



Anguilla Financial
Services Commission

ANNUAL REPORT

2015





WELCOME

OUR MISSION

To enhance the safety, stability and integrity of Anguilla's financial system and contribute to Anguilla being a premier financial centre, through appropriate regulation and legislation, judicious licensing, comprehensive monitoring and good governance.



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BOARD OF DIRECTORS



Front (L-R): Mrs. Helen Hatton, Mr. Robert Hudson, Ms. Tara Carter, Mr. Carl Harrigan.
Back (L-R): Mr. Gerald Halischuk, Mr. Ralph Hodge and Mr. Delroy Loudon.

BOARD OF DIRECTORS



HELEN HATTON

Chairman

Managing Director of Sator Regulatory Consulting Limited and former Deputy Director General of the Jersey Financial Services Commission, was appointed Chairman of the Anguilla Financial Services Commission in May 2010. Mrs. Hatton has over twenty years senior regulatory experience and is widely recognised as the prime architect of the modern and highly acclaimed regulatory regime in Jersey.

Mrs. Hatton joined the Board at an important point in the jurisdiction's regulatory development as the Commission assumed additional responsibilities for the oversight of non-regulated service providers and non-profit organizations, and engaged in significant amendments to the laws governing the Commission, Insurance, and Money Service Business.

Mrs. Hatton is a Fellow of the Institute of Advanced Legal Studies and a Freeman of the Worshipful Company of International Bankers.



RALPH HODGE MBE

Deputy Chairman

is a native of Anguilla, British West Indies. He holds a degree in Management Studies (Hons) with an accounting bias from the University of the West Indies, Mona (Jamaica) Campus. He was a member of the Anguilla Public Service from February 1966 to July 2003, 31 years of which were spent in the Ministry of Finance.

In the Ministry of Finance his service included assignments as Accountant General, Permanent Secretary – Budgets and Accounts, Director of Finance and Planning, Principal Assistant Secretary, Finance and Planning and he acted on numerous occasions as Financial Secretary. He has served as a Director of the Eastern Caribbean Central Bank and the Caribbean Development Bank. He also has served as Permanent Secretary Health, Social Development and Sports.

He was also Chairman of the Anguilla Economic Advisory Committee and has acted on several occasions as Deputy Governor of Anguilla.

BOARD OF DIRECTORS...continued

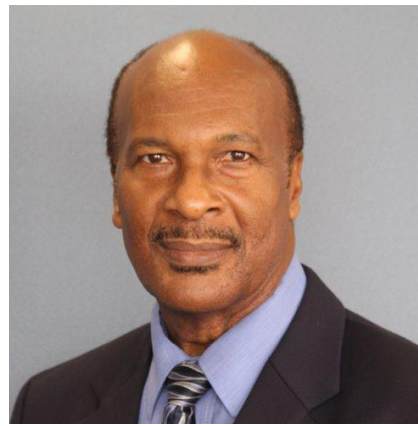


TARA CARTER

Member

obtained an LLB in 2004 at the University of Manitoba in Winnipeg, Manitoba. Prior to that, she studied two years of Business Administration at Trent University in Peterborough, Ontario. From 2005 to 2006, she was employed with Thompson Dorfman Sweatman LLP in Manitoba and admitted to the Law Society of Manitoba in 2005. In 2006, she obtained the Legal Education Certificate at the Sir Hugh Wooding Law School in Trinidad. She has been admitted to the Bars of Manitoba, Anguilla, Antigua, British Virgin Islands and St. Kitts & Nevis.

Tara's practice areas are: Banking, Corporate Law, Civil Litigation, Commercial Real Estate Transactions, Employment, Conveyancing, Wills and Estates. She is the Chairperson of the Health Authority Board of Anguilla.



CARL HARRIGAN

Member

was awarded a MSc. Degree in Accounting and Finance in 1998 from the University of Birmingham, England.

He joined the Public Service in 1972 as an Uncertified Teacher and retired in 2009 as the Permanent Secretary, Finance. Among the other positions he held in the Ministry of Finance and Economic Development were those of Director of Economic Planning, Deputy Director of Finance and Planning, Accountant General (Acting), Projects Officer, Accountant and Examiner of Accounts.

In the course of his career he served as Chairman of the Tenders Board, Chairman of the Social Security Board and Chairman of the Regional Debt Coordinating Committee (RDCC) of the Eastern Caribbean Currency Union. He also served as a Member of the Board of Directors on a number of local and regional Institutions. These included the Eastern Caribbean Central Bank, the Caribbean Development Bank, Anguilla Development Board and the Public Service Pension Board. He also served on a number of Committees, including the Economic Planning Unit, the Investment Committee of the Social Security Board and the Audit Committee of the Government of Anguilla.



DELROY LOUDEN

Member

the first President of Anguilla Community College, was appointed to the Board of the Anguilla Financial Services Commission in March 2012.

Professor Louden received his Ph.D. at the University of Bristol, England and his Post-Doctoral training in Epidemiology and Public Health at Johns Hopkins University, Maryland, USA. He has been the recipient of several awards notably: Fulbright Scholar; the US Bureau of Primary Health Care Policy Fellowship; and a Fellowship from the Royal Society of Public Health, UK.

Professor Louden came to Anguilla Community College from Lincoln University, Pennsylvania, USA where he had been Professor and Principal Investigator on several funded research projects. He brings a distinguished record of research, teaching and scholarship, having held senior appointments in academia and the non-profit community in England, Nigeria, West Africa, the Caribbean, Canada and United States.

He has published widely in professional journals and is the co-editor of six books.



GERRY HALISCHUK

Director

has over twenty-five years of Canadian and international regulatory experience. He has held senior management positions at a number of Canadian securities and market regulators including the Ontario Securities Commission; Market Regulation Services Inc., the market regulator predecessor to the Investment Industry Regulatory Organization of Canada, where he was Vice-President, Market Regulation, Western Region; the British Columbia Securities Commission, where he served as Director of the Capital Markets Regulation Division, Deputy Director of the Compliance Division and Manager of Investigations; and the Saskatchewan Securities Commission.

From 2006 to 2012, Mr. Halischuk worked with the Cayman Islands Stock Exchange where he filled various roles including Acting Chief Executive Officer, Head of Markets and Compliance and Head of Business Development.

OUR TEAM



Front (L-R): Charonay Carty, Ojeda Vanterpool, Teresa Harrigan-Heyliger and Evorna Hodge.

Back (L-R): Lavie Hobson, Gerry Halischuk, Maria Smith, Jacelle Richardson, Tina Bryan-Bannister, Charo Richardson, Wilda Hughes, Sherine Brooks, Glyne Buchanan and Robert Hudson.

COMMISSION'S ORGANOGRAM

BOARD OF DIRECTORS

Corporate Governance;
Strategic Planning;
Policy Formulation



GERRY HALISCHUK
DIRECTOR

Implementation of Board Policies & Strategies;
Risk Management; Staffing and Training;
Legislation; External Relations



ROBERT HUDSON
DEPUTY DIRECTOR
Policy & International Affairs



MARIA SMITH
HEAD, ADMINISTRATION
Administration; Human Resources; Accounting



LAVIE HOBSON
SENIOR REGULATOR
Prudential Supervision (All Sectors)



TINA BRYAN-BANNISTER
HEAD, AML/CFT & LEGAL SERVICES
Legal Support and Advice;
Enforcement of Anguilla's Regulatory Laws



SHERINE BROOKS
EXECUTIVE SECRETARY
Administration



WILDA HUGHES
CLERICAL OFFICER
Administration



GLYNE BUCHANAN
REGULATOR I
Offshore Banks;
Insurance



CHARO RICHARDSON
REGULATOR II
Offshore Banks;
Insurance



OJEDA VANTERPOOL
REGULATOR I
Anti-Money
Laundering &
Terrorist Financing



JACELLE RICHARDSON
REGULATOR I
Anti-Money
Laundering &
Terrorist Financing



EVORNA HODGE
REGULATOR I
Company Managers;
Insurance; Money
Services Business



TERESA HARRIGAN-HEYLIGER
REGULATOR I
Mutual Funds; Insurance; Credit
Unions; Friendly Societies



CHARONAY CART
REGULATOR I
Mutual Funds; Insurance; Credit
Unions; Friendly Societies

GOVERNOR'S REPORT



Several matters of significance to the financial services sector in Anguilla occurred over the course of the 2015 financial year worth noting.

