INTERNATIONAL MONETARY FUND

OFFSHORE FINANCIAL CENTER PROGRAM

A Progress Report

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EXECUTIVE SUMMARY

The Offshore Financial Center (OFC) Program initiated in 2000 is now well advanced and is providing an overview of financial regulation and supervision, and of arrangements to counter money laundering and the financing of terrorism in the jurisdictions. It is also improving statistics on the international investment positions of the centers. OFC assessments were accelerated from 9 in 2001 to 22 in 2002, and the results of the Coordinated Portfolio Investment Survey (CPIS) on cross-border positions were published in February 2003.

OFC assessments

Of the 44 jurisdictions contacted since the start of the program, 33 have had staff-led assessments, 27 of which are reported in this paper. By the end of 2003, at least 40 jurisdictions should have had staff-led assessments.

The assessments suggest that the observance of supervisory and regulatory standards in the OFCs assessed to date is broadly similar to that encountered in other financial supervisory assessments. The major centers have also focused their supervisory systems on the specific areas required to address their main reputational risks. These centers have given priority to regulatory and supervisory areas most relevant to the cross-border nature of their business and to their niche markets (such as company services), so as to safeguard their reputations as financial centers.

Highlights of the still preliminary sectoral results were as follows:

- **Banking**: **Overall compliance with the Basel Core Principles was generally appropriate to the nature of the business conducted, especially in important jurisdictions where compliance was found to be broadly in line with that in advanced economies**. However, in these significant jurisdictions, weaknesses were found in on-site and off-site supervision, and less material weaknesses were also found in credit supervision and market risk;

- **Anti-money laundering and combating the financing of terrorism (AML/CFT)**: The main shortcoming to compliance with the FATF 40+8 standards seems, based on preliminary findings, to be insufficiently strong on-site supervision. Other areas that would require strengthening include domestic and cross-border inter-agency cooperation, and criminalization of the financing of terrorism;

- **Insurance**: Overall observance with the IAIS standards was also generally appropriate to the nature of the cross-border business conducted, with weaknesses identified in on-site inspections;

- **Securities**: Implementation of the IOSCO principles was assessed in the relatively few jurisdictions where the sector was significant. Some shortcomings were identified in the regulators' powers and resources, cooperation with foreign supervisors, and information sharing;

- **Company and trust service providers**: The main risk in this sector arises from financial abuse, and it is therefore being assessed through use of the AML/CFT methodology, focusing on the service provider's role in customer identification.

The next OFC Board paper scheduled for mid-summer will provide a detailed report on 34 assessments and discuss their policy implications. It will also evaluate the program, and seek Directors' guidance on its future. Preliminary thinking is to (1) expand AML/CFT assessments in jurisdictions that were assessed before the adoption of the finalized methodology; (2) intensify technical assistance to address identified weaknesses in lower income jurisdictions; and (3) conduct periodic reviews of other OFCs' supervisory arrangements.

Statistical issues

In the statistical component of the program, the main achievements were:

- Most small economies with international financial centers are now participating in the CPIS on an annual basis. These statistics and the BIS Locational Banking Statistics, by treating offshore entities as residents, permit the construction of a partial international investment position statement for these jurisdictions;

- Work over the next few years towards revising the fifth edition of the Fund's *Balance of Payments Manual* may facilitate the use of partner country data to fill gaps in these statements.

I. Introduction

1. **The Offshore Financial Center (OFC) program was initiated by the Executive Board in 2000 to address potential vulnerabilities in the global financial system. The program is now providing comprehensive information on the status of financial regulation and supervision in the assessed jurisdictions, as well as a substantial understanding of their arrangements for anti-money laundering and combating the financing of terrorism (AML/CFT)**. The pace of assessments was doubled in 2002, from an original target of 10 per year to 22 assessments in 2002, as part of a broader effort to implement the Executive Directors' decision to intensify the Fund's involvement in AML/CFT (see BUFF/01/176 of November 14, 2001). Each of the assessments, whether accomplished through the OFC or the Financial Sector Assessment Program (FSAP), has thus included an AML/CFT assessment based on the evolving methodology.

