

Government of Anguilla's response to the KPMG report on the review of financial regulation in Anguilla

Introduction

The Government of Anguilla is pleased to note that the KPMG Report is very positive in its assessment of Anguilla's regulatory and legislative regimes. The Report confirms that Anguilla "has many of the features necessary to be considered a well regulated jurisdiction." It further states: "of particular note is the development of the ACORN company registration system and the operation of the company registry in general which are considered, with some comparatively minor enhancements, to be an example of how online registration can be developed in a well regulated manner." The KPMG report expresses the view that the ACORN system "enhances rather than detracts from the regulatory environment."

The Report makes a number of positive recommendations in terms of both supervisory standards and of existing legislation, which have already been recognised by the Government of Anguilla as being good practice. These recommendations will be prioritised and implemented by September 2001, subject to the availability of legislative time.

Regulatory Authority

In terms of the structure and staffing of the Regulatory Authority, the Report recommends that the current regulatory body, which is a department of Government, should become operationally and financially independent of government as called for under international standards. The Government of Anguilla supports this recommendation and statutory body legislation covering the structure, funding, licensing and supervisory roles and powers of the proposed body is already in draft form. It is intended that agreement on this legislation as well as the implementation of the underlying administrative changes to the existing structure will be finalised by mid 2001.

It is also intended that the recommended full complement of staff for the regulatory body will be also put in place.

The recommendation that the Director of the Regulatory Authority should not be involved in any marketing role is also being implemented on the basis that there could be a potential conflict of interest and possible drain on regulatory resources.

Banking

With regards to the regulation of banking activity, the Report puts forward the recommendation that there could be a single banking regulator for both domestic and offshore. Consideration will be given to this. However it is noted that the Eastern Caribbean Central Bank (ECCB) has not conducted full onsite examinations of some of the domestic banks, for which it has regulatory responsibility, since 1993 and 1994. The Government of Anguilla must therefore consider carefully whether or not such regulatory responsibility should be conferred to ECCB with regards to offshore banking.

It is further noted that the Report recommends that Anguilla's domestic banking legislation should be brought more into line with Basel Committee principles and this matter will be followed up with ECCB.

As far as offshore banking legislation is concerned, the power to carry out on-site inspections is already in place and is being implemented. Anguilla fully agrees with the recommendation that formal prudential meetings should be held with licensees' auditors

Insurance

In respect of the insurance sector, Anguilla has only two locally-owned and registered insurance companies, both involved principally with motor vehicle insurance. The bulk of the domestic insurance industry is otherwise carried out by foreign-owned insurers, which are already regulated in their home countries. The regulatory body is conscious

that a system to monitor the level of domestic insurance being undertaken in Anguilla needs to be set up and this is currently being done. In addition, it is recognised that the activities of insurance agents appointed by the foreign insurers underwriting domestic risks in Anguilla need to be better supervised, which was not a point specifically raised in the Report.

The Government of Anguilla intends to enact new insurance legislation, which will bring regulatory and reporting standards for both domestic and captive insurance activities up to IAIS standards. This legislation is currently being drafted.

Securities/Investment, Mutual Funds and Stock Exchange

There are a number of recommendations in these areas, some of which will have little impact on Anguilla directly in the short term. It is as yet unclear whether the proposed Eastern Caribbean Securities Act will cover offshore mutual fund activities, as indicated in the Report. In the meantime Anguilla is reviewing ECCB's draft legislation as recommended in the Report. It is nevertheless Anguilla's intention to bring in offshore Mutual Funds legislation as soon as possible.

Companies and Partnerships

There are a number of recommendations in the Report concerning companies and partnership legislation. It is noted that given the recent amendments to the Companies Act, the Report is of the opinion that this Act is "broadly compliant with established good practice."

Some of the recommendations made in respect of the International Business Company (IBC) legislation relate more to current standards of market practice in the industry such as the immobilisation of bearer shares and the names of directors of an IBC forming part of the publicly available information held at the companies registry. The Government of Anguilla agrees generally with the former recommendation but does not agree with the

latter recommendation on the requirement to publicise directors of IBC's, which are not public companies. It is not considered necessarily in the public interest to make director information publicly available, where an IBC is a private company, and Anguilla considers there may be other ways of achieving transparency in the context of good corporate and partnership industry practices.

It is recognised that reporting requirements for public companies together with other minor amendments need to be introduced in the International Business Companies Act to reflect what already exists in the Companies Act. Otherwise it is noted in the Report that the IBC Act "is in line with many good practice standards".

The Report raises the possible need to develop legislation on insolvency, which is already covered to a degree in Part IV of the Companies Act, as well as certain matters in respect of the issue of prospectuses. Anguilla recognises that detailed insolvency legislation will require a thorough review and possibly stand alone legislation. The Companies Act covers in some detail the requirements for the issue of prospectuses as well as the rights of shareholders, but these matters will be reviewed in line with the Report's recommendations.

Company Service Providers

Improved legislation has now been enacted for the supervision of company service providers, as indicated in the Report, and "meets a significant number of the criteria set down by the Guidance Notes". There are a number of supervisory recommendations made in the Report to the existing licensing legislation, including the establishment of a code of practice and the onsite inspection of service providers, and these will be duly implemented. The specific recommendation concerning the ability to pass details of client files to overseas regulators will be considered. However it should be noted that the Anguillian legislation already allows for this but with the restriction that a court order is required.

Trusts and Trust Service Providers

In respect of trusts and trust service providers, there are now five trust service providers in Anguilla. As with the other pieces of licensing legislation, this legislation has been redrafted to reflect modern standards in terms of trust structures and regulatory framework. This is a growing area of activity for Anguilla. There are a number of regulatory recommendations, including the issue of a code of practice and on-site inspections, which will be implemented.

International Co-operation

The Report highlights that Anguilla has taken a number of positive steps in the area of international co-operation and “is in substantial compliance with international standards”. The Report recommends however a few additional amendments to existing legislation covering regulatory exchange of information, exchange of information between law enforcement authorities and exchange of information between regulatory and law enforcement authorities. All these recommendations are being considered with a view to their implementation.

Anti-Money Laundering

Finally the Report recommends a few changes to Anguilla’s anti-money laundering legislation and practices. The Report highlights the fact that the legislation is mostly compliant with international standards. It should be noted that the Government of Anguilla has now enacted and issued the appropriate Anti-Money Laundering Regulations and detailed Guidance Notes to support the primary legislation, Proceeds of Criminal Conduct Act, and have been sent to all licensed financial institutions and service providers for implementation. In addition the Government of Anguilla has already established a Reporting Authority for the receipt of suspicious transactions and this body is now operative.