The most significant was Anguilla's exit in November from the Caribbean Financial

Action Task Force's 3rd round of AML/CFT assessments. This represented recognition by the international standard setter of Anguilla's effective commitment to meeting its international AML/CFT responsibilities – a testament to the work of the Anguilla Financial Services Commission, government and the industry. Successes such as this form an essential foundation for building a revitalised international financial services sector in the country. Also positive was the sponsoring by the Anguilla chapter of the Society of Trust and Estate Practitioners (STEP - the international industry group for trust and estate practitioners) of the STEP Caribbean conference 2015. The event was a great success and secured good publicity for Anguilla.

Less positive was the continued uncertainty in 2015 over the future of the indigenous banks and their offshore banking subsidiaries, which cast a pall over Anguilla's financial services sector. As concern grew over the course of the year about the length of time it was taking to develop and implement a resolution plan affordable to the Government of Anguilla, fair to all depositors and supportive of the long term, sustainable economic development of the island, the UK Government took the step of developing, in cooperation with my office and the Anguilla Financial Services Commission, resolution plans that could be implemented should a regional solution not be forthcoming. Despite continued efforts over the course of the year to assist and encourage the Government of Anguilla

and key regional stakeholders to implement an effective resolution plan, by year end this had not yet been done. Indeed, by year end the Commission was concerned about the emerging intention to consider a resolution plan that would give preferential treatment to depositors in the indigenous banks to the detriment of the interests of depositors in their offshore banking subsidiaries. This led to the Commission beginning preparations for an application to the Court for the appointment of an administrator for the subsidiaries in order to protect the interests of their depositors to the greatest extent legally possible. An administrator for the offshore banking subsidiaries was appointed by the Court in February 2016. It is unfortunate that since then there has been little apparent willingness by either the regulator of the parent banks or their receiver to cooperate with the administrator to resolve outstanding issues, and that this is resulting in ongoing litigation.

The Commission also had a very busy year in other areas of its remit. Of particular note are the Commission's efforts to ensure compliance by its licensees with AML/CFT legislation. This in 2015 included a combination of enforcement (with the initiation of an offsite compliance review of all licensees carrying on company management business), training at a Commission sponsored conference (at which CFATF staff discussed their compliance expectations), and consultation with licensed company managers on matters involving third party reliance and offshore agents. The Commission also issued a total of 35 Investor Alerts and worked closely with its licensed company managers effectively to address problems caused by the incorporation in Anguilla of unregulated online forex and binary options dealers, whose businesses conducted in other countries have generated many complaints from clients of those businesses to the Commission of improper business practices.

The 2015 financial year was indeed a busy year. I am very appreciative of the Commission's efforts and would like to take this opportunity to thank Commission staff for their hard work. I look forward to continued progress in the year to come.

CHAIRMAN'S REPORT



The nature of Annual Reports is, of course, that they are written after the events on which they report. It is important, when writing, to avoid the temptation to apply 20/20 hindsight to circumstances which everyone tried to deal with as best they could

at the time.

2015 was a difficult year internationally, with many events causing a great many ordinary people to have to deal with unimaginable things as best they could... the Charlie Hebdo attacks in Paris killing a dozen people; the terrifying Germanwings flight 9525 from Barcelona to Dusseldorf, where the pilot locked his co-pilot out of the cockpit and flew the plane into the mountainside, killing 150 people; the deaths of young black men Walter Scott and Freddie Gray, both killed at the hands of police officers, rightly resurged the campaign #BlackLivesMatter; the Amtrak train taking a corner at double the speed limit, derailing near Philadelphia and killing 8 people with over 200 people injured; the dreadful Charleston Church shooting, which killed nine people, was followed shortly thereafter by on-air shootings in Virginia, killing a further two people, both incidents believed to be racist motivated.

So what do we take from these events? First of course that bad things happen to good people and also that people whom one would consider “good” in many aspects of their lives are capable of doing very bad things under certain circumstances. Each of these news items is interesting in terms of human behaviour – the desire to gag journalists’ freedom of speech, people in trusted positions forgetting their duty of care to the public, abuse of power, violence, racism.

My work is all about financial services regulation and although to some readers the jump from these international news incidents to financial institution issues might be a jump too far, in my mind the analogy works quite well.

Financial services businesses can have management teams that “take the corner too fast and derail their train.” Thankfully customers of derailed financial institutions don’t have broken bones, but they do have to deal with the financial wreckage of their lives and this is no small thing.

Those same financial services businesses can have shareholders and management teams that could create an organisational culture to encourage transparency and open communication, which recognises their duty to customers, employees and the community from which the businesses derive their success, or they can abuse their power and perpetuate it by indecision, obfuscation, currying political intervention and treating influential parties preferentially.

These traits of financial institutions are global regulatory issues – think of the causes and behaviours of the global financial crisis, or the frequent and ever increasing, global, regulatory fines for institutional failure to prevent money laundering.

Anguilla institutions are neither more prone to, nor especially exempt from, these traits.

It is a fundamental regulatory obligation to protect the interests of customers and, in that respect, much of our work during 2015 was focused upon attempting to ensure that the depositors of the offshore banking subsidiaries of the two failing indigenous banks would be treated fairly under any resolution plan established for the failing parent banks. The Governor’s Report explains this more comprehensively.

DIRECTOR'S REPORT



The Anguilla Financial Services Commission is responsible under the provisions of the Anguilla Financial Services Commission Act, R.S.A. c. F28 for administering the financial services enactments listed on the back page of this Annual Report,

including licensing and prudential supervision of licensees under those enactments and taking enforcement action where necessary in cases of non-compliance with requirements under those enactments.

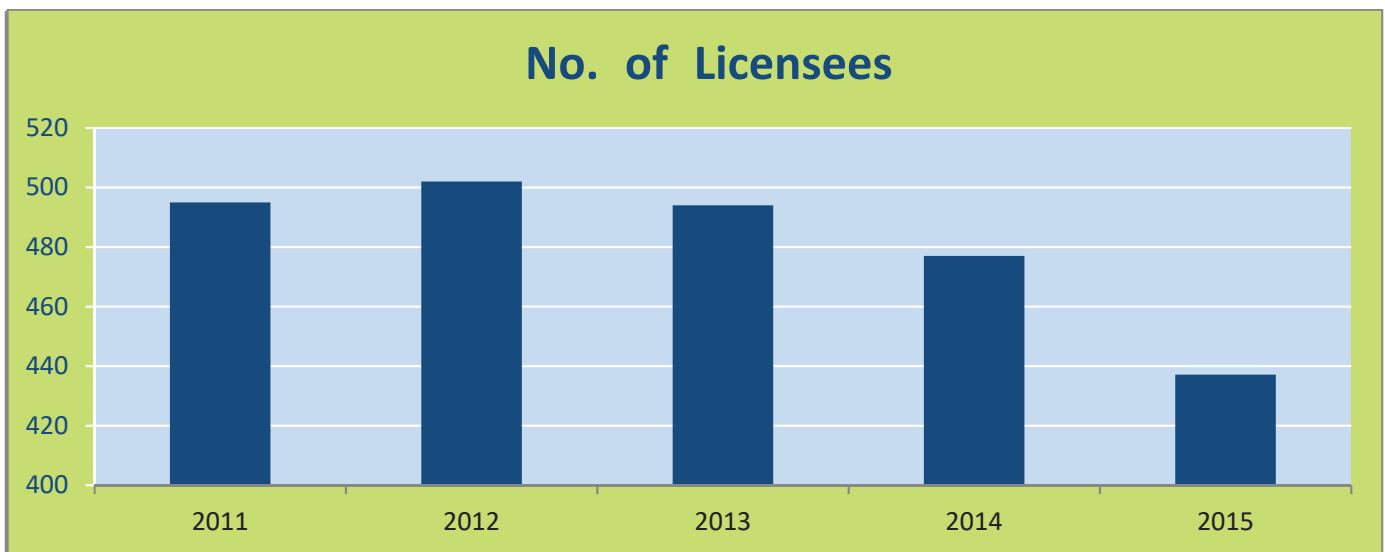
The Commission also is responsible for registering externally regulated service providers, non-regulated service providers and non-profit organisations under AML/CFT legislation and for monitoring and enforcing compliance by those registrants, as well as by licensees, with their AML/CFT obligations.

