

Compliance in a Successful International Financial Centre

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Anguilla's Industry Day

29 October 2012



Functions dealing with international obligations

- Commission's functions with international obligations:
 - Regulation of financial services business to international standards)
 - Maintain contact and develop relations with foreign regulatory authorities, international association; and
 - Enter into memorandum of understanding with regulatory agencies outside Territory



Raising The Compliance Bar



International regulatory standard-setters

Transparency,
international cooperation, exchange of
information (*protection of global financial system*)

FATF/ CFATF	40 AML/CFT recommendations + ICRG Process 16 Key & Core recs.
OECD/ Global Forum	Tax Information Exchange of Information; Art. 26 of the Model Treaty
Basel/ BIS	29 Core Principles of Banking
IOSCO	30 Core Principles of Securities Regulation
IAIS	26 Core Principles of Insurance Supervision
GIFCS	Statement of Best Practice for Trust and Company Service Providers

Risk-focused
Disclosure-based

Stakeholder-reliant
Business-friendly



Meeting international standards requires a fit-for-purpose regulatory framework

- To meet the standards, jurisdictions must ensure relevant information is kept or is readily available and accessible for onward transmission to regulatory overseas authorities
- That information is often held by, or related to, financial services providers
- Laws and rules enforced by financial regulators therefore play a big role in ensuring jurisdictions meet the international standards they have committed to!



Regulatory framework

Good supervision

“To be effective, supervision must be intrusive, adaptive, proactive, comprehensive, and conclusive. For this to happen, the policy and institutional environment must support both the supervisory will and ability to act.”

“A clear and credible mandate, which is free of conflicts; a legal and governance structure that promotes operational independence; adequate budgets that provide sufficient numbers of experienced supervisors; a framework of laws that allows for the effective discharge of supervisory actions; and tools commensurate with market sophistication are all essential elements of the will and ability to act.”

“However, making all this come together is the more intangible and difficult part. Supervisors are expected to stand out from the rest of society and not be affected by the collective myopia and consequent underestimation of risks associated with the good times.”

“In this role, society and governments too must support this approach and stand by their supervisors as they perform this unpopular role.”¹

¹*The Making of Good Supervision: Learning to Say No*, IMF Staff Position Note, 18 May 2010. SPN 10/08



Implementing the FATF standards

Two phases of peer review

Phase 1 on legislative and regulatory framework

Phase 2 on actual effectiveness of the framework in practice



The standards: the ICRG process

FATF International Cooperation Review

Transparency,
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- Key trigger for concern is the level of compliance with the 16 key and core recommendations
- 10 or more non-compliant or partially compliant ratings
- Scrutiny of the FATF International Review Group initiative
- Acting in concert, the global network could issue advisories to financial institutions operating in their jurisdictions
- To consider the risks associated with countries which have weak AML/CFT systems and are non-cooperative in the fight against trans-national organised crime and the financing of terrorism



The standards: the ICRG process

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Key recommendations

- REC 23, 26, 34, 43: International cooperation and mutual legal assistance
- REC 3: Freezing and confiscation
- REC 4: Financial secrecy laws do not present a serious AML/CFT risk
- REC 23: Adequate regulation and supervision
- REC 26: Functional FIU
- SRIII: Freezing and confiscation
- SRI, SRV: International cooperation and mutual legal assistance



The standards: the ICRG process

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Core recommendations

- REC 1: Criminalisation of money laundering
- REC 5, 10: Customer identification and record keeping
- REC 13, SR IV: Suspicious transaction reporting
- SR 11: Criminalisation of terrorist financing
- SR IV: Suspicious transaction reporting



Audited financial statements

- 2008 – failed to file audited financial statement
(4 cases - \$18,000)
- 2009 – (27 Cases - \$75,000) [US\$136,000]
- 2010 – (11 Cases - \$28,000) [US\$109,000]
- 2011 – (18 Cases - \$51,000) [US\$73,000]



AML Compliance

- Cabinet increased penalties for AML Contraventions
 - Summons conviction (increased from US\$10,000 to \$100,000)
 - Convicted on indictment (increased from US\$15,000 to 150,000)
- AMLTFCOP (Administrative Penalties by Commission)
 - Maximum penalty for an individual (US\$70,000)
 - Maximum penalty for a corporate body (US75,000)



A Balancing Act

Competitiveness



Compliance



Striking The Balance



Questions

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