



# BILLET D'ÉTAT

X  
2001

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WEDNESDAY, 30th MAY, 2001

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**STATES ADVISORY AND FINANCE COMMITTEE**

Annual Report of the  
Guernsey Financial Services Commission

# ***BILLET D'ÉTAT***

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## **TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY**

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I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **30th MAY 2001**, at 10.00 a.m., immediately after the meeting already convened for that day.

**STATES ADVISORY AND FINANCE COMMITTEE****ANNUAL REPORT OF THE GUERNSEY FINANCIAL SERVICES COMMISSION**

The President,  
States of Guernsey,  
Royal Court House,  
St. Peter Port,  
Guernsey.

20th April, 2001.

Sir,

**ANNUAL REPORT OF THE GUERNSEY FINANCIAL SERVICES COMMISSION**

I have the honour to enclose the Annual Report of the Guernsey Financial Services Commission in respect of the year ended 31st December 2000.

Section 6(1) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 provides that:

*“The Commission shall, as soon as practicable in each year, make a report to the Committee on its activities during the preceding year; and the President of the Committee shall, as soon as practicable, submit that report for consideration by the States.”.*

Section 18(2)(b) provides that:

*“The accounts of the Commission shall be ... laid before the States, in the same manner as the accounts of a committee of the States.”.*

In accordance with the decision of the States on 27 May 1999 (Billet d'État XI for 26 May 1999) it is the duty of the Advisory and Finance Committee to report to the States on the appointment of external auditors, together with appropriate recommendations, at the same time as annual accounts of States entities are submitted for formal approval.

The Committee, after seeking advice from the States Audit Commission as required by the States Audit Commission (Guernsey) Law, 1997, recommends that the States appoint the firm of BDO Guernsey Limited as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31 December 2001.

The Advisory and Finance Committee recommends the States:

- (1) to note the Report;
- (2) to approve the accounts of the Guernsey Financial Services Commission for the year ended 31st December 2000.
- (3) to appoint the firm of BDO Guernsey Limited as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31 December 2001.

I have the honour to request that you will be good enough to lay this matter before the States together with appropriate propositions.

I am, Sir,  
Your obedient Servant,  
L. C. MORGAN,  
President,  
States Advisory and Finance Committee.

The Financial Services Commission  
(Bailiwick of Guernsey) Law, 1987 (“the Law”)

# ANNUAL REPORT

for the year ended 31 December 2000

This Report (including financial statements as required by section 18 of the Law) is made in pursuance of section 6 of the Law to the States Advisory and Finance Committee and submitted by the president of the Committee for consideration by the States of Guernsey.

Guernsey Financial Services Commission  
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Note: Throughout this Report the Guernsey Financial Services Commission is referred to as “the Commission” and the States Advisory and Finance Committee is referred to as “the Committee”. The chairman and ordinary members are referred to collectively as “the Commissioners”.



GUERNSEY  
FINANCIAL  
SERVICES  
COMMISSION

The Commission's objective is to provide effective, professional supervision and modern regulation of the finance sector to the highest international standards within a diverse and innovative environment.

The Commission has general powers of supervision and development, including responsibility for the prevention of economic crime. It also has statutory powers to enforce compliance with the many laws regulating the conduct of financial business in Guernsey. In exercise of its general functions, the Commission may take into account any matter which it considers appropriate but shall in particular have regard to:

- the protection of the public against financial loss due to dishonesty, incompetence or malpractice by persons carrying on finance business;
- and
- the protection and enhancement of the reputation of the Bailiwick as a financial centre.

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## COMMISSIONERS



Laurie Morgan  
*President,  
States Advisory and Finance Committee*  
President of the Committee, Mr Morgan is ex officio chairman of the Commission. He was, for twenty years, a senior executive of a Guernsey bank, retiring as managing director in 1993. He entered politics in 1988 as a People's Deputy. During recent years he has been president of Guernsey's Social Security Authority and vice-president of the Committee, being elected its president in 1997.



John Hallam FCA  
*Former partner, PricewaterhouseCoopers*  
Formerly the partner in charge of PricewaterhouseCoopers in Guernsey, Mr Hallam left the group in 1999 having been with it for nearly thirty years. He is currently a non-executive director of a number of financial institutions involved in banking, insurance and investment management. He has served as vice-president of the Guernsey Society of Chartered and Certified Accountants, Treasurer of the Guernsey International Business Association, a member of the committee of the Guernsey Insurance Company Managers Association and on various other bodies associated with the business life of Guernsey.



Nigel Carey LL.B  
*Advocate, Carey Langlois*  
Advocate Carey was admitted as a solicitor of the Supreme Court of England and Wales in 1974 and as an advocate of the Royal Court in 1975. He has been a partner in Carey Langlois since 1976 and was chairman of the Guernsey Bar from 1997 to 1999. He is a non-executive director of a number of collective investment fund companies and fund management companies, including a number engaged in venture capital activities.



Mel Carvill FCA, ACII, MSI  
*Head of Corporate Finance, Assicurazioni Generali SpA*  
Mr Carvill is a past president of the Guernsey Society of Chartered and Certified Accountants and the Insurance Institute of Guernsey, and has served on the working group reporting on pension provision for the self-employed and proprietary directors, the Insurance Law Review Committee, the Pensions Steering Group and the Insurance Sector Policy Advisory Group. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the Chartered Insurance Institute and a Chartered Insurer. He is a director of financial services companies incorporated in Germany, Guernsey, the Middle East, the United Kingdom and the United States of America and is president of the Guernsey Association of Pension Funds.



Leslie Priestley TD, FCIB, FCIM,  
CIMgt, FRSA  
*Chairman, CAA Pension Scheme*  
Mr Priestley has been involved in banking for forty years, holding senior appointments in both Barclays and TSB - finally as chief executive, TSB England and Wales plc and a director of the TSB Group. During his career he was Secretary General, Committee of London Clearing Bankers; a member of the Monopolies & Mergers Commission; a director of the Civil Aviation Authority and London Electricity plc; an adviser to Touche Ross & Co., ICL plc, Prudential Banking plc and Egg plc and a Visiting Fellow at Bangor University. Currently, he is chairman of the CAA Pension Scheme and a director of Prudential Banking plc, Pinnacle Insurance plc and other companies.

## DIRECTORS



Peter Crook FCIB

*Director General (until 31 March 2001)*

A Fellow of the Chartered Institute of Bankers, Mr Crook joined the Bank of England after a spell as an officer in the British Army. He worked in several key areas of the Bank, including two years as a private secretary to the Governor. He worked in Banking Supervision from 1979, until seconded to the Cayman Islands as Inspector of Banks and Trust Companies in 1986 under International Monetary Fund auspices. He was appointed Superintendent of Banks in Guernsey on completing this secondment in 1989 and Director General in March 1997.



Peter Neville MA (Oxon) FCA

*Director General (from 1 April 2001)*

Mr Neville read law at Oxford University and is a Fellow of the Institute of Chartered Accountants in England and Wales. Following a period working in the field of insolvency, he spent twelve years as a banker and merchant banker in the United Kingdom and the Far East. He joined the Investment Management Regulatory Organisation in 1987, holding a number of senior positions over a period of seven years. In 1994 he established the investment services regulatory regime for Malta and provided advice on financial services regulation to the Government. In 1997 he joined the Regulatory Division of Lloyd's of London as general manager responsible for authorisation, individual registration and conduct of business permissions. He took up the position of Director General of the Commission in April 2001.



Steve Butterworth FCA, ATII, CFE

*Director of Insurance*

A chartered accountant, an Associate of the Institute of Taxation and a Certified Fraud Examiner, Mr Butterworth has been connected with the insurance industry since 1973 when he became companies manager of an accounting firm in Grand Cayman and, subsequently, financial controller of an insurance group in the Seychelles from 1977 to 1981. He was appointed Deputy Superintendent of Insurance in the Cayman Islands in 1982, Superintendent of Insurance in Guernsey in 1986 and Director of Insurance in 1997.



Philip Marr MSc (Econ)

*Director of Banking*

Mr Marr graduated in Economics at the University of Hull in 1968 and joined the Bank of England after a postgraduate degree. He was Economic Adviser to the Government of Bermuda from 1974 to 1977 and entered Banking Supervision on his return to the Bank. He was appointed Adviser to the Bahrain Monetary Agency from 1982 to 1984. He was manager of several groups of banks in Supervision at the Bank of England. After a secondment to Hambros Bank in 1988-89 he was Manager, On-Site Review Teams. He was appointed Senior Manager, Enforcement in 1995 and joined the Commission in June 1997.



Talmay Morgan MACantab, Barrister

*Director of Fiduciary Services and Enforcement*

Mr Morgan read Economics and Law at Cambridge University before qualifying as a barrister in 1976. He held a number of commercial and advisory appointments in London before moving to Guernsey in 1988. He worked for Barings for six years, before moving to the Bank of Bermuda in 1994 as managing director of Bermuda Trust (Guernsey) Limited. In January 1999 he joined the Commission as Guernsey's first Director of Fiduciary Services and Enforcement.



Peter Moffatt MA (Oxon)

*Director of Investment Business Designate*

Mr Moffatt joined the Overseas Department of the Bank of England in 1968. International work involved liaison with European Community institutions and the Bank for International Settlements. He was a supervisor during the 1970s and later became Secretary of the City Capital Markets Committee. Leaving the Bank in 1987, he became a compliance officer in investment banking with PaineWebber and JP Morgan and then in investment management with John Govett and Framlington. He has served on legal and regulatory committees of the Association of Investment Trust Companies, the Association of Unit Trusts and Investment Funds and the Financial Services Authority.

## CHAIRMAN'S STATEMENT

The events of last year vindicated the Commission's long-held policy for its supervisory and regulatory standards to meet the highest international standards.

In May 2000 the G7 Financial Stability Forum issued a report which divided forty-two financial centres with significant offshore business into three categories. Guernsey was judged to be a Group 1 (the best category) jurisdiction. This judgement placed Guernsey on a par with Hong Kong, Luxembourg, Singapore and Switzerland as a jurisdiction generally perceived as having a legal infrastructure, supervisory practices and a level of resources devoted to supervision and co-operation relative to the size of its financial activities and that are largely of good quality. It is welcome that our peers around the world see Guernsey as being in the top category.

The anti-money laundering authorities in the Bailiwick have a commitment to the prevention, detection, investigation and prosecution of all forms of financial crime, wherever committed. In this connection, the Committee has confirmed to the Financial Action Task Force on Money Laundering ("FATF") that Guernsey is committed to meeting the Forty Recommendations issued by that body. The Commission has an important rôle to play in meeting this responsibility and I am particularly pleased at the conclusions of an evaluation of the Bailiwick's anti-money laundering systems against the Forty Recommendations. This evaluation was carried out by an independent FATF team in 1999 on behalf of the Offshore Group of Banking Supervisors ("OGBS"). The review was completed early in 2000 but could not be released until it had been approved by the annual meeting of the OGBS in September.

It is important to remember that regulation now firmly encompasses the prevention and detection of economic crime. In this regard, the evaluation team concluded that the Guernsey authorities have constructed



a comprehensive anti-money laundering system which is close to complete adherence to the Forty Recommendations. The Commission is responsible for ensuring that a large number of the Forty Recommendations are satisfied. It meets this responsibility through the administration of the Guidance Notes on the Prevention of Money Laundering and other policies described on pages 33 to 38. The evaluation report also describes the Commission as having a positive record of co-operation with overseas requests for assistance and the system of financial regulation as comprehensive and effective.

FATF also undertook its own review of certain aspects of Guernsey's anti-money laundering system. Following the issue in February 2000 of Twenty-Five Criteria to identify detrimental rules and practices which impede international co-operation in the fight against money laundering, Guernsey was one of the first jurisdictions to be evaluated against the Twenty-Five Criteria. FATF concluded in June that Guernsey is co-operative and has a comprehensive anti-money laundering system.

Of course, both the OGBS and FATF evaluation

reports contain recommendations on how the anti-money laundering framework can be further strengthened. These recommendations have been addressed and appropriate steps are being taken to ensure that the conclusions of any future reviews will be even more positive.

The Commission also has an interest in the work by the Organisation for Economic Co-operation and Development ("OECD") on tax havens and harmful tax practices. In July 2000 the OECD included Guernsey amongst the jurisdictions which it considers technically met the tax haven criteria it published in 1998, although the authorities in Guernsey did not agree with this view. The OECD asked the thirty-five jurisdictions it had listed as tax havens to consider making commitments to its work. In addition, the OECD stated that any jurisdiction unable to sign a commitment by 31 July 2001 would be specified as an unco-operative tax haven and subject to defensive measures. It should be noted that it is in the OECD's interest, just as much as Guernsey's interest, for Guernsey not to appear on the 31 July list of tax havens. Guernsey and Jersey have adopted a joint approach to discussions with the OECD and support the basic principle of establishing global tax standards. Hence, discussions have continued to be held with the OECD in order to ascertain its specific thinking and where there is common ground. In this regard, the political authorities in Guernsey are convinced that the Bailiwick already meets most of the OECD's stated requirements and the Government and the finance sector are hopeful that sufficient progress will be made so that Guernsey will not be on the list published on 31 July.

Regulatory activity by the Commission continued unabated during the year. Of particular note was the approval in the last two months of 2000 of the proposed Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law,

2000 by all three legislatures in the Bailiwick. The law came into force on 1 April 2000 and represents an important milestone in the Commission's history.

The year also saw the announcement of the retirement of Peter Crook, the Director General. Peter was with the Commission for twelve years, first as Superintendent of Banks and then, from March 1997, as Director General. His tenure in the latter post covered all of the international initiatives outlined above, together with the 1998 United Kingdom Home Office Review of Financial Regulation in the Crown Dependencies. Peter's contribution to the Commission has been invaluable and he will be sorely missed. I wish him well in his retirement. In his place, I am pleased to welcome Mr Peter Neville who took up his post on 1 April 2001. After qualifying as an accountant with Cork Gully, Peter's career then took him through a spell in banking and merchant banking at Samuel Montagu and then HSBC. He subsequently spent several years at the Investment Management Regulatory Organisation; acted as an adviser to the Maltese Government on regulatory matters; and, most recently, was a general manager in the Regulatory Division of Lloyd's of London. With his experience in regulation and knowledge of a range of financial sectors, I am certain Peter's leadership of the Commission will enable it to address the challenges which will no doubt emerge during the next few years.



Laurie Morgan

*Chairman*

## DIRECTOR GENERAL'S STATEMENT

As I come to the end of my time as Director General, it is clear to me that the Commission's position has changed markedly in the last couple of years. For much of the ten years from 1988 the Commission's rôle was to introduce international standards of regulation to the financial services businesses in the Bailiwick. Much of what was necessary was new and unfamiliar to many organisations; it involved change, restructuring, measured risk assessment and the introduction of many new controls. However, it was accepted that high standards of regulation and its demands on industry were the price to pay if Guernsey was to establish itself as a major financial centre. Fortunately, with good legislation, understanding and a willingness to co-operate, a remarkably high standard, both of regulation and controls within institutions, has been achieved.

In the last three years the extent of the regulatory development introduced by the Commission has been evaluated by several different international organisations. In fact, from being the investigator, developer and teacher, the Commission's position has changed to that of being investigated and assessed as to how it has performed and what it has achieved in accordance with international standards. I am pleased to say it is no surprise to me that we have not been found wanting.

First, the United Kingdom Home Office Review of Financial Regulation in the Crown Dependencies (more commonly known as the Edwards Report) and, subsequently, both the G7 Financial Stability Forum and FATF confirmed that Guernsey operates to the highest international standards.

I am grateful first to the Commission staff for their willingness to absorb the changing international requirements and for their ability to persuade those they supervise or regulate of the wisdom of their recommendations. I am also grateful to the many financial



businesses here that have accepted, with good grace, the extra burdens that have been placed on them by the Commission and, as a result, the increase in costs that this has often entailed. I believe it has all been worth it as Guernsey is well placed for the future with the Bailiwick's financial reputation on a high plateau.

The extensive involvement in international issues, although demanding, has not deflected the Commission away from its bread and butter business of regulating the wide range of financial activities that are undertaken in Guernsey.

It is clear from the chapters that follow that there has been no let up in the Commission's regulation or in the strong growth in all the sectors of financial business in the Bailiwick. Both have led to intense pressure on the labour market. Even the merger of major organisations has not as yet released sufficient staff to ease the constant demand for labour. The Commission is conscious of the effect its regulatory proposals have on the market, particularly in the area of compliance. However, high standards of compliance are an essential feature of assessment by international bodies, so this is a pressure the Bailiwick will have to continue to accommodate.

Importantly, the Training Agency has been fully employed in offering tuition and courses (several of which have been oversubscribed) that have enabled many staff in the finance sector to acquire the essential skills we need to fill the higher quality opportunities that abound. The Training Agency's awareness of what training is needed has been instrumental in its successful year.

Another requirement necessary to meet the international standards has led to the Commission itself needing to increase its staff. It is now important to carry out on-site inspections in all areas that the Commission regulates. The Investment Business Division has been carrying out such activities for more than ten years but now both the Banking and Insurance Divisions are actively expanding their activities in this area. Soon, the fiduciary team will also be looking to carry out such inspections. The need for all Divisions of the Commission to undertake on-site visits has already led to some restructuring in the Banking Division and between 1 January 2000 and 31 March 2001, five staff who will be significantly engaged in this important function were recruited by various Divisions of the Commission; further staff will need to be recruited during the next twelve months as the inspection programme gathers pace.

One area where our innovative proposals have really prospered is with protected cell companies ("PCCs"). After a slow start, when there was some apprehension as to their acceptability, PCCs have now been welcomed and are widely used for both the insurance and investment sectors. As other jurisdictions have realised the potential of PCCs and introduced their own legislation, Guernsey has widened the purposes for which PCCs can be used in order to continue to be in the forefront in this particular market.

Staff are important in all businesses but they are particularly so for an organisation like the Commission

which aims to set standards. There is also constant communication between the Commission and those it regulates. Working relationships are formed which act as oil in the machinery of regulation. I therefore give thanks to the staff of the Commission not only for their efforts last year but for the support of those that have been with me over the twelve years I have been with the Commission. We have a reputation for being constructive, helpful and prepared to listen. In my experience, these attributes are totally justified and have only been achieved as a result of the commitment and endeavour of the staff.



Peter G Crook  
*Director General*

## BANKING

### Business developments

Guernsey banks had another good year and aggregate profits were up by around a quarter. Despite several changes of year end, as local banks adjusted to changes in the accounting period of the parent groups (which makes comparing one year with the next more difficult), the fundamental pattern was one of improved profitability, with some banks showing significant increases in profits. Banks benefited from the active securities and foreign exchange markets in the early part of the year but there was strong momentum in most areas of business, mostly on the back of organic growth which has continued into 2001. This creditable performance was all the more pleasing because of the uncertainties that prevailed during the period as a result of the international scrutiny of offshore finance centres. The publication of the G7 Financial Stability Forum and FATF lists in the middle of 2000 helped to remove most of those uncertainties, with the designation of Guernsey amongst the premier league of banking centres. Guernsey's inclusion on the OECD's

TABLE 1  
Licences and deposits

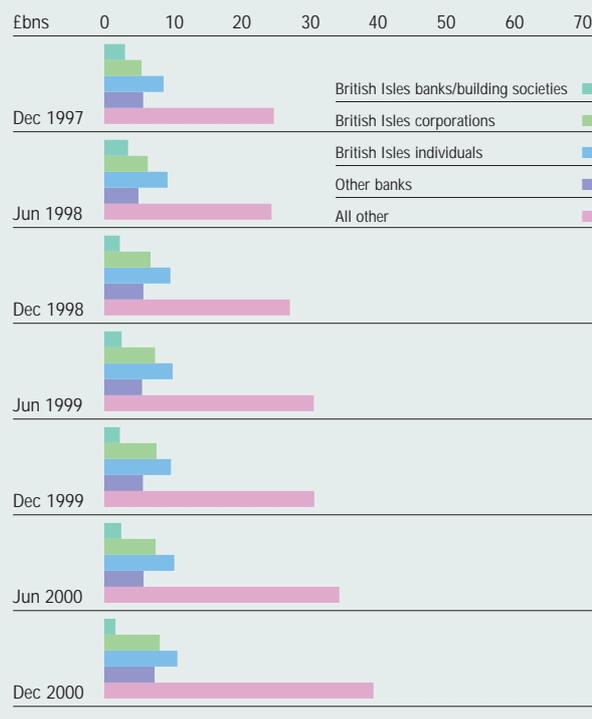
End	Banks licensed	Deposits £mns	Annual change %
1990	72	15476	19.1
1991	72	16250	5.0
1992	76	27442	68.9
1993	75	37482	36.6
1994	73	42191	12.6
1995	73	46855	11.1
1996	72	43324	-7.5
1997	78	49357	13.9
1998	78	52922	7.2
1999	79	57059	7.8
2000	77	68474	20.0

technical list of tax havens did not seem to produce any loss of loyalty on the part of clients. The revised list to be produced by the OECD in July 2001 will be of greater significance.

There was strong growth in deposits during the year, much of the increase being fiduciary deposit business from Switzerland. In particular, this business benefited from restructuring by some international groups which enabled them to channel fiduciary deposits originally destined for other centres into Guernsey. Significantly, increases in Swiss fiduciary deposits came from a number of sources and were directed to several banks; the availability of semi-automated processing helped Guernsey banks in this area.

FIGURE 1

### Deposit liabilities



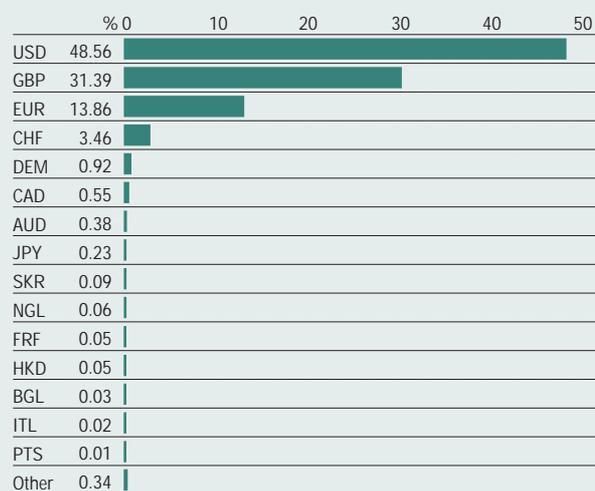
The year started, of course, with the millennium and century date changeover and it was gratifying to most in the banking sector that this turned out to be free of problems. The Commission is of the view that this seamless transition justified all the effort and investment that took place in the previous eighteen months. Many banks have benefited from a renewal of their hardware

and some operating systems as a result of that process. However, one particular benefit from the passing into history of the whole exercise is that it has now released information technology resources and will make personnel available to develop cost and resource saving projects. Indeed, the Banking Division is aware of several major systems refits which began in the second half of the year. The widespread embargo on new systems from the third quarter of 1999 meant that worthy projects were put on hold for some time. Improvements in computer systems are likely to be particularly helpful for Guernsey given that the adoption of automated processes enables the Bailiwick to make best use of its finite human resources.

Total deposits with Guernsey banks continued on an upward trend in 2000, increasing by 20% to reach £68.5 billion by the end of December (see table 1). Although there was strong absolute growth in the deposit base, analysis of the sources of deposit funds shows only a slight change in the pattern of deposit gathering by Guernsey banks (see figure 1). Deposits from British Isles banks continued to contract while deposits from British Isles (principally United Kingdom) individuals were generally static. Deposits from British Isles corporations

FIGURE 2

## Breakdown of deposits with Guernsey banks by currency at end 2000



edged upwards while those from other banks, and all other individuals and corporate structures, became more important in absolute and relative terms. This growth represented the increases in deposits from Switzerland and the rest of the world, the latter reflecting the wide spread of private banking business in Guernsey. The currency mix of deposits shifted even more towards the US dollar and the euro, with less dependency on sterling (see figure 2). Total assets grew to £72.5 billion at the end of the year (see table 2 and figure 3). This growth was

TABLE 2

## Assets and liabilities of licensed banks

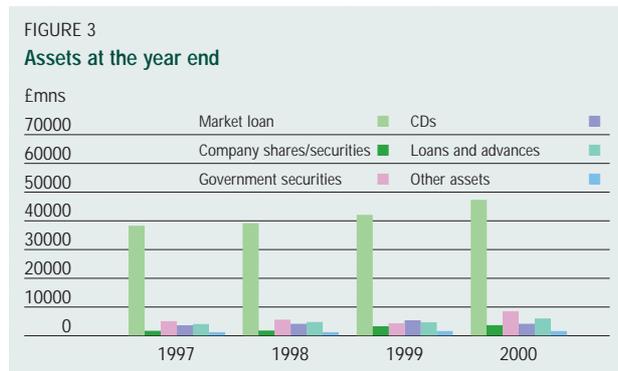
	1997 total £mns	1998 total £mns	1999 total £mns	2000 total £mns		1997 total £mns	1998 total £mns	1999 total £mns	2000 total £mns
<b>Assets</b>					<b>Liabilities</b>				
Loans, advances and market loans with:					Tier 1 capital*	1039	1200	1357	1715
Banks etc	38778	39872	42138	48599	Tier 2 capital**	77	81	83	27
British Isles public sector	4	2	1	2					
Companies, persons, other	4047	4289	5066	5242	Deposits by:				
					Banks etc	11241	15938	11468	13065
CDs	3556	3971	5287	4638	British Isles public sector	36	41	50	50
Government securities	5292	5968	3882	8209	Companies, persons, other	37162	36159	44598	54626
Company shares/securities	1483	1949	3657	3687					
Other assets	1045	1197	1589	2186	Other liabilities	4650	3829	4064	3080
<b>Total assets</b>	<b>54205</b>	<b>57248</b>	<b>61620</b>	<b>72563</b>	<b>Total liabilities</b>	<b>54205</b>	<b>57248</b>	<b>61620</b>	<b>72563</b>

\* Paid-up share capital and disclosed reserves

\*\* Undisclosed reserves, revaluation reserves, general provisions, debt/equity instruments and subordinated debts

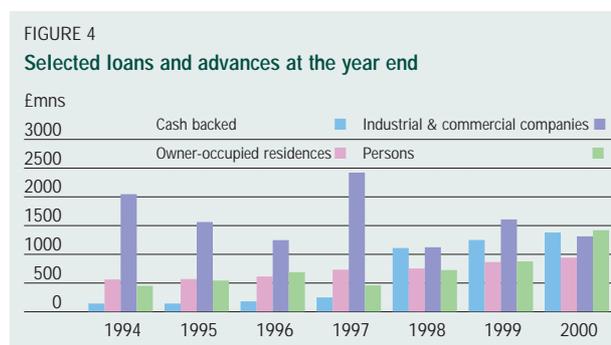
overwhelmingly market loan placement with other banks. However, holdings of liquid government securities were significantly higher at £8.2 billion, reflecting banks' treasury activity, although holding of liquid certificates of deposit and company securities, principally floating rate notes, were more subdued. The aggregate loan book to companies and persons remained modest albeit slightly higher (see table 2 and figure 4). The aggregate capital base also increased from some £1.4 billion in 1999 to £1.7 billion in 2000 (figure 5), a requisite of the need to have adequate capital to support the 20% growth in balance sheets over the year. The weighted average risk asset ratio remained very healthy at 20.5% (figure 6).

Notwithstanding the strong growth in the capital base, which has more than doubled in the last five years, several banks indicated that they had decided to convert from local subsidiaries into branches. Following on from the example of Bank Julius Baer (Guernsey) Limited, which converted to a branch at the end of 1999, several others followed suit or are planning to do so. Kleinwort Benson (Guernsey) Limited put in place a parallel branch with a



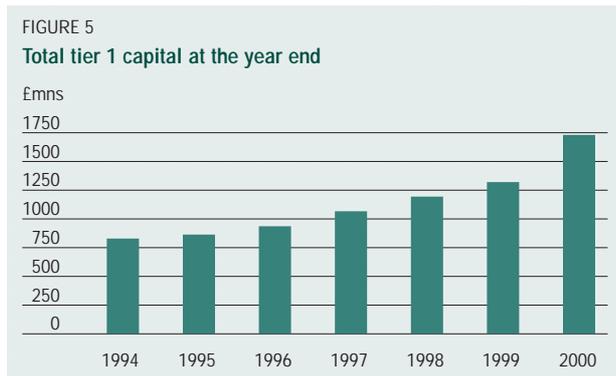
view to transferring the business of the Guernsey subsidiary to a Guernsey branch of Kleinwort Benson (Channel Islands) Limited which is based in Jersey. Similarly, Ansbacher (Guernsey) Limited has indicated that, subject to

the enactment of the appropriate legislation, it will transfer its business in 2001 from the local subsidiary into a branch of Ansbacher Channel Islands Limited, also based in Jersey. The Royal Bank of Canada group is undergoing restructuring in the British Isles and its Jersey bank will become a branch of Royal Bank of Canada (Channel Islands) Limited which will be headquartered in Guernsey.



