

A YEAR IN REVIEW



what's new

It's that time of the year when we review the advancements made over the past 12 months. The year 2016 was one of progress for the Financial Services Regulatory Commission (FSRC) as there were new initiatives introduced to assist with the growth and development of the Organization.

So what's new? In February 2016, the FSRC commenced operations from its new location at South Independence Square Street, Basseterre. The FSRC recruited six (6) new employees during the year in our efforts to build capacity. In addition, we took a different approach to training with having Quarterly Training Sessions for employees of Regulated Entities and a Public awareness initiative, 'Know Your Regulator'. An AML/CFT Policies and Procedures Manual was also developed by the FSRC to assist the Regulated Entities in building a strong compliance regime.



'Know Your Regulator (KYR)'

The FSRC hosted a KYR awareness campaign on November 4, 2016 at the Independence Square, Basseterre. The overall objective of the campaign was to inform the general public of the roles and responsibilities of the FSRC. The campaign also aimed to increase public awareness on the AML/CFT Laws and Regulations of St. Kitts and Nevis and other relevant legislation.

Various brochures were handed out with information on topics including: (i) Registering a Company; (ii) Registering a private pension plan; and (iii) the AML/CFT requirements of St. Kitts and Nevis. Questionnaires relevant to the role of the FSRC and the AML/CFT requirements were also distributed and many persons participated in this activity by answering the questions on the sheet. There were giveaways and two (2) persons received gift baskets for correct responses.

It was a fun and educational event for both the public and the staff of the FSRC!

The FSRC expects to continue with a similar initiative in 2017.



Newsletter Topics

The FSRC continued to publish Newsletters in 2016 to spread awareness on important and relevant topics.

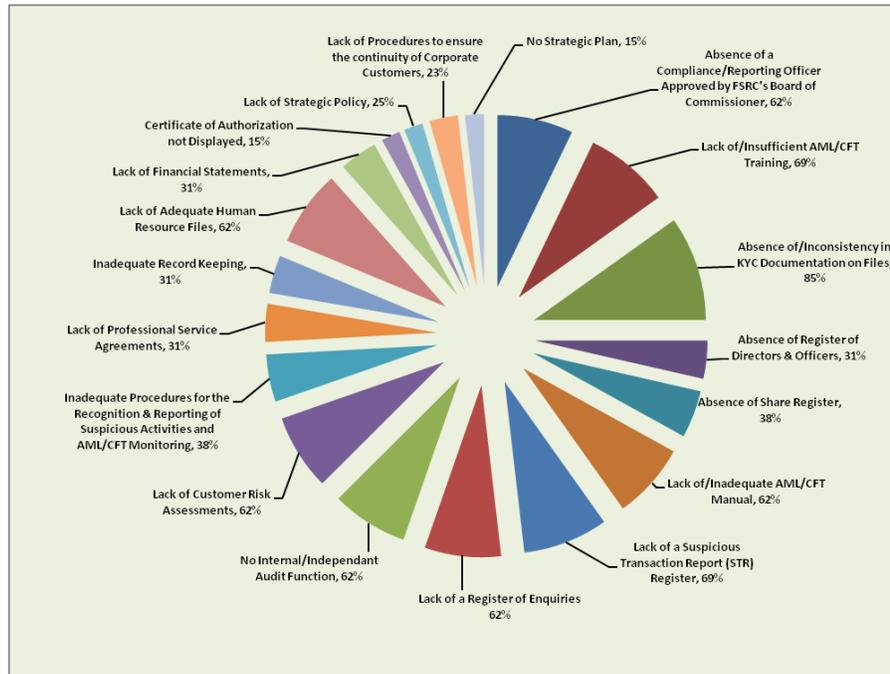
- * January 2016 — Reflections and Looking Ahead
- * February 2016 — Proof of Address
- * March — De-risking
- * April 2016 — Independent/Internal Audit Function
- * May 2016 — Common Reporting Standards
- * June 2016 — STR Indicators
- * July 2016 — Transparency & Beneficial Ownership
- * August 2016 — Why A Risk-Based Approach For MSB
- * September 2016 — How To Prepare For Your On-site Examination
- * October 2016 — Training & Development in the Workplace
- * November 2016 — KYC Risk Assessment

If you missed the opportunity to review the newsletters earlier in 2016, they are available on our website and accessible at your convenience.