Number of Licensees

The global economy in 2015, continuing to struggle

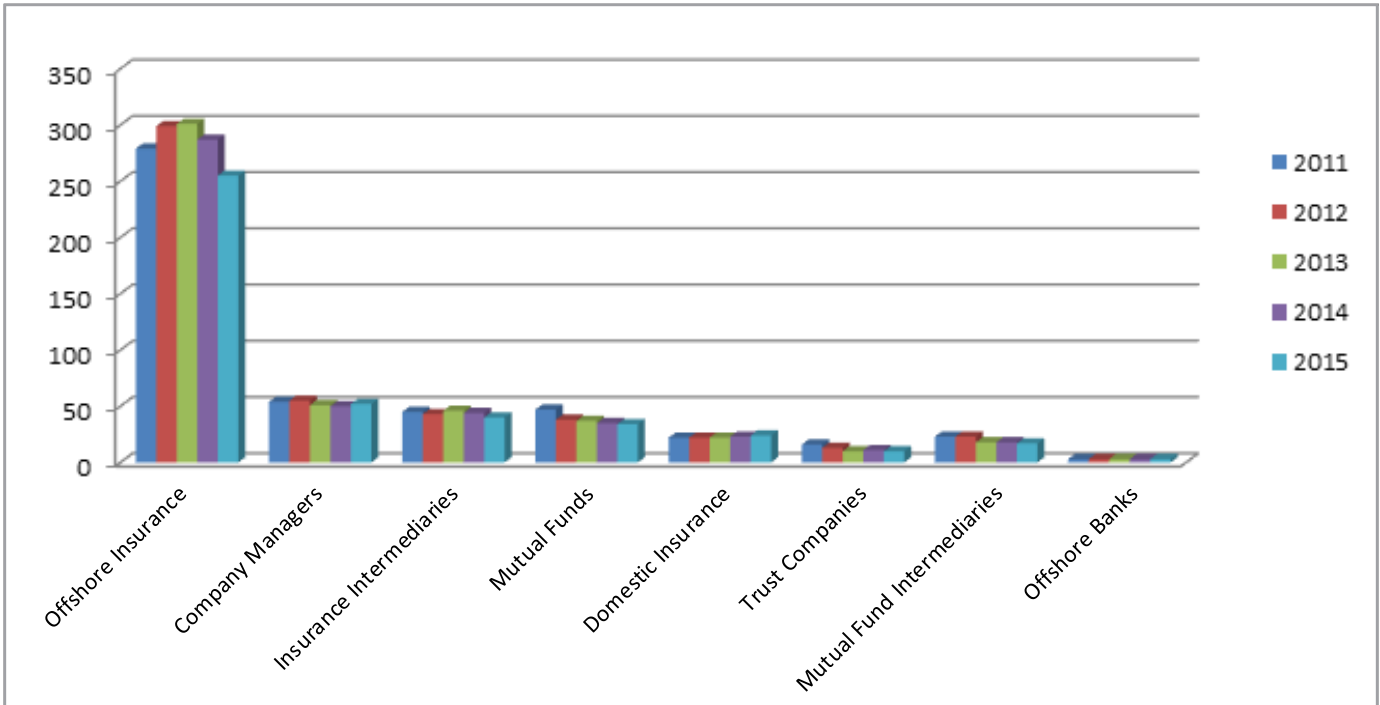
and dominated by uncertainty, impacted Anguilla's financial services industry as reflected in the chart below. The Commission now has experienced three consecutive years of decline in the total number of its licensees. The total number of licensees was 437 as at 31 December 2015, a decline of 8.4% from the previous year as compared to a 3.4% reduction during 2014. The captive insurance sector in particular, comprising more than 50% of the Commission's licensees, continued its decline in numbers falling from 279 licensees as at 31 December 2014 to 249 as at 31 December 2015, a decline of 10.8%. Most of the Commission's captive insurance licensees are owned by U.S. residents and provide insurance to related companies located in the United States. Increased competition from U.S. states to attract captive insurance company incorporations, combined with various actions by the U.S. Internal Revenue Service directed at small captive insurance companies, has led to many U.S. owned captives favoring a U.S. domicile and has resulted in this jurisdiction replacing fewer captive insurance licensees than it has lost over the past year from normal attrition.

The following chart provides an industry sector breakdown of licensees, excluding the money services business sector that comprises only 2 licensees. The dominance of the offshore captive



insurance sector continues and, even with the decrease in the number of licensed captive insurers, demonstrates Anguilla's continued position as one of the world's leading jurisdictions

as rated by number of companies licensed in the captive insurance market.



Sector Reports

Insurance Sector

Domestic insurers, agents and brokers

As at 31 December 2015, there were 24 licensed domestic insurers and 18 licensed agents/brokers. One new domestic insurer was licensed in 2015.

Single insurance market project

In 2009, the Monetary Council of the Eastern Caribbean Currency Union ("ECCU") established a Ministerial Subcommittee on Insurance in response to the challenges created by the failure of the CL Financial Group. This subcommittee is responsible for, among other things, overseeing development of a single insurance market for the ECCU, including a regional regulatory body.

The Ministerial Subcommittee on Insurance is supported by a Technical Core Committee on Insurance, which has comprised government and

ECCB officials as well as international insurance and legal experts.

In October 2014, the Monetary Council appointed a Steering Committee to coordinate activities leading to the establishment of a single insurance market and regulator for the ECCU.

In November 2015, the Steering Committee came to Anguilla and held a public consultation with the insurance industry, updating industry members on the status of the project and soliciting comments and concerns. A draft Insurance Act for the ECCU region has been produced but has not yet been enacted by the ECCU member states. Specifics on the structure and location of the regional insurance regulatory body have yet to be determined.

Captive Insurers

As at 31 December 2015, there were 249 licensed captive insurers. During the year 18 new companies were licensed, 28 licensed captive insurers surrendered their licences and 20 licences were revoked.

Foreign Insurers

As at 31 December 2015, there were 6 licensed foreign insurers. There were no new licences issued and 1 licence was revoked during 2015.

Insurance Managers

As at 31 December 2015, there were 20 licensed insurance managers. One new license was issued, 1 was surrendered and 3 licenses were revoked during 2015.

During the year, Commission staff conducted onsite prudential examinations of two insurance managers, one located in Florida and the other located in the Cayman Islands. The insurance managers provide insurance management services to captive insurance companies licensed in Anguilla. The examinations were full scope in nature, including a review of the governance, operations, internal controls and financial soundness of, and compliance with the Insurance Act and Regulations by, both the insurance managers and the captive insurers under their management.

The onsite examination of the Cayman Islands based insurance manager was conducted over the course of four days by four of the Commission's insurance supervision staff. The onsite inspection of the Florida based insurance manager was conducted over the course of five days with the financial and technical assistance of the Caribbean Regional Technical Assistance Centre ("CARTAC"), a regional resource centre of the International Monetary Fund established to assist countries in the region to improve their standards of economic and financial governance. Three of the Commission's insurance supervision staff, with the onsite assistance of CARTAC's Financial Sector Supervision Advisor as well as a senior insurance supervisor providing assistance to CARTAC from another regulatory authority, conducted the onsite examination.

Key findings included identified improvements required to be made in relation to claims and reinsurance administration processes, capital management practices, governance policies and procedures, including for risk management, and regulatory compliance oversight.

Mutual Fund Sector

Funds

As at 31 December 2015, there were 22 licensed private funds. One new licence was granted during the year and 2 surrendered their licenses. There were 12 licensed professional funds as at 31st December 2015, with no new licenses issued or surrendered during the review period.

During the course of the year, the Commission suspended the license of 2 funds due to the funds carrying on business in a manner detrimental to the public interest and to the interests of their investors. The suspensions were extended indefinitely by way of directives issued later in the year.

Fund Managers and Administrators

As at 31 December 2015, there were 17 licensed fund managers and administrators. One new licence was issued and 2 licenses surrendered during the year.

Company Management and Trust Company Management Sector

As at 31 December 2015, there were 7 general trust companies, 3 restricted trust companies, and 52 company managers. The Commission has encouraged company managers to convince their larger overseas agents to become licensed as a means of addressing AML/CFT obligations more effectively. A number of the larger overseas agents have applied for and received licences. During the year, 4 new company management licenses were issued while 2 licenses were surrendered. One general trust surrendered its licence and no new trust company licenses were issued.