There are a number of minor recommended amendments to the anti-money laundering legislation and these are being considered with a view to implementation.

Summary

The Government of Anguilla has been pleased to participate fully in the KPMG review.

Review of Financial Regulation in the Caribbean Overseas Territories and Bermuda: Response by the Government of Bermuda

The Government of Bermuda is on record as welcoming the *KPMG Review of Financial Regulation in the Caribbean Overseas Territories and Bermuda* (the “Report”) and its core recommendations. The Report clearly serves to validate the rigour and effectiveness of Bermuda’s regulatory systems and practices while at the same time pinpointing areas for possible enhancement and strengthening. Government agrees with the thrust and intent of the core recommendations and proposes to implement many of the necessary changes in 2001 following appropriate consultation with key stakeholders in the financial services sector.

The Report contains more than 80 recommendations of varying weight and consequence. Government has undertaken a preliminary assessment of the recommendations against the following criteria: whether the recommendation was based on an international standard or not; the legislative implication; the market impact; the resource requirement for implementation; and whether or not the recommendation added value to Bermuda’s regulatory regime. In addition, Government invited and has received written comment on the Report from leaders of financial institutions and organizations of Bermuda’s financial services sector. Generally, the Report was positively received by industry.

Many of the supervisory statutes and practices identified in the Report as in need of attention had already been reviewed by Bermuda’s regulators and targeted for early amendment or enhancement. For example, various weaknesses in the Investment Business Act 1998, the Trust Companies Act 1991 and the Collective Investment Scheme Regulations 1998 had already been highlighted. Moreover, the Bermuda Monetary Authority was already taking administrative action to implement other requirements such as the need to enhance on-site work programmes for banks.

Government agrees with the core recommendations related to improved regulation, independence of the regulator, better international co-operation through enhanced

exchange of information between regulators and extending the anti-money laundering provisions to cover the proceeds of all serious crime. Government endorses and supports the underlying international standards and principles in these areas. Existing legislation that will require amendment as a result of these particular recommendations include the following statutes: Bermuda Monetary Authority Act 1969; Insurance Act 1978; Bermuda Monetary Authority (Collective Investment Scheme) Regulations 1998; Companies Act 1981; Investment Business Act 1998; Proceeds of Crime Act 1997; and Trust Companies Act 1991. Government is committed to completing the required amendments in a timely manner and anticipates substantial progress by September 2001.

However, there is good reason to more closely examine some of the recommendations on insurance regulation, corporate governance and licensing of corporate service providers where no international standard exists or similar practices have not been adopted by onshore jurisdictions. Government's view is that Bermuda's approach in many of these areas provides for equivalent safeguards to those set down by the recommendations. Bermuda historically has taken a cautious approach to promoting itself as a financial center. Unlike many other jurisdictions, including many onshore jurisdictions, our regulators carefully vet the principals of Bermuda registered entities and are selective about the nature of the financial services and the associated risks which Bermuda businesses may carry on. For example, as Bermuda's international insurance industry and investment businesses generally deal with sophisticated or institutional investors, a practical but no less effective approach to regulation or exemption is appropriate.

Government has reserved its position on the recommendation advocating the adoption of the Model Compulsory Powers Ordinance (the "Ordinance"). The Ordinance is designed to provide regulators with the power to compel the production of information from both regulated and unregulated individuals or entities in order to satisfy a request for assistance from a foreign regulator. Government considers that the USA-Bermuda Tax Convention 1986 has been recognised as a good model for providing assistance with the enforcement of fiscal matters and this model could be used for sharing other types of information. Government proposes to examine its existing exchange of information

powers against those in the Ordinance to determine where significant gaps may exist. Gateways and additional powers will be introduced wherever necessary to enhance the effectiveness of existing mechanisms for co-operation with foreign regulators.

Government is mindful that adoption of the Ordinance by the Overseas Territories is a priority for Her Majesty's Government and is ready and available to consult further on the issue.

Further, the Report recommends that the efforts to control money laundering must be enhanced by expanding the definition of financial crimes and by reviewing the "grandfathering" of all clients being serviced before the Proceeds of Crime Act 1997 came into effect. Government considers that until onshore jurisdictions make similar changes, the Bermuda legislation is adequate and Bermuda need not be held to a higher standard.

The Report also recommends that corporate service providers, including lawyers, accountants, and investment business providers who are exempted from the licensing provisions under the Investment Business Act 1998 should be regulated institutions for the purposes of the Proceeds of Crime Act 1997. Many of these persons are, of course, already subject to professional codes of conduct. Government has not finalized its position on this issue and proposes to consult further with industry representatives before making a decision.

The timetable to address the agreed legislative amendments spans two years with priority items such as the Bermuda Monetary Authority Act 1969, the Insurance Act 1978, the Companies Act 1981, the Trust Companies Act 1991, the Investment Business Act 1998, the Collective Investment Scheme Regulations 1998 and the Proceeds of Crime Act 1997 scheduled for substantial completion by 30 September 2001. Amendments to the aforementioned legislation will address the core recommendations concerning independence of the regulator, international regulatory co-operation and anti-money laundering regimes.

Bermuda's regulators will have adequate resources in 2001 to address recommendations pertaining to changes in supervisory practices and regulation of financial services.

The attached schedule summarizes the Government of Bermuda's position on each of the recommendations in the Report. Government wishes to state clearly and emphatically that it will implement those recommendations that are based on international standards and principles of supervision, whose adoption will strengthen and enhance Bermuda's supervisory and regulatory systems and practices. Where no such standard or principle exists, Government considers that it is sensible to more fully assess the implications of related recommendations before taking a decision. This is in no way to detract from Bermuda's unreserved commitment to continuing to maintain the highest of standards, evidenced by KPMG's conclusions that in certain respects Bermuda already goes well beyond what is already in place in most other centres, both onshore and offshore.

