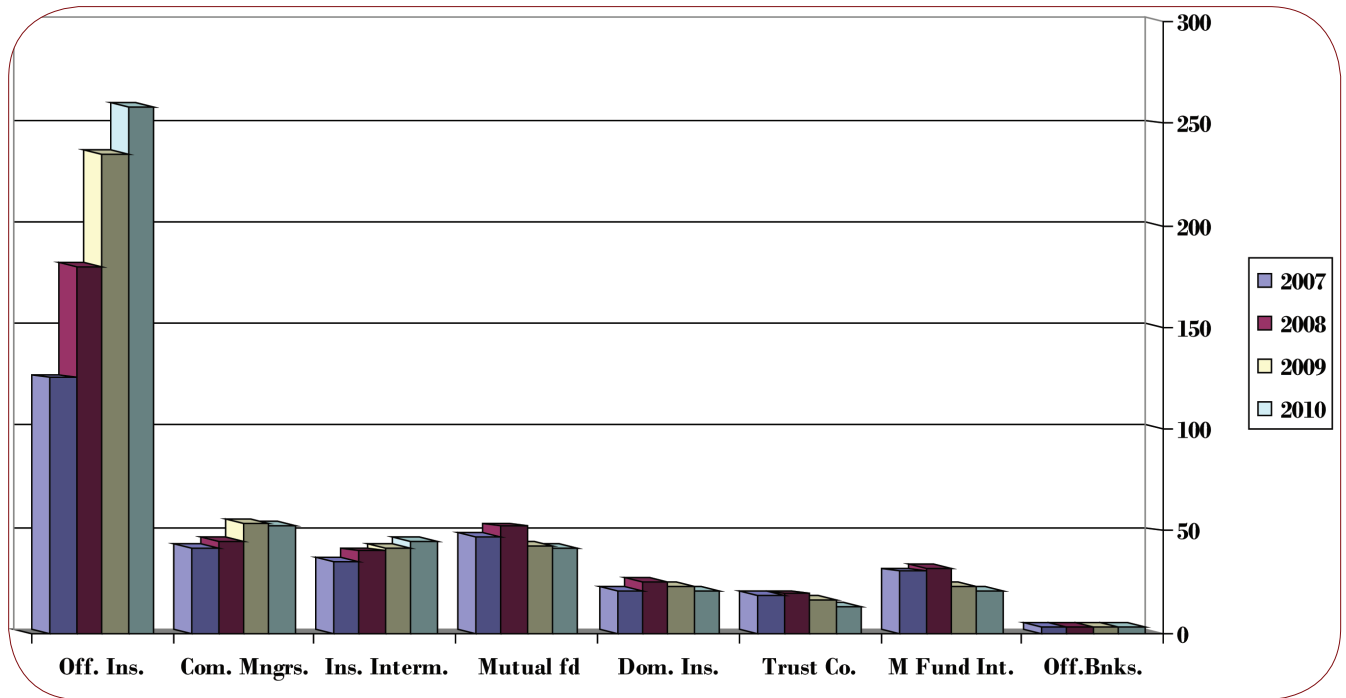
As anticipated the year 2010 saw a continuation of the fallout from the financial and economic global crisis which began in 2007. Anguilla like many of its OTC and OECS counterparts was challenged by the effects of the crisis on its major trading partners and the more immediate impacts on foreign investments and tourist arrivals during the year. The operations of some financial service providers were seriously affected resulting in voluntary liquidations and in various forms of regulatory support.

GROWTH IN LICENSEES

Growth in the number of the Commission’s licensees was modest and as in previous years was reflected primarily in the offshore insurance and insurance intermediaries sectors. Total number of licensees stood at 468 at the end of December 2010 representing a marginal increase of 4% compared to 13% over the previous year.



The offshore insurance sector showed reduced but consistent growth with a total of 258 licensees representing a 10% increase over the previous year. This however was below the 35% growth rate achieved in 2009. The other sectors remained relatively stable. It is expected that the international trends of institutional mergers and consolidation of operations in an effort to achieve greater efficiency and economies of scale will likely continue to dampen growth in the number of licensees. A graphic representation can be found below.



INTERNAL GOVERNANCE AND REGULATORY CAPACITY

In 2010 the Commission saw the departure of Mr Dennis Cross who served with distinction as Chairman of the organization from its inception in 2004. He was replaced officially by Mrs Helen Hatton during the first quarter of the year. Mrs Hatton, a former Deputy Director General of the Jersey Financial Services Commission has brought a tremendous wealth of expertise and regulatory experience to the Commission in her stewardship role.

As part of its own governance and organizational review, a new Conflicts of Interest policy was developed and adopted by the Board during the year. The policy is intended to promote transparency and confidence in the regulatory system by ensuring that information provided will be properly handled and that regulatory decisions are not improperly influenced by conflicts of interest. Further development of the Commission's 5-year strategic plan and a Board and Staff Retreat were also identified as priorities for the new year.

The establishment of the new AML/CFT Legal Unit charged with enforcement responsibilities was also accomplished during the targeted period with the recruitment of Ms Tina Bannister to head that division.

A program of registration and public outreach for the Non-Profit Organizations was successfully launched with a total of 41 registrants to date. A process of consultation with industry on the implementation of a similar regime for the non-regulated service providers will commence in 2011.