Overall, there was a net loss of two licences, with the number falling from seventy-nine to seventy-seven at the end of the year (figures 7 and 8). Four licences were lost – first, Deutsche Bank (C.I.) Limited which had outlived its original rationale; second, Birmingham Midshires (Guernsey) Limited which was acquired by the Halifax plc; third, Republic National Bank of New York (Cayman) Limited, Guernsey Branch which had outlived its purpose after the acquisition of the Republic/Safra group of private banks by the HSBC group; and, finally, the business of ANZ Bank (Guernsey) Limited which was acquired by Bank of Butterfield International (Guernsey) Limited. However, there were two new licences issued, one to the United Bank of Kuwait group which transferred business to Guernsey from the Cayman Islands and the other to the new branch of Kleinwort Benson (Channel Islands) Limited. One neutral effect on the number of licences was the acquisition of the business of Canadian Imperial Bank of Commerce (Switzerland) Limited - Guernsey Branch by Banque CAI (Suisse) SA.

Other mergers continued apace, some of the effects of which will not be fully felt until the second half of 2001 or, indeed, in 2002 in some instances. The Royal Bank of Scotland plc acquisition of NatWest Group is



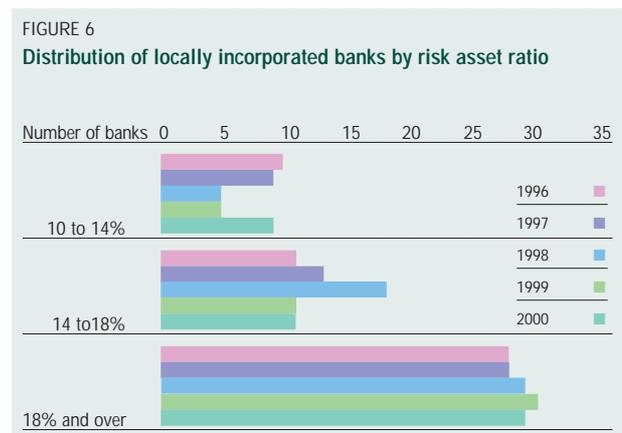
proceeding smoothly with each bank concentrating on the areas in which it is strongest. However, the legal merger of the offshore entities has still to take place, as has the move to one operating platform. The local offshore deposit gatherer, Woolwich Guernsey Limited, was acquired by Barclays Bank plc when that United Kingdom clearing bank acquired Woolwich plc, the United Kingdom mortgage bank. There is also more integration to come in the Belgian-Dutch Fortis group. Locally, BGL Private Bank (Channel Islands) Limited will be integrated into MeesPierson (C.I.) Limited, which bank had previously absorbed Banque Belge (Guernsey) Limited. As part of the business development locally, some growth has come from acquisition, significantly where banking groups have acquired the trust businesses of former accountancy practices. The Royal Bank of Canada and Dresdner Private Banking groups are cases in point.

### Supervision and policy

The supervisory programme continued unrelentingly. There were seventy-two formal prudential meetings with

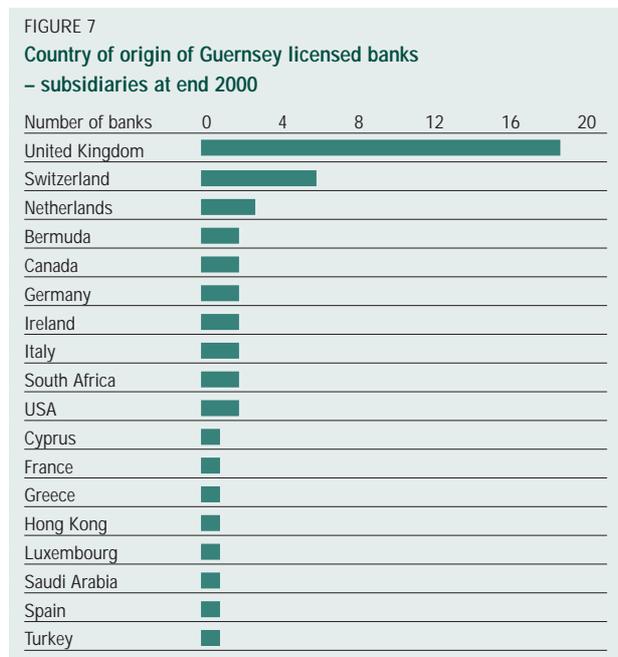
licensed banks in 2000 compared with seventy-seven the previous year. In addition, there were 129 general or courtesy meetings dealing with changes in strategy, corporate restructurings and changes in personnel or ownership of the ultimate parent of local banks.

The on-site review visit programme was continued. Some fifteen visits were completed by the Banking Division, taking in nineteen licensed banks, covering the full range of types of banks in Guernsey, from small to medium sized private banks and also including deposit gatherers, and retail and community banks. The programme will continue in 2001. On average, a visit lasts for three days. There are clearly resource implications for the Commission in raising the frequency of visits to banks, not only because of the need to inspect all banks within a reasonable timescale, but also because the process generates the need to make selective revisits to banks where remedial actions are required. It is imperative that revisits are undertaken within the following twelve months. The review programme involves the use of a comprehensive list of questions to



establish procedures and policies on client take-on, customer profiling, on-going know your customer policies and also to ascertain that the disciplines are in place to avoid money laundering. The questioning is

reinforced with a review of files. The Banking Division requires a rigorous and challenging approach to customer verification and know your customer procedures. The value of such an approach was highlighted internationally for several jurisdictions during 2000 when the Abacha case, in which substantial amounts of funds were allegedly removed from Nigeria by the former president of that country, General Abacha, and his family and friends. This case emphasised potentate risk and indicated that there is clearly no scope for complacency against financial crime.



On the regulatory horizon, at the time of writing, the New Basel Capital Accord has been issued as a consultative document. This is a substantial consultative paper based around three pillars – the standardised approach to capital adequacy, the supervisory review process and market discipline through greater disclosure and transparency. It is too soon to determine the full impact on banks locally. There will be training courses and conferences on this subject in 2001 which will allow further interpretation of the proposals. At this stage, it

would seem that there are clearly some highly ambitious aspects to the proposals which will only affect the most sophisticated banks around the world and the key exercise will be in focusing on those aspects of credit risk and operational risk which will impact the types of banks present in the Bailiwick.



Locally, the consultative paper on the introduction of deposit protection in Guernsey is taking shape. The paper will spell out the rationale for introducing such a scheme in Guernsey, together with the options for making a viable scheme work in a small jurisdiction.

## FIDUCIARY SERVICES AND ENFORCEMENT

### Introduction

The year was chiefly memorable for the unanimous approval of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 by the States of Guernsey, the States of Alderney and Chief Pleas in Sark. The approval of the law by the three legislative bodies followed an intensive eighteen month consultation period between the Commission and the fiduciary sector, and the Commission is confident that the eventual result is an effective and efficient law which is actively supported by the overwhelming majority of the sector. It is expected that the law will now be emulated in other jurisdictions.

The year also witnessed the continuation of the restructuring of the fiduciary sector with a number of mergers and acquisitions taking place and a continuing emphasis on the effective training and development of scarce staff resources.

From the business point of view, most trust companies recorded one of their best years ever for business as new work of high quality continued to be attracted from all parts of the world.

### Size of sector

Pending the receipt of application forms in connection with the imminent regulation of the fiduciary sector, precise statistics are not yet available. It is estimated, however, that there are over 200 firms of fiduciaries throughout the Bailiwick ranging from small owner-managed trust companies to large companies employing well over 100 people each. Whilst the introduction of fiduciary regulation and supervision will inevitably

encourage an examination of business structure, processes and prospects amongst the smaller operators due to the requirement for "four-eyes"<sup>1</sup>, it is expected that a significant number of smaller operators will still continue to function successfully under the new regime. Continued diversity within the sector is to be welcomed as it gives a wider choice of service operators to the Bailiwick's international clientele.

It is now thought that the total assets under administration by fiduciaries in Guernsey is in the region of £100 billion and that the total number of staff directly employed in the fiduciary sector is some 1,300 (over 20% of the total employed in the Guernsey finance sector). A survey by the accountancy firm Deloitte & Touche at the end of 1999 estimated that total annual recurring fiduciary fee income for Guernsey (including additional indirect income generated from the placement and management of fiduciary assets) was in the region of £200 million.

### Regulation

A detailed policy letter from the Committee was considered by the States of Guernsey in June 2000 and, following its unanimous approval, a draft law was distributed for consultation with the fiduciary industry in all three jurisdictions of the Bailiwick. After amendment, the resultant *Projet de Loi* was considered by the States of Guernsey in November 2000 and was approved unanimously. It subsequently also received unanimous approval by both the States of Alderney and Chief Pleas in Sark. The Commission is grateful to all those within the fiduciary sector and others who made constructive comments and suggestions during the extensive

<sup>1</sup>The Commission applies the four-eyes criterion and normally requires at least two individuals to direct the business of a licensed/registered institution. It is expected that the individuals will be either executive directors or persons granted executive powers by, and reporting

immediately to, the board. These provisions are designed to ensure that at least two minds are applied both to the formulation and implementation of the policy of the institution.

consultation process. Their contributions were much appreciated and have contributed significantly to the effective and pragmatic approach of the law. The Commission would also like to thank the members of the Fiduciary Services Committee (whose names are set out in Appendix 2). This committee's advice over a period of two years has been invaluable in the evolution of a law which is widely regarded as sensible, proportionate and workable.

The essential core of the new law is that all those involved in the provision of trust and corporate services from or within the Bailiwick of Guernsey should be fit and proper. This not unreasonable stipulation requires the trust and corporate service providers to be able to meet the criteria of integrity, competence and solvency. Considerable efforts were made during the drafting of the legislation to ensure that the law was in accordance with the tenets of natural justice and the provisions of the European Convention for the Protection of Human Rights and Fundamental Freedoms. The Commission believes that an appropriate balance is struck in the legislation between the protection of individual human rights and the protection of society generally (including Guernsey's international clientele) against dishonest and/or incompetent trust and company service providers. The Commission will, however, be monitoring the evolution of United Kingdom and international financial regulatory laws, policies and practices within the context of human rights, and amendments and modifications to the law can obviously be considered in due course if thought to be necessary. The evolution of human rights within a legal context is inevitably a dynamic process.

The Commission made considerable use of its website in the consultation process relating to the new law. The original consultation paper, the policy letter to

the States, the *Projet de Loi* and the draft codes of practice to be promulgated under the law were all displayed on the Commission's website. Numerous e-mails were sent to interested parties inviting them to visit the website and contact the Commission with any constructive comments and suggestions on what they saw. The Commission intends to develop its use of the website as an efficient and cost effective way of communicating with licensees, their advisers and other interested parties.

During the year, the Director of Fiduciary Services and Enforcement and his colleagues met with a large number of fiduciaries throughout the Bailiwick and the Director spoke at a large number of conferences and seminars both within the Bailiwick and overseas.

### Sector trends

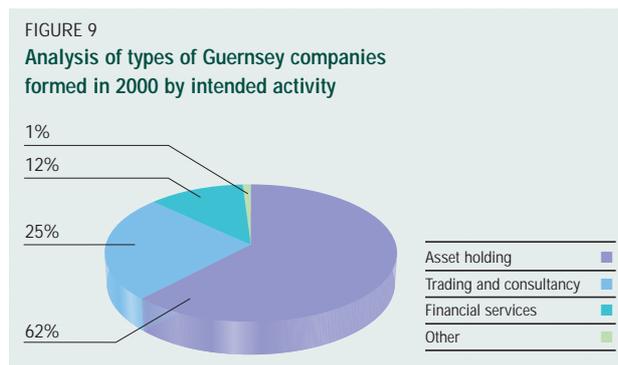
The year 2000 was an extremely busy and successful year for the overwhelming majority of the Bailiwick's trust companies. Good quality new business was plentiful and the main problem confronted by trust companies was a shortage of good quality experienced staff. The fiduciary sector, however, is acutely conscious of the need to promote the development and training of its staff and the assistance of the Training Agency in this regard is increasingly appreciated. The year was significant for the introduction of highly relevant new qualifications by both the Society of Trust and Estate Practitioners ("STEP") and the Institute of Chartered Secretaries and Administrators. A significant number of trust companies are actively encouraging their employees to pursue such desirable and necessary qualifications.

A number of mergers and acquisitions took place during the year between Bailiwick fiduciaries but the largest acquisition was that by Dresdner Bank AG of the Guernsey trust and company administration business of

Orbis Management Limited owned by the partners of KPMG. In addition, the takeover of The Monument Trust Company Limited by Royal Bank of Canada Trustees (Guernsey) Limited was completed during the year and a takeover of Riverdale Limited by Insinger Trust (Guernsey) Limited was announced.

### Trust law

The Trust Law Review Committee (whose members are set out in Appendix 2) met several times during the year to consider certain suggestions set out in the report following the United Kingdom Home Office Review of Financial Regulation in the Crown Dependencies and to consider other possible amendments to Guernsey trust law in the light of developments in other international trust jurisdictions. It is likely that proposals will be forthcoming by the end of the year for the amendment and development of certain aspects of existing trust law. In particular, the Commission is already discussing with the Law Officers the introduction of purpose trusts for non-charitable purposes, which would be useful in many commercial situations.



### Companies

A total of 1,623 Guernsey companies was incorporated during 2000, representing an increase of 15% over the previous year. There were 15,900 companies on the register at the end of the year. This increase continues the upward trend in the total number of companies

incorporated in Guernsey.

Table 3 demonstrates the trend in company formations in Guernsey since 1990, while figures 9 and 10 provide information on the types of company formed and the jurisdiction of beneficial ownership.

TABLE 3  
Number of Guernsey companies registered

Year	New companies registered	Number of companies at year end
1990	1,692	13,596
1991	1,364	13,814
1992	1,438	14,020
1993	1,360	14,014
1994	1,363	14,011
1995	1,406	14,232
1996	1,448	14,550
1997	1,586	15,046
1998	1,322	15,215
1999	1,410	15,453
2000	1,623	15,900

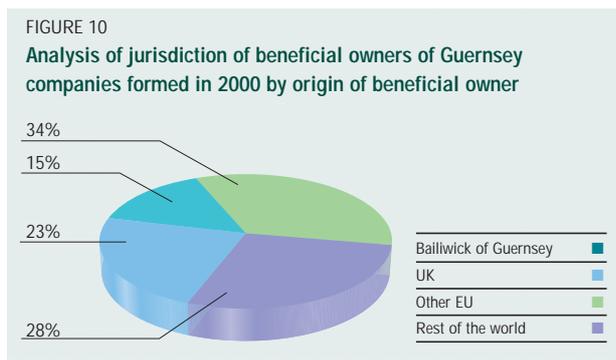
### Company law

The Company Law Reform Committee met regularly over the course of 2000 and, as a result, a draft new law both consolidating existing law and Ordinances and introducing new aspects will be available for consultation in 2001 or early 2002. The proposed additions include provisions for no par value shares, limited duration companies, an increase in the maximum disqualification period for persons acting as directors to fifteen years, the ability for any person with a full fiduciary licence to be able to apply directly for the incorporation of a Guernsey company and detailed administration and receivership procedures.

### Enforcement

The Commission has continued its policy of active co-operation with regulatory and law enforcement bodies around the world. The wide range of subjects handled has included various cases of suspected insider dealing, investment fraud and "pump and dump" security schemes.

The Commission has been an associate member of the Financial Fraud Information Network (“FFIN”) since 1996. FFIN is a network of regulators and law enforcement authorities which was set up in 1992 as a result of the Bingham Report into the Bank of Credit and Commerce International affair. FFIN has been a useful forum through which the Commission has been able to receive and distribute information and it formalises a practice which the Commission has always been keen to promote. During 2000, the Commission was pleased to accept an invitation by FFIN to become a full member of the Network.



During the year, the Fiduciary Services and Enforcement Division actively participated in regular meetings of The Bailiwick Financial Crime Committee and the Financial Crime Steering Group. Certain of the cases discussed by the Steering Group have resulted in liaison notices being issued by the Commission to various sectors of the finance industry. On a more general basis, the Commission has also issued advisory notices and updates on the status of various jurisdictions in relation to matters such as sanctions. In 2000, new sanctions were imposed against Afghanistan by the United Nations. These sanctions had automatic effect in the Bailiwick. The European Commission also issued regulations against Myanmar (Burma). In view of the international appeal of the Bailiwick’s financial services, and in order to avoid the

possibility of Guernsey being used as a potential bolthole for officials of such a regime, the Commission suggested the enactment of an Ordinance which, when made, replicated the regulations in the Bailiwick.

The Commission renewed its membership of the International Chamber of Commerce Commercial Crime Bureau during the year. This has proved to be a useful source of information and has assisted the Commission in its enquiries.

As part of its general intelligence gathering, the Commission has been searching the internet for any sites making mention of Guernsey within the context of financial services. Historically, the Commission was reactive to reports it received relating to such matters but the more active approach of a structured system of searching should lead to any false or misleading claims on the Net being dealt with more speedily.

The Fiduciary Services and Enforcement Division (acting on behalf of the Committee) has continued to discharge its responsibilities for undertaking due diligence checks on the proposed beneficial owners of Guernsey incorporated companies. Checks are made from the Commission’s own databases and various other databases to which the Commission has access. As well as undertaking due diligence on the proposed beneficial owners, the Division considers the proposed activities of the new company and its proposed name. In addition, the Division is responsible for the consideration of applications by privately owned companies which are not banks, collective investment schemes and insurers pursuant to the Migration of Companies Ordinance, 1997 and the Amalgamation of Companies Ordinance, 1997. The Division also deals with applications relating to the appointment of overseas auditors for Guernsey companies.

## INSURANCE

## Captives and protected cell companies

Guernsey's insurance sector was active in 2000 and continued to maintain its position as the leading captive<sup>1</sup> location in Europe.

TABLE 4  
Number of offshore companies registered

Offshore	End 1999 *	End 2000
Pure	268	258
Commercial	36	45
Broad	23	27
PCCs	20	28
Sub-total	347	358
Cells	96	136
Total	443	494

\* Seventeen insurers originally exempt from registration (due to the fact that they were in run-off when the Insurance Law came into effect) have discharged their liabilities and a prior period adjustment has been made to reflect this.

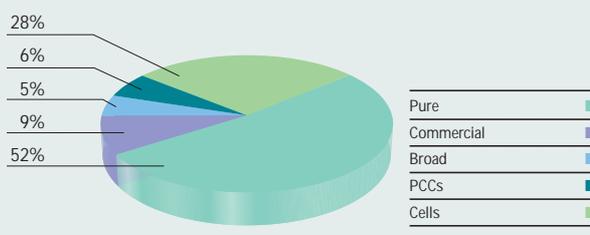
There were twenty-seven offshore insurers registered during 2000, while there were sixteen companies (all captives) who surrendered their licences. This produced a net increase of eleven captives over the year. Of the twenty-seven new registrations, nineteen captives were registered, including a number owned by major United Kingdom companies. Traditional captive insurance business continued, with a number of institutions benefiting from the Migration of Companies Ordinance, 1997, allowing parent companies to consolidate their captive operations in Guernsey. Five captives migrated to Guernsey, with two captives relocating to other jurisdictions. The number of registered offshore insurers at the end of 2000 totalled 358<sup>2</sup>, comprising 258 pure captives, twenty-seven broad captives, forty-five commercial insurers and twenty-eight

PCCs (with a total of 136 cells).

Guernsey's mature insurance sector continued to go from strength to strength with new business in the captive area dominated by increasing numbers of PCCs both in terms of new incorporations and in the number, and diversity, of cells established. PCCs have seen a significant development over a relatively short period of time and PCC cells now account for 28% of offshore insurance entities.

FIGURE 11

Offshore insurance business at end 2000



Eight new PCCs were registered during the year with forty-three cells established. With the closure of three cells, the net number of cells in operation as at 31 December stood at 136.

Table 4 and figure 11 show that the offshore business in Guernsey is continuing to diversify with an increasing number of broad and commercial captives. There has also been a significant development in the diversity of business being written by the PCCs. This development has been primarily in the capital markets where PCCs have been utilised for securitisations and other alternative risk transfer structures. Two of the new

<sup>1</sup>Captive insurers are companies set up to write some of the insurance business of their parent and/or other group companies and are an important part of the risk management strategies of international and major national corporations. Pure captives only underwrite parental risks whereas broad captives also take on third party business, mainly in the form of reinsurance treaties. Commercial captives, by contrast, exclusively or very largely write third party insurance business, again mainly reinsurance treaties. PCCs can offer a practical alternative to stand alone

captives and allow for the insurance business of different insureds to be written in different cells, each of whose assets are legally separated from the liabilities of others.

<sup>2</sup>Seventeen insurers originally exempt from registration (due to the fact that they were in run-off when the Insurance Law came into effect) have discharged their liabilities and a prior period adjustment has been made to reflect this.

PCCs offer life products, bringing the number of life PCCs to four. Other users vary and include rent-a-captives, association captives, those set up by major organisations with a cell for each operation and joint ventures.

TABLE 5  
Location of shareholders of offshore insurers at end 2000

Country	Number
Asia	2
Australasia	5
Canada	1
Caribbean	9
Europe	39
Far East	10
Guernsey	11
International*	1
Middle East	4
Northern Europe	8
South Africa	14
South America	2
Southern Europe	2
United Kingdom	235
USA	15
Total offshore insurers	358

\* Joint ownership, three European joint ventures

As the PCC concept, which was introduced and developed in Guernsey, has become more widely accepted, most of the major insurance domiciles now have similar legislation in place, including Bermuda and the Cayman Islands. In addition, the National Association of Insurance Commissioners in the United States of America has approved a model law based on the PCC legislation and five states have introduced the legislation, namely Illinois, New York, Rhode Island, South Carolina and Vermont.

Demonstrating an increasing geographic diversification, tables 5 and 6 and figure 12 show Guernsey's PCC business to be much more international in comparison with the traditional captive business which is still predominantly derived from the United Kingdom.

The eight new PCCs include operations for major companies and demonstrate not only increasing support

for the concept but a diversity of owners both in terms of business and geographic location. ACE PCC Limited has been established by ACE, the Bermudian insurer, to create and enhance risk financing opportunities and provide new forms of alternative risk protection for its clients. BG (British Gas) Group has registered Sunfish Insurance PCC Limited to participate in the insurance programmes of its offshore companies, while the major German reinsurer,

TABLE 6  
Location of shareholders of PCC cells at end 2000

Country	Number
Asia	1
Australasia	4
Canada	1
Caribbean	2
Europe	32
Far East	2
Guernsey	9
Middle East	2
Northern Europe	4
South Africa	7
Southern Europe	7
United Kingdom	32
USA	33
Total cells	136
Total offshore insurers	358
Total cells	136
Grand total	494

Hannover Re, has incorporated Hannover Re PCC Limited to offer cell facilities to its clients. Lombard International PCC Limited has been established by Lombard International Assurance SA of Luxembourg and offers life and annuity policies to its international client base. South African investment group, M3 Capital Asset Management, incorporated M3 Capital Assurance PCC Limited with the aim of providing investment links through single premium life assurance policies. Japanese insurer, The Nisshin Fire & Marine Insurance Company Limited, set up Nisshin Insurance PCC (Guernsey) Limited to assist with its own reinsurance arrangements and to offer cell facilities to its clients. In addition, the

Swiss reinsurer, Zurich Re, established Zurich Re PCC Limited and became the 500th registered offshore insurer in Guernsey.

Of the traditional captives registered, Vodafone Airtouch plc, Europe's biggest company, established Vodafone Insurance Company Limited. Captives also migrated to Guernsey, from the Isle of Man and the Cayman Islands respectively, to be managed in conjunction with their existing Guernsey captives. Two Japanese institutions, including All Nippon Airways, relocated their captive operations from Dublin.

The number of insurance managers stood at thirty at the end of the year. This is a fall of one over the year, with the mergers of broking houses accounting for three deregistrations. Both Jardine Lloyd Thompson Group plc and Zurich Re set up management companies during the year.

### International life insurance

At the end of 2000 there were twenty-one offshore life companies registered in Guernsey. The majority of these insurers sell specialist life and pensions contracts, mainly to expatriates residing in countries outside Europe. They are a small but strong group with geographically diverse ownership from countries such as France, Italy and the Nordic countries.

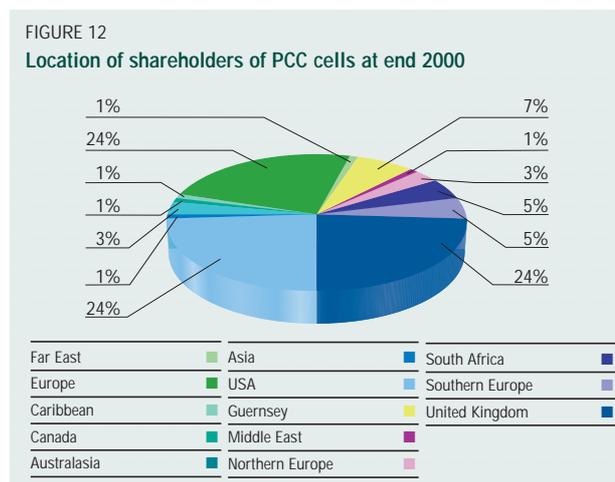
### Domestic insurance business

There were forty-one domestic insurers registered as at 31 December 2000, a decrease during the year of one. There has been very little movement in the domestic market with only two new registrations and three companies surrendering their registrations during the year.

There was no change in the number of local mutuals and those that operated continued to

be successful.

There were fifty-seven intermediaries registered at 31 December 2000, compared to forty-nine at the end



of 1999.

Domestic life and pensions business is written mainly by United Kingdom and Isle of Man based insurers. The category of exempt insurers was withdrawn by the 1998 amendment to the Insurance Business (Guernsey) Law, 1986 and all insurers with a physical presence in the Bailiwick are required to register with the Commission. An insurer is deemed to have a physical presence if the insurer acts through a resident agent. Those insurers writing Bailiwick risks without a physical presence in the islands, who were previously exempt, are now categorised as recognised insurers and, at the end of December 2000, they numbered 135.

### Premium income, gross assets and net worth

Total premium income received by all Guernsey registered offshore insurers is estimated to have increased to £2.03 billion at December 2000. The gross assets of offshore insurers increased over the year from £8.75 billion to an estimated £9.63 billion while their net worth decreased from £3.7 billion to an estimated £3.31 billion.

Registered domestic insurers' premiums are estimated to have increased to £336 million in 2000, although this figure includes some offshore insurance premiums which have not yet been separately analysed by the insurers.

### Supervision and policy

The Commission continues to regulate on a risk-based approach. As well as maintaining the minimum margin of solvency, the insurer must ensure that the funds available are sufficient to meet the estimated total annual aggregate risk retention, together with expenses, calculated on a worst case basis. Any risk gap should be shown to be adequately covered. Account is taken of the nature of the classes of business involved, the spread of risk available to the insurer, claims experience and the risk management expertise of the insured. Funds available must be sufficient to meet claims for the future in a worst case scenario.

Yet again, 2000 saw the Insurance Division actively involved in several projects to diversify and improve the insurance sector.

As noted in last year's Report, the Insurance Division consulted with representatives of the finance sector in connection with the development of its policy on securitisations. As a result of this consultation, the Protected Cell Companies Ordinance, 1997 has been extended so that securitisations and other finance business can now be undertaken through a PCC.

The Insurance Law Review Committee (whose members are listed in Appendix 2) invited new representatives to assist with the review process. This resulted in five subcommittees being created to consider the International Association of Insurance Supervisors' Core Principles of Supervision and their application to Guernsey. The five subcommittees considered licensing and changes in control; corporate governance and internal

controls; prudential rules, market conduct and cross-border operations; monitoring and on-site visits; and sanctions, and made recommendations for these areas of the law to be strengthened. The work of the committee is expected to be completed in 2001.