	Recommendation	Response
3 Regulator		
3.5.2	BMA to have full responsibility for trust company regulation.	Agreed. Consultative paper prepared, leading to new legislation in 2001.
3.5.4	BMA to update disaster recovery plan.	Agreed; in process.
3.6.2	BMA to formalise BSX supervision.	Agreed; policies will be reviewed and documented. We will also consider formalising the BSX position as a SRO when amending the IBA in 2001.
3.7.2.1	ROC to introduce verification/guidance papers re regulatory requirements.	Agreed; the ROC will review need for more detailed guidance as part of agreed enhancements to approach.
3.7.2.2	Insurance regulation to go to independent body.	Agreed. In the first instance, the Insurance Act will be amended to place present Ministerial responsibility with the Supervisor of Insurance. In addition, a review is being put in hand to determine the most effective and efficient structure for the ROC, in his role of Supervisor of Insurance, to regulate insurance companies.
4 Banking		
4.4.2	Bank on-site inspection programme to be strengthened.	Already implemented.
4.4.3	Move to a risk differentiated approach to bank capital adequacy.	Not a material issue in practice, given high levels of capital that are maintained; but we hope to carry forward during 2001.
4.4.4	Enhance monitoring of derivatives.	Already in hand through new reporting forms.
4.4.5	Breach of KYC to be express regulatory breach.	We see no practical need since we already have adequate powers to take any necessary regulatory action.
4.4.6	BMA needs power to appoint a manager to a bank.	Agreed; but not a material issue in practice. We think that it can best be handled in context of amendments to insolvency law more generally. Work on amendments to insolvency law is underway.
5 Insurance		
5.4.2	Extend insurance reporting	We do not agree with this approach since

	requirements to insurance managers and auditors.	the principal representative is normally the insurance manager, with responsibility to report certain matters under current legislation. At the same time, the use of on-site inspections will reduce degree of reliance of the regulator on third parties.
5.4.3	All changes to business plans to be notified.	We do not view this as necessary in the context of the Bermuda market; nor is it an IAIS requirement. Current business plans will in any case be reviewed in future as part of any on-site inspections.
5.4.4	ROC needs to give guidance on on-site process.	Agreed.
5.4.4	Scope of on-site work needs to be extended.	Agreed. The Insurance Act will be amended to enhance the scope of on-site inspections. Particular focus will be given to those companies that are direct writers, and others identified as higher risk.
5.4.5	Changes to reinsurance programmes for Classes 1-3 to be notified.	Routine notification is not an IAIS requirement; and stability of reinsurers is in any case also assessed by the principal representative and the external auditor. To the extent necessary we will address this issue via enhanced on-site inspections, which will include reviews of reinsurance programmes.
5.4.6	Review procedures for new composite insurers.	Agreed. Procedures for licensing new composites will be reviewed
6 Investment Business		
6.4.2	Correct weaknesses in IBA.	Agreed; a consultative paper on the IBA is being prepared, with a view to introducing amending legislation next year, using the Banks and Deposit Companies Act as a model, where appropriate.
6.4.3	Limit current exemptions from IBA.	The scope of the Act is one of the matters that will be subject to the proposed review. We do not, however, agree with the KPMG recommendations that most current exemptions should be eliminated. In line with most other countries, we believe that certain exemptions related to business exclusively with wholesale or sophisticated investors are entirely reasonable and legitimate.
6.4.4	BMA needs IBA enforcement powers.	Agreed; will be included in amended Act.

	Need power to petition for wind-up of licensee.	Agreed; will be included in amended Act.
6.4.5	Breach of KYC to be express regulatory breach.	We see no practical need since we already have adequate powers to take any necessary regulatory action.
6.4.6	Review BMA resources and training.	In hand, monitoring and review of resources is part of annual planning.
6.4.7	Methodology for supervising licenceholders without physical presence needs particular attention.	We agree. A very cautious approach to licensing has been taken; and suitable arrangements for supervision are being developed.
6.4.8	Need to formalise information-sharing.	Agreed.
6.4.8	Additional notification requirements under IBA.	We have already implemented this change informally; the Act will be amended to address this issue.
6.4.9	Expand public register details.	This is a matter that will be considered in the context of the forthcoming review of the Act, having regard to an assessment of the relative costs and benefits.
6.4.10	Insider trading/price manipulation legislation.	Agreed; this gap is fully recognised and will be dealt with. Likely to be scheduled for 2002, after more immediate regulatory priorities have been addressed.
7 Collective Investment Schemes		
7.4.2	Enhance BMA enforcement powers over Schemes.	Agreed; amendments to CIS Regs are being considered. A consultative paper will be prepared with a view to amending legislation in 2001.
7.4.3.1	Enhance offsite monitoring of public funds.	Agreed; reviewing current arrangements.
7.4.4	Right to conduct onsite inspections needed.	Agreed; regulations will be amended to ensure that the regulators can conduct onsite work as necessary.
7.4.5	BMA needs enforcement powers.	Agreed; regulations will be amended.
7.4.6	Formalise segregation etc requirement.	Agreed; segregation happens in practice, but regulations will be amended.
	Redefine Schemes to include LPs.	Agreed; the provisions will be reviewed and amended to ensure that, where appropriate, LPs would be subject to equivalent regulation.
7.4.8	UK should review equivalence as soon as possible.	Noted.
7.4.9	Vetting of foreign schemes – consider retaining.	We remain of the view that our proposed policy stance is appropriate, having regard

		in particular to the fact that fund administrators within Bermuda will be subject to licensing and regulation.
8 Stock Exchanges		
8.4.2	BSX must conduct onsite visits.	Agreed; this is in hand.
8.4.3	Deal with false info in listing rules.	Agreed; will be introduced.
8.4.5	BMA/BSX to avoid duplication re checks.	Agreed; will review arrangements.
9 Companies		
9.4.4.1	Publicly traded companies to submit audited accounts.	As a practical matter, public companies cannot escape the requirement to prepare audited accounts. But there is no international standard requiring such accounts to be filed with a Companies' Registry; and we continue to see no value in imposing such a requirement.
9.4.5	Strengthen identity checks re beneficial owners.	Our system of checks is extensive, and kept under regular review.
	Oblige CSPs to notify changes in ownership.	We see no value in such a mechanism which would be duplicative in the context of existing requirements already in place.
9.4.6	Provide for disqualification of directors.	We will review this matter as part of a wider review of the existing means for dealing with an unfit director.
	All company directors to be vetted by BMA.	We continue to view such a step as superfluous and unnecessary in the context of the strict controls already in place for company incorporations.
	Code of conduct for directors with legal force.	This is a matter we will be reviewing with the private sector.
	Directors' names to be public record.	Directors' names are available at a company's registered office. We see insufficient added value in making them available additionally at the companies' registry.
9.4.7	Need to update insolvency law.	Law Reform Subcommittee presently preparing report for review during this Parliamentary Session.
10 Corporate Service Providers		
10.4.2	Company formation to be covered	The question of the most appropriate

	by KYC rules.	framework for company service providers will be the subject of review.
	Compliance with obligations to be verified.	Agreed; Bermuda is committed to ensuring effective compliance testing in this area and is currently reviewing how that is to be delivered.
10.4.3	CSP work to be covered by KYC rules.	The eventual framework for company service providers will be the subject of review.
10.4.4	CSP licensing regime or prescription of powers of attorney and code of practice.	Bermuda is reviewing the options.