Money Services Business Sector

There are 2 licensed money services businesses in Anguilla. During 2015 staff of the Commission completed an onsite review of one of the businesses for compliance with AML/CFT obligations. No breaches of the AML/CFT legislation were identified. A number of recommendations were made for approval at Board level of AML/CFT policies to reflect current practices.

Offshore Bank Sector

As at 31 December 2015 there were 3 licensed offshore banks, each of two of which is a subsidiary of an indigenous domestic bank being managed under a conservatorship established for each parent bank by the Eastern Caribbean Central Bank (“ECCB”), the regulator for the two insolvent parent banks. The conservatorship was initiated on 12 August 2013 by the ECCB.

Over the course of the year, the Commission became increasingly concerned about the ability of the ECCB to develop and implement an effective resolution plan that would address fairly the position of the two offshore banks’ depositors. The Commission became increasingly concerned due to (1) the inordinate length of time that had passed since the onset of the conservatorship with no apparent action taken to bring the conservatorship to a close, (2) the failure to complete and publish audited financial statements for the parent banks, and (3) statements made in the latter part of the year by the ECCB that indicated that the ECCB was considering treating the offshore bank depositors differently from depositors in the parent banks, including possibly treating the offshore banks as creditors and not as depositors.

Considerable efforts were made by the Commission during the year to encourage the ECCB to move forward with an equitable resolution plan that included fair treatment of depositors in the offshore banks, including participation in discussions in the first quarter of 2015 with the International Monetary Fund which was providing advice to the ECCB to assist in the development of a resolution plan. The Commission also actively cooperated through much of 2015 with the government of the UK to develop a resolution plan for implementation on an urgent basis should the ECCB fail to develop an acceptable resolution plan of its own. These efforts included participating in the drafting of legislation that would enable, with considerable Commission involvement, the effective resolution of both parent and offshore subsidiary banks, including asset management and collection processes and procedures.

By the end of the year it was apparent that no imminent action by the ECCB was likely to be taken. It also remained unclear as to how the ECCB intended to treat the offshore bank subsidiaries under a resolution of the parent banks. As a

result, the Commission began preparations for a court application for the appointment of an administrator under section 37 of the FSC Act to manage the affairs of the two offshore banks in the interest of their depositors. The administrator was appointed by the Court in February 2016.

Externally and Non-Regulated Service Providers

The Externally and Non-Regulated Service Providers Regulations (“ENRSP Regulations”) introduced in 2013 gave the Commission responsibility for the supervision of domestic banks and companies licensed under the Securities Act, R.S.A. c. S13 (together, “ERSPs”) and non-regulated financial service providers (“NRSPs”) for compliance with AML/CFT requirements under the Proceeds of Crime Act, R.S.A. c. P98 (“POCA”).

Service providers as defined under POCA are required to register under the ENRSP Regulations. During 2015, the Commission issued 30 Investor Alerts involving Anguilla incorporated companies in the business of dealing in forex and binary options trading that had failed to comply with the requirement to register under the ENRSP Regulations. Failure to register while continuing to engage in a business requiring registration is a violation of section 158 of POCA and can result, on summary conviction, to imprisonment for a term of up to 12 months or to a fine of up to \$50,000 or to both; or on conviction on indictment, to imprisonment for a term of up to 5 years or to a fine of up to \$100,000 or to both.

Non-Profit Organizations

The Commission is responsible for the registration of non-profit organisations (“NPOs”) under the Non-Profit Organisations Regulations, R.R.A. P98-2 and for supervising their compliance with anti-terrorist financing requirements under POCA. In 2015, the Commission registered 12 NPOs and exempted 15 NPOs from registration. An NPO can be exempted from registration if its gross annual income does not exceed EC\$5,000 and its assets do not exceed EC\$10,000.

AML/CFT Supervision

2015 Offsite and Onsite Inspections

The Commission recognizes that its licensed company managers are faced with significant responsibilities under AML/CFT legislation to address money laundering and terrorist financing risks. Their failure to be vigilant in complying with AML/CFT legislation exposes licensees to enforcement action by the Commission and possible criminal prosecution and could create reputational damage to Anguilla. The Commission as a result has conducted a several year campaign to educate company managers on their responsibilities, in particular as stated in the Anti-Money Laundering and Terrorist Financing Code, R.R.A. P98-5 (“AML/CFT Code”) and the Anti-Money Laundering and Terrorist Financing Regulations, R.R.A. P98-1 (“AML/CFT Regulations”). The education campaign included Industry Day presentations, numerous training sessions and one on one meetings as well as publications via its website.

Following on from its education efforts, the Commission in March 2015 commenced a comprehensive offsite examination program to review 51 licensees carrying on company management business to ascertain their level of compliance with customer due diligence provisions of the AML/CFT legislation, in particular with the following basic AML/CFT requirements:

- business risk assessment (section 16(f) of the AML/CFT Regulations)
- customer risk assessments (section 10 of the AML/CFT Regulations)
- identification and verification information for the customer, third party, and beneficial owner (section 10 of the AML/CFT Regulations)
- AML/CFT policies and procedures manual (section 16 of the AML/CFT Regulations)

The Commission intends to consider issuing administrative penalties against licensees who are found during the offsite examination program to have failed to comply with their obligations under the AML/CFT Code and AML/CFT Regulations and to publish the results of the examinations once determined.

As described previously, staff of the Commission also completed an onsite examination for compliance with AML/CFT obligations of one of its money services business licensees.

Enforcement Activity

The Commission has been increasing its enforcement activities in order to provide, and to evidence both to the investing public and international overseers, a credible deterrence to legislative breaches. This approach corresponds with the regulatory trend internationally to strengthen enforcement programs. During 2015, the Commission issued 113 demands for the provision of information and production of documents (2014: 27). The significant increase in the number of demands issued in part reflects the scope of the offsite examination program for AML/CFT compliance launched in March, 2015. In addition, the Commission issued 10 notices of intent to suspend (2014: 8) and 7 suspensions (2014: 7), 24 notices of intent to revoke (2014: 24) and 22 revocations (2014: 19), 6 notices of intent to impose an administrative penalty (2014: 4) and 3 administrative penalties (2014: 3) totaling US\$7,589 (2014: US\$3,681).

Investor Alerts

The Commission issued a total of 34 Investor Alerts during the year, mostly in relation to unregulated investment business involving forex or binary options trading. As previously stated in the Commission’s 2014 Annual Report, the Commission is using its powers under the Proceeds of Crime Act, the Anti-Money Laundering and Terrorist Financing Regulations and the Externally and Non-Regulated Service Providers Regulations to address the risks of money laundering and terrorist financing posed by unregulated investment business. Specifically, the Commission will hold company managers, as well as trust companies carrying on company management business, accountable where their clients are carrying on unregulated investment business and the company manager or trust company has failed to conduct appropriate customer due diligence, including ongoing due diligence. The Commission will also enforce the requirement that unregulated investment businesses, as service providers, register as non-regulated service providers. Where effective supervision is not practical or possible, such businesses will not be registered and will be required to leave the jurisdiction.

Industry Development

Guidelines and Policies

During 2015 the Commission approved a number of new guidelines and policies:

Fast Track Application Licensing Process for Captive Insurance Applicants - The Commission has established a fast track application process for the licensing of captive insurers. The process is available for licensing applications submitted by insurance managers who meet certain eligibility requirements and have been approved by the Commission to use the fast track process. A fast-tracked licence application can be approved in one business day. The publication can be found on the Commission's webpage under "Publications" – "Policies and Procedures" – "Insurance".

Guidelines on Acceptability of an Auditor – These guidelines set out the criteria the Commission will use to assess the acceptability of an auditor to audit the financial accounts of licensed financial services businesses. The publication can be found on the Commission's webpage under "Guidelines".

Guidelines on Approval of an Actuary - These guidelines set out the criteria the Commission will use to determine whether to approve an actuary to perform an actuarial valuation of the assets and liabilities of a specified licensed insurer. The publication can be found on the Commission's webpage under "Guidelines".

Revocation of Policy Guidance No. 5 of 2005 - The policy guidance, which applied to the appointment of an auditor for a public mutual fund, was revoked as it has been superseded by the Guidelines on Acceptability of an Auditor.

Commission Policy on Decision Making - The Policy was amended to clarify that, as a matter of best international practice, the Commission normally will issue a public statement when it has taken enforcement action against a licensee or former licensee, and that public statements also may be issued in relation to unlicensed activities. Moreover, the Commission will consider it fit to include in the public statement the names of current or former directors or officers or other persons with current or former responsibility for, or involvement

in, the conduct of the business of the licensee or former licensee, subject to following appropriate Maxwellisation steps in respect of that person. The publication can be found on the Commission's webpage under "Publications" – "Policies and Procedures" – "General".

