



# Nevis Financial Services Regulation and Supervision Department

# NEWSLETTER

## The Year In Review 2014



**MERRY CHRISTMAS AND A HAPPY NEW YEAR TO ALL**

**Issue No. 26**

**December 2014**

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#### NEW INITIATIVES

##### New Renewal Requirement

All Regulated Entities were advised of the new requirement to submit an Application for Renewal of Licence as a Service Provider. Renewal licences will not be issued unless a completed renewal form is submitted along with all applicable supporting documentation and the prescribed fee.

This is being done to ensure that all regulated entities adhere to the regulatory requirements as approved by the FSRC and the Ministry of Finance of the NIA.

##### Revised Fees

- 1) In September, the Department notified all Regulated Entities of the revised fees to take effect as of January 01, 2015. Renewal fees for Insurance related products will take effect as of February 01, 2015 and renewal fees for Trusts, IBCs, LLCs and Multiform Foundations will take effect as of March 01, 2015.
- 2) The due diligence fee to conduct external background checks for each foreign shareholder/director of Management Companies has been revised to reflect the fees that are currently imposed by the FSRC – St. Kitts Branch, and approved by the Ministry of Finance, NIA. As of January 01, 2015, the fee will be as follows:
  - USD2,500 — Caricom Nationals
  - USD5,000 — Other Foreign Nationals

##### International Banking Ordinance

The Regulations for the Nevis International Banking Ordinance, 2014 are in the process of being finalized. There is also to be established a new division within the Financial Services Department to review the application process and to provide oversight and supervision of the international banking sector. The Nevis International Banking Ordinance 2014 was passed and gazetted in June.

#### COMPLIANCE MATTERS

##### Audited Financial Statements

A review of our records indicates that only seventeen (17) Service Providers/Registered Agents submitted their audited financial statements for the year 2013. This total represents approximately thirty percent (30%) of the industry.

Having written to all Service Providers/Registered Agents in the past three (3) years reminding them of their statutory obligations, the Department now intends to impose in 2015 penalties through the suspension/revocation of licences to those regulated entities that are deemed non-compliant.

#### STAFFING

##### New Regulator

Effective February 01, 2014, Ms. Heidi-Lynn Sutton assumed the role of the new Regulator. Ms. Sutton replaced Ms. Lyndis Wattley who served the Department from 2011.

##### International Insurance

Effective February 01, 2014, Mr. Phil Jones was appointed as the New Registrar of International Insurance and Mrs. Simone Sargeant-Ottley, was appointed as Deputy Registrar of International Insurance.

##### Compliance Division

Ms. Serene Antoine joined the Department in February 2014 as an Assistant Regulator. Ms. Antoine previously served as the Acting Head of the VAT Division at the Inland Revenue Department.

#### 30th ANNIVERSARY CELEBRATIONS

The Financial Services Industry celebrated its 30th anniversary during the month of June. Activities for the month included an Expo, a Church Service, a Hike to Maddens Waterfall, Community Outreach activities and an Awards and Cocktail Reception. An Anniversary Magazine and Commemorative Stamp were also launched.

## TRAINING

The Department has made a concerted effort, to ensure that staff members receive the necessary training to effectively discharge their duties. During the year staff of the Department were exposed to the following training opportunities:

- March 3-4 - Annual AML/CFT Awareness Seminar & Training Workshop hosted by the Department. The format of the Training Workshop was further extended to two (2) full days of training.

The Workshop was conducted by Mr Kem Warner of KAW Management Services Limited and Mr Morvin Williams, a senior financial examiner with the FSRC of Antigua and Barbuda.

The training was assigned eight (8) CAMS/CPE credits. The 2014 Workshop was the largest so far, with an increase in attendance of thirty-two percent (32%) over last year.