The Insurance Sector Policy Advisory Group (see Appendix 2) met again in 2000 to consider ways in which the Bailiwick can develop as an insurance centre in both the medium and long term.

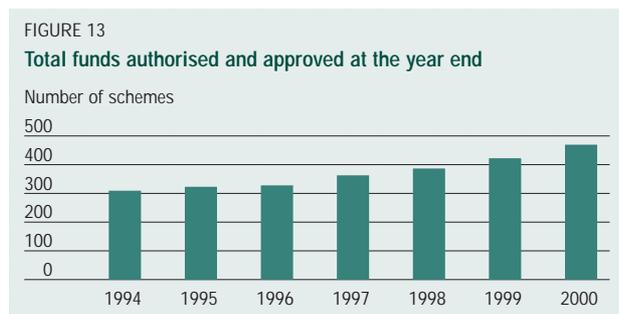
In October 2000 the Pensions Advisory Panel was established, superseding the Pensions Steering Group, to consider the merits of an appropriate regulatory framework for Guernsey. The Panel intends to complete its work over an eighteen month period and will issue a consultation paper in 2001.

The Insurance Division continued to develop its on-site visit programme which was introduced in 1999 and made eleven on-site visits to authorised insurance managers and registered insurance intermediaries. The programme involves assessing the control and management of the operation concerned, a comprehensive anti-money laundering review and an inspection of the insurance companies' policyholder files. The programme will be further extended in 2001 to include offshore life companies and domestic insurance companies.

## INVESTMENT BUSINESS

### Business developments

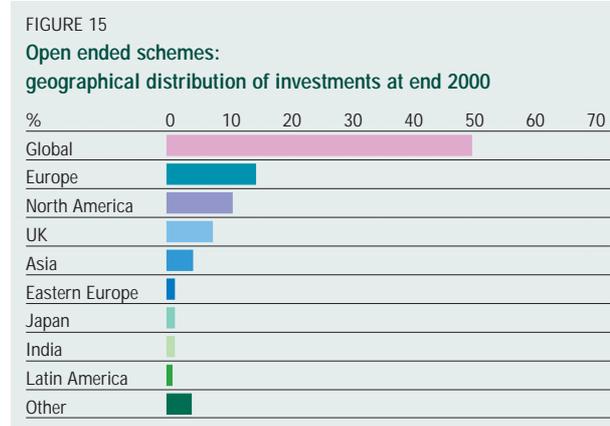
The buoyant conditions in international markets seen in 1999 continued into the opening period of 2000. By March, however, the extremely high valuations attributed in particular to dot.com stocks began to fall away, and later in the year a reappraisal of other technology sectors, notably telecommunications, heralded a more general weakening of the markets. Valuation levels came under particular pressure in the final quarter of the year as economists began to reassess growth prospects, particularly in the United States of America.



For Guernsey, it might have been expected that these market volatilities, exacerbated by a number of other international uncertainties, including the outcome of the reviews conducted by FATF and the G7 Financial Stability Forum, as well as the OECD “harmful tax competition” exercise, would have had a negative impact. However, 2000 was the year in which a record number of funds were authorised and licensees approved.

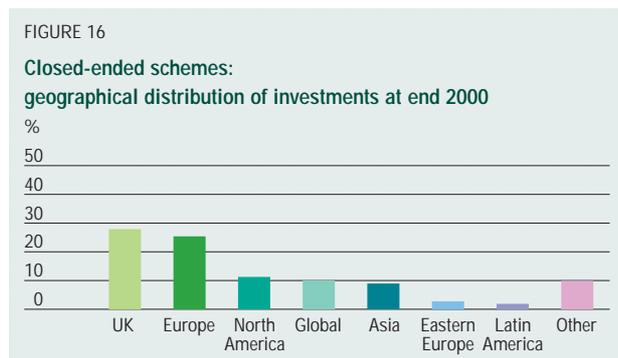


Overall, funds under management increased rapidly to the end of September, when they peaked at a total of £27.6 billion, of which open-ended funds accounted for £15.4 billion and closed-ended funds a total of £12.2 billion. The total represented a growth of some 20% in total funds under management, including 5% growth in open-ended funds and a remarkable 48% in closed-ended funds. In the final quarter of the year, the value of both open-ended and closed-ended funds fell by some 4% so that, over the year as a whole, funds under management increased by about 15%, within which open-ended funds grew by 1% and closed-ended funds by 41%. During the year a total of ninety-five new funds were authorised, an all-time record, of which thirty-seven were open-ended vehicles and fifty-eight were closed-ended funds. Seventy-five new classes of existing open-ended funds were also authorised. Closed-ended vehicles are particularly suitable for the management



of investment portfolios consisting of unquoted and/or relatively illiquid securities, since portfolio decisions need not be influenced by investor subscriptions and redemptions. They are therefore natural vehicles for venture and development capital funds, and for certain classes of hedge fund. Rapid developments in internet vehicles, other technologies and innovations, and healthcare particularly favoured the venture capital sector, at least until

markets began to lose some of their sparkle as the year progressed. Figures 13 and 14 indicate the trend over time in the number of funds managed in Guernsey and assets under management. Figures 15 to 21 and tables 7 to 10 provide a broad breakdown of the types of investment by open-ended and closed-ended funds as well as the development of PCCs as investment fund structures. The Commission noted last year the growing importance of the protected cell structure for open-ended funds and the extension of the PCC legislation to permit its use for closed-ended vehicles. It is not surprising to report therefore that twelve new PCC funds were authorised during the year, while the number of PCC cells in existence more than doubled to a total of 142.



The Commission has for many years gathered statistics on the provision by Guernsey service providers of administration services to non-Guernsey open-ended schemes. These are schemes domiciled in other jurisdictions which make use of Guernsey financial institutions to provide administration, management or custody services. Funds under management in non-Guernsey open-ended schemes amounted to some £7.7 billion by the end of 2000, an increase of 8.7% over the position at the end of 1999. This is not all of the story. The Commission has recognised for some time that the provision of similar administration and custody services to closed-ended schemes domiciled elsewhere is an important

contributor to the Guernsey fund management business. For the first time, the Investment Business Division has begun to gather information on the value of closed-ended funds where some aspect of administration or custody is carried out in the Bailiwick. Further research will be needed and longer data series established before the Division feels able to publish useful statistics, but it is already clear that this aspect of fund administration, hitherto accorded relatively little attention, has become an important factor in Guernsey fund management.

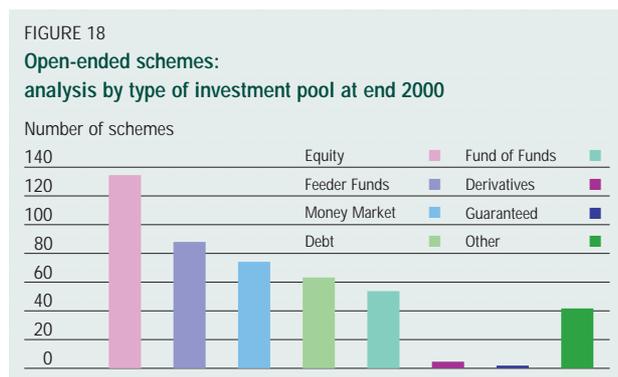


Overall, it is clear that, despite market uncertainties and international political uncertainties, the fund management business in Guernsey remains highly regarded and well placed to take advantage of the growing demand for funds likely to develop as the twenty-first century progresses.

### Supervision and policy

A concomitant of the very strong demand for new fund approvals through the year was a significant increase in the number of institutions licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 ("POI Law"). The number of licensees increased from 355 at 31 December 1999 to 411 at 31 December 2000. There was a net increase of forty-nine in the number of

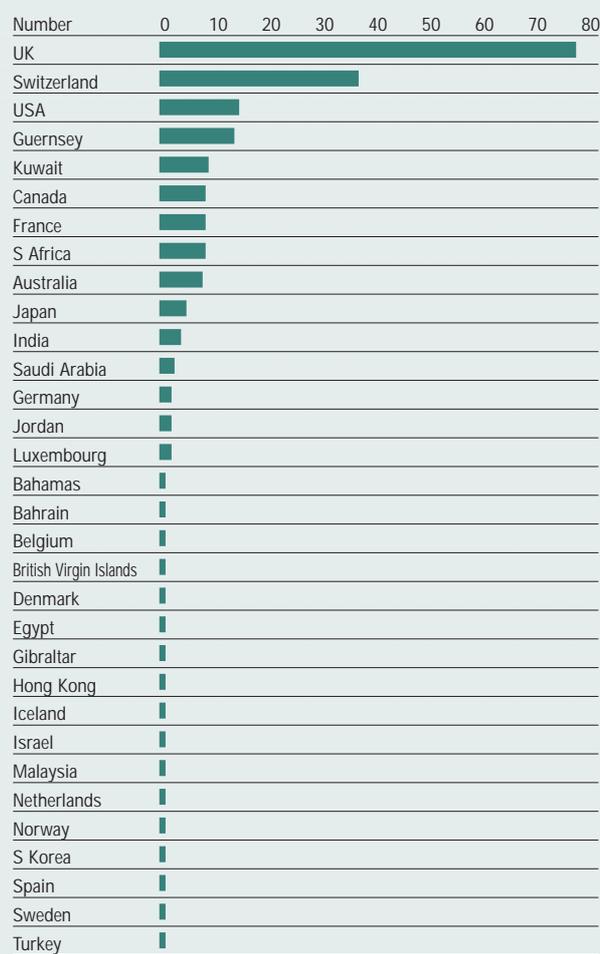
collective investment schemes under supervision at the year end, once again a new record, and the number of portfolios in operation is, of course, considerably greater than this. Each spoke of an umbrella fund and each cell of a PCC is to all intents and purposes a separate portfolio and, on that basis, a total of 557 open-ended portfolios were under the Commission's supervision at the year end. Keeping pace with this rising number of funds and licensees, and the desire to continue to match international standards of regulation, presented particular challenges to the Investment Business Division's monitoring work in 2000. Nonetheless, a total of fifteen inspection visits were undertaken (one more than in 1999). Of these, eight were to designated managers and seven to designated custodians/trustees; the visits included one follow-up to confirm remedial efforts and two special reviews in response to specific issues which had come to the Commission's attention. The Division plans a significant increase in the number of inspection visits during 2001.



The Division continues to develop its approach to on-site monitoring of licensees and funds. The effectiveness of visits has been increased by a decision to select specific aspects of investment business for detailed review; this allows a more searching analysis of licensees' control environments, which in turn provides the

Commission with a better feel for relative strengths and weaknesses. Inspection teams now discuss their initial conclusions with senior management of the licensee at the end of each visit. This is intended to foster dialogue and to ensure that formal reports, when issued to management and, if necessary, to the board, are seen as a constructive element in the relationship between licensee and

FIGURE 19  
Nationality of sponsors/joint sponsors of Guernsey open-ended funds at end 2000



Commission. The Commission's aim is to be as constructive as possible in its proposals.

Further dialogue is developed through the Commission's valued contact with the Guernsey Fund

Managers Association (“GFMA”). Annual presentations to the Association have long been a feature of the relationship and a decision was taken in 2000 to increase their frequency. Accordingly, presentations were made in July and December by the Director and Deputy Director of Investment Business. These sessions provide an opportunity for the Commission to set out its regulatory approach, its particular themes and matters of current concern, and provide an opportunity for GFMA members

FIGURE 20  
Nationality of sponsors/joint sponsors of Guernsey closed-ended funds at end 2000



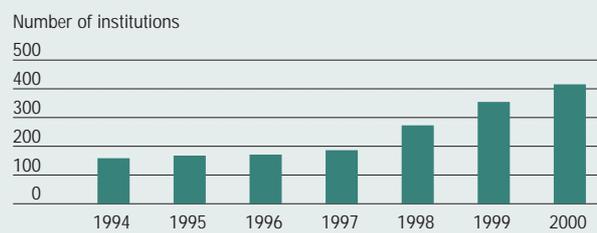
Note: Some funds have more than one sponsor

to engage in direct discussion with Commission staff. The GFMA also provides a useful conduit for consultation on regulatory initiatives.

A number of circulars were sent to the fund

management industry, including advocates and accountancy practices, during the year. The first, in September, reminded licensees of the importance the Commission attaches to the provision of timely reports for investors, and set out the Commission’s view that repeated failure to meet reporting deadlines was evidence of failures

FIGURE 21  
Number of institutions licensed under the POI Law



in the licensee’s control environment. In November, a circular on client money reminded licensees of the importance of regular and effective reconciliation of client money accounts and the timely rectification of errors.

Also in November, a circular was issued dealing with the question of United Kingdom public offers circulated in the Bailiwick (see Appendix 7). Following the extension of the POI Law in 1998, when promotion of investments other than collective investment schemes was made a restricted activity, a view had gained currency that public offers by United Kingdom companies could not be circulated in the Bailiwick without a licence and/or a

TABLE 7  
Closed-ended funds

	End 1999	End 2000	% change
Number of funds	231	272	+17.75
Value of assets Ebns	8.27	11.67	+41.11
Number of registered holders	16,888	21,866	+29.48
Stock exchange listed	60	66	+10.00

Guernsey approved closed-ended funds normally have a fixed capital issued once and for all and investors have no absolute entitlement to redeem their shares/units.

specific consent under the Control of Borrowing Ordinances. The circular restated the Commission’s view, based on specific exemptions in the Ordinances, that

public offers by United Kingdom companies generally circulated on the United Kingdom mainland were perfectly acceptable for circulation within the Bailiwick without specific permission or consent; the considerations

TABLE 8  
Open-ended funds

	End 1999	End 2000	% change
Number of funds	198	206	+4.04
Number of investment pools	509	557	+9.43
Value of assets (£bns)	14.67	14.77	+0.68
Net new investment over year (£bns)	1.76	0.83	-53.00
Number of registered holders ('000s)	134.4	139.5	+3.79
Stock exchange listed	60	56	-6.66

Guernsey authorised open-ended funds are funds in which shares/units are offered for sale throughout their life and which investors are entitled to redeem on demand subject to any applicable notice period. A list of authorised schemes appears in Appendix 6.

might be somewhat different where prospectuses had been specifically tailored for marketing to a Guernsey investor base and the circular indicated straightforward courses of action to deal with those special cases. It is not the intention of the Commission unnecessarily to restrict investment opportunities available to Guernsey residents. Further use will be made of circulars to the industry as issues arising from the themed inspection approach, or

TABLE 9  
Non-Guernsey schemes

	End 1999	End 2000	% change
Number of funds	131	142	+8.39
Value of assets (£mns)	7,044	7,656	+8.69
Stock exchange listed	22	28	+27.27

These open-ended schemes incorporated/established in other jurisdictions are not Guernsey authorised/approved. However, Guernsey institutions licensed under the Protection of Guernsey (Bailiwick of Guernsey) Law, 1987 provide management/administration or custody services to such schemes with specific approval from the Commission.

through international developments, need to be brought to the general attention of the investment sector. In this connection, additional guidance on the promotion of investments was circulated in April 2001 (see Appendix 7).

Useful discussions were held with representatives of HM Treasury and the Financial Services Authority

(“FSA”) in July during which broad agreement was reached on a timetable for implementing and designating

TABLE 10  
New collective investment fund business

	End 1999	End 2000
Open-ended funds – authorised	30	37
Open-ended funds – new classes approved	34	75
Closed-ended funds – approved	29	58

the proposed new Guernsey “Class A Rules”. The new rules are now formally lodged with HM Treasury and the FSA, and it is hoped that a new designation order covering the Channel Islands and the Isle of Man should be in force by August 2001. Through the GFMA, the Division has liaised with fund managers and custodians/trustees in the Bailiwick to ensure that those who will be affected by specific modifications to the rules are prepared for the changes which they will need to put in place.

## INTERNATIONAL DEVELOPMENTS

## Banking

An important part of the Banking Division's work is in liaising with other supervisors around the world. This is not surprising since all of the banks licensed in Guernsey are part of international banking groups operating elsewhere and because it is vital to keep abreast of current issues and developments in methodology in the supervisory community.

The Director General and the Director of Banking attended the Eleventh International Conference of Banking Supervisors ("ICBS"), which was convened in Basel, Switzerland, in September and hosted jointly by the Swiss National Bank, the Swiss Federal Banking Commission and the Bank for International Settlements ("BIS"). Similar conferences are held every two years and they are one of the principal fora for banking supervisors. To some extent, the ICBS is the shop window of the Basel Committee on Banking Supervision and at the 2000 Conference it was important to take stock of the implementation of the Basel Committee's Twenty-Five Core Principles and for the banking supervisory community to be briefed on the current status of the new Capital Accord. Many of the individual workshops at the ICBS focused on the building blocks of the Capital Accord such as the internal ratings-based approach, market discipline, transparency in the banking system and the supervisory review process which identifies the risks inherent in individual banks. In addition, there were workshops on other topical issues, including financial conglomerates and e-banking.

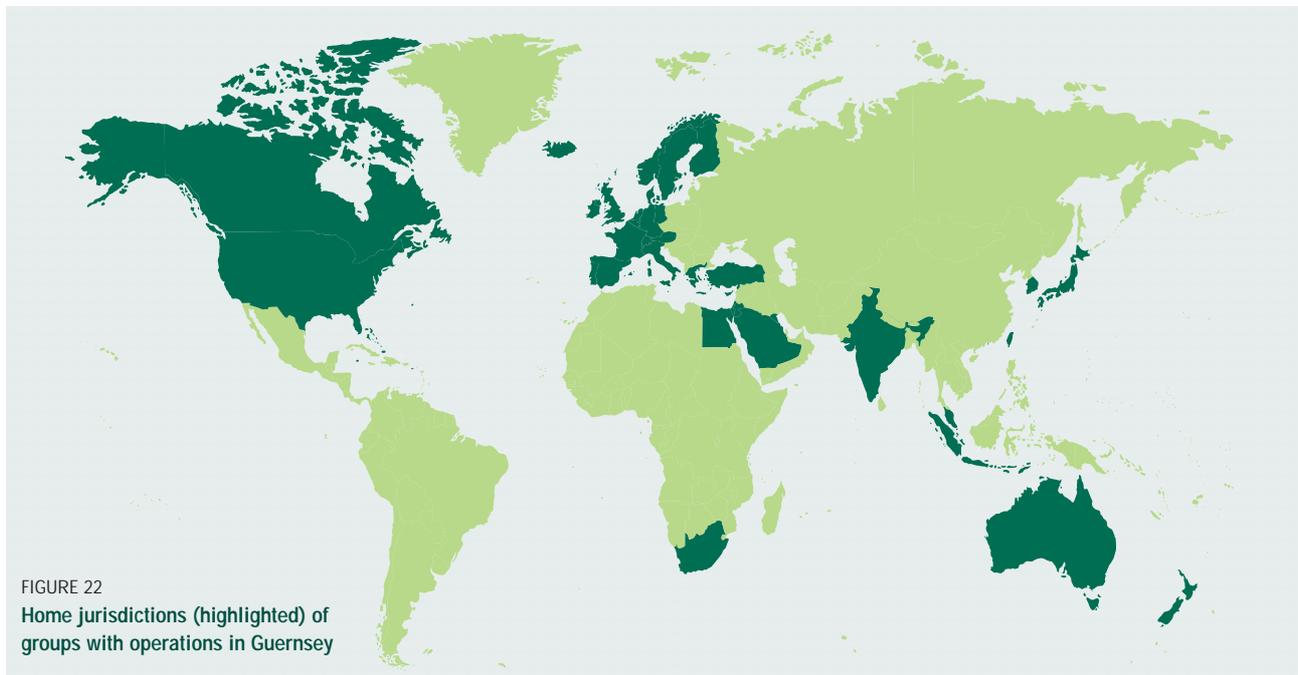
Immediately prior to that international gathering, the annual meeting of the OGBS was convened. Not surprisingly, the agenda was dominated by the recent international initiatives to classify offshore centres into co-operative and non-co-operative jurisdictions. However,

such gatherings also give participants the chance to discuss issues of mutual interest in the corridors. This year's meeting was no exception. Much useful work was achieved in this way – it presents the opportunity to deal with issues on a face-to-face basis.

The Division undertook its now regular bilateral meetings with the international supervisors responsible for the bulk of the banks represented in Guernsey. The Director and Deputy Director held their annual bilateral meetings with the FSA in London in December. The Deputy Director undertook a bilateral meeting with the Swiss Federal Banking Commission and the Money Laundering Control Authority in Berne, Switzerland shortly after the OGBS meeting and, while the Director and Deputy Director were attending that meeting, they participated in a pre-arranged meeting with the General Manager of the Bermuda Monetary Authority. Separately during the year, a bilateral meeting was conducted between the Director and Deputy Director with their opposite numbers from the Jersey Financial Services Commission in respect of Guernsey banks which are structured as branches of Jersey companies and to discuss other issues of common interest.

The Division also welcomed visits from overseas supervisors during the year. In these cases, visits to the Commission were combined with a review of the business of individual Guernsey banks for which they are the home supervisor of the parent banking group. In total, the Commission received three visits from the FSA and one from De Nederlandsche Bank, the Dutch banking regulator.

Several international meetings during the year focused on specific projects. In May the Director attended the seminar on establishing a deposit insurance system hosted jointly by the Financial Stability Institute, the BIS



Jurisdictions represented			
Australia	Finland	Italy	Singapore
Austria	France	Japan	South Africa
Bahamas	Germany	Jordan	South Korea
Belgium	Gibraltar	Kuwait	Spain
Bermuda	Greece	Luxembourg	Sweden
British Virgin Islands	Guernsey	Malaysia	Switzerland
Canada	Hong Kong	Malta	Taiwan
Cayman	Iceland	Netherlands	Turkey
Cyprus	India	New Zealand	United Kingdom
Denmark	Indonesia	Norway	United States of America
Egypt	Ireland	Portugal	
	Israel	Saudi Arabia	

and the Federal Deposit Insurance Corporation. This was held at the Financial Stability Institute's home base in Basel. In June the Deputy Director was part of Guernsey's delegation to a meeting with FATF in Paris (see page 33). He subsequently attended the Crown Dependencies anti-money laundering meetings in London and in September he accompanied the Director General at the International Monetary Fund's outreach meeting with offshore financial centres in Paris.

On the statistical front, the Director and Deputy

Director held a briefing meeting with the Bank of England as collector of monetary aggregate statistics in the sterling monetary policy area. Two meetings were also held with statistical expert representatives of the BIS in the company of fellow monetary statistical collectors from Jersey and the Isle of Man. The purpose of these meetings was to explore ways in which the three Crown Dependencies could contribute to the BIS's published locational banking statistics which identify the financial flows of funds between significant countries and jurisdictions around the

world. It has been evident for some time that the BIS was keen to include statistics from Guernsey, Jersey and the Isle of Man in their published statistics of financial centres. As mature finance centres, the inclusion of the Crown Dependencies' numbers will fill a gap in the international statistical tables. It was essential for representatives of the Crown Dependencies to meet with the BIS to establish precisely what statistics that body wished to cover, establish the basis on which they would be collected, and clarify the definitions of key reporting concepts, notably in respect of their geographic analyses.

#### Fiduciary Services and Enforcement

In the year leading up to the approval of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 throughout the Bailiwick in December 2000, the Commission had many discussions and several meetings with its counterparts in Jersey and the Isle of Man. The Commission's intention was that the Guernsey legislation should only diverge from that in the other Crown Dependencies if there was good reason for this. The Division therefore closely examined these other jurisdictions' draft legislation and codes of practice and discussed many points of common interest with their Commissions.

In October, a member of the Fiduciary Services and Enforcement Division attended the Association of Chief Police Officers' National Fraud Forum at Latimer in Buckinghamshire, England. The Forum was valuable for learning about new trends in fraud and how they affect the financial system. It also provided a practical platform to give general guidance to representatives of the police and other law enforcement bodies as to how to seek formal assistance in relation to enquiries and investigations

in Guernsey.

In December, the Director of Fiduciary Services and Enforcement gave a presentation to the FATF typologies meeting in Oslo. The invitation to speak on trusts and their possible uses and abuses was particularly welcome in view of the increasing interest of FATF, the OECD and the European Union in "non-transparent" structures. The Director also accepted an invitation to speak at a joint meeting of the United Nations Global Programme Against Money Laundering/Egmont Group training seminar in Vienna at the beginning of 2001.

The Commission is a full member of FFIN, a network of regulators and law enforcement authorities, and Fiduciary Services and Enforcement Division staff attended six FFIN meetings during the year.

#### Insurance

Since the 1993 formation of the Offshore Group of Insurance Supervisors ("OGIS") and the later formation of the International Association of Insurance Supervisors ("IAIS") in 1994, Guernsey has played a leading rôle in both organisations.

Guernsey sits on the Executive Committee of the IAIS and on the Technical and Emerging Markets Committees. Guernsey is the Chair of the Insurance Fraud Subcommittee which in 2000 brought out a set of adopted principles entitled "Fit and Proper Principles and their Application". It is in the process of preparing "Anti-Money Laundering Guidance Notes for Insurance Supervisors and Insurance Entities" for adoption by IAIS members in 2001. Membership of the Reinsurance, Securitisation and Education subcommittees, and a presence at other subcommittee meetings, ensures that Guernsey is involved with the policy of international regulatory changes. The IAIS is also investigating the risks

to which supervisory organisations are exposed, so that all of these are identified and allocated to one or more subcommittees or working groups. The Director of Insurance and his assistant director regularly meet with other overseas regulatory bodies and exchange information for supervisory purposes. The quarterly committee meetings of the IAIS are held in different parts of the world, and presence at these meetings facilitates a thorough understanding of different supervisory approaches and ensures that other supervisors are comfortable with regulation in the Bailiwick. Guernsey is currently updating the IAIS training manual to include the IAIS's Core Principles of Supervision.

OGIS continues to bring out guidelines on topics that have not been covered by the IAIS such as the supervision of rent-a-captives, the acceptance of personal lines business from overseas and loan-backs to captive group companies. OGIS also takes a stance on those topics where the policy has not been finalised by the IAIS, such as reinsurance. After serving as the chairman of OGIS for seven years, the Director of Insurance stepped down to give more time to representing OGIS in international fora as the Executive Committee member responsible for international matters. During the year the Director of Insurance participated and spoke at two OGIS events, the working conference and the training seminar. The Director of Insurance also made three visits to the International Monetary Fund in Washington where he assisted officials in preparation for their assessments of insurance supervision in various jurisdictions throughout the world.

The Association of British Insurers, the European Commission, the FSA and Lloyd's of London are visited regularly and 2000 was no exception. The Director of Insurance and his staff also spoke on several occasions on

various insurance regulatory topics at conferences and seminars, both in Guernsey and overseas, and they continued the policy of inviting experts to speak to the Guernsey insurance sector on topics that are interesting and educational.

In addition, the Insurance Division attended conferences sponsored by the Association of Insurance and Risk Managers, the Captive Insurance Companies Association, the Risk and Insurance Management Society, the South African Risk and Insurance Management Association and the World Captive Forum.

#### Investment Business

The significance of Guernsey as a truly international centre for investment business is evidenced by the range and frequency of its contacts with overseas regulatory bodies.

As a normal part of its activity in regulating funds and fund service providers, the Commission regularly requests information from, and provides information to, regulators overseas. The Commission also co-operates with overseas regulators to the fullest extent of its powers when they seek assistance carrying out inspections and enquiries which may involve Guernsey service providers. Relations with overseas regulators are underpinned by an expanding series of memoranda of understanding providing for mutual co-operation and exchange of information. During 2000, memoranda were signed with the Financial Services Board of South Africa and with the United Kingdom Securities and Futures Authority. The Commission continues its support for the International Organization of Securities Commissions ("IOSCO") and the Enlarged Contact Group on the Supervision of Collective Investment Funds ("ECG"). In May the Director of Investment Business represented the Director

General at IOSCO's annual conference in Sydney. The Director General represented the Commission at a meeting of the European Regional Committee held in Athens in October. Concurrently, the Director of Investment Business represented the Commission at the ECG Annual Meeting held in Amsterdam under the Chairmanship of the Dutch Central Bank. The Director also participated in the Investment Business Programme operated by the Toronto International Leadership Centre for Financial Sector Supervision; the Toronto Centre operates in partnership with, amongst others, the BIS, the International Monetary Fund, IOSCO and the World Bank.

