



The Year In Review
2015



MERRY CHRISTMAS AND A HAPPY NEW YEAR TO ALL

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In this Issue

NEW INITIATIVES

**New Guidelines for Approval of Compliance/Reporting Officers*

INTERNATIONAL BANKING

**Appointment of New Regulator of International Banking
International Banking Regulations

COMPLIANCE MATTERS

**Audited Financial Statements
Onsite Examinations

TRAINING/SEMINARS/MEETINGS

GLOBAL FORUM UPDATE

CFATF UPDATE

FATCA UPDATE

UPCOMING EVENT FOR 2015

**AML/CFT Seminar & Workshop slated for first quarter 2016*

STATISTICS

**Onsite Examinations
*Enforcement Actions
*Quarterly incorporations & registrations figures for 2015
International Insurance

ACKNOWLEDGEMENTS

NEW INITIATIVES

New Guidelines for Approval of Compliance / Reporting Officers

The Financial Services Regulatory Commission approved the Minimum Guidelines for the Role and Appointment of Compliance/Reporting Officers pursuant to the Financial Services Regulatory Commission Act, and other relevant legislation. These Guidelines will take effect as of January 01, 2016.

INTERNATIONAL BANKING

Appointment of New Regulator of International Banking

Following the passage of the Nevis International Banking Ordinance, 2014, a new division has been established within the Financial Services Department to review the application process and to provide oversight and supervision of the international banking sector. This division is being headed by Mr. James Simpson, who was appointed as the Regulator of International Banking effective July 01, 2015.

International Banking Regulations

Nevis International Banking Regulations 2015 were signed by the Minister of Finance, Nevis Island Administration and were officially gazetted and published in October 2015. Our website has been updated to include the Regulations, licensing and supervision guidelines and the prescribed application forms.

STAFFING

International Insurance

Ms. Layota Jones joined the Department in April 2015 and is attached to the International Insurance Division.

COMPLIANCE MATTERS

Financial Statements

Twenty-four (24) registered agents submitted financial statements for the year 2014. This represents approximately forty-six percent (46%) of the industry and an increase of sixteen percent (16%) over the submissions received for

the previous year. The Department encourages those registered agents who continue to act in contravention of their legislative requirements that govern their financial services licence to bring their entities into good standing to avoid suspension or delays in the renewal of their 2016 licences.

For the international insurance companies, one hundred and two (102) financial statements were received.

Onsite Inspections

Seventeen (17) on-site inspections, including two (2) follow-up examinations were conducted during the year 2015 in accordance with our risk-based supervisory framework. These on-site inspections highlighted areas where a number of regulated entities' performance require improvement. Others were able to demonstrate that they had adequate measures in place to mitigate against money laundering and terrorist financing risks.

TRAINING/SEMINARS/MEETINGS

The Department continues to provide a comprehensive, consistent, ongoing training programme for all staff members. During the period under review, the variety of training sessions included the following:

1st Quarter

- Annual AML/CFT Awareness Seminar & Training Workshop hosted by the Department under the theme, "De-risking your Institution by Improving the Culture of Compliance." The Workshop was facilitated by ComplianceAid based in Antigua and was awarded five (5) CAMS/CPE Credits. This year the Department registered its greatest number of attendees so far, with an increase of twenty percent (20%) over last year.
- The Annual Captive Insurance Companies Association (CICA) Conference - Florida;
- The Financial Stability Institute (FSI)/CGBS Regional Seminar on Problem Bank Supervision & Early Intervention - Jamaica;
- The CARTAC/Caribbean Centre for Money

& Business (CCMF) Financial Stability Interconnectedness and Risk Assessment Conference - Trinidad;

- The Compliance Conference hosted by CFATF in conjunction with the Attorney General Chambers and FIU - Turks & Caicos Islands.