Industry Events

The Commission hosted a conference on 8 May 2015 for its licensed company managers entitled "Compliance vs Complacency". The over 50 attendees were given the opportunity to hear directly from, and question, CFATF representatives about CFATF's interpretation of AML/CFT requirements as applied to regulated and non-regulated intermediaries.

Commission staff also participated in the Company Management Summit hosted in Anguilla by Anguilla Finance and attended the STEP annual conference hosted by the Anguilla chapter of STEP and held in St. Maarten.

Staff Training

Staff attended the World Captive Forum and the Captive Insurance Companies Association conference in February and March respectively in Florida. A week long Insurance Risk-Based Supervision Workshop was presented in-house in March by CARTAC's Financial Sector Supervision Advisor as well as a CARTAC sponsored expert from Canada. Staff also attended a number of regional and international training sessions including a credit union regional workshop held in August in St. Lucia; Reinsurance Training for Insurance Supervisors in October sponsored by The Insurance Commission of The Bahamas and Munich Re in Nassau, Bahamas; and a captive insurance supervision training seminar in October in the Cayman Islands sponsored by the Cayman Island Monetary Authority (CIMA), Group of International Insurance Centre Supervisors (GIICS) and International Association of Insurance Supervisors (IAIS).

Regulatory Meetings

Staff attended the CARTAC sponsored annual meeting of the Caribbean Group of Securities Regulators in May in Jamaica as well as the

CARTAC sponsored conference for the Caribbean Association of Insurance Regulators in June in Trinidad at which two regulatory colleges were held to discuss any outstanding issues with two regional insurers.

Staff also attended the CFATF Plenaries in May and October in Trinidad. At the November Plenary, Commission staff represented Anguilla to acknowledge public confirmation at the Plenary that Anguilla was successful in exiting from the 3rd round of AML/CFT assessments, with preparations commencing for the 4th round.

Financial Performance Analysis

The Commission reported net income of US\$337,781 for the year ended 31 December 2015 [2014: (US\$206,513)], after three consecutive years of reported losses. Reserves increased by 19.3% to US\$2,084,185 as at 31 December 2015 after decreasing by a total of 18.7% over the three previous years to US\$1,746,404 as at 31 December 2014. The factors underlying the year’s performance

are reported below in the discussion of Revenue and Expenses.

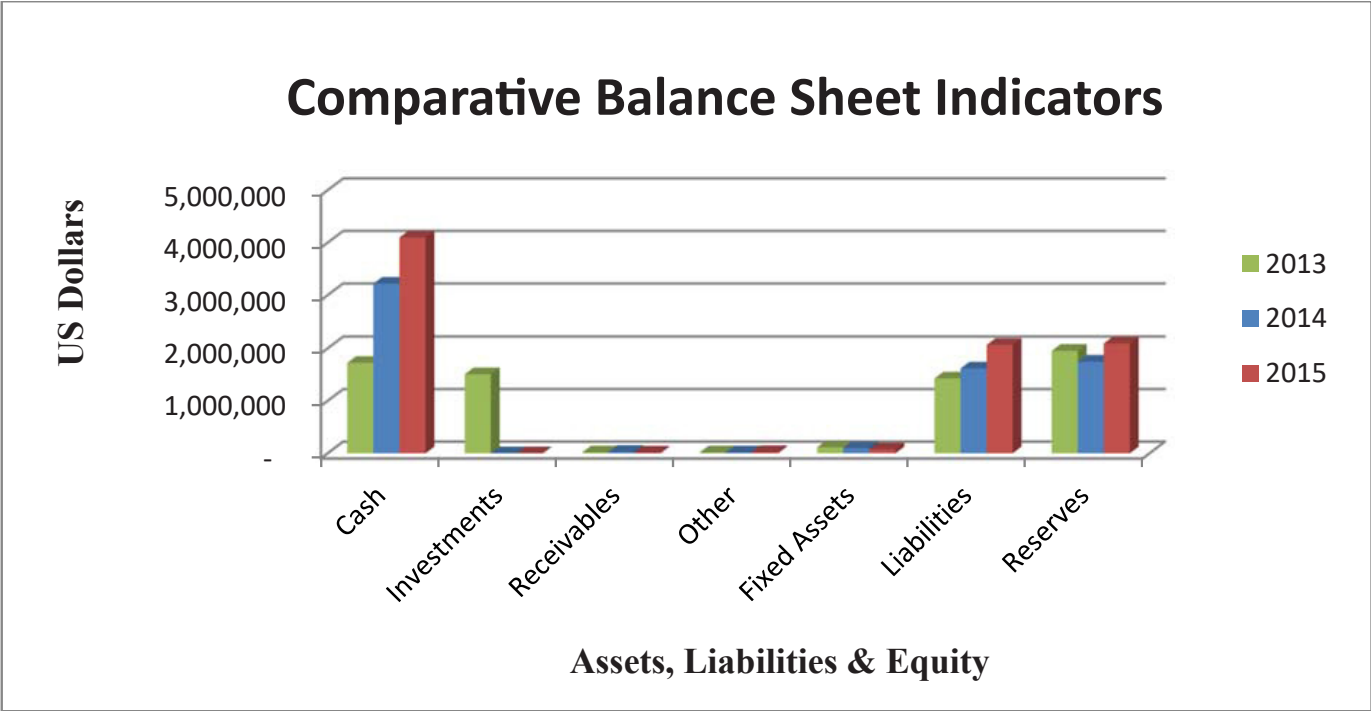
Assets, Liabilities and Reserves

As at 31 December 2015, the Commission’s total assets were US\$4,139,458 (2014: US\$3,363,805). Liquid assets, in 2015 being entirely cash, accounted for 97.3% of the Commission’s assets (2014: 95.7%).

Comparative Balance Sheet Indicators

Total liabilities were US\$2,055,273 (2014: US\$1,617,401) with the increase over the previous year-end primarily reflecting an increase in statutory deposits held by the Commission in connection with approved external insurers licensed in the jurisdiction. Accumulated reserves were US\$2,084,185 at year end (2014: US\$1,746,404), the increase resulting from the net income reported above.

Table 1: Comparative Balance Sheet Indicators

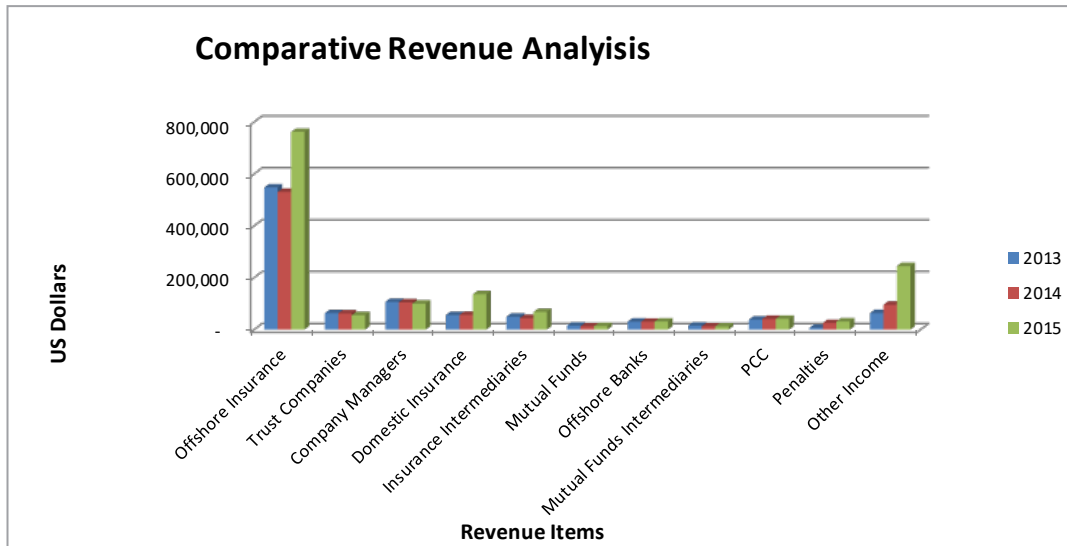


Revenue

Total revenue increased by 47% or US\$479,793 to US\$1,495,949 (2014: US\$1,016,156). License fee revenue increased by 49% or US\$485,588 to US\$1,477,085 (2014: US\$991,497), including

domestic insurance license fees that increased from US\$56,750 in 2014 to US\$136,237 in 2015, captive insurance license fees that increased from US\$530,500 in 2014 to US\$762,970 in 2015