2. **The statistical component of the program has assessed the adequacy of statistics collected by OFCs and partner countries on their cross-border financial claims on and liabilities to each other**. A work program that facilitated a significant widening of the coverage of the Fund's Coordinated Portfolio Investment Survey (CPIS) has largely been completed.

3. **Thirty-three of the 44 jurisdictions contacted since the start of the program have had, or are in the process of having, stand-alone Module 2 assessments or assessments under the FSAP**.[1] Reports for nine of these have now been published on the Fund's website.[2] As indicated below, with the possible exception of three jurisdictions, all jurisdictions where the existence of offshore centers was identified, would have had assessments by the end of 2003, completing the current phase of the assessment program.

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[1] Module 1 is an assisted self-assessment. Module 2 is a stand-alone assessment, by a team of specialized supervisors, of jurisdictions' supervisory and regulatory practices. These are assessed relative to the standards determined by the Basel Committee; the International Association of Insurance Supervisors (IAIS); and the International Organization of Securities Commissions (IOSCO). Module 2 also includes a review of AML practices. Module 3 is an FSAP, or a comprehensive vulnerability assessment, for nonmembers (see Board Paper SM/00/136). If requested, a Module 3 would add a vulnerability assessment to the updated supervisory assessment. However, no nonmember has chosen to have a Module 3 assessment.

[2] Guidance for listing the assessment reports of nonmembers and the dependent territories of members on the OFC webpage is provided by the names suggested by International Standards Organization (ISO) 3166 and UN classifications on countries and territories. These would not, however, displace names as communicated by the member or agreed with the Fund.

Summary Status of OFC Assessments

Jurisdictions contacted since start of program	44
Assessments completed or ongoing	33
of which Assessed under FSAP	8
Assessments scheduled for 2003	5
Additional assessment type and timing to be determined	1
Jurisdictions with final arrangements pending	3
Jurisdictions that have not responded	2
Total	44

4. **The first part of this note provides a summary of the preliminary results of the staff-led assessments conducted up to the end of 2002.** It updates the information provided to the Board in March 2002 (SM/02/99), which included results of nine staff-led assessments conducted through end 2001.[3] As mandated in the Directors' original decision (BUFF/00/98) on the work of the Fund on OFCs, the assessment program has based its content on the financial services provided in each jurisdiction, and on the nature of OFC risks and vulnerabilities, examining the achievement of prudential standards in banking supervision and assessing the supervisory standards, legal framework and other institutional arrangements for AML/CFT. Where these prudentially-regulated sectors are judged significant, the supervision of the insurance sector and regulation of the securities market have also been assessed.

5. Staff will be providing the Board with a more detailed analysis of the assessment component of the program in mid-summer when results for all the major jurisdictions will be available. As suggested by the Directors in BUFF/00/98, that Board paper will aim to "revisit the subject of OFCs," discussing the policy issues arising from the assessments, and implications for the future of the program. It will consider the potential risks posed by the centers, the resource costs of the assessment program, and related technical assistance, taking account of recent Board discussions on the FSAP.

6. **The results of 27 assessments indicate that, while weaknesses remain, observance of supervisory and regulatory standards in offshore and international financial centers is similar to that found in all other countries assessed so far.**[4] These results are consistent

[3] An information note was provided to the Board in August 2002 (SM/02/282). It reported on the progress in scheduling and conducting missions for the assessment program up to July 2002.

[4] The results of the 27 reported assessments are compared to the results reported in *Implementation of the Basel Core Principles for Effective Banking Supervision, Experiences, Influences, and Perspectives* (SM/02/310) for 60 countries, *Experience with the Insurance Core Principles Assessments under the Financial Sector Assessment Program* (SM/01/266)

(continued)

with earlier findings based on a much smaller group. The results of the assessments also indicate that offshore financial centers have prioritized their approach to supervision and regulation, focusing on areas important to offshore business, and on the major business conducted in their jurisdictions. For example, countries with significant activity in the company and trust sector may devote more resources to the oversight of this sector than to the supervision of a small banking sector that acts mainly to book transactions decided by head offices abroad. This approach has been fostered by the jurisdictions' need to counter potential reputation loss associated with poor supervision. Nevertheless, weaknesses remain, especially in on-site inspections and will need to be addressed; particularly if institutions in these financial centers expand the scope of their business.