In June, the Investment Business Division received a visit from officials of the FSA and HM Treasury. This provided an opportunity to take forward discussions on the extension of Guernsey's Class A fund rules in the context of making a wider range of funds freely marketable in the United Kingdom, and also provided an opportunity for a useful exchange of views on regulatory style and priorities. Separately, a team from the United Kingdom Securities and Futures Authority visited Guernsey in September to exchange views on broker/dealer regulation in the Bailiwick.

The Director and Deputy Director visited London for briefings on the current state of play in the process of integrating various self regulatory organisations into one unified FSA. Senior analysts also attended international seminars co-ordinated by the FSA in London, by the Securities and Exchange Commission in Washington and by IOSCO in Montreal. In addition to the technical content of these valuable seminars, they provide a useful basis for developing the Commission's widening range of international contacts.

Developing these contacts, and maintaining

awareness of current market trends and issues, is also achieved through attendance at a range of investment seminars and conferences. During the year, Investment Business Division staff attended discussions on e-commerce, alternative investment management, offshore fund administration, international funds, and on the challenges to the financial sector posed by drugs, terrorism, and crime. As his last public engagement before retirement, Nigel Taylor addressed a Guernsey conference on matters relating to securitisations and, as his first public engagement following his appointment as Director of Investment Business, Peter Moffatt addressed the London conference on Channel Islands investment funds.

## PREVENTION OF ECONOMIC CRIME

### General

All Divisions of the Commission were active during 2000 with regard to the prevention and detection of economic crime. During the year, the Commission dealt with two independent reviews by international bodies of the Bailiwick's anti-money laundering standards and assisted with the enhancement of the Bailiwick's anti-money laundering system, both through changing its own policies and by liaising with other Bailiwick anti-money laundering authorities.

### Financial Action Task Force review

Since the end of 1998 FATF has been engaged in identifying key anti-money laundering weaknesses in jurisdictions inside and outside its membership. This work has the support of other supranational organisations such as the OECD. In February 2000 FATF published Twenty-Five Criteria to identify detrimental rules and practices which impede international co-operation in the fight against money laundering. Guernsey was in the first group of jurisdictions reviewed by FATF against the Twenty-Five Criteria. A number of reports written by the Commission and the other anti-money laundering authorities in Guernsey were provided to FATF and, in June, Bailiwick representatives, including the Director General and the Deputy Director of Banking, met with FATF in Paris in order to explain Guernsey's legislation and practices.

In a report published in June, FATF concluded that Guernsey is a co-operative jurisdiction. This outcome supported the Bailiwick's efforts to deter and punish money launderers. The importance of Guernsey not being found to be unco-operative was emphasised when FATF identified fifteen countries or territories as being non-co-operative in the fight against money laundering. Its

recommendation was that financial institutions should pay special attention to business relations and transactions with persons (including companies and financial institutions) in those countries and territories. Authorities in a number of individual countries such as the United States of America also made similar recommendations.

The FATF report also made a number of comments on the system whereby authorised financial services businesses may accept reliable introductions from specified types of institution and the verification standards applying to customers taken on before the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 2000 came into force. These comments were considered carefully and the issue of a consultation paper on the overriding principles of the know your customer framework (see below) was designed to take forward the issues raised by FATF in these areas.

### Offshore Group of Banking Supervisors' review

At its annual meeting in September 2000, the OGBS approved a report following a FATF-style evaluation of the Bailiwick's anti-money laundering systems vis-à-vis the Forty Recommendations issued by FATF. Although the visit was carried out in 1999 by independent experts from France, Malta, the United Kingdom and the United States of America, discussions between the Commission and the evaluation team on the findings of the visit continued until the spring of 2000. The evaluation team considered that the Guernsey authorities have constructed a comprehensive anti-money laundering system and that the standards set by Guernsey are close to complete adherence to the Forty Recommendations.

The report also made a number of suggestions in order to ensure complete compliance by the Bailiwick with the Forty Recommendations. The Commission and

the other anti-money laundering authorities considered the report's conclusions in detail and are taking appropriate action to ensure the Recommendations are satisfied. The issue of the consultation paper on overriding principles (see below) was one product of the evaluation report. A transcript of the report's summary is provided in Appendix 8.

### Crown Dependencies Anti-Money Laundering meetings

Two meetings were held in London during 2000 attended by representatives from the regulatory agencies, police, customs and the attorneys general from the Crown Dependencies. The Commission is normally represented by the Director General, the Director of Fiduciary Services and Enforcement and the Deputy Director of Banking. These meetings discuss issues of common interest, help to co-ordinate the Crown Dependencies' anti-money laundering approaches and provide scope for exchanges of ideas and views.

### The Bailiwick Financial Crime Committee

In late 1999 The Bailiwick Financial Crime Committee was established in order to facilitate closer co-ordination at a strategic level between the Law Officers' Chambers, the Commission, police and customs with regard to the prevention, detection, investigation and prosecution of economic crime. The Commission is represented by executives in the Banking, Director General's and Fiduciary Services and Enforcement Divisions and one of its officers acts as secretary. The Bailiwick Financial Crime Committee has a wide-ranging remit and its discussions to date have centred on the structure of, and links between, the anti-money laundering authorities in Guernsey; closer co-operation between the authorities; possible future

legislation; international developments on financial crime; consideration of the conclusions of international initiatives which involve the Bailiwick or opine on Guernsey's anti-money laundering systems (such as the FATF and OGBS initiatives mentioned above); and the preparation of self-evaluations against international standards.

The committee met twice during 2000.

### The Financial Crime Steering Group

The Financial Crime Steering Group was also established in 1999. It comprises executives of the Law Officers' Chambers, the Commission, police and customs and the Financial Intelligence Service. The Steering Group reports to The Bailiwick Financial Crime Committee but its main objectives are to discuss particular cases of interest and provide practical assistance to interested parties.

The Steering Group met five times in 2000.

### United Nations Global Programme Against Money Laundering

The Director General continued his membership of the United Nations Offshore Forum Advisory Panel. This panel was established to provide advice to the United Nations Offshore Forum which reports to the United Nations Office for Drug Control and Crime Prevention.

The Advisory Panel met in March in the Cayman Islands. A key result of that meeting was the issue of a communiqué stating that the governments of international finance centres should be invited to make a commitment to meet the Offshore Forum's Minimum Performance Standards. The demonstration of a political commitment by governments in adopting these standards is a central feature of the Offshore Forum's work. The Minimum Performance Standards include policies issued by the Basel Committee, FATEF, the IAIS, IOSCO and the United

Nations. Following consultation between the Commission and the Advisory and Finance Committee, the Committee made a commitment that Guernsey would meet the Minimum Performance Standards.

In 2000 the Offshore Forum also commenced work to define the nature and scope of the global cross-border financial services industry. To that end the Commission answered a detailed questionnaire issued by the Offshore Forum.

In addition, the Commission, with assistance from the Law Officers' Chambers, contributed to a database established by the International Money Laundering Information Network. Whilst the Network is not part of the Offshore Forum, it represents another important aspect of the work of the United Nations Office for Drug Control and Crime Prevention. The database is a compendium of analyses of jurisdictions' anti-money laundering legislation and regulation. It additionally provides information on the anti-money laundering authorities in each jurisdiction. The database is designed to assist policymakers and law enforcement officers involved in cross-jurisdictional work.

### Anti-money laundering legislation

As mentioned in last year's Report, on 1 January 2000 the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 came into force along with the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 1999. A commentary on this legislation was provided in the 1999 Report.

Following the provision of advice to the Committee by the Commission, during the year the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 2000 were made. These amended the 1999 Regulations, having the effect of requiring

financial services businesses to retain customer documents for at least six years. (Previously records were required to be kept for three, five or six years depending on the type of record.) This change had the effect of bringing Guernsey's financial services businesses fully in line with Recommendation 12 of FATF's Forty Recommendations, whilst reflecting the fact that legal action based on a contractual relationship may be commenced at any time within six years of a particular act or omission.

During 2000 the States passed the Drug Trafficking (Bailiwick of Guernsey) Law, 2000. This replaced the Drug Trafficking Offences (Bailiwick of Guernsey) Law, 1988 and the Drug Trafficking (Amendment) (Bailiwick of Guernsey) Law, 1992. An important new provision in the 2000 Law is the creation of an offence of failing to disclose knowledge or suspicion of drug money laundering. A person guilty of such an offence is liable on conviction on indictment to imprisonment for a term not exceeding five years or to a fine or both. The law came into operation on 1 January 2001. The new drug trafficking law and the proposed Criminal Justice (International Co-operation) (Bailiwick of Guernsey) Law, 2001, which is expected to come into force in the summer of 2001, will enable the Bailiwick to ratify the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

### Guidance Notes on the Prevention of Money Laundering

The Commission is responsible for the issue, enforcement and updating of the Guidance Notes on the Prevention of Money Laundering. The Guidance Notes were amended on two occasions in 2000. In May they were revised to

take account of the change introduced by the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 2000 (see above). In July, Appendix C (which lists countries and territories whose authorised financial services businesses may be treated as reliable introducers of business) was amended to remove four jurisdictions.

In December the Commission issued a joint consultation paper with the Isle of Man Financial Supervision Commission and the Jersey Financial Services Commission. Entitled "Overriding Principles for a Revised Know Your Customer Framework", the paper made key proposals for changes to the Regulations and Guidance Notes to ensure the Islands' anti-money laundering regimes are in accordance with FATF's Forty Recommendations. There was a good, and largely constructive, response to the paper and representatives of the regulatory bodies in the three Crown Dependencies are meeting regularly to develop revised proposals. Generally, the three Crown Dependencies have determined that their Guidance Notes, when revised, will, where possible, eliminate any scope for regulatory arbitrage between the Islands on anti-money laundering matters.

#### Business From Sensitive Sources Notice

In July 2000 the Commission issued its second Business From Sensitive Sources Notice ("BSS Notice"). This drew the attention of financial services businesses to the list of fifteen non-co-operative countries or territories issued by FATF on 22 June 2000. The Commission enclosed copies of the fifteen advisories issued by the United States Department of the Treasury's Financial Crimes Enforcement Network with the BSS Notice. Financial services businesses were advised to exercise

a greater level of caution when taking on business from the fifteen jurisdictions which were the subjects of the advisories.

Financial services businesses were also advised to exercise a greater level of caution when considering whether or not to accept business from, or introduced by, institutions which excessively advertise or promote services which play on some customers' confidentiality requirements. Although the requirement for confidentiality is legitimate, it is the excessive emphasis on confidentiality, leading to reference to secrecy, which the Commission highlighted.

Finally, financial services businesses were advised to exercise a higher degree of awareness of the potential problems associated with taking on politically sensitive clients from jurisdictions where bribery and corruption are widely considered to be prevalent. This was a timely reminder as the BSS Notice came out a month before the Swiss Federal Banking Commission published its report into the involvement of several Swiss banks with the funds from the entourage of Sani Abacha, the former president of Nigeria.

#### On-site visits

The programme of on-site visits continued to be rolled out in 2000. During the year the Banking, Insurance and Investment Business Divisions between them carried out thirty anti-money laundering on-site visits. These visits have proved to be a valuable supervisory tool and assist the Commission in feeding back to the finance sector what it sees as best practice.

The questionnaire used during on-site visits has been developed through use and is an evolving document. Several financial regulators in other jurisdictions have asked to have sight of the questionnaire used for on-site

inspections of banks to assist them in the development of their own on-site programmes.

### Insurance fraud

The Director of Insurance (a Certified Fraud Examiner) is the chairman of the Insurance Fraud Subcommittee of the IAIS.

Guernsey hosted the inaugural Tripartite Insurance Fraud conference in September. The conference was jointly organised by the Association of British Insurers, the International Association of Insurance Fraud Agencies ("IAIFA"), the IAIS and the United Kingdom Association of Chief Police Officers. It attracted over seventy delegates from countries as far apart as Jamaica, Portugal, Russia and the United States of America.

### Insider dealing

Following consultation between the Commission and the Committee, the Insider Dealing (Securities and Regulated Markets) (Amendment) Order, 2000 came into operation in September 2000. This Order further extended the Insider Dealing (Securities and Regulated Markets) Order, 1996 by making additions to the schedule setting out the regulated markets under which insider dealing is prohibited under the Company Securities (Insider Dealing) (Bailiwick of Guernsey) Law, 1996. The additions to the schedule include any ordinary, associate or affiliate member of IOSCO, the Channel Islands Stock Exchange, LBG and a number of new European investment exchanges.

The Commission also provided advice to the Committee and the Law Officers' Chambers concerning amendments to the Company Securities (Insider Dealing) (Bailiwick of Guernsey) Law, 1996. The amendment law was approved by the States of Guernsey in March 2001

and, when it comes into force, will enable the Law Officers to provide information to foreign regulatory, as well as prosecuting, bodies. The new law will also include an explicit statement that the Law Officers may appoint Commission executives as inspectors to investigate whether or not an offence under the law has been committed and, additionally, permit the Law Officers to provide copies of inspectors' reports to the Commission.

### Training

The Training Agency continued with its programme of courses on the prevention of money laundering. In conjunction with the Commission executives responsible for anti-money laundering matters, eleven seminars and courses were arranged to support senior managers, reporting officers and administrative staff in the finance sector on the interpretation and application of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 1999 and the Guidance Notes on the Prevention of Money Laundering. One hundred and seventy-three delegates attended these courses.

In October, at the invitation of the Commission, a senior official from Lloyd's of London spoke to the insurance sector in Guernsey on the prevention of money laundering.

In addition, the Commission began negotiations with third parties with a view to providing focused anti-money laundering training courses for money laundering reporting officers. These are intended to concentrate on specific financial services product lines and will be delivered, with the assistance of the Training Agency and the Financial Intelligence Service, during 2001.

Within the Commission, CD-ROM based training has been provided to all supervisory (and some other) staff. Two half-day courses were also arranged for

Commission staff early in 2001 in order to build on the knowledge gained from the CD-ROM. Further short courses will be arranged so that Commission staff receive systematic training on the prevention and detection of economic crime.

### Publications

In January 2000 the Commission took the decision to include articles on Guernsey's anti-money laundering framework and topical subjects on the prevention of money laundering in its twice yearly newsletter "Update". The Director of Banking provided an article entitled "Know Your Customer" in the spring edition. The article detailed the Commission's stance towards knowing your customer, both at the client take-on stage and the on-going client contact phase. The year's second edition of "Update" included an article from the Assistant Director of Insurance, which outlines how launderers have gained access to the general insurance market. The Director of the Financial Intelligence Service also provided an article on improvements to the Bailiwick's anti-money laundering framework and an analysis of the suspicious transaction reports received since the introduction of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999. The Commission wishes to take this opportunity of thanking the Director of the Financial Intelligence Service for his contribution to "Update".

### Speeches

As usual, the Director General spoke at the International Symposium on Economic Crime in Cambridge, England in September. Each year the opportunity is taken to address a different theme and in 2000 the Director General spoke about "The Offshore Dimension: The Financial Stability Forum and the United Nations

Offshore Forum".

During 2000 the Director of Insurance lectured Federal Bureau of Investigation agents at the Bureau's training headquarters in Quantico, Virginia and gave a speech on international insurance fraud to insurance regulators and the insurance industry in Hartford at the request of the Insurance Commissioner of Connecticut. He also spoke to delegates in Orlando at the IAIFA annual conference.

On behalf of the OGBS, which is affiliated to FATF, the Director of Fiduciary Services and Enforcement spoke at the FATF typologies meeting in Oslo in December on "Trusts, Other Non-Corporate Entities and Money Laundering". Trusts and other non-corporate vehicles are the focus of a great deal of international scrutiny and the Commission intends to contribute as much as possible to the anti-money laundering standards that are developing in this area. The Commission continues to consider that the best solution to minimise any possible misuse of trusts is to license and supervise all providers of trust services.

## TRAINING AGENCY

### Introduction

The Agency continues to be owned by a charitable trust with the protectors of the trust being the Commission and the president of the Committee.

The trustees are:-

Peter Crook

*Guernsey Financial Services Commission*

Stephen Jones

*Guernsey International Business Association*

Peter Morgan

*Representative of the States Board of Industry*

Deputy John Roper

*States Education Council*

The board of directors of the Agency at 31 March 2001 was as follows:-

Advocate Christopher Bound

*Collas Day*

Keith Corbin (executive chairman)

*Larem Trustees Limited*

Madeleine Craft

*States Education Council*

Robin Fuller

*Rothschild Asset Management (C.I.) Limited*

Dudley Jehan

*NP Holdings Limited*

David Leafe

*Royal Bank of Canada (Channel Islands) Limited*

Nigel Lewis

*States Board of Industry*

Martyn Mann

*Polar Instruments Limited*

Peter Marchant

*NatWest Offshore Limited*

Ian Morris

*Bacon & Woodrow*

Mary Perkins

*Specsavers Optical Group Limited*

Deputy Kevin Prevel

*States Board of Industry*

Two advisory groups have been established to act as channels of communication between the board and the commercial and financial sectors. Members of the advisory groups are listed in Appendix 2.

The board of directors and the advisory groups provide strategic direction whilst the executive chairman has overall responsibility for governance and financial matters. The Agency is funded on an equal basis by the States of Guernsey and the Commission.

### General

The Agency has grown rapidly since it was established in 1996. It facilitates an extensive training and education programme, provides a well used study centre in the heart of St Peter Port and works closely with stakeholders to meet their changing training and development needs. In terms of cost-benefit, the Agency has proved to be successful, facilitating high quality training and development initiatives specifically for a Bailiwick workforce within a vibrant financial centre and commercial sector for relatively low cost. The Agency does not seek to make a profit; rather, the aim is to recover its costs from course fees. The Agency is now firmly established and has extensive and firm links with all the professional institutes, employer bodies and institutions in Guernsey, together with many training providers, including universities and United Kingdom authorities. Indeed, at a graduation ceremony in July, the Chancellor

of Portsmouth University made particular mention of the close links between the University and the Agency.

A key objective is to engender a training and development culture within the community, which aims to produce a highly qualified, knowledge-based workforce with transferable skills. This will enable the varying sectors of the Guernsey economy to develop the resources they require to compete in the international arena.

The board and management of the Agency are currently formulating a long-term strategy to secure the resources required to address the future training and development needs of the Bailiwick.

The major challenge facing the Training Agency in 2000 was the increasing demands of employers, professional institutes, students and other stakeholders, balanced against the finite physical resources of the Agency's premises in Nelson Place. The centre in Nelson Place operated at full capacity during the year and many training events were held at other venues.

During 2000 the number of registered students grew to 640, making 2423 visits to the centre. This represents a fall in study visits, which is possibly due to the busy atmosphere of the study space at the centre and students seeking alternative study arrangements. Plans are in hand in 2001 to make more study space available. Additionally, the Agency undertook 270 training events, attracting over 2,200 delegates. (Table 11 demonstrates the Agency's development since 1997.) Moreover, the Agency strengthened its portfolio of award bearing courses with the introduction of the Institute of Directors Company Direction Programme and the STEP foundation and diploma programmes. In total, in 2000, the Agency facilitated thirty-two award bearing programmes and supported over 320 students on these programmes.

## Examinations

The Agency increased its service to professional institutes by facilitating an increased number of examinations on behalf of Bournemouth University, the Chartered Institute of Bankers, Edith Cowan University in Australia,

TABLE 11  
Development of the Training Agency

	1997	1998	1999	2000
Registered number of students	254	415	511	640
Recorded number of sessions	1693	2875	3113	2423
Number of training events	154	253	323	270
Number of delegates attending programmes	528	1362	3048	2221
Number of examination days	26	41	68	50

the Institute of Directors, Portsmouth University, the Securities Institute and STEP. In 2000 over 600 candidates sat over 140 examinations. All examination costs are recovered from the relevant examination boards.

## Award bearing courses

The Agency is pleased to report that a third series of students commenced the two year MSc in Corporate Governance/Grad ICSA in October. The programme is delivered by Bournemouth University in Guernsey and its success to date was marked by the graduation of thirteen students from the 1999-2000 course in November.

The Agency continues to work closely with both the GFMA and the Securities Institute. During 2000 over eighty students embarked on the Investment Advice Certificate and the Financial Planning Certificate. A lecturer from the Guernsey College of Further Education Business School delivers these courses of study. Tuition for the regulation and compliance module of the Securities Institute Diploma was provided by a leading London financial training company. The Agency is pleased to report nine students achieved the diploma, with three obtaining a credit grade.

The Institute of Directors Company Direction Programme took place during 2000 with eighteen delegates. The programme attracted delegates from all economic sectors. Five students went on to complete the diploma successfully, with three achieving a distinction grade. A further run of the programme commenced in March 2001 and attracted a further seventeen delegates.

Central Law Training delivered the STEP foundation and diploma programmes. A team of international lawyer lecturers delivered the courses on-island. The foundation course had a 100% pass rate. The diploma programme commenced in 2000 and its first "graduates" are expected in 2002. At present, twenty students are undertaking the programme.

Eleven students completed the Certificate in Marketing Management Practice in December 2000. This represents the fourth intake to undertake this qualification.

The Agency continues to support the professional study route to membership of the Chartered Institute of Personnel and Development. In June, twelve students successfully completed the two year postgraduate diploma in personnel management through the University of Portsmouth; three students achieved distinctions. Four students enrolled upon the National Vocational Qualification Level 4 personnel management course in March 2000. Successful completion will lead to Licentiate Membership. A second programme of the Certificate in Training Practice commenced in March 2001 with eleven delegates.

The Agency continued to facilitate the successful Introductory Certificate in Management awarded by the National Examining Board for Supervision and Management which is delivered by the Guernsey Business School. Fifty students successfully completed the programme during 2000. A further ten students

completed the course in January 2001. In order to meet demand, an additional further programme commenced in February 2001.

### Short courses

The Agency continued to facilitate a wide range of short courses in 2000. Many of these courses had CPD (continuing professional development) accreditation.

A number of short courses were arranged for the fund, life insurance and investment sectors. A team from the Commission and the life insurance sector also led a seminar focusing on law and insurance, the regulatory environment and taxation. Additionally, in conjunction with Commission executives responsible for anti-money laundering matters, eleven seminars and courses were arranged to support senior managers, reporting officers and administrative staff in the finance sector on the prevention of money laundering.

Other courses, attracting over 200 delegates, were run on personal development and soft (non-technical) issues.

### Investors in People

During 2000 the Agency continued with its pilot project in connection with Investors in People. Eighteen local companies worked towards achieving the Investors in People Standard while ten organisations were recognised as Investors in People during the year.

In September the Agency hosted the Investors in People international conference in Guernsey, with some seventy delegates attending from as far afield as Bermuda and New Zealand.

Following the successful completion of the Guernsey pilot project in early 2001, Investors in People in the United Kingdom signed a licence with the Board of

Industry to continue to operate the initiative in Guernsey. The Agency manages the initiative on behalf of the Board of Industry.

#### Other initiatives

A directory, the Guernsey Directory of Training Providers, was compiled by the Agency and features details of over sixty training providers from both inside and outside the Bailiwick. The directory was distributed to over 500 companies in February 2000.

The Agency also worked closely with the Institute of Directors in supporting a management shadowing scheme. In conjunction with the Institute of Directors, the Agency sponsored the Excellence in Training Award. The Agency is responsible for establishing the criteria for the award, marketing to potential applicants and convening the panel of judges.

Continuing progress has been made on the project on information technology training needs through the appointment by the Board of Industry of a consultant on a short-term assignment. The consultant's report will form the basis for the Agency to determine long-term strategy relating to this initiative.

#### Library

The library continued to provide an important resource in the centre of St Peter Port for personnel undertaking professional and technical examinations. Deutsche Bank International Limited continued its support in providing a bursary to enhance the Deutsche Collection at Nelson Place. In addition, STEP provided a number of study texts and periodicals to support Bailiwick professionals studying for its qualifications. The Agency is grateful for the support it receives for the library from all institutes and institutions in the Bailiwick.

*The annual report of the Agency is available on request from the Training Agency, Nelson Place, Smith Street, St Peter Port, Guernsey.*

## DIRECTOR GENERAL'S DIVISION

The Director General's Division provides core resources to the Commission's four other Divisions and the Training Agency and is the main link with the Committee and the Law Officers.

The Director General is the chief executive of the Commission and has overall responsibility. Although day-to-day responsibility for banking supervision, the supervision of insurance businesses, the supervision of fiduciaries, administration businesses and company directors, enforcement and the regulation of investment business lies with the other Divisions and their Directors, the Director General's Division remains directly involved with a number of matters. These include certain policy and legislation matters, international affairs, accounting and internal control functions, staff matters (including health and safety issues), the infrastructure and operations.

The Division's policy and international affairs section continued to be busy in 2000 and significant resources were devoted to international matters. Generally, the Director General and his assistant director on policy and international affairs deal with international matters in tandem with the other Divisions or on their behalf. The Commission, along with the other authorities in the Bailiwick, wishes to play a comprehensive and constructive rôle in all international fora which involve financial services.

The year saw continuing activity with regard to the initiative on tax competition by the OECD. The Director General, together with HM Procureur, the States Supervisor and the Administrator of Income Tax, played a full part in supporting the Committee in relation to the continuing discussions with the OECD. A number of meetings were held during the year in Guernsey and Paris with the OECD.

The Director General is closely involved with the

Commission's activity in connection with the anti-money laundering standards which apply to the finance sector. In this connection, he participates in the meetings between the Crown Dependencies on economic crime (see page 34) and chairs, alternately with HM Procureur, The Bailiwick Financial Crime Committee. In 2000, the policy and international affairs section also co-ordinated the Commission's involvement with the reviews by FATF and the OGBS and the responses to those initiatives. Indeed, the section liaised closely throughout the year with the other Guernsey authorities regarding the Commission's international obligations to deter money laundering activity. With regard to the prevention, detection, investigation and prosecution of economic crime within the Commission, the Director General's Division not only monitors international developments and responds to international assessments but also develops strategies and co-ordinates the anti-economic crime framework followed by the other Divisions.

The Director General and his team continued to co-ordinate the Commission's actions arising from the 1998 United Kingdom Home Office Review of Financial Regulation in the Crown Dependencies. In turn, the Director General met several times with the Joint Advisory Group which, in addition to the Director General, comprises the president of the Committee, HM Procureur, the States Supervisor and the Administrator of Income Tax. The Group's rôle includes oversight of the consideration of the conclusions of the United Kingdom Home Office Review of Financial Regulation report.

In addition, the Director General is active on international committees through his membership of the United Nations Offshore Forum Advisory Panel and the Working Group on Cross-Border Banking Supervision

established by the Basel Committee on Banking Supervision. The Offshore Forum's activities are outlined on pages 34 and 35. The Working Group on Cross-Border Banking Supervision met four times in 2000 in a number of locations around the world. Throughout the year the Working Group worked on the production of a consultation document entitled "Customer Due Diligence for Banks" on behalf of the Basel Committee. The Basel Committee endorsed the consultation document and issued it in early 2001 to central banks and regulatory bodies worldwide for their comments. The Working Group also drafted a model memorandum of understanding for bank supervisors. In addition, during the year the Director General participated in the meeting of the European Regional Committee of IOSCO in Greece.

The Director General and the assistant director on policy and international affairs also retained their involvement with the European Economic and Monetary Union ("EMU") Working Party. The Working Party was established in 1997 by the Committee and it covers all aspects of the potential implications of EMU for the Bailiwick. The Director General is a member of the Working Party and his assistant acts as its secretary and executive officer. In the spring of 2000 the Working Party issued a twelve page magazine called "EMU Review". The main purpose of this magazine was to provide Bailiwick businesses with information on the practical experiences of businesses, information bodies and government bodies in France, Guernsey, the Republic of Ireland and the United Kingdom in preparing for a euro environment.

The Director General's Division has been following for some time the issues surrounding the regulation of financial services on the internet in a global

context and staff have attended several conferences on this subject. The issues are complicated by the global nature of the internet where territorial limits have little meaning and different approaches have been developed by individual nation states. The Commission is closely watching developments and expects to adopt the international standards that will emerge.