Table 2: Comparative Revenue Analysis

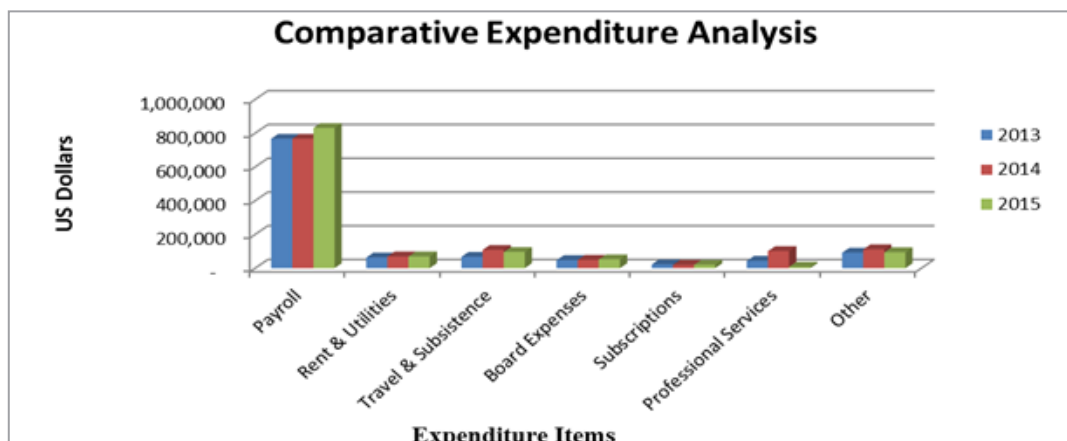


and insurance intermediary fees that increased from US\$44,500 in 2014 to US\$63,500 in 2015, due primarily to fee increases instituted as at January 2015. "Other income" as reflected in Table 2: Comparative Revenue Analysis also increased significantly, from US\$94,640 in 2014 to US\$244,828 in 2015, due as well to fee increases instituted as at January 2015. "Other income" includes income from audit waiver fees, other regulatory approval fees and externally regulated service provider annual fees.

Expenses

Total expenditures decreased by 5.3% or US\$64,501 to US\$1,158,168 (2014: US\$1,222,669). The decrease was primarily due to professional service fees falling by US\$92,989 to US\$7,950 (2014: US\$100,939), largely due to the position of Director having been filled on a permanent basis in August 2014, eliminating the need to pay for interim professional services during 2015. Payroll costs increased by US\$53,987 to US\$820,509 (2014: US\$766,522), primarily due to a change in the manner in which accrued vacation expense was accounted for and payment of a small staff bonus.

Table 3: Comparative Expenditure Analysis





ANGUILLA FINANCIAL
SERVICES COMMISSION
FINANCIAL STATEMENTS
December 31, 2015
(expressed in United States dollars)



Anguilla Financial Services Commission

Financial Statements for the period ended 31 December 2015

Certificate of Audit and Report of the Chief Auditor

Section 59(2) of the Financial Administration and Audit Act (Revised Statutes of Anguilla Chapter F27 as at 15 December 2010) (the Act) permits me, as Chief Auditor, to accept the audit of the accounts and financial statements of a government agency by an independent auditor of the government agency if the appointment of the auditor has been approved by me, and the audit of the government agency has been performed in accordance with my directions.

After I accept the audit of the accounts and financial statements of a government agency by an independent auditor, Sections 59(6) and (7) of the Act require me to issue a certification of audit and prepare a report that evidence the acceptance of the audit of the independent auditor, and to send the certificate of audit and report to the government agency, to the minister responsible for the government agency and to the Minister of Finance.

Section 16 of the Financial Services Commission Act (Revised Statutes of Anguilla Chapter F28 as at 15 December 2010) requires the Financial Services Commission to submit to the Governor a copy of its audited accounts, including the report of the auditor on the accounts, and a report on its operations and activities for the financial year (the annual report). The Governor is required, as soon as is reasonably practicable, to cause them to be tabled in the House of Assembly.

The appointment of Grant Thornton (GT) as the independent auditor of the Financial Services Commission was accepted by me. GT were directed to undertake their audit in accordance with appropriate auditing standards, and I accept their audit of the Commission's financial statements for the year ended 31 December 2015.

As recorded in their Auditors' Report, GT have audited the statement of financial position of the Financial Services Commission as of 31 December 2015, the statements of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and significant accounting policies and other explanatory notes. The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Financial Services Commission Act. GT's responsibility is to express an opinion on the financial statements based on their audit.

GT conducted their audit in accordance with International Standards on Auditing. Those standards require that GT comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the

financial statements. GT believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their opinion.

In GT's opinion the financial statements present fairly, in all material respects, the financial position of the Anguilla Financial Services Commission as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Financial Services Commission Act.

I have no observations to make on these financial statements.

A handwritten signature in black ink, appearing to read 'J. Herniman', enclosed in a thin black rectangular border.

John Herniman
Chief Auditor
22 May 2017

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Independent Auditors' Report

To the Chief Auditor of Anguilla Anguilla Financial Services Commission

We have audited the accompanying financial statements of the **Anguilla Financial Services Commission**, which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive income, changes in accumulated reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Anguilla Financial Services Commission** as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants
March 24, 2017
Basseterre, St. Kitts

Partners:
Antigua
Charles Walwyn - Managing partner
Robert Wilkinson
Kathy David

St. Kitts
Jefferson Hunte

Audit • Tax • Advisory
Member of Grant Thornton International Ltd

Anguilla Financial Services Commission

Statement of Financial Position


As at December 31, 2015

(expressed in United States dollars)

	2015 \$	2014 \$
Assets		
Current assets		
Cash (note 5)	4,027,917	3,218,414
Accounts receivable (note 6)	13,233	28,327
Other assets (note 7)	23,800	18,919
Total current assets	4,064,950	3,265,660
Non-current assets		
Property and equipment (note 9)	59,508	68,145
Intangible asset (note 8)	15,000	30,000
Total non-current assets	74,508	98,145
Total assets	4,139,458	3,363,805
Liabilities		
Current liabilities		
Accounts payable and accrued expenses (note 10)	146,840	86,459
Statutory deposits (note 11)	1,820,236	1,429,806
Deferred revenue (note 12)	88,197	101,136
Total liabilities	2,055,273	1,617,401
Reserves		
Accumulated reserves	2,084,185	1,746,404
Total liabilities and reserves	4,139,458	3,363,805

The notes on pages 1 to 16 are an integral part of these financial statements.

Approved by Members of the Board on March 24, 2017.


Member


Member

Anguilla Financial Services Commission

Statement of Comprehensive Income For the year ended December 31, 2015

(expressed in United States dollars)

	2015 \$	2014 \$
Income		
Licence fees	1,477,085	991,497
Interest income	18,259	20,239
Other income	605	4,420
	<hr/>	<hr/>
Total income	1,495,949	1,016,156
	<hr/>	<hr/>
Operating expenses		
Payroll and related costs (note 13)	820,509	766,522
Travel and subsistence (note 14)	95,530	107,747
Board members allowance	51,900	48,400
Office rent	47,375	48,947
Insurance	25,696	25,433
Utilities	21,765	19,987
Subscriptions	19,652	18,951
Depreciation (note 9)	17,963	17,198
Amortisation (note 8)	15,000	15,000
Office supplies	9,250	5,904
Audit fees	9,000	9,000
Professional service fees	7,950	100,939
Communications	5,357	5,161
Cleaning	5,065	12,000
Entertainment	3,096	2,282
Other expenses	1,894	17,494
Bank charges	1,166	1,704
	<hr/>	<hr/>
Total operating expenses	1,158,168	1,222,669
	<hr/>	<hr/>
Net profit/(loss) for the year	337,781	(206,513)
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive profit/(loss) for the year	337,781	(206,513)
	<hr/>	<hr/>

The notes on pages 1 to 16 are an integral part of these financial statements.