7. **The statistical component of the work program has focused on evaluating the availability of statistics collected by small economies with international financial centers (SEIFiCs) and their partner countries**, aiming to facilitate the compilation of international investment position statements for individual SEIFiCs in which offshore entities are treated as residents of the individual jurisdictions. Particular attention was given to the collection of data on portfolio investment assets, which resulted in most SEIFiCs participating in the CPIS. Their participation has contributed significantly to the filling of gaps in the collection of global portfolio investment statistics. In 2003, STA's work program will include technical assistance. Further standard setting for statistics on the cross-border positions of financial centers will be taken up in the next few years in the context of the revision of the fifth edition of the Fund's *Balance of Payments Manual.*

8. The following Section II describes the assessments that have taken place and those planned in 2003. Section III summarizes the results of the assessments of the banking sector, AML/CFT regimes, and the insurance and securities sectors. It also provides information on the work that is being done on the company and trust sector. Section IV of the paper provides a concise look at the areas where technical assistance is taking place and, briefly, previews the work on which the staff plans to report in the next progress report. Section V describes the work done by STA to develop the CPIS, updating the information that was provided to the Board in March 2002 (SM/02/99).

II. THE ASSESSMENTS

9. The OFC program assesses the supervision of the banking sector and evaluates the effectiveness of AML/CFT arrangements in each jurisdiction. Where the industries are significant, assessments of regulation in insurance and securities are also carried out. Both

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for 20 countries, and to staff-tabulated results for assessments of the implementation of the IOSCO principles for securities regulation (26 countries).

the domestic and offshore regimes are assessed separately if the supervisors are from different agencies operating under different legislation and regulations. [5] [6]

10. The OFC program anticipated that the assessment of a jurisdiction could start with an assisted self-assessment (Module 1) that would be followed by a Fund staff-led assessment (Module 2). Members could also request a full FSAP (or Module 3 in the case of non-members). In November 2001 the Board decided to adopt an enhanced AML/CFT program and to accelerate the OFC program, with each assessment including an AML/CFT evaluation. Starting in 2002, the assessments conducted were exclusively Module 2 and FSAP assessments, and no new self-assessments have been carried out. This report presents the results of only Module 2 or FSAP assessments carried out since the start of the program.

11. **With very few exceptions**, **jurisdictions have welcomed the assessments**, subject to achieving compatibility with their own schedules and required preparation time. The assessment missions to three small jurisdictions have initially been converted to technical assistance missions in recognition of the fact that the jurisdictions have already been subject to a number of assessments that document many supervisory weaknesses. Given the high costs of assessment,[7] staff judged that preliminary technical assistance, with later assessments to verify implementation of the major recommendations, would be a more efficient and effective means of improving the supervisory framework.

12. **The following sections summarize the conclusions from 27 reports, several still in draft** (Tables 1 and 2). During calendar year 2002, assessments by Module 2 or FSAP were undertaken in 22 jurisdictions. The reports for most of these are still being completed—portions of the AML/CFT assessments are in process, reports are being reviewed by the authorities or by the Fund (and the Bank, in the case of some FSAPs). Assessments in eight jurisdictions are now scheduled for 2003.[8] An important proportion of the major jurisdictions have now been covered, but some of the most significant centers are still to be assessed or are in the process of being assessed. Consequently, the overall results presented here remain provisional.

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[5] The appendix furnishes an overview of the institutions operating in the assessed jurisdictions. To the extent that financial intermediaries are incorporated as IBCs, there would be some duplication in the institutions shown.

[6] Only four reports included separate assessments of the domestic and offshore sectors; in three of these small jurisdictions, supervision of offshore finance was significantly worse.

[7] An OFC assessment would include at least four assessors in addition to the mission chief, and would need to stay in the jurisdiction for a minimum of 12 days, whereas a technical assistance mission covering the same material can be carried out by three experts in ten days.

[8] Some of the jurisdictions listed for 2002 assessment in SM/02/282 are now being assessed in 2003, as a result of scheduling conflicts for key individuals, for example.