11 Partnerships		
11.4.1.2	Servicers of LPs subject to KYC.	As 10.4.3 above.
11.4.1.3	License Partnership SPs or restrict to lawyers etc.	We will review in the context of CSP review.
11.4.1.5	Power to appoint inspector to LP.	In fact there is such a power in the Act and no further amendment needed.
	BMA should vet all non-Bermudian partners.	We see negligible practical value in such a step.
12 Trusts		
12.4.5	Amend trust law to restrict “flee” clauses.	We will be reviewing the issues in order to determine whether there have been abuses that require to be dealt with.
13 Trust Service Providers		
13.4.2	Scope should include private trust companies and others carrying on trust service business.	A consultative paper has been prepared, with a view to amending legislation next year. Scope of the Act will be reviewed and amended; but we do not believe that private companies which are not conducting business with the public need to be licensed.
13.4.3.1	Licensing and enforcement powers for BMA.	Agreed. A consultative paper on amendments to the trust companies legislation will be issued shortly.
13.4.3.2	Clarify criteria/ application process.	Agreed.
13.4.3.3	BMA needs to carry out on-site inspections; Act must provide BMA access to client information	The regulators need to be able to have access to such information as is required for the purposes of effective supervision. This is one of the matters covered in the forthcoming consultative paper.
	Provide regulatory consent for changes in beneficial ownership, differentiated capital, reporting	The forthcoming consultative paper sets out a large number of proposals in these areas.

	requirements, regulation-making powers, policing and enforcement powers, additional auditors reports.	
13.4.3.4	Introduce code/ practice guidelines.	Agreed.
13.4.4	Trust company (or money laundering) regulations should specify due diligence and documentation standards required.	Agreed; we will consider which route to use.
13.4.5	BMA should consider issuing good practice guidelines.	We will review what guidance is required in the context of the new legislative framework that is proposed.
13.4.6	BMA should be able to require that an applicant or licensee maintain higher levels of capital.	This is a point to be considered in the context of the consultative paper.
14 International Cooperation		
14.10.2.1	Amend legal gateways in regulatory Acts.	Bermuda recognises the need to ensure adequate gateways for the passing of relevant information for supervisory purposes. This approach has already been followed in the recent Banks & Deposit Companies Act.
14.10.2.2	Enact compulsory powers ordinance.	As noted above, Bermuda supports the creation of such powers and gateways as are necessary to ensure effective international supervision. However, it needs to complete a review of its existing provisions for obtaining and providing such information before reaching a view on the need for specific additional powers.
14.10.2.3	BMA to put in place MOUs as necessary.	Agreed; in hand.
14.10.2.4	Amend regulatory Acts to protect confidentiality of information received.	Agreed, this is a routine part of the updating process for our different regulatory statutes.
14.10.3.4	Need to extend range of financial crimes in Bermuda.	We will be conducting a full review of such aspects, with a view in particular to ensuring broad consistency with the UK approach.
14.10.3.5	Need to enhance BMA/police liaison.	Agreed and in hand.
14.10.4	BMA to provide guidance on co-operation.	Agreed; we will put in place.
14.10.5	Bermuda should participate in	This is in hand.

	WCCIT.	
15 Money Laundering		
15.3.2.1	Needs to bring into force the PCAA.	Amendment to come into force on or before 31 March 2001.
	Amend mens rea restriction.	This will be part of the review (14.10.3.4 above), with a view to remaining consistent with UK approach.
	Review s 58 confidentiality provision.	This will be part of the review (14.10.3.4 above), with a view to remaining consistent with UK approach.
	Provisions to prohibit contracts.	This will be part of the review (14.10.3.4 above), with a view to remaining consistent with UK approach.
15.3.3.1	Need to expand scope of ML Regulations.	We agree scope needs to be reviewed. Again, we will pay careful regard to consistency with the UK approach.
	Regulations need to cover recruitment and audit.	This will be part of the review (14.10.3.4 above), with a view to remaining consistent with UK approach.

	Review “grandfathering” and introduce “potentates” provisions.	This will be part of the review (14.10.3.4 above), with a view to remaining consistent with UK approach.
15.3.4	Amend Guidance to require verification of all existing clients.	As per 15.3.3.1
15.3.5	Resources and experience of FIU.	Agreed; maintaining under close review.
15.3.6	ML compliance monitoring.	We are developing compliance monitoring programmes.
15.3.7	Public awareness programme re ML.	Agreed; NAMLC will be carrying forward.
15.3.9	Consider introducing cash flow reporting.	We are looking at possibility of introducing some additional reporting of substantial physical cash movements on and off the Island.

Key to abbreviated terms

BMA – Bermuda Monetary Authority
BSX – Bermuda Stock Exchange
CIS – Collective Investment Schemes
CSP – Corporate Service Provider
FIU – Financial Investigation Unit
IAIS – International Association of Insurance Supervisors
IBA – Investment Business Act 1998
KYC – Know Your Customer
LP – Limited Partner
ML – Money Laundering
MOU – Memorandum of Understanding
NAMLC – National Anti-Money Laundering Committee
PCAA – Proceeds of Crime Amendment Act
ROC – Registrar of Companies
SP – Service Provider
SRO – Self-Regulating Organization
UK – United Kingdom
WCCIT – White Collar Criminal Investigation Team

Official response by the BVI to the KPMG report

Introduction

Publication of the long-awaited, independent Review of Financial Regulation in the Caribbean Overseas Territories and Bermuda is a watershed for the BVI financial services industry. The Government accepts and endorses the Review's report on the BVI as a prudent plan of action for charting the way forward for developing the local industry over the short to medium term.

We commend KPMG on producing such a thorough and useful piece of work. We also commend the approach taken by the British Government in producing the Review. It offers an ideal example of how Britain and her overseas territories can work together constructively to resolve issues affecting us all. The Review has a double value to the BVI by highlighting the strengths of our existing regulatory regime, and by identifying and helping us to prioritise a number of areas where new legislation is necessary, outlining a plan of action.

The Review should prove beneficial to the BVI financial services industry as an endorsement of our high standards and an aid to improving them still further as new international standards evolve. It provides a boost for our efforts to cope with the sea of initiatives targeting offshore finance centres (OFCs).

A further reason for us to welcome the publication of the Review is that we, too, want to see a level playing field across the board. We agree that OFCs and onshore centres should be subject to the same standards, and that higher standards should not be expected to apply to OFCs only.

The BVI Report

The Review's specific report on the BVI ("the report") reaffirms the prudence of the

organic and orderly manner in which the BVI Government, in partnership with the local private sector and the Government of the United Kingdom, has gone about developing the financial services industry in the BVI. The report recognises how we are striving for continuous improvement. As KPMG puts it, “The BVI has made demonstrable efforts to bring its financial regulatory system into line with international standards”.