2nd Quarter

- Caribbean Anti-Money Laundering and Financial Crime Conference, Florida;
- CARTAC/Caribbean Group of Securities Regulators (CGSR) 11th Annual Conference & Workshop - Jamaica;
- Caribbean Group of Banking Supervisors and Federal Reserve System (CGBS/FRS) AML Examination Seminar - BVI;
- CARTAC Training on Risk-Based Supervision Framework - Nevis;
- CFATF XLI Plenary & Working Groups Meeting - Trinidad;
- Caribbean Group of Banking Supervisors (CGBS) XXXIII Annual Conference, Suriname;
- CARTAC/Caribbean Association Pension Supervisors (CAPS) 2015 Conference & Workshop - Trinidad;
- CARTAC/Caribbean Association of Insurance Regulators (CAIR) Insurance Supervision Workshop - Trinidad;
- Humber University Trustee Development Workshop - St. Kitts;
- 44th Annual General Meeting of Caribbean Confederation of Credit Unions & 58th Annual International Convention of Credit Union Executive Society - Mexico;

3rd Quarter

- FATCA Awareness Workshop - Nevis;
- International Credit Union Regulators' Network (ICURN) Annual Conference & Continuing Education - Colorado;
- Post Graduate Certification Course in "Credit Risk Management" which was offered Online by Jamaica Stock Exchange E-Campus;
- CARTAC Risk-based Supervision for International Banks - Nevis;
- CARTAC/Caribbean Association of Credit Union Supervisors (CACU) Regional Credit Union Workshop - St. Lucia;
- CARTAC/Central Bank of Bahamas - Regional Regulators Meeting - Bahamas.

4th Quarter

- Global Forum Workshop on the Implementation of the Common Reporting Standard - St. Kitts and Nevis;
- FSRC 2015 AML/CFT Seminar - St. Kitts;
- 8th Meeting of the Global Forum on Transparency and Exchange of Information - Barbados;
- Caribbean Regional Compliance Association (CRCA) Conference- Bahamas;
- Annual Caribbean & Americas Gaming Forum, Florida;

- CFATF XLII Plenary & Working Groups Meeting - Trinidad & Tobago;
- Global Forum Automatic Exchange of Information Working group Meeting - New Delhi, India;
- Commonwealth Technical Assistance facilitated by the Guernsey Financial Services Commission - Nevis;

FATCA UPDATE

In September 2015, a Press Release was issued by the Government of St Kitts-Nevis stating that FFIs that are required to comply with the United States of America's Foreign Account Tax Compliance Act (FATCA) are asked to note that the US Treasury Department has issued Notice 2015-66 which provides for some relief from the deadline of 30 September 2015 for exchange of information by Foreign Governments that have signed Inter-Governmental Agreement (IGA) or have reached an agreement in substance with the USA. The date for transmitting the information has been extended to September 30, 2016.

FFIs are asked to note that the Foreign Account Tax Compliance (United States of America) (Implementation and Enforcement of Inter-Governmental Agreement) Act was passed by the National Assembly in September 2015 and has been gazetted. The enactment of this legislation will facilitate compliance by Financial Institutions with the reporting requirements of FATCA.

GLOBAL FORUM UPDATE

Following the release of the EU Commission's "Action Plan for Fair and Efficient Corporate Taxation in the EU" dated June 17, 2015, the Federation of St. Kitts and Nevis along with 29 other jurisdictions were listed by at least 10 EU Member States as "non-co-operative tax jurisdictions." The Federation immediately engaged various stakeholders including the relevant EU Member States, EU Commission and the Global Forum on Transparency and Exchange of Information and the OECD, to have the list withdrawn or amended to reflect current information regarding our history of compliance with international standards in exchange of information for tax matters.

Subsequently, the EU Commission on the October 12, 2015 updated its Tax Good Governance website which resulted in the removal of the controversial "black list" and provided information that fairly reflected the countries compliance with international standards. We continue to engage with the various EU Member States on this issue.

In accordance with paragraph 12 of the Global Forum Phase 2 Peer Review Report of St. Kitts and Nevis and Paragraph 57 of the Revised Methodology for Peer Review and Non-Member Reviews, a detailed written report was submitted to the Global Forum in July 2015 on the progress the Federation has made in the implementation of the international standards in practice since the

publication of its Phase 2 Peer Review Report in August 2014. The Federation was able to demonstrate that substantial efforts were made in ensuring that the recommendations were addressed.

