



**ANGUILLA FINANCIAL SERVICES COMMISSION**  
**Annual Report and Accounts 2008**

Chairman's Report



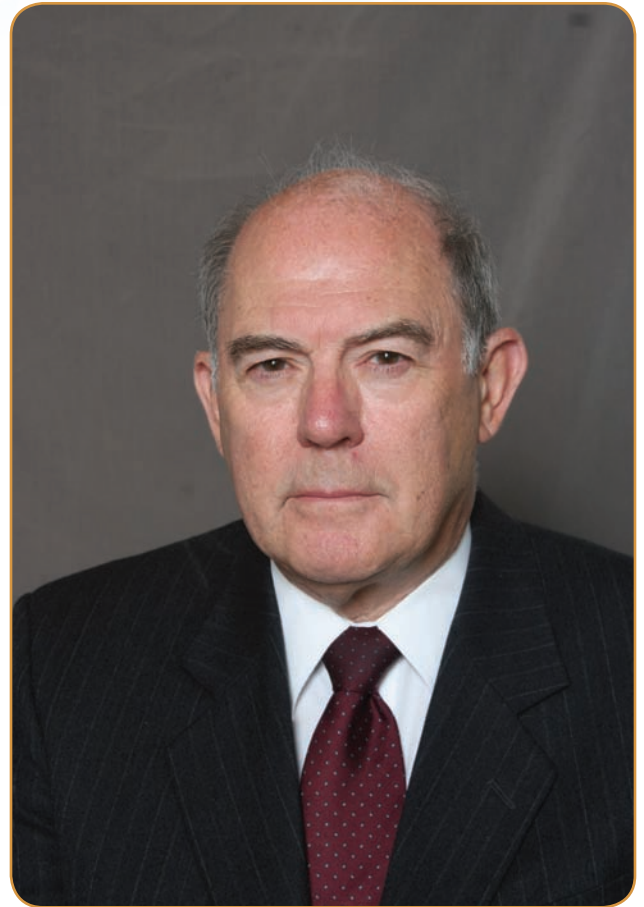
## CHAIRMAN'S REPORT

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**2008** was the fifth year of existence for the Anguilla Financial Services Commission and this is my fifth annual report. Each year I have reported steady progress in the operations and development and financial standing of the Commission as well as an absence of calamities. 2008 was also a year in which financial calamities staggered the world. The general economy of Anguilla has not been immune to these events but within the rather narrow world of the Commission 2008 was a year of continued progress much as before. However we are not complacent. 2009 is not 2008. It is very evident that 2009 is a year of serious challenges for the Commission and we recognise that. Nevertheless, the primary present purpose is to report on 2008, and this now follows.

This report covers a period of 16 months up to 31 December 2008. Our governing act was subjected to a few administrative amendments in 2007 one of which was to change the year end from 31 August to 31 December to fall in line with the licensing period administered by the Commission.

The Commission has continued to operate as an independent body. The audited financial statements for 2007/8 reveal another period with a financial surplus, similar to that for 2006/7, thereby demonstrating again our financial independence. The surplus for the period, after a payment of about half of it to the government, has been used to augment



*Dennis Cross*

our reserves. Estimates of revenue and expenditure for 2009 have been prepared and approved and we expect another surplus to be achieved but of smaller size than previously due to the escalating costs of expanded regulatory activities.

The financial services sector has continued to record strong growth. There was continued expansion in the number of financial services licences and these now number more than 390 of which about half are relatively small captive insurance companies. Most of these specialised captives fall into a niche, which Anguilla is serving well, of American risk coverage specifically recognised and allowed by US law. Anguilla has minimal activity in offshore banking, having only three relatively small offshore banks and only one of these was established in the last five years.

## CHAIRMAN'S REPORT (continued)



Regulation of the four domestic banks is, with the important exception of anti-money laundering issues, the responsibility of the Eastern Caribbean Central Bank.

The Work Plan for 2007/8 which is required under the Financial Services Commission Act was largely completed during the course of the year. This year further emphasis was given to onsite inspections of licensees relating to anti-money laundering (AML) and other issues as well as educational AML programmes for licensees.

The Commission is a long-time supporter of the concept that development of the financial services industry would be boosted by the formation of an organisation whose sole activity would be the promotion of financial services in Anguilla as a whole. The formation of a separate and objective promotional body remains a hope for the future.

The staff of the Commission continue to interact regularly with bodies outside Anguilla in three types of activity, namely, developmental assistance; liaison with other regulatory bodies; and providing staff members with training opportunities. Most of the overseas visits for these purposes during the year were for training although this is not fully reflected in our costs because, fortunately, we are sometimes able to secure subsidies from international organisations which are very helpful. An interesting forum which was established at the end of 2007 is half yearly meetings of the financial regulators of the six Caribbean area British overseas territories to discuss matters of mutual interest. Anguilla participates fully in these meetings. Also, the Director is to be commended for initiating late in 2007 a conference for Anguillian and other financial professionals to reinforce knowledge of regulatory and legislative developments. This was very well received and was followed by a similar but expanded conference in November 2008.

The British government and, more recently, the G20 have been devoting increasing attention to what they term, with disfavour, the tax haven activities of offshore financial centres. Despite this disfavour, instances of similar and competitive activities can be found in the G20 countries, for example: corporate anonymity in Delaware, Wyoming and other US states;

the UK as a tax haven for non-domiciled residents; bearer share use in some countries. Notwithstanding what might be perceived as an uneven playing field, offshore centres, and particularly British overseas territories, and more particularly Anguilla, can expect increasing pressure to modify activity in 2009 and beyond. The immediate challenges for Anguilla include an independent review by Mr. Michael Foot for the British Chancellor of the Exchequer of British offshore financial centres as well as a mutual evaluation review by the Caribbean Financial Action Task Force.

These and other issues are ensuring that 2009 is a challenging year for the Commission. We are fortunate that the professional strength of the Commission was enhanced in 2008 by the recruitment of Ms Eleanor Astaphan as our deputy director and the addition of Ms Tara Ruan to the Board of the Commission, as well as increased numerical strength in our professional staff. I am confident that we have made progress this year and are stronger than we were a year ago. 2009 is putting that strength to the test and we are responding to it.