There are no substantive issues on which the BVI Government and KPMG disagree. There are few, if any, surprises in the report, which generally supports our internal assessment of what is necessary to reinforce this jurisdiction’s resolve to ring-fence the Territory from any form of nefarious activity and untoward business practices, and to safeguard the probity and integrity of our financial services sector. This determination is broadly achieved through enactment of appropriate legislation aimed at keeping BVI at the cutting edge of the provision of legitimate cross-border financial services, and by ensuring that the Financial Services Department is properly staffed and resourced to effectively discharge its remit. The report will help to inform this ongoing process.

We are pleased that the report endorses our success in achieving high international standards, for example by pointing out that in many respects, particularly over regulation of company managers and professional trustees, our regulatory standards exceed those of most financial centres offshore and onshore. KPMG is also complimentary about our anti-money laundering programmes and our international cooperation norms and procedures.

The report contains a large number of detailed suggestions for legislative and regulatory change. Many of these recommendations have, for a considerable time, been under active consideration by the Government and the local industry. Accordingly, the Government is currently poised to act expeditiously on the implementation of a number of recommendations. A small number of recommendations, however, will need to be implemented over a longer time scale, in order to facilitate an industry/Government consensus on the way forward. This is also a reflection of the scope and scale of the work that will be necessary.

The BVI's Approach to Regulation

The Government of the BVI has long held the view that proper and effective regulation attracts rather than deters quality business. We firmly believe that there will always be a niche – an international role – for reputable and responsible first-tier OFCs that apply international standards and are committed to doing so. The BVI intends to be a significant player in the international financial market.

The BVI has long prided itself on developing and maintaining the highest standards of regulation and supervision, of responding to legitimate international concerns and being a responsible member of the international financial community, and of devoting the requisite financial, legislative, human and material resources towards discharging its regulatory and law enforcement obligations effectively and efficiently. All BVI stakeholders – government, opposition, private sector and regulators – are keen to promote international confidence and credibility in the jurisdiction and its financial services-related programmes, policies and practices.

Our commitment to the highest regulatory standards is evinced by the following, among other actions:

- ?? Our endorsement of the United Nations Global Anti-Money Laundering programme, which seeks to ensure that all jurisdictions apply benchmarked international standards of regulation;
- ?? Our leadership role in CFATF and other regional and international regulatory organisations, including OGCISS, OPIS, and IAIS;
- ?? Our willingness to engage in constructive dialogue with the OECD, FSF, FATF et al; and

?? Our participation in and financial contributions towards and support of the UK Government/Overseas Territories jointly-commissioned KPMG independent assessment.

Taking the KPMG Recommendations Forward

The BVI Government remains committed to a robust, well-resourced regulatory mechanism. Accordingly, the Government intends to take the report forward. Its implementation is integral to the BVI's commitment to being in the top echelon of offshore financial centres.

The three priority recommendations of the report identified by HMG for immediate action by all the overseas territories are as follows:

1. The establishment of an independent regulatory authority;
2. Enhancements to laws and systems for the combat of money laundering; and
3. The enactment of legislation that would allow regulatory authorities to obtain and share key information with overseas regulators, ie compulsory investigative powers legislation.

The BVI has already taken steps to comply fully with the latter two recommendations. With regard to the other recommendations, a detailed implementation plan is presently being sent to Executive Council. It will be forwarded to you as soon as it is approved. Compulsory powers legislation has already been enacted; the Financial Services (International Cooperation) Act 2000 was passed on 21 December 2000 and was expected to have been brought into force on 1 February 2001. The Anti-Money Laundering Code of Practice was brought into force on 29 December 2000. As regards the third, it is agreed that substantial work will have to be done before an independent regulatory authority can be established and in operation by 30 September 2001.

However, the challenge is not insurmountable. The Attorney General and the Director of Financial Services are presently collaborating on a draft Bill for the establishment of the Financial Services Commission. Drafting is expected to be complete by June 2001.

The Government has already announced its 2001 plans to:

1. Agree to an amendment to the MLAT with the USA to:
 - (a) include within its parameters wider access to information relating to criminal tax investigations, and
 - (b) eliminate the requirement for dual criminality.
2. Address the opaqueness of IBCs by:
 - (a) requiring the particulars of directors to be recorded at the Companies Registry, and
 - (b) restricting the mobility and anonymity attached to bearer shares by requiring them to be deposited with licensed financial institutions who would be made aware of beneficial ownership of such shares.
3. The Financial Services Department has already recruited a new Inspector of Banks, Trust Companies and Company managers, and a new Supervisor of Insurance Business, enabling the Department to have its full complement of officers; and
4. Work is at a fairly advanced stage in preparing amending legislation in respect of the Banks and Trust Companies Act, the Companies management Act, the Mutual Funds Act, the Insurance Act, and the IBC Act. The amending legislation will ensure that all our regulatory laws comply with KPMG.

The amending Bills which are being fashioned to enable the latter Acts to comply with the KPMG Report are presently being discussed within the Financial Services Legislation Advisory Committee, the joint public sector/private sector consultative committee set up by Government to help chart the way forward. It is envisaged that these Bills will be enacted during the course of 2001, the legislative agenda of Legislative Council permitting.

5. Comprehensive onsite inspection of all licensees will be undertaken by the third quarter of 2001. Already, licensees under the Banks and Trust Companies Act and the Companies Management Act are subject to onsite inspections. Staff in the Banking & Trusts division have completed training in onsite examination and an onsite inspection manual is in place. The Code of Practice for mutual fund licence holders is expected to be finalised during the 3rd quarter of 2001, following extensive dialogue with the industry.

The Government intends to act on the substantial priority of the recommendations in 2001. However, it would be remiss of me not to point out that, although action will be started during the course of 2001, of longer duration will be finalisation of legislation in respect of a new Insolvency Bill (2002/2003), a new Companies Act (2002/2003) and a consolidated IBC Act (2002). The Government intends to act on these once the other recommendations have been acted upon. However, you will agree that these are major undertakings which require time. A consultant may be required to tackle the Insolvency and Companies Act given the tremendous legislative drafting work that will be required.

Criteria for Action

In developing appropriate response to the recommendations, the BVI Government intends to apply three criteria:

1. Whether they will enable BVI to maintain highest international standards of

- regulation or universally agreed best practice procedures where such standards do not exist;
2. Whether they will enhance the reputation and economic interests of the BVI.
 3. Whether the BVI is being called upon to do more than what is being done elsewhere. We support the level playing field test of the same standards being equally applied both to onshore and offshore jurisdictions.