Common Deficiencies Identified During On-Site Examinations

Thirteen (13) on-site examinations were conducted by the FSRC in 2015. From those on-site examinations, a significant number of common deficiencies were identified, which demonstrated non-compliance with the FSR, AMLR, ATR, FSRC Act and other relevant Laws and Regulations. *Please refer to the pie chart below.*



Number of On-Site Examinations

On-site Examinations are conducted annually by the FSRC to ensure that Regulated Entities are compliant with the AML/CFT Regulations and other relevant Laws and Regulations. In 2016, the FSRC conducted fifteen (15) on-site examinations:

- * Ten (10) Corporate Service Providers;
- * One (1) Credit Union;
- * One (1) Money Service Business
- * One (1) Insurance Company
- * One (1) Trust Company
- * One (1) Assurance Business



In addition, nine (9) follow-up examinations were also completed in 2016. Follow-up Examinations are required to ensure that recommendations for improvement in the operations of Regulated Entities are implemented.

In 2016, the FSRC developed the following to assist Regulated Entities in rectifying the deficiencies shown in the pie chart above:

- * Quarterly Training Sessions — Three (3) AML/CFT Awareness Seminars were hosted by the FSRC at the FND Enterprise Co-operative Credit Union's Conference Room during the year; a total of eighty (80) persons attended these Seminars. The sessions were free of cost and targeted the staff of Regulated Entities who were identified with a need for training in AML/CFT. The sessions covered fundamental information on AML/CFT specific to the legislation in St. Kitts and Nevis.
- * AML/CFT Policies and Procedures Manual Template — The AML/CFT Policies and Procedures Manual developed by the FSRC is available for use by Regulated Entities as a template, where it should be customized to the specific operations of the business. The Manual provides a comprehensive overview of the fundamentals of a strong and effective AML/CFT Compliance Program designed to detect and prevent money laundering and terrorist financing. A copy of the Manual is available for purchase at the FSRC at a cost of EC\$ 750.00. For the effective implementation of the Manual after purchase, the employees of the Regulated Entity should be trained on the contents of the Manual.

STATISTICAL DATA

Registers Of Entities

The information below reflects the relevant statistics for the Registers of Entities as at 31 December 2016.

<u>Incorporated Entities</u>	<u>No. of Entities</u>
Private Ordinary Companies	1,550
Private Exempt Companies	1,265
Public Companies	21
External Companies	76
Foundations	466
Trusts	33
Limited Partnerships	8
Total Registered Entities	<u>3,419</u>

Licensed Entities/Persons

In 2016, the following number entities/persons were licensed by the FSRC—St. Kitts Branch to operate in the Federation of St. Kitts and Nevis:

- * Sixty eight (68) Trust and Corporate Service Providers consisting of Accountants, Lawyers and Persons with the relevant experience in Company Formation;
- * Fifteen (15) Domestic Insurance Companies. One (1) new licence was issued in 2016 to conduct general insurance business in the Federation;
- * Seven (7) Money Services Businesses;
- * Four (4) Credit Unions.



As at 31 December 2016, there were one hundred and eighteen (118) Licensed Captive Insurance Companies.

CAPACITY BUILDING AND TRAINING

In September 2016, the staff of the FSRC participated in a 4 day Gambling Regulatory Course at the Ocean Terrace Inn (OTI). The training was conducted by Mr. Alan Pedley, Director of Governance Associates. The following topics were included in the Training:

- * What is Gambling, Why regulate it?
- * AML Typologies: emerging trends, vulnerabilities and indicators
- * Due Diligence;
- * Monitoring: Suspicious Activity Report & Significant Transaction Report
- * Examination/Investigation Report Writing
- * Information Security
- * FATF/CFATF Recommendations
- * Mutual Evaluation Report (MER)



The FSRC staff also participated in numerous other regional and international training workshops during the year 2016.

New Legislation Introduced

Since St. Kitts-Nevis has committed to first exchange of information in September 2018, the Common Reporting Standards Act was passed by the National Assembly in December 2016 and has been gazetted. Financial Institutions are encouraged to review the Legislation and comply with the requirements. *For more information on Common Reporting Standards, see the FSRC's May 2016 Newsletter.*

Other Amendments to existing legislation include:

1. Amendment to the Companies Act No. 11 of 2016; and
2. Amendment to the Money Services Business Act — SRO No. 31 of 2016

Looking Forward

In 2017, the FSRC will continue to monitor the compliance of all regulated businesses with Anti-Money Laundering and Counter Financing of Terrorism Legislation through ongoing on-site and off-site examinations. The FSRC aims to maintain public confidence in the financial system operating in St. Kitts and Nevis.