The Director General's Division co-ordinates all matters of cross-divisional interest during the year, not only those relating to international issues or international assessment of Guernsey. This co-ordination involves all areas of the Commission's activity, including the publication of the Annual Report and the Commission's newsletter "Update". During the year "Update" was changed into a more formal document of eight or twelve pages. This format provides scope for longer articles and enables the Commission to comment more fully on topical regulatory matters of international concern or interest. In addition, the policy and international affairs section provides a core staff resource which is utilised by the other Divisions for projects and committee work. This process assists the free flow of information between the Divisions at all levels.

The Division also co-ordinates information requested by the Committee in pursuance of its responsibilities in connection with the finance sector in Guernsey. As a matter of routine, in 2000 this included the contributions to the Committee's economics and statistics review and budget report. The Committee also routinely asks the Commission – amongst other bodies – for comments or advice on particular matters such as legislative developments abroad and international agreements and conventions. These exchanges continued throughout 2000. The practice was also continued of the Director General meeting with the Committee half-yearly. These

meetings afford an opportunity for the Committee to review the need, if any, to exercise its powers under section 7 of the Law to give the Commission, after such consultation, written guidance or directions.

Other States Committees also seek the Commission's comments from time to time (and vice versa). The Commission, led by the Director General, gave its views throughout the year to the Housing Authority on applications for essential licences by individuals and institutions in the finance sector. In giving its views and such information as might be helpful to the Authority, the Commission's executives necessarily work within the policy laid down by the Authority. In order to do this in a systematic way the Commission normally requires an applicant to provide information on matters such as staff, training and qualifications, reasons for the proposed appointment, contribution to the economy and particularly the reasons why a fifteen year licence may have been requested as opposed to a licence for three or five years. Routinely, the Commission comments on the actual and prospective economic benefit contributed by the applicant institution and on the applicant's commitment to training. The Commission attaches great importance to training as it takes the view that the Bailiwick must develop as much as possible from within.

Meetings with the Finance Industry Policy Advisory Panel continued to be held. These meetings, in which representatives of the Committee meet with representatives of the Guernsey International Business Association, are also attended by the Director General. The meetings between the Guernsey International Business Association and the Commission (attended by the Director General and representatives of the other Divisions) also continued and additionally included HM Procureur and the States Supervisor.

With regard to committees and working parties established by the Commission, the Director General chairs the Company Law Reform Committee (see page 17) and the Floating Charges Etc. Committee (which did not meet in 2000) and the assistant director on policy and international affairs acts as secretary and executive officer to these two committees.

The Director General spoke at several meetings of various finance sector bodies in the Bailiwick during the year and at several conferences inside and outside the Bailiwick.

The operations section of the Division deals with finance, information and communications technology, premises and the general administration of the Commission. Financial responsibilities cover the accounts, budgets and internal control procedures. The section is also responsible for maintaining the accounts and assisting in the financial management of the Training Agency. In addition, the staff of the Agency are employed by the Commission. Consequently, in 2000 the Director General and his team maintained close contact with the Agency and the Director General attends the board meetings of that body as an observer.

The Commission's move to spacious new offices at La Plaiderie Chambers was further vindicated in 2000 as it enabled the expansion in staff numbers since the move to be comfortably accommodated. Development of the top floor of the building will allow the Commission to expand in line with its forecast of future staff numbers.

## COMMISSIONERS AND STAFF

The Commissioners have remained unchanged since 1999 and their wide experience in their respective fields enables the Commission to continue to benefit from the expert views of practitioners across a wide range of disciplines.

The Commission welcomes Peter Neville as its new Director General, replacing Peter Crook who retired at the end of April 2001. Peter Crook has been with the Commission since June 1989, when he took on the rôle of Superintendent of Banks. Subsequently, Mr Crook was appointed Director General on March 1997. The Commission wishes to record its gratitude to Mr Crook for his success in overseeing the operation and reputation of the Commission through increasingly testing times of international assessment. Peter Neville now takes over this complex rôle. His wide experience and knowledge will undoubtedly assist the Commission in achieving the objective of maintaining and enhancing its – and the Bailiwick's – reputation in the years to come.

Since its formation in 1988, the Commission's staff requirement has increased in line with the requirements and demands of the finance sector. From relatively few persons staffing the Commission at the latter end of the 1980s, as at 31 March 2001 sixty-two people were employed by the Commission, of whom eight (including a consultant) were seconded to the Training Agency. At that date, the Commission employed two consultants, one in the Insurance Division and the other as chairman of the Training Agency. A photograph of the Commission's staff can be found on page 47 and an organogram on pages 48 and 49.

In recognition of their developing rôles, particularly in the provision of on-site visits, there have been two promotions within the Banking Division. A senior analyst was promoted to assistant to the director and an analyst was promoted to senior analyst. At 31 March

2001 the overall number of staff in the Banking Division remained unchanged from last year at eight personnel, although there was some restructuring in order to facilitate a greater focus on on-site visits. In addition, at the time of writing, a further person with wide-ranging statistical experience has agreed to accept the post of analyst in the Division. This is in line with current Commission policy to increase the Division's international statistical function and to cater for the increasing number of on-site visits to banks.

The Fiduciary Services and Enforcement Division has expanded significantly in order to meet the requirements of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000. The Division now comprises eight staff. At 31 March 2001 the fiduciary services department had five staff. Since the last Report, the assistant to the director, fiduciary services has been promoted to assistant director. In addition, there are two staff in the enforcement department who deal with confidential enquiries and the Commission's duties in relation to company formations. One member of staff supports both the fiduciary services and enforcement functions.

Increasing demands on the staff of both the Insurance and Investment Business Divisions, particularly in the area of compliance, have also required some restructuring and recruitment.

The Insurance Division has five analysts split into two teams under the control of senior analysts who report to the assistant director. In addition, the assistant director was promoted from assistant to assistant director during the period covered by this Report. Further support is provided by a consultant undertaking special projects.

The Investment Business Division has also been strengthened, currently having seven analysts under the



The staff of the Commission and the Training Agency in front of the Commission's offices at La Plaiderie Chambers

control of three senior analysts who report to the Deputy Director of Investment Business.

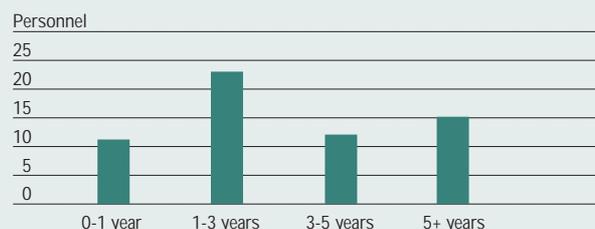
With the exception of the two month overlap of Peter Crook and Peter Neville in March and April 2001, the number of staff in the Director General's Division has remained unchanged. At 31 March 2001 the Division numbered thirteen staff; this will fall to twelve following Peter Crook's retirement. There have been two promotions in the Division since the period covered by the last Report. The Director General's assistant on operational matters was promoted to deputy director, while the assistant on policy and international affairs was promoted to assistant director.

The Commission recognises that staff must have adequate training and exposure in their respective fields of operation in order to ensure they are able to meet the demands made of them. Training programmes range from

secretarial and administrative courses to diploma level and other specialist courses. Commission staff also attended a number of conferences over the year in order to keep abreast of developments. The experience and knowledge of individuals also provide a good foundation for the Commission's regulatory functions. Staff comprise individuals who, whilst having wide levels of experience, have also achieved high academic professional qualifications.

FIGURE 23

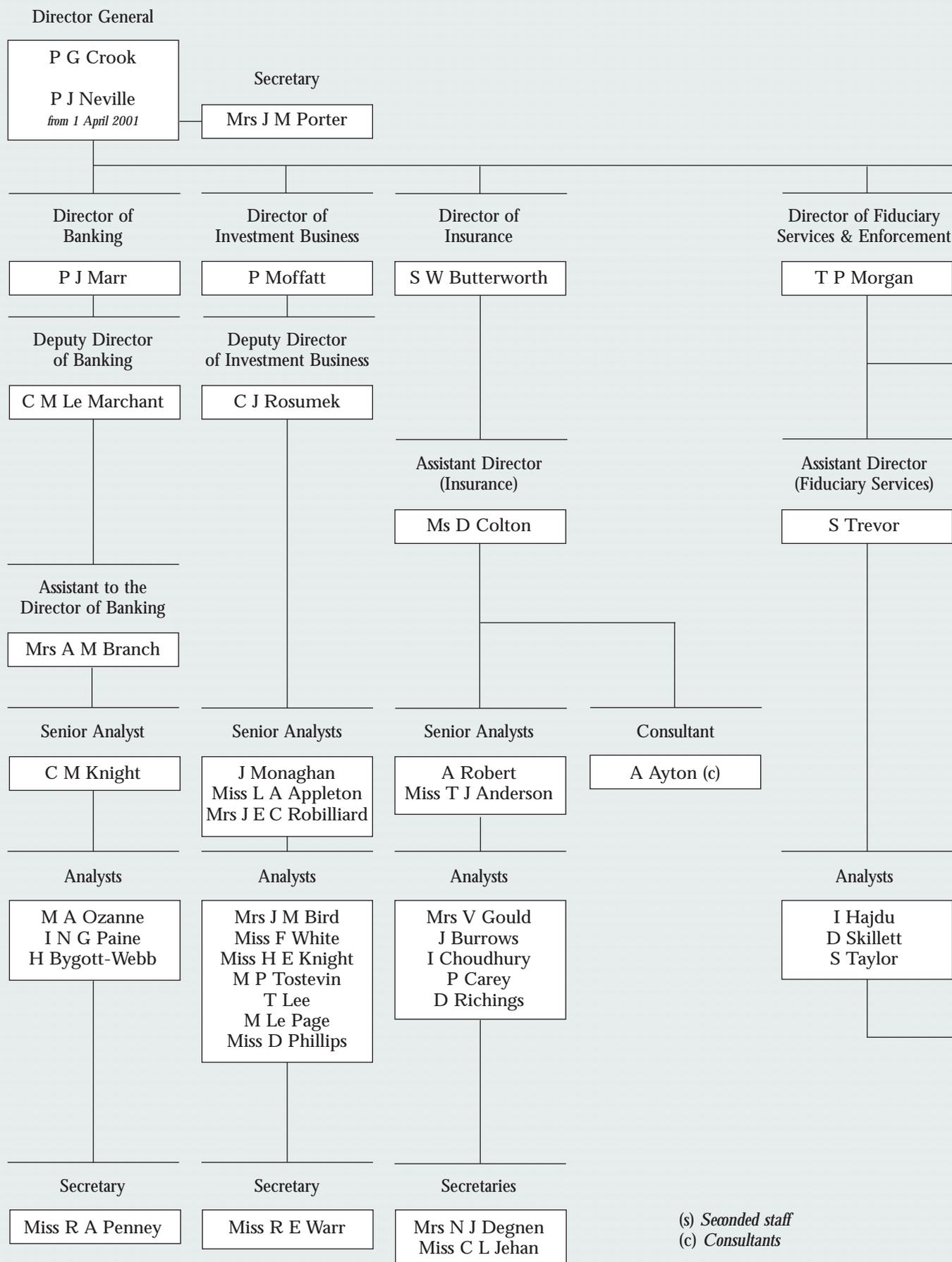
Length of service as at 31 March 2001

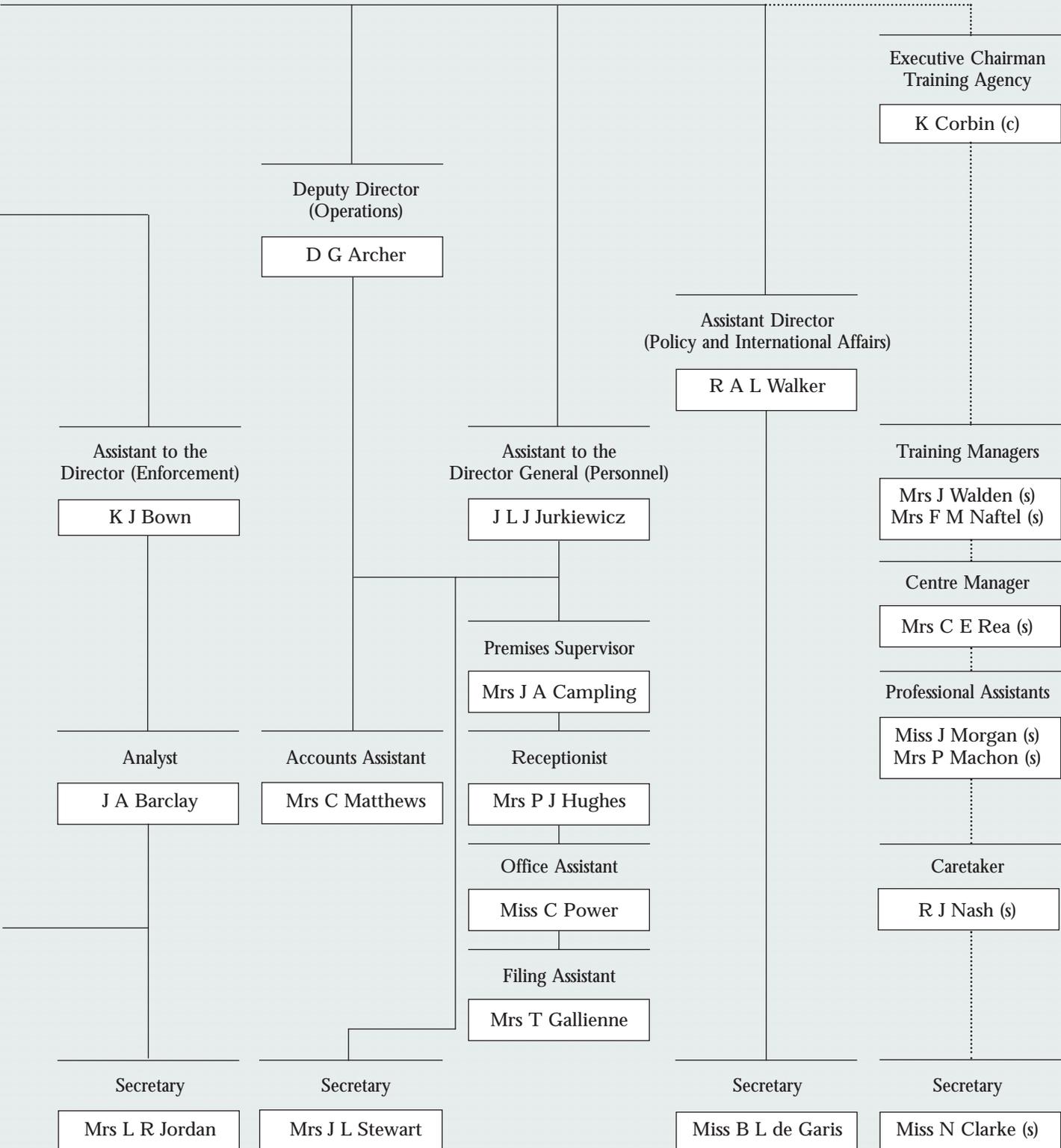


Commission and Training Agency staff as at 31 March 2001

## COMMISSION ORGANOGRAM

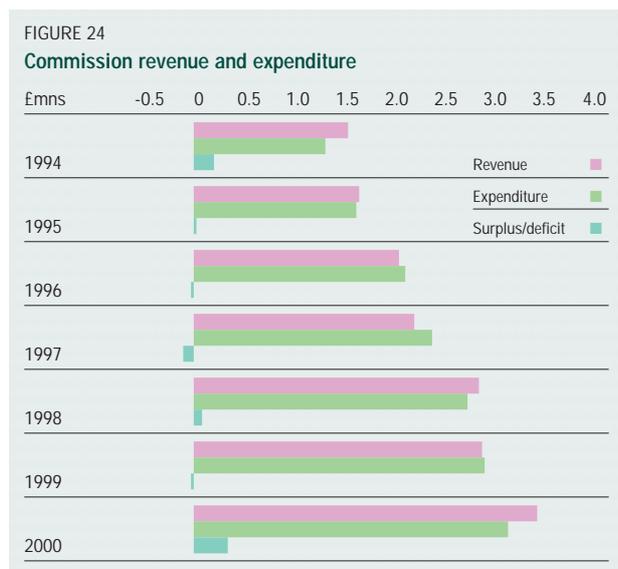
As at 31 March 2001





## INCOME AND EXPENDITURE OF THE COMMISSION

The Commission aims over the medium and long term to match its expenditure to income and to operate on a nil profit basis. Inevitably, on a year to year basis there are surpluses and deficits.



As indicated by figure 24, surpluses and deficits have been kept to a minimum since 1994. Prior to that date, surpluses were used to build up reserves against large expenses and unforeseen costs. The Commission is also mindful that it imposes financial resources requirements on the institutions it supervises and regulates and that it is equally prudent for the Commission to retain an appropriate financial reserve.

### Fees

The Commission's main source of income is fees.

On 1 January 1998 the Financial Services Commission (Fees) Regulations, 1997 came into effect establishing a new fee structure. This structure has since been amended and/or extended by the Protected Cell Companies (Fees for Insurers) Regulations, 1998 which came into operation on 1 April 1998; the Financial Services Commission (Fees) (Amendment) Regulations,

1998 which came into effect on 7 July 1998; the Financial Services Commission (Fees) Regulations, 1998 which came into operation on 1 January 1999; the Migration of Companies (Fees) (Amendment) Regulations, 1999 which came into force on 1 April 1999; the Financial Services Commission (Fees) (Amendment) Regulations, 1999 which came into operation on 1 January 2000; the Protected Cell Companies Fees (Fees for Insurers) (Amendment) Regulations, 1999 which came into force on 1 January 2000; the Amalgamation of Companies (Fees) Regulations, 2000 which came into operation on 23 August 2000; and the Regulation of Fiduciaries (Fees) Regulations, 2001 which came into force on 1 April 2001.

Copies of the fees regulations mentioned above are available from the Commission.

As well as covering the costs of supervision and regulation, the fees paid to the Commission also provide for a significant proportion of the costs of the Training Agency. The States of Guernsey also helps fund the operation of the Training Agency and provides its premises rent-free.

## FINANCIAL STATEMENTS AUDITORS' REPORT

### Auditors' Report to the Chairman and Ordinary Members of the Guernsey Financial Services Commission

We have audited the financial statements on pages 52 to 57 which have been prepared in accordance with the accounting policies set out on page 54.

### Respective responsibilities of the Commissioners and auditors

The Commissioners are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Commission and of the income and expenditure of the Commission for that period. In preparing those financial statements the Commissioners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue its operations.

The Commissioners are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Commission and to enable them to ensure that the financial statements have been properly prepared. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commissioners in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Commission's affairs as at 31 December 2000 and of its income and expenditure for the year then ended.

BDO Guernsey Limited  
Chartered Accountants  
Commerce House  
Guernsey  
6 March 2001

## INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 December 2000

	Note	2000 £	1999 £
Income	2		
Fees receivable		3,069,447	2,469,874
Income derived from the States of Guernsey:			
Interest on deposits with States Treasury		99,763	73,408
Administration of Control of Borrowing Legislation		100,000	100,000
Development grant		200,000	200,000
Other income, including bank interest		6,366	6,190
		<hr/> 3,475,576	<hr/> 2,849,472
Expenses			
Salaries, pension contributions, staff recruitment and training		1,954,547	1,529,402
Legal and professional fees		38,551	127,643
Premises and equipment, including depreciation	4/8(ii)/9	460,138	575,936
Insurance		6,930	6,930
Ordinary members' fees		20,000	20,000
Auditors' remuneration		4,020	3,967
Development expenses		389,264	373,197
Other operating expenses		132,428	127,869
Net expenses of the Training Agency Limited	8(i)	164,230	118,514
		<hr/> 3,170,108	<hr/> 2,883,458
Surplus/(deficit) of income over expenditure	2	305,468	(33,986)
Balance brought forward		1,022,931	1,056,917
Balance carried forward		<hr/> £ 1,328,399	<hr/> £ 1,022,931

## Statement of total recognised gains and losses

There were no recognised gains or losses other than the surplus of income over expenditure for the financial year.

The notes on pages 54 to 57 form an integral part of these financial statements.

## BALANCE SHEET

31 December 2000

	Note	£	2000 £	£	1999 £
Fixed assets					
Tangible assets	4/8(ii)		259,021		314,941
<hr/>					
Current assets					
Debtors	5	144,565		271,767	
Balances with States Treasury		1,178,852		583,981	
Cash at bank and in hand		31,612		156,867	
		1,355,029		1,012,615	
<hr/>					
Creditors – amounts falling due within one year	6	(285,651)		(304,625)	
<hr/>					
Net current assets			1,069,378		707,990
<hr/>					
Total assets less current liabilities			£ 1,328,399		£ 1,022,931
<hr/>					
Represented by:-					
Income and expenditure account			£ 1,328,399		£ 1,022,931
<hr/>					

The financial statements on pages 52 to 57 were approved by the Commissioners and signed on their behalf on 6 March 2001 by:

L C Morgan  
*Chairman*

J E Hallam  
*Vice-Chairman*

The notes on pages 54 to 57 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 1. Accounting policies

## (a) Convention

These financial statements have been prepared in accordance with the historical cost convention. The principal accounting policies which the Commissioners have adopted within that convention are set out below.

## (b) Fees receivable

Fees receivable are accounted for on the date on which they become due to the Commission.

## (c) Interest

Bank and States Treasury deposit interest is accounted for on an accruals basis.

## (d) Tangible fixed assets and depreciation

Depreciation on tangible fixed assets is calculated to write down their cost to their estimated residual values over the period of their estimated useful economic lives at the following annual rates:-

Leasehold improvements	over the shorter of the term of the lease and the estimated useful economic life of the assets
Office equipment and fittings	25% straight line
Computer equipment	33 <sup>1</sup> / <sub>3</sub> % straight line

## (e) Foreign currency translation

Assets and liabilities denominated in currencies other than sterling have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions during the year have been translated at the rates of exchange ruling at the date of the transaction.

## 2. Income and surplus of income over expenditure

Income and surplus of income over expenditure derive wholly from continuing activities.

## 3. Taxation

The Commission is exempt from the provisions of the Income Tax (Guernsey) Law 1975 (as amended).

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4.	Tangible assets	Leasehold Improvements	Office Equipment and Fittings	Computer Equipment	Total
	Cost				
	At 1 January 2000	85,692	469,449	476,856	1,031,997
	Additions	-	45,759	36,758	82,517
	Disposals	-	(47,770)	(230,241)	(278,011)
	At 31 December 2000	85,692	467,438	283,373	836,503
	Depreciation				
	At 1 January 2000	53,416	312,274	351,366	717,056
	Charge for the year	3,167	73,205	62,065	138,437
	On disposals	-	(47,770)	(230,241)	(278,011)
	At 31 December 2000	56,583	337,709	183,190	577,482
	Net book value				
	At 31 December 1999	£ 32,276	£ 157,175	£ 125,490	£ 314,941
	At 31 December 2000	£ 29,109	£ 129,729	£ 100,183	£ 259,021
5.	Debtors			2000	1999
	Fees receivable			20,718	15,300
	Prepayments			70,331	68,558
	Other debtors			10,051	4,478
	Amount due from Training Agency Limited (note 8)			43,465	183,431
				£ 144,565	£ 271,767
6.	Creditors – amounts falling due within one year			2000	1999
	General expense creditors			198,751	194,402
	Accruals			57,000	38,513
	Fees received in advance			29,900	71,710
				£ 285,651	£ 304,625

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Superannuation

The employees of the Commission are members of the States of Guernsey Public Servants' Pension Scheme. This is a defined benefits scheme funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected costs of benefits payable to employees over the expected service lives of those employees.

	2000	1999
Charge for the year	£ 110,511	£ 77,891

Full details relating to the funding of the superannuation scheme are provided in the Superannuation Fund section of the accounts for the States of Guernsey. A summary of the main features is given below:

The assets of the scheme are held separately from other States assets. The fund is under the control of the States Advisory and Finance Committee, which has arranged for it to be invested by professional advisers in a wide range of stock exchange securities.

The pension costs relating to the scheme are assessed in accordance with the advice of qualified actuaries using the attained age method of valuation. The most recent actuarial valuation of the scheme was conducted at 31 December 1998. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 7% per annum, that the general rate of salaries would increase at the rate of 5% per annum, and that pensions and deferred pensions would increase at the rate of 3% per annum. These are long-term assumptions which are expected to relate to the future lifetime of the pension scheme.

The assets and liabilities of the scheme are separated between those relating to the public servants (including employees of the Commission), those relating to the teachers, and those relating to the States members. The valuation showed that the actuarial value of the assets relating to the public servants at 31 December 1998 represented 116.2% of the actuarial value of the accrued liabilities relating to this group. The market value of the total scheme's assets amounted to £569,015,647 at 31 December 1998.

## 8. Training Agency Limited

- i) Training Agency Limited arranges training for the finance industry and for other industry sectors. The company's staff are employed by the Commission and permanently seconded to the company. The Commission currently provides funding to the company in order to meet 50% of its net operating expenditure (including notional rent charged by the Board of Administration and the depreciation charge suffered by the Commission on the provision of fixed assets, as set out below), the balance of the funding requirement being provided by the States of Guernsey via the Board of Industry.
- ii) Included in the tangible fixed assets set out in note 4 are the following assets which relate exclusively to Training Agency Limited and which are situated at its premises in Smith Street. The depreciation charged on these assets in the year of £31,659 is included in the Commission's income and expenditure account. The company's Smith Street premises are provided by the States of Guernsey.

## 8. Training Agency Limited (continued)

	Leasehold Improvements	Office Equipment and Fittings	Computer Equipment	Total
Cost	51,579	88,046	71,879	211,504
Accumulated depreciation	(50,157)	(81,067)	(61,921)	(193,145)
<hr/>				
Net book value				
At 31 December 2000	£ 1,422	£ 6,979	£ 9,958	£ 18,359
<hr/>				
At 31 December 1999	£ 1,498	£ 26,748	£ 17,916	£ 46,162
<hr/>				

## 9. Financial Commitments

The Commission leases office accommodation at La Plaiderie Chambers. This lease expires on 25 March 2020 and the rentals payable in 2001 under the terms of this lease amount to £189,176.

## 10. Controlling Party

In the opinion of the Commissioners there is no controlling party of the Commission as defined by Financial Reporting Standard No. 8 - Related Party Disclosures as no party has the ability to direct the financial and operating policies of the Commission with a view to gaining economic benefits from their direction.

## APPENDIX 1 STATUS, FUNCTIONS AND STRUCTURE OF THE COMMISSION

In April 1986 the States (parliament) of Guernsey ("the States") resolved to establish the Commission as a statutory body. The following year, the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 ("the Law") was passed and, on 1 February 1988, the Commission came into being.

The status of the Commission is dealt with in sections 1 and 4 of the Law. It is not a committee of the States nor a servant or agent of the States and its staff are not civil servants. Neither is it a company for the purposes of the Companies (Guernsey) Law, 1994. It is a body corporate with perpetual succession and a common seal, capable of suing and being sued in its corporate name.

The Law established the Commission with both general and statutory functions. The general functions include the taking of "such steps as the Commission considers necessary or expedient for the development and effective supervision of finance business in the Bailiwick" and the statutory functions<sup>1</sup> include those under the following:-

The Protection of Depositors, Companies and Prevention of Fraud (Bailiwick of Guernsey) Law, 1969 as amended  
 The Banking Supervision (Bailiwick of Guernsey) Law, 1994 as amended  
 The Insurance Business (Guernsey) Law, 1986 as amended  
 The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended  
 Section 3 of the Road Traffic (Compulsory Third Party Insurance) (Guernsey) Laws, 1936 to 1989  
 Section 1 of the Surf-Riding Long Boards (Compulsory Third-Party Insurance) Law, 1969  
 Section 1 of the Vessels and Speed Boats (Compulsory Third-Party Insurance, Mooring Charges and Removal of Boats) (Guernsey) Law, 1972.

Section 22 of the Law provides that no member, officer or servant of the Commission is personally liable in any civil proceedings in respect of anything done or omitted to be done in the discharge or purported discharge of any function (statutory or general) of the Commission under the Law unless the thing is done or omitted to be done in bad faith. Similarly:-

The Financial Services Commission (Limitation of Liability) Ordinance, 1990  
 The Protection of Investors (Limitation of Liability) Ordinance, 1990 and  
 The Insurance Business (Limitation of Liability) Ordinance, 1990

made by the States in exercise of powers under section 23 of the Law, together with section 55 of the Banking Supervision (Bailiwick of Guernsey) Law, 1994 and section 57 of the Fiduciaries, Administration Businesses and Company Director, etc. (Bailiwick of Guernsey) Law, 2000 provide variously that no liability shall be incurred by the States, the Committee or the Commission in respect of anything done or omitted to be done in the discharge of the Commission's various statutory functions unless the thing is done or omitted to be done in bad faith.

