

**February 2<sup>nd</sup>, 2004**

Today is a historic day in the development of our Financial Center. The launching of the Financial Services Commission in effect demonstrates Anguilla's recognition of the importance of sound regulation to the development and promotion of the financial services sector.

In reflecting on where we are today in the development of our Financial Center, it occurred to me that we are not actually newcomers to the business of providing international financial services, as we sometimes feel. In fact neither has the basic vision for Anguilla as a Financial Center changed significantly over the years.

As I looked back at the process which has led to the establishment of this Financial Services Commission, I realize that we have indeed come a long way. And in the course of that reflection I took the time to peruse a document which to my mind represents the first real attempt by a Government of Anguilla to examine the potential of Anguilla as a Financial Center and begin to take positive steps to address it. That process was started by a letter from the Honourable James Ronald Webster, then Chief Minister of Anguilla, to the Registrar of Companies at the time the now Justice I. Don Mitchell on July 21<sup>st</sup>, 1980.



The letter confirmed the appointment of Justice Mitchell, the late Dr. William V. Herbert and Mr. Robert L. Sanders to a committee to reorganize the legal requirements for Offshore Companies. It was dubbed "The Committee for Anguilla as a Financial Center" and included in its terms of reference was what I believe was tantamount to a mission statement and I quote: "To study existing tax haven legislation and to investigate which needs of the international financial community may best be served by a new tax haven and to report to the Executive Council within eight weeks with suggestions for making Anguilla's tax haven status the most advantageous and best publicized in the world."

The committee's findings placed in a document dated December 1980 formed the basis for the emergence of a more structured approach to the development of a financial services department. It also provided solid support for the view that financial services could become a significant plank in our overall national development.

I mention this document because it indicates that almost a quarter of a century ago the local political directorate and the private sector recognized that while there were many incentives for international tax planners and investors to use Anguilla there was the need to rationalize and regulate the services we could offer. The report stated "Diversification into an industry that will enable Anguillians to develop special skills and expertise through servicing the capital of others offers obvious advantages. Anguilla's systematic development as a financial center through deliberate exploitation of her financial resources is one sure way to guarantee her future social well-being."

While this comment points to the clear recognition of the importance of a well regulated financial center to our national development, the same section which addresses the question: “Why Anguilla as a Financial Center?” also recognizes the hazards associated with being involved in the industry. Again I quote “attempting to make Anguilla the most advantageous tax haven in the world is an exercise which may not be properly directed. Likewise making it the most publicized tax haven will only bring down the wrath of the revenue authorities of the world upon the islands clients.”

That last statement was of course true of that period ---- but equally it was prophetic of the recent initiatives which continue to beset Financial Centers as they seek to service the needs of clients from the more developed countries of the world. But it also points to the precarious balance which must be struck between regulation and promotion to achieve success as a financial center.

In Anguilla local reaction to international financial services over the years have been mixed. There were those at all levels including the political and the legal who dubbed the sector as among other things “dirty offshore banking” ----- and the stigma attached to the sector had great impact on the politics of the day. But it was the proliferation of the services worldwide without adequate regulation which led to more and more scandals ---- and eventually global acceptance of the theory that proper regulation is necessary to ensure the integrity of the world financial system.

It was in this context, that in the latter part of the nineteen-eighties Her Majesty’s Government took a keen interest in the regulation of the financial services in its overseas territories and began a purging process which led to the closing down of the last remaining offshore banks. And in the 1990 Anguilla Constitution, financial services regulation miraculously appears as a part of the Governor’s direct responsibilities.

Since 1990 the regulatory umbrella of Her Majesty’s Government has provided a source of confidence and comfort for some international practitioners who have been using our services ---- but both the public and the private sector has embraced the need to develop a robust regulatory system which meets international standards. Cooperation between the two sectors at times has been challenging. The process is often slow and fraught with strong differences of opinion but eventually a level of consensus has characterized the outcomes. From the task force dealing with the new legislation; to the development of AFSA; to the response to new international initiatives; and so on ---- partnership continues to be the accepted way forward.

As Minister of Finance beginning in 1994, I have had the opportunity to experience some of the growing pains of the sector ----- differences of opinion on promotion; on the entrance of international firms into the local arena; on gateway legislation; on the exchange of information. But I have also had the opportunity to be a part of positive things like the development of our modern legislation, joint promotions internationally with the private sector; the development of the Acorn application; to name a few. All this is a part of the development of the original mission of 1980 to realize Anguilla’s potential as a Financial Center.

The KPMG Report on the review of Financial Regulations in the Caribbean Overseas Territories and Bermuda was the final phase of the process to create the platform for proper regulation in the twenty-first century. Building out a system of regulation capable of addressing the challenges created by the new technologies which have changed the way in which the global financial environment operates. It was clear from the report on Anguilla that the most appropriate solution to meet international standards was for our Financial Services Department to become an operationally independent body with its own funding source and a supervisory board to oversee the regulator as well as monitor its efficiency.

This recommendation was and is readily accepted by the Government of Anguilla. We also recognized the importance of the separation between regulation and promotion. It was always a part of our strategy to promote Anguilla as a well-regulated jurisdiction only seeking the best quality clientele. But the tardiness in implementation came from a difference of opinion between the local Government and the UK Financial Services Advisor as to the separation of the Registry from the Commission.

While we will not dwell on the details of that debate I must commend the objective analysis employed by staff of the Financial Services Department and the Ministry in selecting the most appropriate model. They first identified the key factors to be considered then determined which of the various models was best suited to achieve them. Overwhelmingly, the present structure emerged as the most appropriate. Armed with that information and with a clear vision of what we hoped to achieve for Anguilla we remained firm as to the structure we were prepared to accept. But most of all it was our view that the commercial development requirements of the Government of Anguilla for the sector could be best realized in this structure. Furthermore, we still strongly assert that the registry could be best regulated outside of the commission rather than as a part of it.

The launching of the Commission today, however, satisfies the regulatory requirements of our center. But, the need for a robust strategy for the promotion of the sector still remains to be accomplished. While this has presented some resource-oriented challenges in the past we believe that a more structured approach to this area of activity is emerging. In keeping with the partnership approach that has served us well over the years both Government and the private sector through AFSA have agreed to the joint funding and management of the promotion program. We look forward to real progress this year.

Finally, it would be remiss of me not to acknowledge the hard work of past and present officials in the Financial Services Department, the Attorney General's Chambers, the Governor's Office and the Ministry as well as members of the private sector. But I would particularly wish to single out the contribution of Mr. John Lawrence, Mr. Lanston Connor, Ms. Penny Little and certainly Mr. Marcel Fahie and Mr. Carl Harrigan in ensuring that we got the structure right.

All in all I am proud to be a part of this event this afternoon. I thank you all very much for your kind attention.