With regard to the third criterion, it would be remiss of me not to point out that, while the entire BVI financial community welcomes the report as a way for ensuring that all the territories comply with universally agreed international best practice standards, concern has been expressed that in some areas, particularly with regard to companies, the KPMG report expects higher standards from the territories than generally obtain in other financial centres. The local industry is concerned that we may be judged for compliance against standards higher than those against which other countries have been evaluated. In this regard, there may be an alternative path to the same objectives.

I should also mention that it will, of course, be necessary for the Government's response to be informed by the views of the local industry and the wider international business and regulatory communities. Extensive consultation on the report is thus taking place. The Government has already laid the report on the table of the Legislative Council and has caused it to be made widely available in the Territory for industry and citizens' comments. This will help ensure the widest possible public support for the Government's actions in response to the recommendations.

The Government has every intention of moving with alacrity on all the recommendations.

Conclusions

There is widespread support and endorsement in the BVI of the KPMG

recommendations, and the BVI Government is committed to expeditious action to ensure that the recommendations are factored into BVI laws, policies and procedures. The most critical recommendation will be the establishment of the Independent Regulatory Authority, as in this body will be reposed the new powers of enforcement, international co-operation, etc.

Now that the 2001 budgetary exercise has been completed, it is anticipated that taking the KPMG report forward will be the top priority of the Government. Accordingly, most of the recommendations should be acted upon during 2001.

Response from the Cayman Islands to the KPMG report

The newly elected government of the Cayman Islands has initiated a full review of the Cayman Islands section of the KPMG *Review on Financial Regulation in the Caribbean Overseas Territories and Bermuda*. In general, the Review is welcomed as useful and will be accorded close consideration. The Cayman Islands' internal review process will entail extensive consultation with the industry and legislators, so that implementation of the agreed KPMG recommendations can proceed smoothly. In broad terms, analysis of the recommendations will be based upon i) adherence to recognised international standards, ii) regulatory value added and risk-profiling, in the context of the specific business environment and activity in the Cayman Islands, iii) compliance costs and cost-benefit analysis and iv) relevance to other regulatory initiatives in the area of financial services.

Three priority areas were identified by HMG for action by the Overseas Territories by September 2001, namely:

- i. legislation for the establishment of independent regulatory authorities,
- ii. any necessary enhancements to laws and systems to combat money laundering, and
- iii. introducing legal powers to enable regulatory authorities to obtain key information and share this with overseas regulatory authorities.

The Cayman Islands has substantially addressed items ii) and iii), as indicated by the KPMG report.¹ The residual matters that the KPMG report identifies as remaining to be considered under items ii) and iii). Above will be prioritised based on significance. Recommendations from the KPMG report that correspond with matters referenced in the separate FATF review are discussed below.

¹ In respect of the anti money laundering regime, the KPMG report states: "The legislation taken as a whole is extensive and contains much of the material and covers most of the issues that we would expect in a jurisdiction that is fully compliant with international standards. We consider that this is positive evidence of the Cayman Islands' commitment to prevent money laundering." The report further states that '[t]he Cayman Islands now has strong international cooperation arrangements ...'

On the remaining priority area of independence for the Cayman Islands Monetary Authority (CIMA), the Cayman Islands accepts the KPMG recommendation and expects to be able to meet the September 2001 target for introduction of the necessary legislation. It is intended that this legislation will comprehend the accepted KPMG recommendations that involve legislative improvements to regulatory provisions relating to banks, trust companies, mutual funds, company management and insurance. The focus in this area will be on implementing the legislative recommendations relating to CIMA's regulatory powers, direct reporting provisions for auditors with accompanying protections, and on ensuring that appropriate regulatory cover is secured for all sector participants. Legislation will also be introduced in March 2001 to provide appropriate regulation of company formation and registered office services, to complement the existing regulation of company management services.

There are a number of recommendations in the KPMG report that can be satisfied by a primarily operational, as opposed to a legislative, response, by the Monetary Authority. Some of these recommendations were addressed in December 2000 and all those accepted will be addressed by December 2001. In particular, in terms of the KPMG recommendation regarding increasing the staff resources of CIMA, the Authority proposes to scale up successively from the current staff establishment of 74 to 129, by November 2000 to October 2003. CIMA's manpower needs assessment has been informed by risk-profiling of the various categories of licensee, and the manpower plan will be monitored and updated as required over the period plan.

Priority will also be given during 2001 to reviewing the arrangements for international cooperation in the area of criminal assistance at the investigative stages, in order to make any necessary enhancements.

With regard to the recommendations from the KPMG report that correspond with action points identified to date in the FATF review, these are discussed in 17 following. A

response to the most recent FATF progress report emanating from the December 2000 meeting with the Review Group of the Americas will be given separately.

1. Conforming the formal application requirements for locally incorporated and foreign-incorporated mutual fund administrators

As recognised in the KPMG report, it is the current practice to apply the same application requirements to both categories of applicant, and the changes to the relevant legislation necessary to reflect this will be introduced by June 2001.

2. Review of foreign regulatory authorities on which CIMA relies for consolidated supervision

CIMA commenced this review in December 2000. The principle of consolidated supervision is integral to the Basel framework, which is the international standard, and it is fully accepted that CIMA should be satisfied that its regulatory partners can exercise the functions expected of them. It is further accepted that the licensing regime applied by CIMA should, where it does not already do so, make explicit reference in the formal regulatory requirements to the criterion that the applicant be 'fit and proper', and therefore the KPMG recommendation to this effect will be implemented during the first quarter of the year.

3. Introduction of securities legislation to cover brokers and investment advisors

This will be accomplished by June 2001.²

4. Immobilisation of bearer shares or otherwise ensuring that such shares are effectively controlled

² As indicated in the KPMG report, there are currently very few firms (less than five) in this service category that are not already licensees of CIMA in another capacity.

The necessary amendments to the Companies Law (2000 Revision) to immobilise bearer shares will be introduced by March 2001.

5. Increased resources for the Financial Reporting Unit (FRU)

This has already been addressed with the addition of four RCIP³ officers and two case controllers to the Unit as well as enhancements to office and computer facilities. Further resourcing of the FRU, for police investigations, forensic accounting, paralegal and administrative assistance is budgeted.

6. Increase in the number of jurisdictions designated under Part III of the Proceeds of Criminal Conduct Law (PCCL) as jurisdictions to whose external confiscation orders and proceedings the PCCL applies

This designation will be offered to suitable countries, including all FATF countries, with the intent of formalising designations by amendment to the PCCL during the first half of 2001.

7. Ensure that the Code of Practice issued in March 2000 under the PCCL is compatible with the Money Laundering Regulations 2000 issued in August 2000 under the same Law.