Schedule 1 to the Law provides that the Commission shall consist of the president for the time being of the Committee and four ordinary

members elected by the States from persons nominated by the Committee and appearing to it to be persons having knowledge, qualifications or experience appropriate to the development and supervision of finance business in the Bailiwick. Paragraph 2 of the Schedule provides that the chairman shall appoint a member of the Committee to act as his alternate.

Following a suggestion in the 1998 United Kingdom Home Office Review report that it may be appropriate for regulatory organisations to be entirely separate from all political bodies, in 1999 the Committee agreed that the chairman of the Commission need not be the president of the Committee. This change will require an amendment to the Law. The opportunity was therefore taken to review the whole of the Law. Following that review, the Commission, the Committee and the Law Officers have discussed a range of amendments which will be presented to the States in a policy letter before the end of 2001.

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<sup>1</sup>The statutory functions do not include administration of the Control of Borrowing Ordinances, responsibility for which remains with the Committee. Individual officials of the Commission act for the Committee in matters requiring consent under the Ordinances. Under a similar arrangement, Commission officials act for the Committee in matters requiring action by the Commission under certain sections of the Companies (Guernsey) Law, 1994.

APPENDIX 2  
COMMITTEES AND WORKING PARTIES

The following advisory groups, committees and working parties have assisted the Commission and the Training Agency with their work in the period since 1 January 2000. Outside members only are listed.

## Class A Rules Working Party

Jeff Burton	<i>Barings (Guernsey) Limited</i>
Adv. Nigel Carey	<i>Carey Langlois</i>
David Farrimond	<i>KPMG</i>
Chris Hill	<i>Guernsey International Fund Managers Limited</i>
Bruce Riley	<i>Investec Guinness Flight Fund Managers (Guernsey) Limited</i>

## Company Law Reform Committee

Adv. Ian Kirk	<i>Guernsey Branch of the Institute of Directors</i>
John Loveless	<i>SG Hambros Trust Company (Guernsey) Limited</i>
Adv. William Simpson	<i>Guernsey Bar</i>
Adv. Diana Thompson	<i>Consultant</i>
Mark Thompson	<i>Guernsey Society of Chartered and Certified Accountants</i>
Adv. Nik van Leuven	<i>Guernsey Bar</i>

*Mr Alan Roberts of Chandlers also provided assistance to the Company Law Reform Committee in respect of insolvency matters.*

## Fiduciary Services Committee

Adv. Raymond Ashton	<i>Carey Langlois</i>
Jonathan Brannam	<i>Sark Association of Corporate Administrators</i>
Keith Corbin	<i>Guernsey Association of Trustees</i>
Susie Farnon	<i>Guernsey Society of Chartered and Certified Accountants</i>
Adv. Peter Harwood	<i>Ozannes</i>
Jonathan Hooley	<i>KPMG</i>
William Kennard	<i>Trust Management (Alderney) Limited</i>
John Loveless	<i>SG Hambros Trust Company (Guernsey) Limited</i>
Patrick Murrin	<i>Harbour Trustees Limited</i>

## Guernsey Insurance Forum

Peter Butler	<i>British Insurance Brokers Association</i>
Michael Clarke	<i>Life Insurance Association</i>
Tom Cleal	<i>Guernsey Friendly Societies Council</i>
John Copeland	<i>Guernsey Insurance Company Managers Association</i>
Paul Cutter	<i>Association of Guernsey Insurers</i>
Stephen Jones	<i>Channel Islands Actuarial Society</i>
Alex Lindsay	<i>Association of Guernsey Insurance Brokers</i>
Pat Merriman	<i>Guernsey Association of Pension Funds</i>
Glyn Smith	<i>Association of British Insurers</i>
Gordon Snell	<i>Insurance Institute of Guernsey</i>
John Wills	<i>Guernsey Association of Mutual Insurance Societies</i>
Gordon Winstanley	<i>Loss Adjusters in Guernsey</i>

## Insurance Law Review Committee

Rodney Benjamin	<i>Bacon &amp; Woodrow</i>
Paul Cutter	<i>Nordben Life and Pensions Insurance Company Limited</i>
Adv. Peter Harwood	<i>Ozannes</i>
Ron Hendry	<i>Kleinwort Benson (Guernsey) Limited</i>
Barry Jenkinson	<i>Independent consultant</i>
Ian McCathie	<i>International Risk Management (Guernsey) Limited</i>
Ian Morris	<i>Bacon &amp; Woodrow</i>
Chris Schofield	<i>Normandie Risk Management Limited</i>
Barry Seymour	<i>Aon Insurance Managers (Guernsey) Limited</i>
Richard Tee	<i>Polygon Insurance Company Limited</i>
Peter Walpole	<i>Insurance Corporation of the Channel Islands Limited</i>

## Insurance Sector Policy Advisory Group

Robert Alford	<i>Robert Alford Management Consultants Limited</i>
Malcolm Cutts-Watson	<i>Willis Corroon Management (Guernsey) Limited</i>
Ian Daish	<i>Bacon &amp; Woodrow Insurance Managers (Guernsey) Limited</i>
Barry Jenkinson	<i>Independent consultant</i>
Charles Scott	<i>Mutual Risk Management (Guernsey) Limited</i>
Barry Seymour	<i>Aon Insurance Managers (Guernsey) Limited</i>
Adv. Nik van Leuven	<i>Ozannes</i>

## APPENDIX 2 CONTINUED

## Joint Money Laundering Steering Group

Paul Backhouse	<i>International Bankers Association</i>
Keith Corbin	<i>Guernsey International Business Association and Guernsey Association of Trustees</i>
Mark de Garis	<i>Financial Intelligence Service</i>
Nick McCathie	<i>Guernsey Fund Managers Association</i>
Adv. David Moore	<i>Guernsey Bar</i>
Andy Offen	<i>Guernsey Society of Chartered and Certified Accountants</i>
Peter Symes	<i>Investment Bankers Association and Committee of Guernsey Clearing Banks</i>

## Pensions Advisory Panel

Paul Buckle	<i>Olsen Ferbrache Morgan</i>
Winston Bull	<i>Guernsey Association of Pension Funds</i>
Paul Cutter	<i>Nordben Life and Pensions Insurance Company Limited</i>
Pat Merriman	<i>Occupational Pensions Advisory Service</i>
Tony Spruce	<i>International Energy Group Limited</i>

## Training Agency Finance Sector Advisory Group

John Clacy	<i>Guernsey Association of Chartered and Certified Accountants</i>
Jill Despres	<i>International Bankers Association</i>
Keith Dorrian	<i>Guernsey Fund Managers Association</i>
Ken Gibbs	<i>Chartered Institute of Bankers</i>
Sean Lacey	<i>Society of Trust and Estate Practitioners and the Securities Institute</i>
Ian Robinson	<i>Representative of the insurance sector</i>

## Training Agency Commercial Sector Advisory Group

Dudley Jehan	<i>NP Holdings Limited</i>
Stuart Le Maitre	<i>States Board of Industry</i>
Martyn Mann	<i>Polar Instruments Limited</i>
Mary Perkins	<i>Specsavers Optical Group Limited</i>

## Trust Law Review Committee

Adv. David Allison	<i>Rothschild Trust Guernsey Limited</i>
Adv. Ian Kirk	<i>Collas Day</i>
Professor Paul Matthews	<i>University of London</i>

*The Director General of the Commission and the chairman of the Training Agency and their colleagues take this opportunity of acknowledging the contribution made by the outside members of these groups and of thanking them for their support and assistance.*

APPENDIX 3  
THE BANKING SUPERVISION (BAILIWICK OF  
GUERNSEY) LAW, 1994List of institutions holding a banking licence at  
31 December 2000

Adam & Company International Limited	Lloyds TSB Bank (Guernsey) Limited
Alliance & Leicester PLC	Lloyds TSB Offshore Private Banking (Guernsey) Limited
Ansbacher (Guernsey) Limited	Lloyds TSB Treasury (Guernsey) Limited
Baden-Württembergische Bank AG	MeesPierson (C.I.) Limited
Banca Monte dei Paschi (Channel Islands) Limited	Mellon Bank (Channel Islands) Limited
Banco Santander Central Hispano (Guernsey) Limited	National Bank of Greece SA - Guernsey Branch
Bank Hofmann (Guernsey) Limited	NatWest Offshore Limited
Bank Julius Baer & Co. Ltd – Guernsey Branch	Northern Rock (Guernsey) Limited
Bank of Bermuda (Guernsey) Limited	Portman Channel Islands Limited
Bank of Butterfield International (Guernsey) Limited	Rabobank Guernsey Limited
Bank of Cyprus (Channel Islands) Limited	RBSI Custody Bank Limited, Guernsey Branch
Bank Sarasin (Guernsey) Limited	N M Rothschild & Sons (C.I.) Limited
Banque CAI (Suisse) SA, Guernsey Branch	Rothschild Bank Switzerland (C.I.) Limited
Barclays Bank PLC	Royal Bank of Canada (Channel Islands) Limited
Barclays Finance Company (Guernsey) Limited	The Royal Bank of Scotland International Ltd - Guernsey Branch
Barclays Private Bank & Trust Limited	Sabancı Bank (Guernsey) Limited
Barings (Guernsey) Limited	Saudi International Bank (Guernsey) Limited
BGL Private Bank (Channel Islands) Limited	Schroders (C.I.) Limited
BNP Paribas Guernsey Limited	SG Hambros Bank & Trust (Guernsey) Limited
BNP Paribas (Suisse) SA	Skipton Guernsey Limited
Bristol & West International Limited	Union Discount Company Limited
BSI AG	The United Bank of Kuwait PLC - Guernsey Branch
BSI (Channel Islands) Limited	Woolwich Guernsey Limited
C & G Channel Islands Limited	Yorkshire Guernsey Limited
Cheshire Guernsey Limited	
CIBC Bank and Trust Company (Channel Islands) Limited	
Clariden Bank (Guernsey) Limited	
Close Bank Guernsey Limited	
The Co-operative Bank p.l.c.	
Coutts (Guernsey) Limited	
Credit Suisse First Boston Guernsey Branch	
Credit Suisse Guernsey Branch	
Credit Suisse (Guernsey) Limited	
D.A.H. Hambros Bank (Channel Islands) Limited	
Deutsche Bank International Limited	
EFG Private Bank (Channel Islands) Limited	
EFG Private Bank SA (Guernsey Branch)	
Ergobank International (C.I.) Limited	
Fiduciary Trust Company International	
First Active Bank Channel Islands Limited	
FleetBoston Financial (Guernsey) Limited	
Girobank PLC	
Hamburgische Landesbank (Guernsey) Limited	
HSBC Bank International Limited	
HSBC Bank plc	
HSBC Bank USA, Guernsey Branch	
HSBC Republic Bank (Guernsey) Limited	
HSBC Republic Bank (Suisse) S.A., Guernsey Branch	
ING Baring Private Bank (Switzerland) Ltd. Guernsey Branch	
Investec Bank (Channel Islands) Limited	
Kleinwort Benson (Channel Islands) Limited – Guernsey Branch	
Kleinwort Benson (Guernsey) Limited	
Leopold Joseph & Sons (Guernsey) Limited	

APPENDIX 4  
THE INSURANCE BUSINESS (GUERNSEY) LAW, 1986

## Domestic insurers

Allied Dunbar Assurance Plc  
Allied Dunbar International Assurance Limited  
Ancient Order of Foresters Friendly Society  
Axa Insurance Plc  
Britannic Assurance Plc  
Britannic Unit Linked Assurance Limited  
The British United Provident Association Limited  
CGNU Life Assurance Limited  
CGU Assurance Company Plc  
CGU Insurance Plc  
Combined Insurance Company of America  
Co-operative Insurance Society Limited  
DBI Insurance Company Limited  
Domestic & General Insurance Plc  
Eagle Star Insurance Company Limited  
Eagle Star Life Assurance Company Limited  
The Equitable Life Assurance Society  
Exeter Friendly Society Limited  
Friends' Provident Life Office  
Guardian Insurance Limited  
The Guernsey Alliance Insurance Society  
Guernsey Mutual Insurance Society  
Home and Overseas Insurance Company Limited  
Independent Order of Odd Fellows Manchester Unity Friendly Society  
Insurance Corporation of the Channel Islands Limited  
The Islands' Insurance Company Limited  
La Fraternelle Mutual Fire Insurance Society  
Lincoln National (Guernsey) Limited  
Lloyds TSB Life Assurance Company Limited  
Pearl Assurance Plc  
Pearl Assurance (Unit Funds) Limited  
Police Mutual Assurance Society Limited  
The Prudential Assurance Company Limited  
Refuge Assurance Plc  
Royal & Sun Alliance Insurance Plc  
Royal Liver Assurance Limited  
The Royal London Mutual Insurance Society Limited  
Scottish Boiler & General Insurance Company Limited  
Scottish General Insurance Company Limited  
United Friendly Insurance Plc  
Western Provident Association Limited

## Offshore insurers

A.A. Reinsurance Company (Guernsey) Limited  
ABB Insurance Limited  
Aberdeen International Limited  
Abigroup Risk Management Services Limited  
Absolut Re Limited  
ABTA Insurance Company (Guernsey) Limited  
ABTA Travel Agents Insurance Company Limited  
Acacia Insurance (Guernsey) Limited  
ACE PCC Insurance Limited  
Aegis Insurance Company Limited  
Affinity Partners Limited  
Agrochem Insurance Company Limited

AGS Insurance Company Limited  
Alexander Bartholomew Insurance Limited  
Alliance & Leicester Mortgage Insurance (Guernsey) Limited  
ALSTOM Power Insurance Limited  
Amadis Insurance Company Limited  
Amco Insurance Company Limited  
American Phoenix Life & Reassurance Company, Guernsey Branch  
Amersham International Insurance Services Limited  
Anchor Insurance and Reinsurance Company Limited  
ANC Rental Corporation (Insurances) Limited  
Arcadian Guernsey Limited  
Archer Insurance Limited  
Arisis Limited  
Arjo Wiggins Appleton Insurance Limited  
Ark Re Limited  
Arnold Clark Insurance Limited  
Arriva Insurance Limited  
Ascot Underwriting Limited  
Automotive Financial Insurances Limited  
Automotive Services Insurance Limited  
Aviation Baggage Claims Insurance Company Limited  
Avon Reach Insurance Company Limited  
Aztec Insurance Limited  
Bailiwick Insurance PCC Limited  
Baker Street Risk and Insurance (Guernsey) Limited  
Banks' Brewery Insurance Limited  
Bantam Insurance Company Limited  
BBP (PCC) Insurance Limited  
Bee Insurance Limited  
Belaire Insurance Company Limited  
Belvoir Insurance Company Limited  
BIFA Mutual Insurance Company Limited  
Black Lion Insurance Company Limited  
BLG Insurance Limited  
Blue Swift Legal Insurance Services Limited  
B M (Insurance) Limited  
Bonaventure Insurance Company Limited  
Bouverie Insurance Limited  
Brecon Insurance Company Limited  
Britannia Insurance Company Limited  
Britsafe Insurance Services (Guernsey) Limited  
Broom Insurance Company Limited  
Brownstone Insurance (Guernsey) Limited  
Brunel Insurance Company Limited  
B S Insurance Limited  
Bulldog Insurance Company Limited  
Burnaby Insurance (Guernsey) Limited  
The Burnhill Insurance Company Limited  
Butterfield Insurance (Guernsey) PCC Limited  
Cairngorm Insurance Limited  
Capstan Insurance Company Limited  
Carfax Insurance Limited  
Carfax Personal Lines Insurance Limited  
Carmelite Insurance Limited  
Castle Insurance Limited  
The Catholic National Mutual Limited  
CBS Insurance Limited

Cellulose Insurance Limited  
 Censure Insurance Company Limited  
 Channel Life PCC Limited  
 Channel Shipowners Marine Indemnity Association  
 Charnwood Insurance Company Limited  
 Chepstow Insurance Limited  
 City and Commercial Insurance Company Limited  
 City & Provincial Insurance (PCC) Limited  
 City Insurers Limited  
 Charges Insurance Limited  
 Clerical Medical Investment Group Limited  
 Clydesdale Insurance Services Limited  
 CMP Insurance Limited  
 Coborn Insurance Company Limited  
 Colins Limited  
 Colonnade Reinsurance Limited  
 Congressional Reinsurance Company Limited  
 Connaught Insurance Company Limited  
 Continental Indemnity Limited  
 Continental Life (International) Limited  
 Continuum Insurance Company PCC Limited  
 Contrex Insurance Limited  
 Cornhill Insurance (Guernsey) Limited  
 Countrywide Insurance Company Limited  
 Cowick Insurance Services Limited  
 Credit Life Assurance Society Limited  
 Cronors Insurance Limited  
 Crystal Insurance Company Limited  
 Curzon Insurance Limited  
 Deburn Indemnity Limited  
 The Delphic Insurance Company Limited  
 Delta Insurance Limited  
 Derwent Insurance Limited  
 DLG Insurance Limited  
 Dove Insurance Company Limited  
 Drummonds Insurance PCC Limited  
 Eachairn Insurance Limited  
 East West United Insurance Limited  
 Eastwood Insurance Company Limited  
 ECS Reinsurance Limited  
 Elecrent Insurance Limited  
 Electricity Producers Insurance Company Limited  
 Elementis Insurance Guernsey Limited  
 Environmental Insurance (Guernsey) Limited  
 European Credit and Guarantee Insurance PCC Limited  
 European Life (Channel Islands) Limited  
 European Reinsurance (Guernsey) Limited  
 Exel Insurance Limited  
 Fairfax Insurances Limited  
 Fairway Insurance Limited  
 Fanum Reinsurance Limited  
 Farmers Re Limited  
 Farringdon Insurance Company Limited  
 Felcourt Insurance Company Limited  
 Felcourt Insurance Company (Overseas) Limited  
 Field Insurance Limited  
 Finistere Life Assurance Company Limited  
 First Century Insurance Limited  
 The First Saxon Insurance Company Limited  
 Fistar Limited  
 Flightform Insurance Limited  
 Foresight Insurance Limited  
 The 41 Insurance Company Limited  
 Foundation Reinsurance (PCC) Limited  
 Friars Street Insurance Limited  
 Fruitcover Limited  
 Fulmar Finance & Insurance Limited  
 Fulwood Insurances Limited  
 Furnival Insurance Company Limited  
 Gamond Insurance Company Limited  
 Gannet Indemnity Limited  
 Garlan Insurance Limited  
 Geest (Guernsey) Limited  
 General Credit Insurers Limited  
 Generali International Limited  
 Generali Worldwide Insurance Company Limited  
 Glensure Insurance Company Limited  
 Global (Guernsey) Limited  
 Grafton Limited  
 Grampian Insurance (Guernsey) Limited  
 Grange Insurance Company Limited  
 Guardian Shield Insurance Limited  
 Haldan Indemnity Limited  
 Halifax Guarantee Insurance Company Limited  
 Halifax Mortgage Re Limited  
 Hannover Re (Guernsey) PCC Limited  
 Harlequin Insurance PCC Limited  
 Hauteville Insurance Company Limited  
 Headrow Reinsurance Limited  
 Heritage Motor Vehicle Insurance Company Limited  
 Highland Reinsurance Limited  
 Hinton Insurance Limited  
 Hiscox Insurance Company (Guernsey) Limited  
 HJM Insurance Company Limited  
 Holdright Insurance Company Limited  
 Hollard International Insurance (PCC) Limited  
 Home Finance Guarantors (Insurance) Limited  
 HSBC Insurance (Guernsey) Limited  
 HSBC Insurance SPC Limited, Guernsey Branch  
 Iberia Reinsurance Limited  
 IM Insurance Company Limited  
 The Independents' Advantage Insurance Company Limited  
 Inreska Limited  
 Inter-European Insurance Company Limited  
 International Aviation Syndicate  
 International Insurance & Guarantee Company Limited  
 International Marine Syndicate  
 International Movers Mutual Insurance Company Limited  
 International Personal Accident Syndicate  
 Ispat International Insurance Company Limited  
 Jancap Insurance PCC Limited  
 JCB Insurance Company Limited  
 JLP Insurance Limited  
 Jupiter Insurance Limited

## APPENDIX 4 CONTINUED

KF Insurance Services Limited	Nova Insurance Limited
Kingsmill Insurance Company Limited	NTL Insurance Limited
Kirkstone Insurance Limited	O.C.S. Insurance (Guernsey) Limited
Kopinsure Limited	Octavian Insurance Company Limited
Korin Insurance Limited	Old Mutual International (Guernsey) Limited
La Coupe Insurance PCC Limited	Old Mutual Life Assurance Company (South Africa) Limited, Guernsey Branch
Lawgram Insurance Limited	Orchid Insurance Limited
Leeside Services (Guernsey) Limited	Osiris Marine and General Insurance Company Limited
Les Minquiers Limited	The Patriot Insurance Company Limited
Life Association of Guernsey Limited	Peninsula Insurance Limited
Lignin Insurance Company Limited	Penningtons Insurance Limited
Lilley Insurance (Guernsey) Limited	Pentagram International Insurance Company Limited
LINPAC Insurance Company Limited	Peter Cox Insurance Company Limited
Lloyds TSB Bank Insurance Company Limited	Peterborough Indemnity Insurance Limited
Lochside Insurance Limited	P.I. Insurance Company Limited
Lombard International PCC Limited	Pilkington Insurance Limited
London Power Insurance Limited	Pi Underwriting Limited
London Transport Insurance (Guernsey) Limited	Polygon Insurance Company Limited
Lothbury Insurance Company Limited	Portland Insurance Company Limited
Mainstay Insurance Limited	Porton Underwriting Limited
Mainstay Limited	Portway Insurance PCC Limited
Marconi Insurance Limited	PostCap Guernsey Limited
Markfield Insurance Company Limited	Powerhouse Insurance (Guernsey) Limited
Maxfort Insurance Limited	Praetorian Insurance Company Limited
The May Insurance Company Limited	Premium Life International Limited
Maypole Insurance Company Limited	Princess Management and Insurance Limited
M3 Capital Assurance PCC Limited	Prometheus Insurance Company Limited
MDDUS Insurance Limited	Prospect Underwriting Limited
MDU Insurance Limited	Protector Insurance Limited
The Meadows Indemnity Company Limited	Provident International Credit Guarantee Company Limited
Messenger Insurance PCC Limited	Provident Reinsurance Limited
Metso Captive Insurance Limited	Queen Street Mutual Company Limited
Meyer International Insurance Limited	Railtrack Insurance Limited
MHACE Insurance Company Limited	Rank Insurance Limited
Michaelangelo Insurance Limited	R B Insurance Limited
Mid-Pacific Reinsurance Company Limited	Redland Insurance Limited
Millennium Life Assurance Company Limited	Reigndei Limited
Mill Stream Insurance Limited	Remus Limited
Minorities Insurance Company Limited	Renishaw Finance and Insurance (Guernsey) Limited
Moorfields Insurance Company (Guernsey) Limited	The Rock Company Limited
Morse Insurance Company Limited	Romulus Limited
Mountgrave Insurance Limited	Royal Heritage Life Assurance Limited
M S Insurance Limited	Royal Life Insurance Limited
Mutual Indemnity (Bermuda) Limited, Guernsey Branch	Rugby Insurance Limited
National Express Guernsey Limited	Rutherford Indemnity Limited
National Grid Insurance Limited	Rutland Insurance Limited
Neste Insurance Limited	Samson Insurance Company Limited
New Horizon Insurance Company Limited	Sandringham Insurance Limited
Newport Re Limited	Sarnia Insurance Company Limited
New World Insurance Company Limited	Saxon Insurance Company Limited
Nightingale Insurance Limited	SB Insurance Limited
Nisshin Insurance Guernsey PCC Limited	Scanport Insurance Limited
Nordben Life & Pension Insurance Company Limited	Scarcroft Insurance Limited
Northern Foods Insurance Limited	Scor Channel Limited
Northern Rock Mortgage Indemnity Company Limited	Scout Insurance (Guernsey) Limited
Northside Insurance Company Limited	SDH Insurance Company Limited
Norwich Union Life & Pensions Limited	

Second Opinion Insurance Company Limited  
 Senator Insurance Limited  
 Serco Insurance Company Limited  
 Servicecover (Guernsey) Limited  
 Shield Insurance Company (Guernsey) Limited  
 S L Insurance Limited  
 S.M. Insurance (Guernsey) Limited  
 Soteria Insurance Limited  
 Southern Electric Insurance Limited  
 Southon Insurance Company Limited  
 Spread Eagle Insurance Company Limited  
 SRH Reinsurance Company Limited  
 St James's Insurance Limited  
 Stapleford Insurance Company Limited  
 Sunfish Insurance PCC Limited  
 Sure-ha International Limited  
 Tain Insurance Company Limited  
 Talisman Guernsey Limited  
 Target Insurance Company (Guernsey) Limited  
 Tayside Reinsurance Limited  
 TDG Insurance Limited  
 The Temple Insurance PCC Limited  
 Tempsford Insurance Company Limited  
 Tern Insurance Limited  
 Terrace Insurances Limited  
 Terrace Insurances PCC Limited  
 Tesco Insurance Limited  
 Thame Insurance Company Limited  
 Thomson Travel Insurance Services Limited  
 Thorn Insurance Company Limited  
 TI Group Insurance Limited  
 Topsail Insurance Company Limited  
 Trans-European Insurance Limited  
 Travel Managers Insurance Company Limited  
 Two Oceans Reinsurance Company Limited  
 UN & M Insurance Company Limited  
 Unic Insurance Limited  
 United Insurance Company PCC Limited  
 United Kenning Rental Group Insurance Services Limited  
 Universal Insurances Limited  
 Valkaray Insurance Limited  
 Vodafone Insurance Company Limited  
 Voyager Insurance Company Limited  
 Vulcan Insurance PCC Limited  
 Watertight Insurance Limited  
 Western Insurance Company Limited  
 West House Insurance Limited  
 Whitehall Insurance Company Limited  
 White Horse Insurance Limited  
 White Rock Insurance Company PCC Limited  
 White Swan Insurance Company Limited  
 Windsor Limited  
 Wingspan Insurance (Guernsey) Limited  
 Winguard Insurance Company Limited  
 Winston Insurance Company Limited  
 Woodcroft Insurance Company Limited  
 World Traveller Insurance Limited

WPD Insurance Limited  
 W.S. Atkins Insurance (Guernsey) Limited  
 Yealme Insurance Limited  
 Yorksafe Insurance Company Limited  
 Zurich Re PCC Limited

#### Insurance managers authorised at 31 December 2000 Unrestricted

AIG Insurance Management Services (Guernsey) Limited  
 Aon Insurance Managers (Guernsey) Limited  
 Assicurazioni Generali (Insurance Managers) Limited  
 Bacon & Woodrow Insurance Management (Guernsey) Limited  
 CGU Management Services (Guernsey) Limited  
 Channel Islands Insurance Consultants Limited  
 Griffiths & Armour Captive Management Limited  
 Heath Lambert Insurance Management (Guernsey) Limited  
 HSBC Insurance Management (Guernsey) Limited  
 Insurance Corporation Service Company Limited  
 International Risk Management (Guernsey) Limited  
 Investec Bank (Channel Islands) Insurance Management  
 Services Limited  
 JLT Risk Solutions (Guernsey) Limited  
 Langtry Insurance Services (Guernsey) Limited  
 Le Marchant Underwriting Management Limited  
 Marsh Management Services Guernsey Limited  
 Mutual Risk Management (Guernsey) Limited  
 Normandie Risk Management Limited  
 Optimum Risk Research (Channel Islands) Limited  
 Polygon Management Limited  
 Prism Insurance Management Limited  
 Risk Management Limited  
 Sartor Resources Limited  
 Sedgwick Management Services (Guernsey) Limited  
 Sinsler (Guernsey) Limited  
 Willis Management (Guernsey) Limited