- March 9-11 — Captive Insurance Companies Association (CICA) Conference
- March 12 — Organisation of the American States (OAS) - Supervisor's Role and Responsibility in the Workplace Workshop
- April 2-3 — Caribbean Financial Action Task Force (CFATF) - First Regional AML/CFT Conference
- April 7-11 — Caribbean Regional Technical Assistance Centre/International Monetary Fund (CARTAC/IMF) - Financial Soundness Indicators Course
- April 22-24 — Quickbooks Accounting Software Workshop
- April 28-May 02 — Caribbean Group of Banking Supervisors/Federal Reserve System (CGBS/FRS) - Risk Management and Internal Controls Seminar
- May 26-30 — CFATF XXXIX Plenary Meeting
- June 4-7 — Caribbean Association of Insurance Regulators (CAIR) / CARTAC Insurance Supervision Workshop
- June 5-6 — XXXII Annual Conference of the Caribbean Group of Banking Supervisors
- June 19-20 — Caribbean Association of Regulators of Co-operatives (CASROC) Meeting
- June 23-25 — Basel II Working Group Meeting/Workshop
- July 14 — Ten (10) assistant regulators completed Pre-CAMS classes. The sessions commenced on December 2013 and were



conducted by Mr Kem Warner.

- August 19-22 — CARTAC Credit Union Workshop
- September 15-19 — CFATF Assessor Training Workshop for 4th Round Reviews.
- October 16 — Strategic Implementation Programme (SIP) Model Training Seminar.
- October 21 — AML/CFT Seminar, hosted by FSRC, St. Kitts Branch
- November 23-27 — CFATF XL Plenary and V Ministerial Meeting
- December 3-5 — Global Forum Automatic Exchange of Information Workshop



## GLOBAL FORUM UPDATE

### Global Forum Phase 2 Peer Review

The Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) Phase 2 Peer Review Report of the Federation of St. Kitts and Nevis was published in August, 2014. The report was discussed at the 16<sup>th</sup> Meeting of the Peer Review Group which was held at the OECD Headquarters in Paris, France over the period 30<sup>th</sup> June to 3<sup>rd</sup> July, 2014.

It was determined that, to a large extent, the Federation's legal framework and its practical implementation ensure that ownership, accounting and bank information are available pursuant to the Global Forum's Standards. Accordingly, the Federation was rated as overall LARGELY COMPLIANT with the international standards. To date, the Federation of St. Kitts and Nevis has entered into twenty-two (22) Tax Information Exchange Agreements (TIEAs) and thirteen (13) Double Taxation Conventions to facilitate the exchange of information in all tax matters with partner jurisdictions. The report may be accessed via the following link: <http://eoi-tax.org/jurisdictions/KN#latest>

### 7<sup>th</sup> Meeting of the Global Forum Berlin, Germany

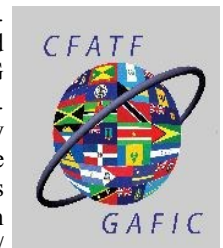
The Federation was represented at the 7<sup>th</sup> Meeting of the Global Forum in Berlin, Germany on 28<sup>th</sup> – 29<sup>th</sup> October, 2014 which saw commitments by a large cross-section of its membership to implement the new standard on Automatic Exchange of Information (AEOI) by 2017 or by end 2018. As a developing country with no prior

experience in exchange of information on financial accounts on an automatic basis, St. Kitts and Nevis opted to make arrangements to implement AEOI by the end of 2018. Participants at the meeting also agreed to revise the Terms of Reference to include a requirement to maintain beneficial ownership information. These changes will be applicable to the next round of reviews which will commence in 2016. A new Schedule of Reviews will be adopted by the Global Forum by mid-2015.

## CFATF UPDATE

### CFATF XXXIX Plenary – Miami, Florida

The Caribbean Financial Action Task Force (CFATF) held its XXXIX Plenary in Miami, Florida from May 25-29, 2014 during which the Federation of St. Kitts and Nevis exited the CFATF ICRG monitoring process. The Plenary acknowledged the significant progress made by the Federation in improving its AML/CFT regime and noted that it has established the legal and regulatory framework to meet its commitments in its agreed Action Plan regarding the strategic deficiencies that the CFATF had identified.