The Cayman Islands Monetary Authority will be producing new guidance notes to the Money Laundering Regulations 2000, which will replace the Code of Practice. The Authority expects to issue the guidance notes by 31 March 2001. With respect to the issue of treatment of existing clients, consultation is to take place with the financial services industry in order to devise appropriate measures to include in the guidance notes.

³ 'RCIP' denotes 'Royal Cayman Islands Police'

In accordance with KPMG recommendations, to complement the existing criminal penalties, the Cayman Islands will also amend the regulatory legislation to provide for express regulatory sanctions by the Monetary Authority for a breach of the Money Laundering Regulations, by September 2001.

Montserrat's response to KPMG report

Introduction

The Government of Montserrat has pleasure in responding to the KPMG Report, which highlights a number of deficiencies in the regulation of Montserrat's financial services. These deficiencies are already recognised by the Government of Montserrat as being necessary to implement.

It is also recognised by the Government of Montserrat that the Report questions in particular whether Montserrat is able to provide the resources which are needed to regulate properly even a small offshore industry, due to the difficulties arising from its unfortunate volcanic activity. The implication is also that its small industry and activities may not necessarily provide the necessary revenues with which to meet the full cost of these resources and that this imbalance might be unlikely to change to the medium term.

The Government is fully aware however of these risks and threats and is determined to ensure that its offshore industry, both existing and future, if development were to take place, must have in situ the required regulatory resources to meet the international standards which the Report recommends. It is also aware that there will be stiff demands on Government in terms of not only putting in place these regulatory resources but also in amending existing legislation and enacting new legislation as recommended.

If the Government is unable for any reason to meet substantially the recommendations of the Report, it will recognise that there will be no option but to review its involvement in offshore finance, since the Government would not be prepared to put the jurisdiction at risk.

Regulatory Authority

In terms of the recommendations regarding the regulatory authority, the Report describes it as under-resourced and not meeting international standards in respect of its structure and independence.

The Government of Montserrat agrees that it will require more trained personnel for the regulatory body, as well as medium to long-term technical assistance, which is currently being provided by the Director of Financial Services in Anguilla, but on a short-term basis.

The Government of Montserrat also agrees that there is a potential conflict through the Governor having responsibility for offshore regulation but the Ministry of Finance having responsibility for funding that regulation. The Government therefore agrees that all licensing income from offshore finance will be passed with immediate effect to the regulatory unit to offset its costs, with any surplus being passed to general government revenues. The Government also agrees that the aim will be to make the regulatory body an operationally independent unit.

Banking

In terms of banking activity and in particular offshore banking activity, the Report highlights the need to improve the level of supervision, particular on-site inspection of its offshore banks. The Government of Montserrat agrees with this observation.

As highlighted in the KPMG Report, the Government is aware of the complication that none of the offshore banks either undertakes any activity in Montserrat or maintain records and books in Montserrat, apart from the statutory returns which each bank is required to submit to the regulatory body. However, the regulatory body is now in the process of developing a much closer regulatory oversight relationship with the banks than existed previously.

A further point highlighted is that a number of the offshore banks are regulated solely by Montserrat's regulatory body, as home regulator, even though the banks' activities are undertaken elsewhere. It is recognised that a host regulatory authority also needs to be appointed for each bank along lines recommended by the Basel Committee on Banking Supervision.

It is also the intention of the Government of Montserrat to enter into discussions as soon as possible with the Eastern Caribbean Central Bank (ECCB), with a view to their taking responsibility for the supervision of the offshore banking sector. The Government also recognises that ECCB assistance will not be a substitute for Montserrat putting in place its own regulatory resources, as already indicated.

There are a number of smaller recommendations highlighted in the KPMG Report on banking, which will be followed up for implementation.

Insurance

There are no Montserrat-owned insurance companies in existence and all domestic insurance activity is underwritten by foreign insurers, who are regulated in their home country. The regulatory body is conscious that an effective system to monitor the level of domestic insurance being undertaken needs to be set up and that the activities of the few insurance agents appointed by the foreign insurers should be more effectively supervised, although these two recommendations were not specifically mentioned in the Report.

A change in the legislation is ready to be enacted that prohibits the carrying on of offshore insurance without a licence and the Government of Montserrat will review urgently the need to establish separate captive insurance legislation with modern standards of regulation. It is not the Government's intention to license any type of offshore insurance activity until this legislation and its regulations are in place.

Securities/Investment, Mutual Funds and Stock Exchange

In respect of securities/investment/mutual funds and stock exchange recommendations in the Report, there is little that is likely to impact on Montserrat directly in the short term. Although Montserrat has no offshore activity as yet in this area, it will review the draft EECB Securities Act to see how it may impact, if at all, on offshore investment activity.

It is noted that the Report recommends that Montserrat's existing Exempt Mutual Funds Act should be reviewed as to its effectiveness and this will be done.

Companies and Partnerships

There are a number of recommendations in the Report concerning companies and partnership legislation. However, Montserrat is pleased to note that the Report considers its Companies Act to be "broadly compliant with the good practice standards set out in the Guidance Notes".

Some of the recommendations made in the Report are in respect of the International Business Company (IBC) legislation and relate more to current standards of market practice in the industry, such as the immobilisation of bearer shares and the names of directors of an IBC becoming part of the publicly available information held at the Companies Registry. The Government of Montserrat generally agrees with these recommendations but will first discuss them with the industry as soon as possible with a view to ensuring that good corporate and partnership industry practices are maintained but without compromising the need for transparency.

The Report finds that Montserrat's Limited Liability Company Act falls short of good practice and the Act will therefore be reviewed.

Company Service Providers

Legislation has now been enacted on company service providers, as indicated in the Report and is being followed up with the small number of practitioners involved with this activity in respect of licensing. There are a number of key recommendations made in the Report to the licensing legislation and these are duly being considered for implementation.

Trusts and Trust Service Providers

The Government of Montserrat is pleased to note that the Report considers that the trust legislation does not have “any features that are likely to trust structures being considered attractive to those wishing to engage in criminal conduct”. However, the Government of Montserrat does recognise that there is a need to have in place more effective legislation and regulation in the area of trust service providers. It is noted that the Report recommends that this area be given medium priority.

International Co-operation

The Report highlights that a number of positive steps have been taken by Montserrat in the area of international cooperation. The Report recommends, however, a few additional amendments to existing legislation covering regulatory exchange of information, exchange of information between law enforcement authorities, and exchange of information between regulatory and law enforcement authorities. All these recommendations are being considered with a view to their implementation.

Anti-Money Laundering

The Report highlights the fact that Montserrat’s legislation is “modern and reasonably extensive and contains most of the material and covers most of the issues that we would expect in a jurisdiction that is fully compliant with international standards. In particular, we (KPMG) are satisfied that the legislation taken as a whole enables Montserrat to

comply with most of the relevant parts of the Vienna Convention and the associated FATF and CFATF recommendations”.