#### Restricted

Channel Life Management Consultants Limited, restricted to long-term  
 insurance only  
 Orion Insurance Management Limited, restricted to managing:-  
 Ancient Order of Foresters Friendly Society  
 La Fraternelle Mutual Fire Insurance Society  
 Portman Welbeck Limited, restricted to managing:-  
 Prospect Underwriting Limited  
 Winston Insurance Company Limited  
 Zurich International Services (Guernsey) Limited, restricted  
 to managing:-  
 Zurich Re PCC Limited

#### Intermediaries

A.J.R. Brokers  
 Anthony Le Blanc & Partners  
 Argus Insurance Brokers Limited  
 Arrow Insurance Brokers (Guernsey) Limited  
 Arrow Insurance Brokers (Life & Pensions) Limited  
 Bachmann Insurance Brokers Limited  
 Birch Insurance Brokers Limited

## APPENDIX 4 CONTINUED

B.P. Financial Services  
 Canivet Webber Financial Services Limited  
 Caratfin International Limited  
 Channel Financial Services (Guernsey) Limited  
 Channel Insurance Brokers Limited  
 The Channel Islands' Co-Operative Society Limited Trading as  
     Travelmaker  
 Charlesworth International (Guernsey) Limited  
 CHIS Insurance Services Limited  
 Clarity Financial Limited  
 Clarke Middleton Associates Limited  
 Clegg Gifford (Islands) Limited  
 Collins Stewart (CI) Limited  
 De Beauvoir (C.I.) Financial Consultants Limited  
 De Beauvoir International Financial Consultants Limited  
 De La Rue and Jones Financial Services Limited  
 Doric Insurance Brokers Limited  
 First (Guernsey) Limited  
 FirstCity Insurance Brokers Limited  
 Flint & Company Limited  
 Garrington Financial Services (C.I.) Limited  
 Goldridge Stone Limited  
 Hepburns Life & Pensions Limited  
 HSBC Bank Plc  
 The Islands' Insurance Brokers Limited  
 Lloyds TSB Independent Financial Advisers Limited  
 Marsh Financial Services (Guernsey) Limited  
 Marsh Financial Services Limited  
 Martin-Gray Insurance  
 The Miller Insurance Group Limited  
 Natwest Offshore Limited  
 NetworkDirect Limited  
 Normandie Insurance Brokers Limited  
 Nova Financial Services Limited  
 Pentagon Insurance Brokers Limited  
 Principal Financial Limited  
 R A Rossborough (Guernsey) Limited  
 Rossborough Financial Planning Limited  
 Rossborough Healthcare International Limited  
 Rossborough Insurance Brokers (Alderney) Limited  
 Ross-Gower Group Limited  
 Royal Bank of Canada (Channel Islands) Limited  
 The Royal Bank of Scotland International Limited  
 Safehaven International Limited  
 SG Hambros Bank & Trust (Guernsey) Limited  
 Southern Insurance Management Limited  
 Tippet Financial Services  
 Trinity Court Agencies (C.I.) Limited  
 United Assurance Management Services Limited  
 Woodlock Financial Services

Temporary intermediaries  
 Anthony K Falcon Limited

APPENDIX 5  
THE PROTECTION OF INVESTORS  
(BAILIWICK OF GUERNSEY) LAW, 1987Institutions licensed for controlled investment business  
at 31 December 2000

## Principal managers

Aberdeen Guernsey Limited  
 Absolute Alpha Investment Management (Guernsey) Limited  
 AIIM Funds Management Limited  
 Apollo Investment Management Limited  
 Arab Bank Fund Managers (Guernsey) Limited  
 Ashmore Management Company Limited  
 Bank Hofmann Fund Management (Guernsey) Limited  
 Baring Asset Management (CI) Limited  
 Belinvest Management (Guernsey) Limited  
 BGL Reads Fund Management Limited  
 Brewin Dolphin Fund Managers (CI) Limited  
 Castle Management (Guernsey) Limited  
 Citadel Guernsey Limited  
 Clariden Investment Management (Guernsey) Limited  
 Close Asset Management Guernsey Limited  
 Collins Stewart Asset Management Limited  
 Collins Stewart Fund Management Limited  
 Compass Managers Limited  
 Concord Mirr Investments (Guernsey) Limited  
 Consulta (Channel Islands) Limited  
 Copernicus Asset Management Limited  
 Coutts (Guernsey) Limited  
 CPC Trans Management Limited  
 Credit Suisse Asset Management (Guernsey) Limited  
 Dantrust Management (Guernsey) Limited  
 Delphi Asset Management (Guernsey) Limited  
 ED & F Man Investment Products (Guernsey) Limited  
 Ely Place Fund Managers (Channel Islands) Limited  
 Elysian Investment Management Limited  
 Equinox Finance Management (Guernsey) Limited  
 Finans Management (Guernsey) Limited  
 Foord & Meintjes (Guernsey) Limited  
 FP Consult (Guernsey) Limited  
 FundInvest (Guernsey) Limited  
 Genesis Fund Managers Limited  
 GL Fund Management (Guernsey) Limited  
 GYS Investment Management Limited  
 Hanseatic Asset Management LBG  
 Hauteville Fund Managers (Guernsey) Limited  
 Hermitage Capital Management Limited  
 HRS Asset Management Limited  
 IBJ AMI (Guernsey) Limited  
 Intrinsic Asset Management (Guernsey) Limited  
 Investec Investment Management (Channel Islands) Limited  
 ITM Fund Managers Limited  
 Kanz Fund Management Services (Guernsey) Limited  
 KIC Fund Managers (Guernsey) Limited  
 KME Fund Managers Limited  
 Landsbanki Capital International Limited  
 Lazard Fund Managers (CI) Limited  
 Liontrust International (Guernsey) Limited  
 London & Oxford Fund Management Limited  
 Long-Invest Capital Limited

M & G (Guernsey) Limited  
 M<sup>3</sup> Capital Management (Guernsey) Limited  
 Merhbanc Management (Guernsey) Limited  
 Merrill Lynch International Capital Management (Guernsey) Limited  
 Metallgesellschaft (Guernsey) Limited  
 Metro Global Fund Managers (Guernsey) Limited  
 Montier Asset Management Limited  
 Morley Fund Management (Channel Islands) Limited  
 Nemrod Management Limited  
 Oasis Global Management Company (Guernsey) Limited  
 Paragon Asset Management Limited  
 Platinum Fund Managers (Guernsey) Limited  
 Port Fund Managers (Guernsey) Limited  
 Private Fund Managers (Guernsey) Limited  
 Prospect Street International Fund Management Company Limited  
 Prudential Fund Managers (Guernsey) Limited  
 Sarasin Funds Management (Guernsey) Limited  
 Saudi American Fund Management (Guernsey) Limited  
 Saudi International (Guernsey) Limited  
 Schroder Investment Management (Guernsey) Limited  
 SC Invest Holding (Guernsey) Limited  
 Sigma Asset Management (Guernsey) Limited  
 Sogeval Management Limited  
 Stamford Asset Management Limited  
 Strategic Management Limited  
 T.A.L. Asset Management (Guernsey) Limited  
 Theta Investment Trust Limited  
 Trident Investment Management (Guernsey) Limited  
 Trinity International Management Limited  
 TSG Investment Management (Guernsey) Limited  
 UBK Asset Management (Guernsey) Limited  
 Unigestion (Guernsey) Limited  
 UTI International Limited  
 Wafra International Investment Management Limited  
 WestLB Guernsey Limited  
 Woolwich Asset Management Guernsey Limited

## Designated managers

Anson Fund Managers Limited  
 Apex Administration Limited  
 BISYS Fund Services (Guernsey) Limited  
 Bordeaux Services Limited  
 Butterfield Fund Managers (Guernsey) Limited  
 CIBC Fund Managers (Guernsey) Limited  
 Close Fund Services Limited  
 Credit Suisse Fund Administration Limited  
 Guernsey International Fund Managers Limited  
 Helvetia Fund Administration Limited  
 HSBC Fund Administration (Guernsey) Limited  
 HSBC Republic Management (Guernsey) Limited  
 Investec Asset Management Guernsey Limited  
 Kleinwort Benson (Guernsey) Fund Services Limited  
 Lloyds TSB Fund Managers (Guernsey) Limited  
 Management International (Guernsey) Limited  
 Old Mutual Fund Managers (Guernsey) Limited  
 Rothschild Asset Management (C.I.) Limited  
 Royal Bank of Canada Offshore Fund Managers Limited  
 Walbrook Fund Managers Limited

## APPENDIX 5 CONTINUED

Designated trustees/custodians	Bank of Cyprus (Channel Islands) Limited
Bank Hofmann (Guernsey) Limited	Bank of Montreal Trust Company (C.I.) Limited
Bank of Bermuda (Guernsey) Limited	BAPEF Advisers L.P.
Bank of Butterfield International (Guernsey) Limited	Barclays Bank PLC
Barings (Guernsey) Limited	Barclays Global Investors Guernsey Limited
CIBC Bank and Trust Company (Channel Islands) Limited	Barclays Private Bank & Trust Limited
Close Bank Guernsey Limited	Baring Asia Fund Managers II Limited
Close International Custody Services Limited	Baring Asia Fund II (GP) LP
Credit Suisse (Guernsey) Limited	Baring Asia (GP) Limited
HSBC Bank Plc	Baring European Fund Managers Limited
HSBC Republic Bank (Guernsey) Limited	Baring European Fund (GP) L.P.
Investec Bank (Channel Islands) Limited	Baring Latin America Fund (GP) L.P.
Kleinwort Benson (Guernsey) Limited	Baring Latin America Fund Managers Limited
Kleinwort Benson (Guernsey) Trustees Limited	Baring Mexico (GP) Limited
Royal Bank of Canada (Channel Islands) Limited	Baring Mexico Managers Limited
Royal Bank of Scotland Trust Company (Guernsey) Limited	Baring Mexico Managers L.P.
SG Hambros Bank & Trust (Guernsey) Limited	Baring Private Equity Partners (Asia) Limited
State Street Trustees (Guernsey) Limited	Baring Private Equity Partners (Central Europe) Limited
	Baring Private Equity Partners (Latin America) Limited
Licensed investment exchange	Baring Vostok Capital Partners Limited
Channel Islands Stock Exchange, LBG	Baring Vostok Fund (GP) Limited Partnership
	Baring Vostok Fund Managers Limited
Other licensees	Barton Management Limited
Abacus Fund Managers (Guernsey) Limited	BCCP (Guernsey) Limited
ABN AMRO Development Capital (Guernsey) Limited	BCEA Advisers Limited
Access Capital Partners (Guernsey) Limited	BCEE Advisers Limited
Adam & Company International Limited	BCEE Advisers L.P.
ADD Management Limited	BCEF General Partner L.P.
ADD One General Partner LP	BCEF (GP) Limited
ADD Partners (Guernsey) Limited	BCIII General Partner Limited
Adelphi Management Limited	BCL Investments Limited
AIIM Asset Management Limited	BCL Trust Company (Guernsey) Limited
Alchemy Partners G.P. (Guernsey) L.P.	Beta Corporate Services Limited
Alchemy Partners (Guernsey) Limited	BGL Private Bank (Channel Islands) Limited
ALQ Limited	BGL Reads Asset Management Limited
Ansbacher (Guernsey) Limited	BHD General Partner Limited
Ansbacher Investment Management (C.I.) Limited	BNP Paribas Guernsey Limited
Anson Secretaries Limited	BPEP Management Limited
Apax Europe IV GP Co. Limited	Brewin Dolphin Securities Limited
Apax Europe IV GP LP	BSI (Channel Islands) Limited
Apax Europe V GP Co. Limited	BS Partners Limited
A.P. Financial Investment Services Limited	Caldwell Associates Limited
Argyll Investment Management Limited	Canadian Imperial Bank of Commerce Trust Company (CI) Limited
Ascari Financial Services Limited	Cannon Trust Company Limited
Asset Risk Consultants Limited	Capita IRG (Offshore) Limited
Astorg German Capital Partners Limited	Castalia Partners Limited
Atlantis Fund Management (Guernsey) Limited	CBI Finance Limited
Atrium Private Equity Fund Manager Limited	CEP General Partner L.P.
Atrium Private Equity Managing General Partner LP	Channel Financial Services (Guernsey) Limited
Bachmann Asset Management Limited	Charlesworth Investments Limited
Baden-Württembergische Bank AG	CIBC Management Services (Guernsey) Limited
Balchan Management Limited	CIE Management II Limited
Banca Monte dei Paschi (Channel Islands) Limited	CIS Unit Managers Limited
Banco Santander Central Hispano (Guernsey) Limited	Clariden Bank (Guernsey) Limited
B & S Investments Limited	Clariden Trust (Guernsey) Limited
Bank Julius Baer & Co Limited – Guernsey Branch	Clarke Middleton Associates Limited
	CLSA Guernsey Limited

Coller Investment Management Limited	Greenpark Capital Investment Management Limited
Collins Stewart (CI) Limited	Greig Middleton International Limited
Colocar International Limited	Guinness Flight Trustees S.A.R.L.
Comgest Asset Management Limited	HCF Guernsey Limited
CQS International Limited	Helix Management Limited
Credit Suisse First Boston Guernsey Branch	Heritage Trust Limited
Credit Suisse Guernsey Branch	HFT (Guernsey) Limited
CS CS Management Limited	HLSP Investment Management II Limited
CS RVA Management Limited	HLSP Investment Management III Limited
CS SCF Management Limited	HSBC Bank USA, Guernsey Branch
Cygnus Venture Partners (Guernsey) Limited	HSBC Investment Management International Limited
Cygnus Ventures II Managers Limited	HSBC Republic Trust Company (Guernsey) Limited
D.A.H Hambros Bank (Channel Islands) Limited	iHilal (Guernsey) Limited
De Putron Fund Management (Guernsey) Limited	Indochina Asset Management Limited
Deutsche Bank International Limited	Indosuez Administration Services Limited
Deutsche Bank Investments (Guernsey) Limited	Industrial Development & Investment Limited
Deutsche International Trust Corporation (C.I.) Limited	ING Real Estate (Guernsey) Limited
Deutsche Investment Funds Limited	ING RPF Management Limited
Dixcart Trust Corporation Limited	Insinger Asset Management (Guernsey) Limited
Dresdner RCM Global Investors (Guernsey) Limited	Insinger de Beaufort (International) Limited
Duke Street Capital Management Services (Guernsey) Limited	International Bottler Management Limited
Dune Partners (Guernsey) Limited	International Private Equity Services Limited
Eagle Star Life Assurance Company Limited	Investec Personal Portfolio Management Guernsey Limited
EarlyBirdCapital Management Limited	Investor Capital Management Asia Limited
EEP Managers Limited	Investor Group G.P. Limited
EFG Private Bank (Channel Islands) Limited	I.P. Real Estate Asset Management (Guernsey) Limited
EFG Private Bank S.A. (Guernsey Branch)	Island Consultants Limited
Electra European Fund (GP) Limited	Julius Baer Trust Company (Channel Islands) Limited
Ely International Asset Management Limited	KAPPA IT Ventures (GP) Limited
Emerald Management Limited	KAPPA IT Ventures Second (GP) Limited
Endeavour G.P. (Guernsey) Limited	KAPPA IT Ventures Special LP Limited
EQT Northern Europe Limited	KBEMF II (Guernsey) Limited
EQT Scandinavia Limited	Kleinwort Benson (Channel Islands) Investment Management Limited
Equity4Life Asset Management Guernsey Limited	Kleinwort Benson (Channel Islands) Limited, Guernsey Branch
ESD Managers Limited	LAF Sponsor Limited
EuroSmallCaps Management Services Limited	Lake Services Limited
E-Vestment Capital (Guernsey) Limited	Larem Trustees Limited
Excel Capital Partners III General Partner Limited	L.C.F. Rothschild (C.I.) Limited
Exeter Investments (Guernsey) Limited	L.C.F. Rothschild Asset Management (C.I.) Limited
Fauchier Partners Asset Management Limited	Legis Corporate Services Limited
Federal Trust Company Limited	Leopold Joseph & Sons (Guernsey) Limited
Finch Management and Marketing Limited	Lines Overseas Management (Guernsey) Limited
First Arrow Global Fund Trustees Limited	Lloyds TSB Bank (Guernsey) Limited
First Arrow International Growth Fund Trustees Limited	Lloyds TSB Independent Financial Advisers Limited
First Arrow Managed Fund Trustees Limited	Lloyds TSB Offshore Private Banking (Guernsey) Limited
The First Cambridge Gateway General Partner Limited	The Louvre Trust Company Limited
FleetBoston Financial (Guernsey) Limited	Managing General Partner GEP L.P.
Folio Investments Limited	Manor Park (Guernsey) Limited
Garrington Financial Services (C.I.) Limited	Marsh Financial Services (Guernsey) Limited
Gartmore Investment Management (Channel Islands) Limited	Marsh Financial Services Limited
GCI II Partners Limited	Marsh Management Services Guernsey Limited
GCI Partners Limited	Martin Gray (Channel Islands) Limited
Generali Portfolio Management Limited	MeesPierson (C.I.) Limited
Genesis Asset Managers Limited	MeesPierson Investment Management (C.I.) Limited
GEP Fund Managers Limited	Merlin Group Securities Limited
Global Capital Management Limited	Merrill Lynch Investment Managers (Channel Islands) Ltd, Guernsey Branch
GLS (GP) Limited	

## APPENDIX 5 CONTINUED

Middle East Capital Group Limited  
 Millennium Asset Management Limited  
 Milroy & Associates Limited  
 Minerva Fund Management (Guernsey) Limited  
 Moore Stephens  
 Morgan Stanley Dean Witter Investment Management Limited  
 NatWest Offshore Limited  
 Newton International Investment Management Limited  
 Newton Investment Management (Guernsey) Limited  
 Nexit Infocom 2000 Limited  
 Next Century Partners Limited  
 NM Rothschild & Sons (C.I.) Limited  
 Nordic Equity Management Limited  
 Nordic Mezzanine GP Limited  
 Nordic Venture Partners Limited  
 Nova Financial Services Limited  
 Orbis Management Limited  
 Orion Capital Advisors (Guernsey) Limited  
 Overseas Asset Management Limited  
 Pantheon Ventures (Guernsey) Limited  
 Parkway Administration (Guernsey) Limited  
 Partners Group Private Equity Administration Limited  
 Partners Private Equity Management Limited  
 Pearl Management Limited  
 Pearl Unit Trusts Limited  
 Pentagon Insurance Brokers Limited  
 PESD Management Limited  
 Polytechnos (GP) Limited  
 Praxis Secretaries Limited  
 Princess Management and Insurance Limited  
 Privilege Portfolio International Limited  
 Prospect Asset Management (Channel Islands) Limited  
 Quilter & Co Limited  
 Rabobank Guernsey Limited  
 R & H Fund Services (Guernsey) Limited  
 RBSI Custody Bank Limited, Guernsey Branch  
 RBSI Trustee Services (Guernsey) Limited  
 Redbridge Offshore Limited  
 Riverdale Asset Management Limited  
 Rossborough Financial Planning Limited  
 Rothschild Bank Switzerland (C.I.) Limited  
 Rothschild Corporate Fiduciary Services Limited  
 Rothschild Ventures (Guernsey) Limited  
 Royal & Sun Alliance Trust (Channel Islands) Limited  
 Royal Bank of Canada Investment Management (Guernsey) Limited  
 Royal Bank of Scotland International Limited, Guernsey Branch  
 Ruffer (Channel Islands) Limited  
 Sabanci Bank (Guernsey) Limited  
 Saffery Champness Management International Limited  
 SAM Equity Partners Limited  
 SanPaolo IMI Capital Partners Limited  
 Sapphire Managers (Europe) Limited  
 Schroder Asseily (Guernsey) Limited  
 Schroder Executor & Trustee Company (C.I.) Limited  
 Schroder Venture Managers (Guernsey) Limited  
 Schroder Ventures European Fund Managers II LP  
 Schroders (C.I.) Limited

Select Industries Management Company Limited  
 764 Capital Management Limited  
 SG Hambros Trust Company (Guernsey) Limited  
 Sixela Investments Limited  
 The Slovenian Fund Management Company (Guernsey) Limited  
 Standard Chartered Grindlays Management Company  
 (Guernsey) Limited  
 Stenham Gestinor Asset Management Inc  
 Stenham Gestinor Trustees Limited  
 Swan Capital Limited  
 Tarsus Advisers (Guernsey) Limited  
 Templeton Investment Management Limited  
 Thornhill Guernsey Limited  
 Threadneedle Portfolio Services Limited  
 3k Capital (GP) Limited  
 Trust Management (Alderney) Limited  
 UBK Buyout Investments (Guernsey) Limited  
 The UBK European Property Company Limited  
 Union Discount Company C.I. Limited  
 Union Fund Management (Guernsey) Limited  
 U.S. Global Investors (Guernsey) Limited  
 Voltaire Distribution Limited  
 Washington Financial (Guernsey) Limited  
 Wilfred T. Fry (C.I.) Limited  
 Zenith Secretarial Services Limited

*The Licensees (Financial Resources, Notification, Conduct of Business and Compliance) Rules 1998 apply to all the above. In addition, the Collective Investment Schemes (Designated Persons) Rules 1988 apply to designated managers and designated trustees/custodians of authorised collective investment schemes and the Investment Exchange (Notification) Rules 1998 apply to licensed investment exchanges.*

APPENDIX 6  
THE PROTECTION OF INVESTORS  
(BAILIWICK OF GUERNSEY) LAW, 1987

Authorised open-ended collective investment schemes  
31 December 2000

## Class A schemes

Appleton Global Portfolio  
Dresdner Private Banking Strategic Investment Fund Limited  
The Elite Personal Portfolio Service  
EquiSar (C.I.) Fund  
Five Arrows Currency Fund Limited  
Five Arrows International Bond Funds Limited  
Five Arrows International Reserves Limited  
GlobalSar Dollar Fund  
GlobalSar Sterling Fund  
Investec Global Strategy Fund Limited  
Investec International Accumulation Fund Limited  
Lazard Select Investment Trust Limited  
Lloyds TSB Money Fund Limited  
M & G Island Global Fund  
M & G Island Gold Fund  
M & G Island UK Fund  
The Old Mutual International Portfolio  
Prudential Money Funds Limited  
Prudential USD Bond Fund  
Royal Bank of Canada Global Funds  
Royal Bank of Canada International Currencies Fund Limited  
Schroder India Fund  
Schroder Offshore Cash Fund  
Schroder Taiwan Fund

*The Collective Investment Schemes Rules 1988 and The Collective Investment Schemes (Compensation of Investors) Rules 1988 apply to the above.*

## Class B schemes

Aberdeen PCC Limited  
AB International Fund Limited  
AB Islamic Horizon Fund Limited  
Absolute Alpha Accumulation Fund  
Absolute Alpha Fund PCC Limited  
Absolute Alpha II Fund PCC Limited  
Advisers Fund  
AHL Global Investments Limited  
Al-Awsat Fund  
Al-Kharejiah Global Strategy Fund Limited  
Apollo Californian Fund Limited  
Apollo European Fund Limited  
Apollo Global Fund Limited  
Apollo Hedge Fund Limited  
Apollo Japan Fund Limited  
Apollo Tiger Fund Limited  
Appleton International Portfolio Fund  
ARIS Fund PCC Limited  
Ashmore East European Local Currency Debt Portfolio  
Ashmore Emerging Markets Liquid Investment Portfolio  
Ashmore Local Currency Debt Portfolio  
Ashmore Russian Debt Portfolio  
Asset Holder PCC Limited  
Asset Holder PCC No 2 Limited

Atlas Arbitrage Holdings Limited  
Atlas Credit Holdings Limited  
Atlas Diversified Holdings Limited  
Bank Hofmann Bond Funds  
Bank Hofmann – Dollarrent  
Bank Hofmann – Emerging Market Rent  
Bank Hofmann – Eurorent  
Bank Hofmann Stock Funds  
Bank Hofmann – Swissrent  
Baring Chrysalis Fund Limited  
Baring Peacock Fund Limited  
BEA Frontier Note Limited  
Belinvest Fund  
Belvedere Fund Limited  
Brewin Dolphin Global Funds  
The Capital Appreciation Trust Limited  
Capricorn Fund PCC Limited  
Cardinal Fund of Funds Limited  
Central and Eastern European Fund Limited  
CIBC Private Clients Fund Limited  
CIBC TAL Professional Investor Funds PCC Ltd  
Citadel Global Selection Limited  
Clariden International Investments PCC Limited  
Clariden Investments Limited  
Clariden Special Investments PCC Limited  
The Collins Stewart PCC Limited  
Compass Offshore Hedging Strategies PCC Limited  
Compass Offshore Special Situations PCC Limited  
Consulta Alternative Strategy Fund Limited  
Consulta Canadian Energy Fund Limited  
Consulta Capital Limited  
Consulta Emerging Markets Debt Fund Limited  
Consulta High Yield Fund Limited  
Consulta Smaller Companies Fund Limited  
Consulta Technology Fund Limited  
Credit Suisse Asset Management Global Performance Funds  
Dantrust II Limited  
The Dejima Fund Limited  
Deloitte & Touche PCC No. 1 Limited  
Delphi Global Limited  
Diversified Asset Fund  
Dynamic Growth Fund  
The Egyptian Growth Investment Company Limited  
Ely Place Sovereign Growth Fund  
Elysian Fund  
The Euro Spain Fund Limited  
Falcon High Income Fund  
Finsbury London Town Residential Property Fund  
Fitzwilliam Active Management PCC Limited  
Fitzwilliam International PCC Limited  
Five Arrows Global Opportunities Funds  
Five Arrows International Investment Funds  
Five Arrows International Managed Portfolio Fund  
Five Arrows International Portfolio Fund  
Foord & Meintjes International Equity Trust  
FP Umbrella Fund Limited  
Genesis Condor Fund Limited

## APPENDIX 6 CONTINUED

Global Technology Growth Fund Limited	The Patrimony Fund Limited
GL Funds	Platinum Investment Fund
GL Target Funds	The Portugal Growth Fund Limited
Guernsey Global Fund	Prospect Street International Fund PCC Limited
Gulf Overseas Investment Fund Limited	Prospero Currency Fund Limited
Hansa Fund PCC Limited	Prudential World Value Fund
Hauteville Global & Balanced Fund	Raintree Global Fund Limited
Hemisphere Equity Fund (EUR) Limited	Republic Portfolio Selection Fund
Hemisphere Equity Fund (USD) Limited	Republic Uni-Folio
Hemisphere Global Hedge Fund Limited	Royal Bank of Canada ARC Fund Limited
The Hermitage Fund	Royal Bank of Canada Strategic Ratchet Fund
Horizon Fund	Russian Opportunities Fund Limited
HRS Holdings Limited	The Saudi Arabia Investment Fund Limited
HSBC Republic Strategies Fund Limited	Saudi International High Yield Bond Fund
HSBC Republic Turkey Fund PCC Limited	Schroder Eastern European Fund
IBJ-I Europe Fund	Schroder Emerging Markets Fund
India Access Limited	The Schroder Latin America Fund Limited
India Debt Fund Limited	SC Trading Invest Limited
India I.T. Fund Limited	Select Global Strategies Limited
India Public Sector Fund Limited	Sogeval Fund Limited
Intrinsic Portfolio Fund PCC Limited	Speer Capital Preservation Fund
Investec Premier Funds PCC Limited	The Stafford Global Equity Fund
The ITM Selection Fund	Supreme Growth Fund
Jaivco	Swiss Capital Funds PCC (Guernsey) Limited
Kanz Bank Islamic Investment Fund PCC Limited	Swiss Capital Non-Traditional Funds PCC Limited
KMEFIC World Real Estate Liquidity Fund	T.A.L. Private Investment Funds
Landsbanki PCC (Guernsey) Limited	Taurus Emerging Fund Limited
Latin America Capital Partners Limited	Theta Global Market Risk Fund
Liontrust Guernsey Fund Limited	Trinity International Fund Limited
London & Oxford Value Fund	Troy Fund PCC Limited
Long-Invest PCC Limited	TSG (GCI) Management Trust
M & G Offshore Corporate Bond Fund Limited	UBKAM Arabian Investments Country Funds Limited
M & G Offshore European Smaller Companies Fund	UBKAM Select High Yield Investment Fund Limited
M & G Offshore Global Technology Fund	Wafra Global Fund Limited
M & G Offshore High Yield Corporate Bond Fund Limited	Wafra Small Cap Fund Limited
M & G Offshore Innovator Fund	Waxwing International Limited
M & G Offshore UK Growth Fund	Westbourne Growth Fund PCC Limited
Man Alternative Strategy Investments Limited	Wilen Trust
Man-Fidex Diversified Limited	Woolwich Offshore Asset Plus Fund
Man-Fidex Global Investments Limited	
Man-Response Fund Limited	<i>The Collective Investment Schemes (Class B) Rules 1990 apply to the above.</i>
Man-Vector Diversified Limited	
Man-Vector Global Investments Limited	Class Q schemes
M <sup>3</sup> Capital Mutual Fund PCC Limited	MG Metals Fund Limited
Merchbanc International Funds	NIF Holdings Fund PCC Limited
Merrill Lynch Series Trust known as "The India Fund"	The Sanwa Total Return Fund
Metro Global Private Fund Limited	Winterthur Short Term Reserve Funds
Monument Growth Fund	
Morley Corporate Cash Fund	<i>The Collective Investment Schemes (Qualifying Professional Investor Funds)</i>
Multi-Manager Investments Programmes PCC Limited	<i>(Class Q) Rules 1998 apply to the above.</i>
Mynah Investments Limited	
Nemrod Euro Limited	
Nemrod Leveraged Holdings Limited	
Oasis Global Investments Scheme Limited	
Offshore Portfolios PCC Limited	
Optimal Tracker Fund PCC Limited	
Paragon Capital Appreciation Fund Limited	

APPENDIX 7  
GUIDANCE NOTES ISSUED BY THE COMMISSIONPromotional Activities – Policy Guidance  
(guidance issued in April 2001)

## Protection of Investors (Bailiwick of Guernsey) Law 1987

1. Under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (“the POI Law”), promotion of investment products and services is a restricted activity, which requires a licence. The POI Law defines promotion as:-
  - a) advertising;
  - b) issuing a prospectus, application form or proposal form;
  - c) circulating or making available promotional material.
2. It is apparent that overseas promoters regularly visit the Bailiwick for the purpose of marketing investment products and services, and are often doing so without a licence. The Commission has no wish unnecessarily to restrict the range of investment vehicles and services available to Guernsey investors, and is aware that contact with overseas promoters can provide useful information. The Commission is mindful, however, that its primary role in relation to the POI Law is that of investor protection. The following statement is therefore issued for the guidance of promoters.