### CFATF XL Plenary and V Ministerial Meeting – El, Salvador

The CFATF held its XL Plenary in San Salvador, El Salvador from November 23-28, 2014, during which time the Federation of St. Kitts and Nevis exited the CFATF's Third Round Follow-up Process. The November 2014 Plenary recognised that St. Kitts and Nevis made significant progress in addressing the deficiencies identified in their 2009 Mutual Evaluation Report (MER).

St. Kitts and Nevis' 9<sup>th</sup> Follow-Up Report contains a detailed description and analysis of the actions taken by the Federation to address the deficiencies identified in the 2009 MER in respect to the Core and Key Recommendations rated Partially Compliant (PC) or Non-Compliant (NC). Accordingly, Recommendations 1, 3, 5, 13, 23, 26, 35, 40 and Special Recommendations I, II, III and IV have been upgraded to a level that is comparable to at least a Largely Compliant (LC) Rating. CFATF's official announcement and St. Kitts and Nevis' 9<sup>th</sup> Follow-Up Report may be accessed via the following link: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/saint-kitts-and-nevis>.



**FATCA UPDATE**

In December, 2014 the U.S. Treasury published an announcement No. 2014-38: "Update on Jurisdictions Treated as if they had an IGA in Effect". It stated that Jurisdictions that have reached an agreement in substance on the terms of an IGA on or before June 30, 2014 but will not be able to sign the IGA on or before December 31, 2014 will be treated as if they had an IGA in effect provided that the "Jurisdiction continues to demonstrate firm resolve to sign the IGA."

Therefore, Foreign Financial Institutions (FFIs) in St. Kitts and Nevis that have registered on the IRS' online portal will not be subject to the FATCA withholding tax as long as the Federation of St. Kitts and Nevis continues to demonstrate to the U.S. Treasury firm resolve to sign the IGA. The Federation of St. Kitts and Nevis reached an agreement in substance with the U.S. Treasury in June, 2014 and currently has 125 FFIs in approved status. Financial Institutions that have reporting obligations under the FATCA regulations were encouraged to register on the IRS online portal on or before December 31, 2014.

**\*\*\*UPCOMING EVENT\*\*\***

**March 2015** — The Department is currently preparing for the main annual AML/CFT training workshop in the Federation of St. Kitts – Nevis. All Regulated Entities are encouraged to register early and to take advantage of early bird discounts and group rates.

The following persons are encouraged to attend:

- Board of Directors and Managers of Regulated Entities
- Compliance/Reporting Officers
- Financial Institutions including Banks, Credit Unions, Finance Companies
- Service Providers/Registered Agents
- Insurance Agents
- Money Service Businesses
- Law Enforcement Agencies including Police, Customs, Prosecutors, FIU, etc.
- DNFBPs, including Attorneys, Real Estate Agents, Gaming Operators, Jewelers, etc.
- Representatives of **all revenue generating** Government Departments

# Statistics

**Onsite Examinations**

Description	Q1	Q2	Q3	Q4	Total
Registered Agent	-	3	1	3	7
Money Service Business	-	-	1	-	1
Lending/Deposit Taking Institution	-	-	1	-	1
Credit Union		1		-	1
Banking Institution	-	-	-	1	1
Licensed Insurer	-	1	-	-	1
Insurance Manager				3	3
<b>Total</b>	-	5	3	7	15

**Enforcement Actions**

As of December 2014	
Advisory Warning	1
Revocation of Licence	3
Warning Letter	2
Suspension Action	1
<b>Total</b>	7

**Incorporations/Formations/Registrations (As of Dec 30, 2014)**

Company Description	Q1	Q2	Q3	Q4	Totals
IBCs	488	362	368	451	1669
LLCs	246	207	215	200	868
Trusts	30	33	27	41	131
Foundations	8	8	8	1	25
<b>Total</b>	772	610	618	693	2693

## Reminder

Regulated Entities are reminded to submit the renewal forms with supporting documents and prescribed fee by the stated deadline to ensure processing of licences for 2015. Only Regulated Entities who receive licences for 2015 can conduct business with the Department.

