



ANGUILLA FINANCIAL SERVICES COMMISSION

GUIDELINES

(Issued under Section 61 of the Financial Services Commission Act, R.S.A. c.F28)

Consolidated Supervision

1. Statement of Objectives

The Commission seeks to ensure, where it acts as home or host supervisor of a licensee, that the licensee and its affiliated entities in a group structure are subject to effective consolidated supervision.

2. Introduction

- 2.1. Consolidated supervision means a group-wide approach to supervision whereby all the risks of a financial group are taken into account by a home country regulator. It refers to the supervision of a licensee as part of a group rather than the supervision of each individual company within a licensee's group. The purpose of consolidated supervision is to obtain, on an ongoing basis, a more accurate assessment of the risks to which a licensee may be exposed.
- 2.2. Consolidated supervision extends beyond accounting consolidation to the assessment of qualitative information, such as risk management, internal controls and corporate governance, in relation to the entities in a licensee's group.
- 2.3. The Commission generally is considered to be the host regulator when the licensee is a branch or subsidiary of an entity regulated in a foreign jurisdiction. The Commission will be the home regulator where the licensee's group is based in Anguilla and the group is not subject to consolidated supervision by another regulator.

3. The Commission as Host Regulator

- 3.1. When the Commission is the host regulator for a branch or subsidiary of a foreign regulated entity, the Commission will verify that the entity's home regulator conducts consolidated supervision of the entire group in accordance with standards acceptable to the Commission, as described in section 3.2.
- 3.2. In making an assessment of whether consolidated supervision is conducted in accordance with standards acceptable to the Commission, the Commission will take into account whether or not the home regulator adheres to internationally recognised standards such as the Basel Core Principles, the International Association of Insurance



ANGUILLA FINANCIAL SERVICES COMMISSION

Supervisors Core Principles, the Core Principles of the International Organisation of Securities Commissions, or any other international standard considered appropriate by the Commission. Specifically, the home regulator should receive consolidated financial and prudential information about the group's global operations, and have the capability to prevent (i) affiliations that undermine consolidated supervision and (ii) the creation of establishments in particular jurisdictions.

- 3.3. The Commission will not grant a licence to a branch or subsidiary unless it receives confirmation from the home regulator that:
 - 3.3.1. there is no objection to the establishment of a branch or subsidiary in Anguilla;
 - 3.3.2. there are no regulatory concerns with respect to the parent entity or its management; and
 - 3.3.3. the branch or subsidiary will be included in the consolidated supervision of the parent entity.
- 3.4. Applicants and licensees must submit to the Commission an organizational chart for the group to which they belong showing the parent entity, any subsidiaries or branches, and any sister companies. The chart should identify the supervisors for each company or legal entity in the group structure. Licensees should provide an updated organisational chart for the group if the group structure or members of the licensee's group change.

4. The Commission as Home Regulator

- 4.1 When the Commission is the home regulator for a licensee that is part of a group, the Commission supervises the licensee on a consolidated basis in accordance with international standards. The Commission assesses the risks posed to the licensee by the activities of other members in its group. Such an assessment is comprised of quantitative measures, such as financial indicators, and qualitative measures, such as risk management, internal controls and corporate governance. Where necessary, the Commission will request information about the activities or financial condition of the other entities in the licensee's group or perform on-site inspections of such entities.
- 4.2 Where the relevant regulatory law requires a licensee to obtain the Commission's consent before establishing a branch or subsidiary in another jurisdiction, the Commission will determine whether consent should be given by assessing the financial strength of the licensee and its group, and the appropriateness of the licensee's organization and operation procedures for the effective management of group-wide risks. The Commission also will assess the adequacy of regulation and supervision in the proposed host jurisdiction having regard to compliance with internationally



ANGUILLA FINANCIAL SERVICES COMMISSION

recognized standards. The Commission may require additional information or reject the application if it has reasonable cause to believe that the granting of such permission would not be in the public interest or the interests of the licensee's customers or creditors.

- 4.3 It is the Commission's policy that it will not ordinarily grant an approval under section 4.2 unless it receives confirmation from the host supervisor that there is no objection to the establishment of the branch or subsidiary and that the host supervisor will cooperate in the exchange of information with the Commission for the purpose of consolidated supervision. The Commission reserves the right to require a licensee to pay for part or all of the costs related to the supervision, including on-site inspections, of an overseas branch, subsidiary or representative office.
- 4.4 Applicants should submit to the Commission an organisational chart for the group to which they belong showing the parent entity, any subsidiaries or branches, and any sister companies. The chart should identify the supervisors for each company or legal entity in the group structure. Licensees should provide an updated organisational chart for the group if the group structure or members of the licensee's group change.
- 4.5 The Commission will not grant a license if an applicant's group structure hinders effective consolidated supervision.

5. Home-Host Relationships

- 5.1. The exchange of information with foreign regulators is essential for the performance of effective consolidated supervision. The FSC Act imposes a co-operative function on the Commission. Pursuant to the FSC Act, the Commission can exchange information with an overseas regulatory authority if the requirements of the law are satisfied. Based on these provisions, the Commission regularly requests from or provides to, on a confidential basis, information about licensees' financial condition, performance and compliance.
- 5.2. Upon request by a foreign regulator and where deemed appropriate, the Commission may allow a foreign regulatory authority to conduct an on-site inspection of an Anguilla entity over which the foreign regulator performs consolidated supervision.