## Overseas funds

3. Promotion of certain categories of open-ended fund is exempted from the licensing requirements of the POI Law.
4. The Investor Protection (Designated Countries and Territories) Regulations 1989 and 1992 permit promotion in the Bailiwick of Guernsey of:-
 

UK	authorised collective investment schemes;
Jersey	recognised funds;
Isle of Man	authorised collective investment schemes;
	and
	Republic of Ireland authorised UCITS funds.

In addition, bilateral agreements providing for mutual recognition of funds have been reached with certain other jurisdictions; details are on the Commission’s website at [www.gfsc.guernseyci.com/investment/faq.html](http://www.gfsc.guernseyci.com/investment/faq.html).
5. These arrangements do not constitute an automatic right to promote into Guernsey. Just as Guernsey-authorized Class A schemes may be promoted into other jurisdictions provided the host country regulators have been notified of the intention to promote and any applicable registration fee has been paid, so authorised schemes from jurisdictions such as those listed above may be promoted in Guernsey only if they have been registered with the Commission and, where applicable, the fee paid. Promotion of unregistered funds constitutes an unlicensed promotion, with the consequences set out in paragraph 9 below. A listing on the Channel Islands Stock Exchange does not constitute registration with the Commission for this purpose.

## UK public offers

6. In November 2000, the Commission issued guidance (see below) on the circulation in Guernsey of UK Public Offers. That guidance, with minor clarifications, is reissued herewith.

## Promotion to licensed institutions

7. Promotion of investment products and services other than those referred to in paragraphs 4, 5 and 6, will not be regarded as an activity requiring a licence under the POI Law provided that the promoters have taken – and can demonstrate that they have taken – steps to ensure that any such promotion will be directed only to those holding a licence under the POI Law, the Banking Law, and the Insurance Law, and to prospective licensees under the Fiduciaries Law. In these circumstances promotional material must make it clear that it is not for distribution to private investors, and invitations to promotional seminars must not be directed to private investors.

## Promotion to private investors

8. Promotion to private investors remains an activity requiring a licence under the POI Law although, as already noted, there are exceptions for certain categories of fund and for certain types of prospectus. Overseas promoters whose products do not fall within the exceptions and who wish to sell direct to Guernsey investors will need either to be licensed themselves or to arrange that their promotion is conducted under the auspices of a Guernsey entity already holding the appropriate category of POI licence.

## Consequences of unlicensed promotion

9. The Commission would remind the investment community that, in addition to the direct penalties for unlicensed promotion set out in the POI Law, any contract with an investor which is agreed in contravention of the Law is unenforceable and the investor is entitled to a return of any subscription monies paid.

## UK Public Offers

*(memorandum issued in November 2000)*

The Commission has been approached on a number of occasions to clarify the status of public offers of securities intended to be listed on the London Stock Exchange, under the Control of Borrowing Ordinances and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

It is not the intention of the Commission that the community in the Bailiwick should lose the opportunity to subscribe for securities listed, or to be listed, on the London Stock Exchange. Making such offerings available to Bailiwick residents does not require any consent under the Control of Borrowing Ordinances.

The question of “promotion” under the POI Law is slightly more complex. The Guidance Note below makes it clear, however, that passive promotion – where an issuer makes a prospectus available in the international press, on an internet website or where a prospectus is sent in response to a request initiated by a Bailiwick resident – is not deemed to be promotion within the Bailiwick in a sense which would require licensing or consent from the Commission.

Active promotion, under which residents of the Bailiwick are specifically targeted, or where investment promoters wish to hold promotional seminars and road shows here, is an activity falling within the POI regime. The Commission does not expect, however, that this will place significant obstacles in the way of promoters. If not licensed, they will need either to obtain the relevant category of POI licence or, more likely, appoint an institution which already holds a relevant licence to take responsibility for any active marketing within the Bailiwick.

## APPENDIX 7 CONTINUED

The licensee's responsibility would be to ensure that local marketing was fair and not misleading. As a basic premise the Commission expects that offering documents meeting the requirements of the Financial Services Authority as UK listing authority, and promotional material issued or approved by persons authorised in the United Kingdom under the Financial Services and Markets Act, should have no difficulty in meeting that essential criterion. Where promotional material is modified to take account of local conditions (e.g. on tax) or where specific local material is generated, the licensee will, of course, need to satisfy itself that such local content is reasonable.

### Guidance Note – Promotion of Investments under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (“The Law”) (Originally issued in November 2000 and reissued with minor clarifications in April 2001)

#### Introduction

1. This Guidance Note sets out the views of the Guernsey Financial Services Commission (“the Commission”) on the scope of Section 1(1) of The Protection of Investors (Bailiwick of Guernsey) Law 1987 (“POI Law”) in the context of the promotion of investments, and hence the stance which the Commission will take in this context in the exercise of its statutory powers under the POI Law.
2. Under Section 1(1) of the POI Law “a person shall not carry on, or hold himself out as carrying on any controlled investment business in or from within the Bailiwick, except under and in accordance with the terms of a licence”; while under Section 1(3) of the POI Law, “a person carries on controlled investment business if, by way of business, he engages in a restricted activity in connection with a controlled investment”.
3. Promotion is a “restricted activity” and is defined in Schedule 2 to the POI Law as:-
  - (a) advertising;
  - (b) issuing a prospectus, application form or proposal form;
  - (c) circulating or making available promotional material”.
4. “Controlled investments” are identified and described in detail in Schedule 1 to the POI Law under two Categories, namely “Collective Investment Schemes” and “General Securities and Derivatives”.

#### The scope of Section 1(1)

5. As set out at paragraph 2 above, Section 1(1) of the POI Law applies to the carrying on (or holding out as carrying on) of controlled investment business in or from within the Bailiwick of Guernsey. Thus a person who has a permanent place of business in the Bailiwick, or makes it known that he may be contacted at a particular address in the Bailiwick, or visits the Bailiwick, in each case for the purpose of carrying on controlled investment business, clearly requires a licence under Section 1(1).
6. The position of persons other than those described at 5 above (‘overseas persons’) is less clear. For example, it has been suggested that the physical location of a person who offers investment

services is immaterial, and that it is where his services have effect that is pertinent.

7. It is the Commission's view that there is a distinction between “active” and “passive” promotion of controlled investments, as follows:-
  - (a) “Active” promotion  
Where an overseas person specifically targets potential investors in the Bailiwick, eg. by sending promotional material (other than promotional material specifically requested by a Bailiwick resident, such request not having been solicited directly or indirectly in the Bailiwick by the overseas person), cold-calling, advertising in the Guernsey Press and Star or other Bailiwick publications, or by electronic media aimed specifically at Bailiwick residents, it is the Commission's view that this is a licensable activity.
  - (b) “Passive” promotion  
In other cases, e.g. advertisements in the international press, (even if such advertisements may mention Bailiwick residents provided residents of other jurisdictions are also mentioned), offers by electronic media (subject to the above proviso), or where an overseas person is responding to an approach from a Bailiwick resident which cannot be regarded as having been specifically solicited by the overseas person in any way, it is the Commission's view that this is not a licensable activity.
8. It is hoped that the foregoing will be helpful to overseas persons and their professional advisers. The Commission is always willing to discuss specific cases with potential promoters or their advisers.
9. It is also appropriate to confirm that an overseas person may promote controlled investments by using the services of a person licensed under the POI Law to carry on the restricted activity of “promotion”.

#### The Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 (“COB”)

10. In conclusion, it is pertinent to draw attention to COB under which the prior consent of the Advisory and Finance Committee (“the Committee”) of the States (Parliament) of Guernsey is required for the circulation in the Bailiwick of any offer for subscription or sale of any securities of any body corporate not incorporated in any part of the Bailiwick. Such consent is not required in respect of the securities of any body corporate incorporated in Great Britain if such an offer is, or at any time in the previous year has been, circulated in Great Britain in accordance with the provisions of the Companies Act 1985 and the Financial Services Act 1986.

The Committee has delegated the function of granting consents under COB to the Commission, and where consent is required the Commission will normally be able to respond immediately to requests for consent.

## APPENDIX 8 SUMMARY OF THE OFFSHORE GROUP OF BANKING SUPERVISORS FATF-STYLE MUTUAL EVALUATION

### Transcript of the Summary of the Offshore Group of Banking Supervisors FATF-style Mutual Evaluation Report on the Anti-Money Laundering System in Guernsey

The Bailiwick of Guernsey, encompassing Guernsey, Alderney and Sark, now has in place a robust arsenal of legislation, regulations and administrative practices to counter money laundering. The introduction of "all-crimes" money laundering legislation and regulations (subsequent to the evaluation visit) at the beginning of the year 2000 marked a major step forward. In the steps they have taken to deter and detect money laundering the authorities have demonstrated the political will to ensure that their off-shore financial institutions and the associated professionals, maximise their defences against criminal funds. The authorities are also determined to cooperate effectively in international investigations into criminal funds. Although the standards set by Guernsey are close to complete adherence with the FATF's 40 Recommendations, there are a number of important areas where appropriate changes would allow these standards to be met unambiguously.

The all-crimes anti-money laundering system is still very new, and to some extent Guernsey is a jurisdiction in transition. The money laundering offences are broad, and cover all indictable offences - including tax evasion. The suspicious transaction reporting system is backed up with effective measures to prevent tipping off, and to provide the necessary protections to those who submit reports. There is no banking secrecy legislation, and the requirement for confidentiality is overridden by the anti-money laundering legislation and other relevant laws. The Evaluation Team noted that the new legislation includes an obligation to report suspicious transactions, rather than a direct obligation to report. This provides a defence from the money laundering offences in circumstances where a report has been made. The evaluation report recommends that the authorities impose a direct and unambiguous mandatory reporting obligation in all cases involving criminal activity.

Recent legislative developments have removed the most significant constraints on cooperation between Guernsey and other jurisdictions, and the Guernsey authorities have a positive record of cooperation with overseas requests for assistance, on both regulatory and criminal matters. The wide range of predicate offences in Guernsey law prevents the requirement for "dual criminality" from hindering cooperation, even in cases involving tax crimes. However, Guernsey is not yet able to ratify the Vienna Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or the Council of Europe Convention on Laundering, Seizure and Confiscation of the Proceeds of Crime. The evaluators endorse Guernsey's proposals to plug the remaining gaps which prevent them from ratifying these important conventions. Guernsey should also consider enhancing its powers to confiscate suspicious cash imports.

To ensure that intelligence can be passed more readily to overseas authorities, this report recommends removal of the provision in the 1999 legislation which requires the Attorney General to authorise the passage of financial intelligence overseas. The law enforcement authorities are also encouraged to develop a wider range of international contacts, and to sign more memoranda of understanding with their most important partners.

Although Guernsey responds effectively in cases instituted overseas, the authorities do not appear to have been as successful at pro-active investigation of money laundering, and examples where investigations have been initiated on the Island (in respect of "off-Island" activity) are rare. This report recommends a package of measures to improve the capacity of the authorities to mount successful investigations at their own initiative, by bringing together the expertise of the police, customs and

regulators within the context of a new, pro-active enforcement strategy. This strategy would involve more effective analysis of the financial intelligence available to the authorities, and closer co-operation with other jurisdictions. The authorities need to provide sufficient resources to ensure this strategy can be implemented effectively.

The system of financial regulation appears to be comprehensive and effective. The Criminal Justice (Proceeds of Crime) Regulations set a high standard, and apply that standard to a very wide range of financial institutions and professionals. The money laundering guidance notes produced by the Financial Services Commission (FSC) give clear advice to the financial sector on the risks they face from money launderers. The evaluators propose that the customer identification requirements are extended to business relationships formed before the introduction of the 1999 law, and that the record-keeping requirements are clarified, to ensure that all relevant records are held for a full 5 years. This report supports the FSC's programme to step-up its anti-money laundering compliance activities, through greater use of on-site inspections. The FSC can employ wide-ranging sanctions for non-compliance, although they should consider supplementing them with a power to levy administrative fines.

The compliance culture of the financial sector in Guernsey - judged principally by the number and pattern of suspicious transaction reports is not easily assessed. The authorities are encouraged to initiate an analysis of the pattern of suspicious transaction reporting, and to address areas - such as the legal and accountancy profession - where reporting is low.

Abuse of corporate and trust vehicles has been a significant problem for Guernsey, most notoriously through the "Sark Lark". Sark, which has no company law, has 575 residents holding 15,000 company directorships between them. Arrangements for the oversight of the fiduciary sector in the Bailiwick as a whole have also been insufficiently rigorous, with the result that the sector has been particularly vulnerable to money laundering. The Guernsey authorities have proposed significant changes to tighten up regulation in the company and trust sectors. This report strongly endorses the authorities' plans to regulate, license and supervise company and trust service providers. If enacted in Guernsey, Alderney and Sark, these measures would place the Bailiwick of Guernsey at the forefront of international efforts to prevent the abuse of company structures for criminal purposes. To ensure this legislation succeeds in reducing the extent to which company service providers and other financial intermediaries can be used for the purpose of money laundering, the authorities need to remove what the evaluators consider to be an important loop-hole in the system. Under the arrangements for introduced business, where the owner is represented by a regulated intermediary - such as a company service provider, lawyer or accountant - there are circumstances in which a financial institution need not verify the beneficial owner of funds. In view of the evaluators, this represents a potentially serious gap in the system, and the report proposes that the authorities set out an over-riding obligation on all financial institutions in Guernsey to "know" the beneficial owner of the funds with which they deal.

The evaluators consider that the Guernsey authorities have constructed a comprehensive anti-money laundering system, and that the adoption of the proposals contained in this report will ensure it complies with the best international standards. Finally, the evaluation team would like to repeat their thanks to the authorities on the island for the constructive way in which they participated in the mutual evaluation process.

APPENDIX 9  
BALANCE SHEETS FOR THE BANKING SECTORS IN  
THE CROWN DEPENDENCIES 1998 TO 2000

Liabilities		1998 £mns	1999 £mns	2000 £mns
<b>Deposit liabilities</b>				
Banks/building societies registered in	United Kingdom	3735	3578	3746
	Channel Islands/Isle of Man	16706	17193	17160
Financial corporations registered in	United Kingdom	2585	4050	3409
	Channel Islands/Isle of Man	9955	10948	13577
Non-financial corporations registered in	United Kingdom	4833	4354	5227
	Channel Islands/Isle of Man	7794	8873	8729
Public sector registered in	United Kingdom	20	441	7
	Channel Islands/Isle of Man	293	388	393
Households and individual trusts registered in	United Kingdom	20113	21151	21887
	Channel Islands/Isle of Man	12964	13293	14240
Banks	Rest of world	21434	36579	18341
Other	Rest of world	79664	68972	103684
<b>Total deposit liabilities</b>		<b>180096</b>	<b>189820</b>	<b>210400</b>
Certificates of deposit issued		3172	11256	11197
Other liabilities		21323	16787	21901
<b>Total liabilities</b>		<b>204591</b>	<b>217863</b>	<b>243498</b>
<b>Assets</b>				
<b>Loans, advances and market loans</b>				
Banks/building societies registered in	United Kingdom	84672	88450	103033
	Channel Islands/Isle of Man	14045	15942	14890
Financial corporations registered in	United Kingdom	983	2121	766
	Channel Islands/Isle of Man	404	1046	1533
Non-financial corporations registered in	United Kingdom	894	1227	1237
	Channel Islands/Isle of Man	1559	1524	1916
Public sector registered in	United Kingdom	4	44	6
	Channel Islands/Isle of Man	24	26	36
Households and individual trusts registered in	United Kingdom	1115	1212	1521
	Channel Islands/Isle of Man	2343	2402	2779
Banks	Rest of world	55979	58733	64768
Other	Rest of world	7825	7747	9143
Certificates of deposit and other short term paper issued/accepted				
by United Kingdom, Guernsey, Jersey or Isle of Man banks and building societies		7620	9307	7233
Investments and securities				
of which	United Kingdom	1381	1381	2040
	Rest of world	12391	12809	19025
Other assets		13352	13892	13572
<b>Total assets</b>		<b>204591</b>	<b>217863</b>	<b>243498</b>

Sources: Bank of England, Guernsey Financial Services Commission, Isle of Man Treasury and Jersey Financial Services Commission

## APPENDIX 10 INTERNATIONAL REGULATORY AND SUPERVISORY BODIES

### Banking

#### The Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision is a committee of banking supervisory authorities which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of the banking supervisory authorities and central banks of Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States of America. Its current chairman is Mr William J McDonough, president and chief executive officer of the Federal Reserve Bank of New York. The Basel Committee usually meets at the Bank for International Settlements in Basel, where its permanent Secretariat is located.

The Committee is responsible for issuing guidelines on standards which the international community expects from banks and bank supervisors. The most famous of these were probably the Basel Concordat in 1983 and the Basel Capital Accord of 1988. The Concordat set out demarcation lines for supervisors while the Capital Accord established how supervisors should measure the amount of capital needed to support a bank's risk. The Capital Accord introduced the concept of a minimum risk asset ratio of 8%. More recently, the Committee has introduced Twenty-Five Core Principles of Effective Banking Supervision and an underlying methodology. It is also working on a revised Capital Accord.

This only scratches the surface of the Basel Committee's work. It has produced papers on a wide variety of subjects and has gone a long way to improving international standards of banking supervision.

#### The Offshore Group of Banking Supervisors

The Offshore Group of Banking Supervisors ("OGBS") was established in 1980 as a forum for supervisory co-operation between the banking supervisors in offshore financial centres. Current members of the Group are:- Aruba, Bahamas, Bahrain, Barbados, Bermuda, Cayman Islands, Cyprus, Gibraltar, Guernsey, Hong Kong, Isle of Man, Jersey, Labuan, Malta, Mauritius, the Netherlands Antilles, Panama, Singapore and Vanuatu.

The group meets annually. In years when the International Conference of Banking Supervisors is held, it meets at that conference's venue, in other years at a location in one of the jurisdictions represented in the group.

Guernsey was a founding member of the OGBS. It is a useful forum where offshore centres can make their views known and compare experience with like minded centres. It also enables concerns to be passed to the Basel Committee. One such example is the working group made up of Basel Committee and OGBS members. This working group has produced papers on the supervision of cross-border banking and continues to provide input and put forward proposals. The Director General of the Commission is a member of this joint working group.

### Insurance

#### The International Association of Insurance Fraud Agencies

Guernsey is a member of the International Association of Insurance Fraud Agencies ("IAIFA").

The IAIFA was formed in 1986 by the directors of insurance fraud agencies from the United States of America and Canada.

The IAIFA aims to co-ordinate the efforts, training and education of law enforcement agencies, government bodies and the insurance industry

to prevent and combat insurance fraud worldwide more effectively.

By working with regulators, other law enforcement agencies and companies, the IAIFA attempts to break down jurisdictional barriers. The association is also active in encouraging other enforcement agencies to share information to the mutual benefit of all who are involved in assuring a high level of integrity throughout the insurance industry.

#### The International Association of Insurance Supervisors

The International Association of Insurance Supervisors ("IAIS") was formed in 1993 and comprises international regulatory officials representing over 100 countries. It is led by an Executive Committee and supported by a full-time Secretary General located at the Bank for International Settlements in Basel, Switzerland.

There are several committees within the IAIS:- Executive, Technical, Emerging Markets Issues, Budget and Conference Planning. There are also several subcommittees that report to the Technical Committee and/or the Emerging Markets Issues Committee in connection with:- accounting; investments; reinsurance; solvency; insurance laws, regulations, practices and standards; supervision of financial conglomerates; exchange of information; insurance fraud; derivatives; and education. The Executive Committee consists of supervisors from Mexico (chairman), Australia (vice-chairman), Canada, Chile, Germany, Guernsey, Japan, Poland, Portugal, Singapore, South Africa, Sweden, Switzerland, the United Kingdom and the United States of America. There is also an Electronic Commerce/Internet Working Group and a Task Force on Enhanced Disclosure.

Under the IAIS By-Laws, supervisors resolve to:-

- (a) co-operate to ensure improved supervision of the insurance industry on a domestic as well as an international level, in order to maintain efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders; and
- (b) to unite their efforts to develop practical standards that members may choose to apply.

#### The Offshore Group of Insurance Supervisors

The Offshore Group of Insurance Supervisors ("OGIS") was formed in 1993 and was, for a while, known as the Group of Cross-Border Insurance Supervisors. It consists of full members and provisional members, as well as non-member observers (thirteen members and four observers) and its main objectives are:-

- (a) to provide mechanisms and fora whereby insurance supervisors from jurisdictions concerned with cross-border insurance business may discuss areas of mutual interest and concern and formulate appropriate policies;
- (b) to provide assistance and encouragement to appropriate non-member jurisdictions to establish regimes for the supervision of cross-border insurance business at least to standards equivalent to those of OGIS;
- (c) to represent the interests of OGIS at international insurance fora; and
- (d) generally, to promote the proper supervision of cross-border insurance business.

The membership criteria of OGIS are:-

- (a) agreement with the objects of OGIS concerned with cross-border insurance business;
- (b) legislation in place:-

## APPENDIX 10 CONTINUED

- (i) which enables the regulatory authority to supervise insurance business adequately; and
- (ii) which permits the exchange of information with other regulatory authorities for the purposes of the prudential regulation of insurance business; and
- (c) effective enforcement of its insurance legislation and other relevant legislation;
- (d) adequate resources (including properly qualified supervisory personnel) to regulate its cross-border insurance business effectively; and
- (e) a clear commitment to the implementation of the 1996 anti-money laundering recommendations of the Financial Action Task Force on Money Laundering.

**Investment****Enlarged Contact Group on the Supervision of Collective Investment Funds**

The Enlarged Contact Group on the Supervision of Collective Investment Funds ("ECG") is an informal group of collective investment fund regulators established in 1970.

Membership was originally restricted to the regulatory authorities of the European Union member states, but has now widened significantly to include, in addition to the fifteen European Union member states, Guernsey and the other Crown Dependencies, Brazil, Canada, Hong Kong, Japan, Mexico, Norway, Switzerland and the United States of America.

The ECG holds annual meetings, chaired and organised by the host regulatory authority. These annual meetings include discussions on current regulatory topics, international regulatory co-operation, and recent developments in regulation in the member countries. During the year, members maintain contact on regulatory matters, exchange of information and so forth.

**International Organization of Securities Commissions**

The International Organization of Securities Commissions ("IOSCO") is an association of securities regulatory organisations created in 1983 and now comprising 162 members. The Commission was originally admitted as an Associate Member in 1991 and became a Full Member in 1997.

IOSCO now embraces almost all the world's securities and derivatives regulatory bodies and plays an increasingly important rôle in assisting members to achieve and maintain high regulatory standards in the interests of investors and the prevention of crime.

The main objectives of IOSCO's members are:-

- (a) to co-operate together to promote high standards of regulation in order to maintain just, efficient and sound markets;
- (b) to exchange information on their respective experiences in order to promote the development of domestic markets;
- (c) to unite their efforts to establish standards and an effective surveillance of international securities transactions; and
- (d) to provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offences.

IOSCO works with several other major international fora, such as the G7 Financial Stability Forum, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors to ensure, in particular, close co-ordination with banking and insurance

regulators. The work of IOSCO is directed by an Executive Committee supported by a permanent Secretariat. In turn, the Executive Committee has established two specialised working committees, the Technical Committee and the Emerging Markets Committee, to address the following functional areas:-

- (a) disclosure and accounting;
- (b) regulation of secondary markets;
- (c) regulation of market intermediaries;
- (d) enforcement and the exchange of information; and
- (e) investment management.

There are also four Regional Standing Committees (Africa/Middle East, Asia-Pacific, European and Interamerican) which meet to discuss specific regional problems or considerations and a SRO consultative committee for self-regulatory organisations which are Affiliate Members of IOSCO. The Commission is a member of the European Committee.

All Full and Associate Members comprise the Presidents' Committee, which meets during the IOSCO annual conference and has all the powers necessary or convenient to achieve the purposes of IOSCO.

**Economic Crime****The Financial Action Task Force on Money Laundering**

The Financial Action Task Force on Money Laundering ("FATF") is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering – the processing of criminal proceeds in order to disguise their illegal origin. These policies aim to prevent such proceeds from being utilised in future criminal activities and from affecting legitimate economic activities.

FATF currently consists of twenty-nine countries and two international organisations. The twenty-nine FATF member countries and governments are:- Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America. The two international organisations are the European Commission and the Gulf Co-operation Council. The Offshore Group of Banking Supervisors is one of several bodies which is affiliated to FATF.

FATF originally drew up Recommendations in 1990. In 1996 the Forty Recommendations were revised to take into account the experience gained over the previous six years and to reflect changes in the global money-laundering environment. From time to time, the Forty Recommendations are extended by the issue of interpretative notes.

The Forty Recommendations set out a basic framework for anti-money laundering efforts and they are designed to be of universal application. They cover the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation.

In early 2000 FATF issued Twenty-Five Criteria for defining non-co-operative countries or territories. These criteria are designed to ensure that international co-operation in the fight against money laundering is not impeded by detrimental rules and practices of financial centres.

The States are asked to decide:–

Whether, after consideration of the Report dated the 24th April, 2001, of the States Advisory and Finance Committee, they are or opinion:–

1. To note that Report.
2. To approve the accounts of the Guernsey Financial Services Commission for the year ended 31st December, 2000.
3. To appoint the firm of BDO Guernsey Limited as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31st December, 2001.

DE V. G. CAREY  
Bailiff and President of the States

The Royal Court House,  
Guernsey.  
The 11th May, 2001.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 31ST DAY OF MAY, 2001

The States resolved as follows concerning Billet d'Etat No. X  
dated 11th May, 2001

**STATES ADVISORY AND FINANCE COMMITTEE**

**ANNUAL REPORT OF THE  
GUERNSEY FINANCIAL SERVICES COMMISSION**

1. To note that Report.
2. To approve the accounts of the Guernsey Financial Services Commission for the year ended 31st December, 2000.
3. To appoint the firm of BDO Guernsey Limited as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31st December, 2001.

D.R. DOREY,  
HER MAJESTY'S DEPUTY GREFFIER.