In addition to public informational outreach, staff of the Commission were engaged in training exercises for industry some of which were conducted jointly with the Financial Intelligence Unit. The Commission's staff also participated in several regional and international regulatory training programs. During the third quarter, the Commission benefitted from the services of Mr Richard Hands, a specialist bank expert who assisted in the review of two financial institutions. In addition, two members of staff commenced and successfully completed examinations of the Society of Trust and Estate Practitioners (STEP).

The Commission was active in its participation at various events including the CFATF Plenary, the Government of Anguilla's Medium Term Economic Strategy Conference, the Sustainable Tourism Master Plan Roundtable Discussions and the Albena Lake-Hodge Comprehensive School Career day for students.

DIRECTOR'S REPORT (continued)



The 2010 annual consultation of the financial services sector was held under the theme "Positioning Anguilla's Financial Services for an Economic Upturn" and continued to feature as an important event for dissemination of information on the Commission's work programme and exchange with industry participants.

The conference included presentations from the Commission's guest speaker, Mr Robert Mathavious, CEO of the BVI FSC, Mrs Palmovon Webster, Executive Member of the Anguilla Financial Services Association (AFSA), Prof. Delroy Loudon, President of the Anguilla Community College and Mr Valentine Banks, CEO of the National Bank of Anguilla.

A number of gaps were identified for consideration in crafting a strategy for the sustainability and increased contribution of the financial services sector to national development. Primary among these was the need for establishment of an effective marketing and promotional body for financial services and a national education curriculum that would contribute to deepening of the local skills pool in support and development of the sector. Details of the presentations made and an extract of ensuing recommendations can be found on the Commission's website. Further discussions with the Anguilla Community College and AFSA on appropriate certification and training programs in financial services and other means of collaboration with the Commission will be progressed in 2011.

The Commission launched a test run of its industry reporting forms in the third quarter of 2010 for the mutual funds, money services, trust and company service providers, international banks and credit union sectors. The fine tuning of the reporting process and the development of electronic filing capabilities is expected to continue in 2011. The co-operation of industry and the timeliness and accuracy of data reported will be essential elements in this exercise which will provide valuable data on the operations and performance of the financial services industry.

REGIONAL DEVELOPMENTS

During the year, the Commission was represented along with Hon. Edison Baird, Minister for Health and Social Development in participation at a regional gathering of the European Union and Cariforum held in Antigua

on financial services. Discussions centered on the regional regulatory arrangements, financial stability and international efforts at reform of the international financial services. The meeting also provided an update on the OECD/Global Forum on Transparency and Exchange of Information for Tax Purposes.

The Commission was also actively involved in the regional grouping of financial services regulators through the Regional Oversight Committee co-ordinated by the Eastern Caribbean Central Bank. During 2010, deliberations continued to be dominated by developments within the domestic insurance sector and the co-ordination of efforts towards a regional solution to the CL Financial collapse and resolution of the affiliated British American Insurance Company.

The financial contribution of the regional governments in the establishment of a regional Health Support Fund to provide relief to policyholders for medical claims was under consideration and close to finalization. The British American Insurance company branch operations in Anguilla remained under the administration of Mr Claudel Romney of KPMG.

INTERNATIONAL ASSESSMENT

Anguilla's mutual evaluation report was presented and adopted at the XXXI CFATF Plenary in the Dominican Republic in May 2010. The report was well received and provided a generally favourable review of the AML/CFT regulatory infrastructure. There however remained a number of the FATF 40+9 recommendations for which further action was required.

During the year the Commission was involved in addressing the specific recommendations pertinent to its statutory remit and work programme. The first follow up report was presented to the CFATF Secretariat in November 2010. On the basis of the progress made by Anguilla, the next follow up report was scheduled for November 2011.

In addition the first phase of the OECD/Global Forum Peer Review process is anticipated to commence in the first quarter of 2011.



DIRECTOR'S REPORT (continued)

NEW LEGISLATION

The legislative review undertaken during the year was mostly guided by the results of the CFATF mutual evaluation which identified gaps in financial services legislation in relation to internationally accepted standards. The review included the Financial Services Commission Act and the AML/CFT Regulations and Code. The resulting amended legislation was prepared for industry consultation.

In addition, the Non-Profit Organization regulations were introduced and set out a framework for the registration and operation of these organizations. Regulations governing the operations of the Designated Non-Financial Businesses and Professions were also drafted and circulated for industry consultation.

PROSPECTS FOR 2011

Recent economic performance reports suggest that sovereign solvency will be critical to maintaining confidence in the financial sector.

Regional and international governments will continue to undergo an important phase of adjustment and restructuring of their economies through the introduction of fiscal measures and debt policy initiatives expected to persist well beyond 2013.

The Commission's agenda for 2011 will seek to advance the corrective action plan for the CFATF follow up report of Anguilla. It will also seek to progress the strategic targets identified in the financial services industry consultation as a means of better positioning and increasing the attractiveness of the jurisdiction for future business. Primary among these activities are collaboration with industry on development of the current financial infrastructure, increased training activities and development of the legislative framework.

The strengthening of the Commission's capacity to maintain compliance with international regulatory standards and transparency will remain a top priority.