Anguilla Financial Services Commission

Statement of Changes in Accumulated Reserves

For the year ended December 31, 2015

(expressed in United States dollars)

	Accumulated Reserves \$
Balance at December 31, 2013	1,952,917
Net loss for the year	(206,513)
Balance at December 31, 2014	1,746,404
Net profit for the year	337,781
Balance at December 31, 2015	2,084,185

The notes on pages 1 to 16 are an integral part of these financial statements.

Anguilla Financial Services Commission

Statement of Cash Flows

For the year ended December 31, 2015

(expressed in United States dollars)

	2015 \$	2014 \$
Cash flows from operating activities		
Net profit/(loss) for the year	337,781	(206,513)
Items not involving the movement of cash:		
Depreciation (note 9)	17,963	17,198
Amortisation (note 8)	15,000	15,000
Interest income	(18,259)	(20,239)
Cash flows from/(used in) operations before changes in operating assets and liabilities	352,485	(194,554)
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	15,094	(10,675)
Increase in other assets	(4,881)	(2,021)
Increase/(decrease) in accounts payable and accrued expenses	60,381	(14,109)
(Decrease)/increase in deferred revenue	(12,939)	9,386
Increase in statutory deposits	390,430	194,634
Cash generated from/(used in) operations	800,570	(17,339)
Interest received	18,259	20,239
Net cash from operating activities	818,829	2,900
Cash flows from investing activities		
Purchase of property and equipment	(9,326)	(14,424)
Proceeds from sale of investments	-	1,506,644
Net cash (used in)/from investing activities	(9,326)	1,492,220
Net increase in cash	809,503	1,495,120
Cash at beginning of the year	3,218,414	1,723,294
Cash at end of the year (note 5)	4,027,917	3,218,414

The notes on pages 1 to 16 are an integral part of these financial statements.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

1 General information

Incorporation and principal activity

The Anguilla Financial Services Commission (the “Commission”) was established under the Financial Services Commission Act, R.S.A. c. F28 on November 26, 2003 and it commenced operations on February 2, 2004 in The Valley, Anguilla, BWI.

The principal activity of the Commission is to regulate the financial services industry in Anguilla in accordance with the Financial Services Commission Act and the prescribed financial services enactments and to carry out such other functions as determined under section 3 of the Financial Services Commission Act.

2 Significant accounting policies

a) Basis of preparation

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by IFRIC.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New standards and amendments to standards effective for the financial year beginning January 1, 2015

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Commission has assessed the relevance of such new standards and amendments and has concluded that these will not be relevant. Accordingly, the Commission has made no changes to its accounting policies in 2015.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Commission

- Amendments to International Accounting Standard (IAS) 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' – Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after January 1, 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Commission does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortization methods.
- IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after January 1, 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

While adoption of IFRS 9 is mandatory from January 1, 2018, earlier adoption is permitted. The Commission is considering the implications of the standard, the impact on the Commission and the timing of its adoption by the Commission.

- IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Commission

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

b) Cash

Cash comprises cash on hand and cash at banks which are subject to an insignificant risk of changes in value.

c) Financial instruments

(i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Commission becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

(ii) Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified as loans and receivables upon initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Commission's cash and accounts receivable fall into this category of financial instruments.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

2 Significant accounting policies ...continued

c) Financial instruments ...continued

(ii) Classification and subsequent measurement of financial assets ...continued

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs, finance income or other financial items, except for impairment of accounts receivable which is presented within other expenses.

(iii) Classification and subsequent measurement of financial liabilities

The Commission's financial liabilities include accounts payable and accrued expenses and statutory deposits.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

e) Property and equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

The cost of repairs and replacements of a routine nature are charged to earnings whilst those expenditures which improve or extend the useful lives of the assets are capitalised.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating income.

Depreciation is computed using the straight-line method to allocate the cost of each asset to its residual values, over the estimated useful life as follows:

Furniture and fittings	5-10 years
Computers and equipment	5-10 years
Leasehold properties	5-10 years
Motor vehicles	5 years

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

2 Significant accounting policies ...continued

f) Intangible asset

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

g) Impairment of non-financial assets

Non-financial assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Accumulated reserves

Accumulated reserves represent the current and prior year results of operations as reported in the statement of comprehensive income.

i) Revenue recognition

The Commission recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the Company's activities as described below.

(i) Licence fees

Licence fees comprise of amounts collected from companies licensed by the Commission. Revenue is recognised when the licence fees are due. Annual license fees for the year are receivables as at the beginning of each year. Fees for the year are classified as revenues; the remainder is considered deferred revenue.

(ii) Interest income

Interest income is recognised using the effective interest method for all interest bearing instruments on an accrual basis. Interest income includes income earned on cash.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

2 Significant accounting policies ...continued

j) Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilization of the services or as incurred.

k) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is Eastern Caribbean dollars. The financial statements are presented in United States dollars, which is the Commission's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Commission, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign currency gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

l) Provisions

A provision is recognised when the Commission has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

2 Significant accounting policies ...continued

m) Employee benefits

Pension costs

The Commission's contribution to the Government's defined benefit pension plan is charged to the statement of comprehensive income in the period to which the contributions relate. The Commission does not have its own pension plan and its pension costs are limited to contributions made.

Post-employment obligations

The Commission recognises a liability and an expense for gratuities due to its employees based on the terms of the employment contracts.

n) Leases

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 Financial risk management

a) Financial risk factors

The Commission's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Commission has not entered into forward contracts to reduce risk exposures. The Commission's risk management focuses on actively seeking to minimise potential adverse effects on its financial performance. Risk management is carried out by management based on policies set by the Board of Members.

The most significant financial risks to which the Commission is exposed are described below:

i) Market risk

Foreign exchange risk

The Commission conducts its operations primarily in Eastern Caribbean dollars; however, some transactions are executed in various other currencies, mainly United States Dollars. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since July 1976, hence management considers foreign exchange risk not to be significant.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

3 Financial risk management ...continued

a) Financial risk factors ...continued

i) Market risk ...continued

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Commission takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event unexpected movements arise. The Commission's financial assets and liabilities are non-interest bearing with the exception of cash which earns interest based on market rates as disclosed in note 5.

ii) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Commission. The Commission's credit risk arises from cash and cash equivalents, as well as credit exposures to customers. Cash and cash equivalents are only held with well-known reputable banks and financial institutions. If no independent rating exists for customers, management assesses the credit quality of customers on an individual basis, taking into account their financial position, credit history and other factors. The utilization of credit limits is regularly monitored. Services rendered to customers are settled primarily in cash and cheques.

The Commission has made adequate provision for any potential credit losses and the amount of the Commission's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

	2015	2014
	\$	\$
Cash	4,027,865	3,218,291
Accounts receivable	13,233	28,327
	4,041,098	3,246,618

All financial assets such as cash and accounts receivable are categorized as neither past due nor impaired in 2015 and 2014.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

3 Financial risk management ...continued

a) Financial risk factors ...continued

ii) Credit risk ...continued

The following table provides the credit quality and age analysis of the Commission's financial assets according to the Commission's credit ratings of debtors as of December 31, 2015:

	High Grade \$	Standard Grade \$	Total \$
December 31, 2015			
Cash at banks	4,027,865	–	4,027,865
Accounts receivable	–	13,233	13,233
	4,027,865	13,233	4,041,098
December 31, 2014			
Cash at banks	3,218,291	–	3,218,291
Accounts receivable	–	28,327	28,327
	3,218,291	28,327	3,246,618

The credit quality of financial assets was determined as follows:

- Cash at banks are only placed with well-known banks and financial institutions. The credit quality of these financial assets is considered to be of high grade.
- Accounts receivable re standard grade financial instruments with satisfactory financial capability and credit standing but with some elements of risks where a certain measure of control is necessary in order to mitigate risk of default.

iii) Liquidity risk

Liquidity risk is the risk that the Commission is unable to meet its payment obligations associated with its financial liabilities when they fall due. In order to manage liquidity risks, management seeks to maintain sufficient levels of cash and the availability of funding through an adequate amount of committed credit facilities, to meet its short-term obligations.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

3 Financial risk management ...continued

a) Financial risk factors ...continued

iii) Liquidity risk ...continued

The following tables analyse the Commission's financial liabilities in relevant maturity grouping based on the remaining period at the statement of financial position date to the contractual maturity date.