To date St. Kitts and Nevis has entered into 23 Tax Information Exchange Agreements (TIEAs) and 13 Double Taxation Agreements (DTAs) and has committed to implement the Common Reporting Standard (automatic exchange of information) in 2018.

CFATF UPDATE

The Caribbean Financial Action Task Force (CFATF) held its XLI Plenary and Working Groups Meeting in Trinidad and Tobago from May 26-28, 2015. The Plenary discussed the FATF's 4th Round Mutual Evaluation Procedures and methodology, recent developments facing the region regarding correspondent banking relationships, de-risking and other compliance related issues.

Furthermore, the CFATF's XLII Plenary, Working Groups Meeting and Ministerial Meeting was also held in Trinidad and Tobago from November 23-26, 2015. The Chairmanship was handed over from El Salvador to Trinidad and Tobago and the Deputy Chairmanship from Trinidad and Tobago to Turks & Caicos.

Of significance, was the tabling and discussion of the Trinidad and Tobago's report which was presented as the first CFATF mutual evaluation conducted during the 4th Round of Assessments. The 4th Round Schedule was revised during the Plenary resulting in the mutual evaluation for the Federation to be slated for the second quarter of 2019.

The FATF's Fact Finding Initiative on Recommendations 5 and 6 was highlighted at the November Plenary. In April 2015, the FATF conducted an assessment of Member Countries' compliance with these recommendations and countries were encouraged to review their respective anti-terrorism legislative and administrative frameworks in light of the recent terrorist attacks in Paris. The importance of this initiative was therefore emphasized. The FATF Plenary in February, 2016 will discuss appropriate actions to be taken against Member States that continue to have serious deficiencies in their frameworks.

A review of the Federation's anti-terrorism regime showed that there were some deficiencies that needed to be addressed. Therefore, the Government of St. Kitts and Nevis passed the Anti-Terrorism (Amendment) Act, 2015 on December 11, 2015 to criminalize conduct outlined in the United Nations Security Council Resolution (UNSCR) 2178 of 2014 and to provide for targeted financial sanctions.

The amendment also widened the definition of "terrorist activity"; provided for the immediate freezing of funds and increased the penalties to bring them in line with international standards.

Statistics

Onsite Examinations

Description	Q1	Q2	Q3	Q4	Total
Registered Agents (Full scope & Follow-ups)	2	6	2	1	11
Credit Unions	-	1	-	-	1
Money Service Businesses	-	1	-	-	1
Banking Institutions	-	-	1	-	1
Insurance Managers	-	1	2	-	3
Total	2	9	5	1	17

Incorporations/Formations/Registrations

Company Description	Q1	Q2	Q3	Q4	Total
IBCs	337	352	346	328	1363
LLCs	164	130	210	157	661
Trusts	17	12	26	30	85
Foundations	6	8	5	8	27
Total	524	502	587	523	2136

International Insurance

Insurance Type	Applications	Approved	Pending
Captive	38	33*	5
Reinsurance	3	3	-
Long Term	1	1	-
General	1	1	-
Captive & Reinsurance	1	1	-
Insurance Manager	1	-	1
Insurance Broker	1	-	1
Total	46	39	7

*Eleven (11) conditional

Active Insurance Companies

Insurance Type	Active Companies
Captive	268
Allied Reinsurance	28
Reinsurance	19
Long Term	3
General	3
General/Reinsurance	1
Total	322

Enforcement Actions

Type	No.
Advisory Warning	3
Revocation of Licence	7
Warning Letters	7
Suspension Action	1
Restricted Licence	1
Total	19

Upcoming Event

Plans are well underway in preparation for the Federation's main annual AML/CFT training workshop. Regulated Entities are encouraged to register early.

The two-day event will be held at the Four Seasons Resort and is specially designed for the following persons:

- 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, Accountants, Real Estate Agents, Gaming Operators, Jewelers, etc.
- Representatives of **all revenue generating** Government Departments

Acknowledgements

The Department takes this opportunity to express its sincere thanks to all regulated entities for their support during the year 2015.

We continue to encourage all regulated entities to adhere to the legislative requirements that govern their Registered Agent licences as we work in concert to strengthen the jurisdiction towards ensuring that it remains viable.

Best wishes for a safe, enjoyable holiday season, and 2016.