The Government of Montserrat wishes to advise that it has now issued the appropriate Regulations and Guidance Notes to support the primary legislation. In addition, the Government of Montserrat is in the process of setting up a Reporting Authority for the reporting of suspicious transactions.

There are a number of other minor recommended amendments to the anti-money laundering legislation and these are being considered with a view to implementation.

Following Montserrat’s recent CFATF Mutual Evaluation, recommendations in that Evaluation have already been enacted apart from the points mentioned above.

Summary

As already indicated, every effort will be made by the Government of Montserrat to ensure the implementation of the recommendations detailed in the KPMG Report and a proposed timetable of the major action points is attached to this response.

Proposed timetable for implementation of the KPMG regulatory review recommendations

The following is a proposed timetable for implementation of the major recommendations. The timetable is conditional on there being available:

- a) suitable legislative drafting resource; and
- b) parliamentary time to pass the necessary legislation.

Regulatory Authority

1. Licensing and registration income from offshore financial activities to pass directly to the regulatory body (FSC) to be sufficient to meet its costs (END FEBRUARY)
2. Two officers to be appointed to FSC (END JUNE)
3. FSC to become a statutory body (END SEPTEMBER)

Banking

1. Government to enter into discussions with ECCB on offshore banking supervision. (END FEBRUARY)
2. Regulatory body to enter into discussions with host regulators of offshore banks (END MARCH)
3. Commence offshore bank on-site inspections (END JUNE)
4. Review the Chalmers Report (END FEBRUARY)
5. Introduce recommendations to the Chalmers Report not already completed (END JULY)
6. Introduce recommendations to the Offshore Banking Ordinance (END JULY)
7. Introduce recommendations to the Banking Ordinance (END JULY)

Insurance

1. Conclude investigations into existing offshore activities (END MARCH)
2. Commence on-site visits to domestic insurance agents (END MARCH)
3. Put in system to monitor the level of domestic insurance being undertaken (END MAY)
4. Enact captive insurance legislation (END SEPTEMBER)

Securities/Mutual Funds

1. Review ECCB Securities Act (END APRIL)
2. Review Exempt Mutual Funds Act (END SEPTEMBER)

Companies and Partnerships

1. Review the proposed amendments to the IBC Act (END SEPTEMBER)
2. Review the proposed amendments to the Companies Act (END SEPTEMBER)
3. Review the Limited Liability Company Act (END SEPTEMBER)

Company Service Providers

1. Amend the Company Management Act in accordance with the recommendations (END FEBRUARY)
2. Ensure all service providers are licensed (END APRIL)

Trusts and Trust Service Providers

1. Draft trust service provider legislation (END SEPTEMBER)

International Cooperation

1. Introduce regulatory access to client information (END MARCH)

2. Review Confidential Information Ordinance in respect of gateway information (END MARCH)
3. Introduce minor amendments to the Exchange of Information Act (END MARCH)

Anti Money Laundering

1. Set up Montserrat's Reporting Authority (END MARCH)
2. Develop a programme for investigation of ML offences (ONGOING)
3. Review the ML legislation in respect of any deficiencies (END APRIL)

“Review of financial regulation in the Caribbean Overseas Territories and Bermuda”: response of the Government of the Turks and Caicos Islands

The Government of the Turks and Caicos Islands welcomes the report “Review of Financial Regulation in the Caribbean Overseas Territories and Bermuda”, which was published on 27 October 2000.

The Government believes that the interests of the islands in general and the financial services industry in particular are best served by having an industry which is widely recognised as having high standards of integrity and customer service.

As the Report concludes “Much progress has been made in enhancing the regulatory framework, with a considerable volume of legislation passed.” In response to the advice of the Report, more legislation will be brought forward. However, legislation and regulation are only part of the picture. The positive and constructive attitude of the practitioners has been, and will continue to be, the key to the progress of the Islands.

The Government would like to thank the Turks and Caicos Islands Financial Industry Association and its members for their comments on the Report to date. It looks forward to a continuing dialogue as legislation is developed and brought before Legislative Council.

Finally, in reading the statements of policy which follow, it should be noted that the eventual legislation will reflect consideration and debate of the Report’s recommendations in fine detail. Consequently, some individual recommendations of the Report may be rejected or implemented in a different form. This is a natural consequence of the independence of the consultants and the normal process of review and refinement, which all reports undergo. It does not detract from the Government’s commitment to high standards, nor from its endorsement of the substantive recommendations of the Report.

Having received and considered the report “Review of Financial Regulation in the Caribbean Overseas Territories and Bermuda”, the Government resolves as follows in respect of the principal recommendations:

1. The Government will bring forward legislation for the establishment of a statutory authority, which will be responsible for the licensing, registration and regulation of companies and financial services businesses in the Islands.
2. The Government will bring forward legislation for the licensing and regulation of stockbrokers, fund managers and related activities. Separate legislation will be brought forward to address offences of insider dealing and market manipulation.
3. The Government will bring forward legislation to amend the Insurance Ordinance so as to improve the quality of information received, but whilst maintaining the underlying rationale of the Producer Owned Reinsurance Company regime.
4. The Government will bring forward legislation to amend the Banking Ordinance in response to the technical issues raised.
5. The Government will bring forward legislation to amend the Companies Ordinance so as to require Exempted Companies to keep statutory records at their registered offices in the islands and to immobilise bearer shares.
6. The Government will bring forward legislation to amend the Companies Ordinance to create a new category of public companies.
7. The Government will review the insolvency provisions of the Companies Ordinance.

8. The Government will bring forward legislation to bring the formation of limited partnerships as a business into the remit of the Company Management Licensing Ordinance and will make technical amendments to the Limited Partnerships Ordinance.
9. The Government will review the Trusts Ordinance and Trustees Licensing Ordinance in response to the technical issues raised.
10. The Government will bring forward legislation to establish a detailed and consistent legal framework within which regulators may obtain and share information.

This will define levels of access and ability to divulge information, according to the nature of the information and the reason for access. The Government expects to bring forward amendments to the various licensing ordinances and new legislation governing information assistance to foreign regulators.

11. The Government will bring forward legislation to establish a formal framework for the monitoring of compliance with the Proceeds of Crime (Money Laundering) Regulations.
12. The Government will bring forward legislation to amend the Customs Ordinance to mandate the declaration of cash exceeding \$10,000 in value and will consider the inclusion of other bearer instruments.
13. The Government will address positively the other recommendations of the Report and bring forward legislation wherever appropriate.