	Within 1 Year \$
At December 31, 2015	
Accounts payable and accrued expenses	146,840
Statutory deposits	1,820,236
	1,967,076
	Within 1 Year \$
Cash	4,027,917
Accounts receivable	13,233
	4,041,150
Total assets held for liquidity purposes	4,041,150
Net liquidity gap	2,074,074
	Within 1 Year \$
At December 31, 2014	
Accounts payable and accrued expenses	86,459
Statutory deposits	1,429,806
	1,516,265
	Within 1 Year \$
Cash	3,218,414
Accounts receivable	28,327
	3,246,741
Total assets held for liquidity purposes	3,246,741
Net liquidity gap	1,730,476

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

3 Financial risk management ...continued

b) Fair value of financial assets and liabilities

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of cash, accounts receivables, accounts payables and accrued expenses and statutory deposits are assumed to approximate the carrying value due to their short term nature.

The table below summarizes the carrying amounts and fair values of the Commission's financial assets and liabilities.

	Carrying value		Fair value	
	2015 \$	2014 \$	2015 \$	2014 \$
Financial assets				
Cash	4,027,917	3,218,414	4,027,917	3,218,414
Accounts receivable	13,233	28,327	13,233	28,327
	4,041,150	3,246,741	4,041,150	3,246,741
Financial liabilities				
Accounts payable and accrued expenses	146,840	86,459	146,840	86,459
Statutory deposits	1,820,236	1,429,806	1,820,236	1,429,806
	1,967,076	1,516,265	1,967,076	1,516,265

c) Capital risk management

The Commission maintains a level of capital that is sufficient to meet several objectives, including its ability to continue as a going concern in order to maintain an acceptable total debt-to-capital ratio to provide access to adequate funding sources to support current operations and fulfilment of its strategic plan.

The Commission's capital is represented by its accumulated reserves. As at December 31, 2015, the Commission's accumulated reserves amounted to \$2,084,185 (2014: \$1,746,404).

The Commission manages its capital structure and makes adjustments in light of changes in activities, economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Commission may request contributions from and make distributions to the Government of Anguilla.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

4 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Commission estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Based on management's assessment as at December 31, 2015, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

5 Cash

	2015 \$	2014 \$
Cash at banks other than statutory deposits	2,207,629	1,788,485
Cash on hand	52	123
	2,207,681	1,788,608
Statutory deposits	1,820,236	1,429,806
Total cash	4,027,917	3,218,414

Cash at banks is held with National Bank of Anguilla Limited, CIBC First Caribbean International Bank Limited and Scotia Bank Anguilla Limited and bears interest at rates ranging between 1% to 3% per annum (2014: 1% to 3%).

The statutory deposits accounts are held with the CIBC First Caribbean International Bank Limited and earn interest at a rate of 0.05% per annum (2014: 0.05%).

Subsequent to the Commission's financial year end, cash at banks held with National Bank of Anguilla Limited was transferred to the National Commercial Bank of Anguilla Limited.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

6 Accounts receivable

Accounts receivable consists of amounts outstanding for licence fees as at the end of the financial year.

7 Other assets

	2015 \$	2014 \$
Prepayments	15,237	10,356
Housing deposits	8,563	8,563
	<u>23,800</u>	<u>18,919</u>

8 Intangible asset

	\$
Year ended December 31, 2014	
Opening net book amount	45,000
Amortisation charge	<u>(15,000)</u>
Closing book amount	<u>30,000</u>
At December 31, 2014	
Cost	75,000
Accumulated amortisation	<u>(45,000)</u>
Net book amount	<u>30,000</u>
Year ended December 31, 2015	
Opening net book amount	30,000
Amortisation charge	<u>(15,000)</u>
Closing book amount	<u>15,000</u>
At December 31, 2015	
Cost	75,000
Accumulated amortisation	<u>(60,000)</u>
Net book amount	<u>15,000</u>

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

9 Property and equipment

	Computers and equipment \$	Furniture and fittings \$	Leasehold equipment \$	Motor vehicle \$	Total \$
Year ended December 31, 2014					
Opening net book amount	11,010	39,521	20,388	–	70,919
Additions	5,324	–	–	9,100	14,424
Depreciation charge	(3,927)	(5,564)	(6,797)	(910)	(17,198)
Closing book amount	12,407	33,957	13,591	8,190	68,145
At December 31, 2014					
Cost	35,042	60,666	34,032	9,100	138,840
Accumulated depreciation	(22,635)	(26,709)	(20,441)	(910)	(70,695)
Closing net book amount	12,407	33,957	13,591	8,190	68,145
Year ended December 31, 2015					
Opening net book amount	12,407	33,957	13,591	8,190	68,145
Additions	1,846	7,480	–	–	9,326
Depreciation charge	(4,328)	(5,928)	(6,797)	(910)	(17,963)
Closing book amount	9,925	35,509	6,794	7,280	59,508
As at December 31, 2015					
Cost	36,888	68,146	34,032	9,100	148,166
Accumulated depreciation	(26,963)	(32,637)	(27,238)	(1,820)	(88,658)
Closing net book amount	9,925	35,509	6,794	7,280	59,508

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2015

(expressed in United States dollars)

10 Accounts payable and accrued expenses

	2015 \$	2014 \$
Accrued expenses	89,760	68,697
Accrued gratuities	30,517	17,762
Accounts payables	26,563	–
	<hr/> 146,840	<hr/> 86,459

11 Statutory deposits

Section 8(1) of the Insurance Act, R.S.A. c. 116 requires that a licensee undertaking domestic insurance business shall maintain in a bank in Anguilla, funds in cash, short-term securities or other realisable investments approved by the Commission, the total value of which shall at least equal the total of its:

- i) Unearned premium reserve;
- ii) Outstanding claims reserve;
- iii) Reserve for the claims incurred but not reported; and
- iv) Unexpired risks reserve.

Section 8(2) of the Insurance Act states that: “The Commission may require an approved external insurer to place with the Commission an interest bearing deposit to meet existing and future liabilities for a period to be determined by the Commission. The amount of the deposit will not exceed 40% of its annual premium income net of re-insurance premiums with respect to each class of insurance undertaken.”

At December 31, 2015 statutory deposits in the amount of \$1,820,236 (2014: \$1,429,806) were held by the Commission in connection with approved external insurers.

12 Deferred revenue

Deferred revenue consists of licence fees for the succeeding financial year ending December 31, 2016 received by the Commission in advance during the current financial year.

Anguilla Financial Services Commission

Note to Financial Statements

For the year ended December 31, 2015

(expressed in United States dollars)

13 Payroll and related costs

	2015 \$	2014 \$
Salaries	600,838	619,202
Vacation expense	62,705	21,085
Gratuities	44,855	42,633
Housing allowances	36,000	30,750
Health insurance	23,508	22,261
Social security costs	19,492	17,109
Staff bonus	17,061	–
Pension costs	14,548	13,482
Compassionate leave	1,502	–
	820,509	766,522

The remuneration of Board members and key management personnel during the year was as follows:

	2015 \$	2014 \$
Salaries	179,418	170,272
Board members' allowances	54,900	48,400
Gratuities	44,855	42,633
Housing allowances	36,000	30,750
Chairman's travel and subsistence	17,320	33,991
Director bonus	5,820	–
	338,313	326,046

14 Travel and subsistence

	2015 \$	2014 \$
Regulatory	55,313	26,125
Chairman's travel and subsistence	17,320	33,991
Training	16,625	27,401
Staff recruitment	5,602	19,672
Travel expense	670	558
	95,530	107,747



EVENT PHOTOS



WEBSITE & CONTACT INFORMATION

The Anguilla Financial Services Commission website, www.fsc.org.ai, provides useful information on matters relevant to the Commission's regulation of Anguilla's financial services industry:

SECTOR INFORMATION LEGISLATION

Financial Services Commission	Financial Services Commission Act / Financial Services Enactment Regulations / Administrative Penalties Regulations
Banking and Trusts	Trust Companies and Offshore Banking Act / Regulations Trusts Act
Insurance	Insurance Act / Regulations
Company Management	Company Management Act / Regulations Protected Cell Companies Act / Regulations Custody of Bearer Shares Regulations
Mutual Funds	Mutual Funds Act
Money Services Business	Money Services Business Act
Non-Profit Organisations	Non-Profit Organisations Regulations
Co-operatives	Co-operative Societies Act
Friendly Societies	Friendly Societies Act
ERSP/NRSP	Externally and Non-Regulated Service Providers Regulations
AML/CFT	Proceeds of Crime Act / Regulations

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