Table 1. Status of Offshore Financial Center Assessments

	Type and Status of Assessment by Calendar Year of the Mission			
		Module 2		
Jurisdiction	Module 1	2001	2002	2003
Africa				
Seychelles			completed 1/	
Asia and the Pacific				
Cook Islands				planned 2/
Macao SAR		published		
Malaysia (Labuan)			review 3/	
Marshall Islands			completed	
Nauru				planned
Niue	completed			planned
Palau			completed	
Samoa			completed	
Vanuatu			to be published	
Middle East				
Bahrain 4/				planned
Europe				
Andorra	completed		published	
Cyprus		published		
Gibraltar		published		
Guernsey			underway 5/	
Isle of Man			underway	
Jersey			underway	
Liechtenstein			review	
Monaco	completed		to be published	
Western Hemisphere				
Anguilla			review	
Antigua and Barbuda	completed			planned 6/
Aruba	completed	published		
Belize		completed		
Bermuda				underway
British Virgin Islands			review	
Cayman Islands				scheduled 7/ 8/
Dominica	completed			scheduled 6/
Grenada	completed			scheduled 6/
Montserrat			review	
Netherlands Antilles	completed		review	
Panama	completed	published		
St. Kitts and Nevis	completed			scheduled 6/
St. Lucia	completed			scheduled 6/
St. Vincent and the Grenadines	completed			scheduled 6/
The Bahamas			underway	
Turks and Caicos Islands				underway

Notes: Table 1 updates the information in Table 1 of Executive Board Paper SM/02/282.
1/ completed = assessment mission and review has been completed.
2/ planned = scheduling is under discussion or to be discussed with authorities.
3/ review = assessment undergoing IMF's internal review, receiving final comments from authorities, or report being finalized.
4/ As Bahrain had a Basel Core Principles Assessment in 2000 before the start of the OFC program, the scope of the assessment is under discussion.
5/ underway = mission just completed or in process, or report being prepared.
6/ See Table 2 for FSAPs.
7/ scheduled = either a date or month has been agreed with the authorities. Schedules are subject to change
8/ Dates and coverage of the mission are under discussion with the authorities.

Table 2. Status of FSAPs in Countries with International Financial Centers

	Year of Assessment Mission 1/				
Jurisdiction	1999	2000	2001	2002	2003
Africa					
Mauritius				underway 2/	
Asia and the Pacific					
Hong Kong SAR				underway	
Singapore					underway
Middle East					
Lebanon 3/4/	completed 5/				
Morocco 4/				underway	
Europe					
Ireland 3/4/		completed			
Luxembourg			published		
Malta					underway
Switzerland			published		
United Kingdom 4/				completed	
Western Hemisphere					
Antigua and Barbuda					planned 6/
Barbados				published	
Costa Rica			to be published		
Dominica					scheduled 7/
Grenada					scheduled
St. Kitts and Nevis					scheduled
St. Lucia					scheduled
St. Vincent and the Grenadines					scheduled

Notes: Table 2 updates the information in Table 2 of Executive Board Paper SM/02/282.
1/ Refers to calendar year; FSAP scheduling is subject to change.
2/ underway = missions are underway, or reports are being prepared for review.
3/ Both Ireland and Lebanon had FSAPs before the start of the OFC program. The FSAP for Lebanon, which is a regional financial center, was updated in 2001.
4/ These countries have not been contacted since the start of the program., or are not included among jurisdictions being assessed under the program.
5/ completed = missions and review have been completed.
6/ planned = scheduling is under discussion or to be discussed with authorities pending review of the Module 1 assessment.
7/ scheduled = either a date or time period has been agreed with the authorities.

III. RESULTS OF THE ASSESSMENTS

13. This discussion reports on the assessments of banking supervision and the supervisory standards, legal framework, and other institutional arrangements for AML/CFT. However, since some of the assessments took place before formalization of the AML/CFT methodology, the results are not always comparable. The results of assessments of the insurance supervision and securities regulation are also reported.

A. Banking Supervision

14. **The assessments show that the overall degree of compliance with the Basel Core Principles (BCP) for effective banking supervision is relatively high—**slightly over 60 percent of the assessed jurisdictions comply with at least 21 of the 30 BCPs (Table 3). The compliance rate of bank supervision in the offshore financial centers compares favorably with that in the 60 jurisdictions whose assessment results are reported in SM/02/310 (Table 4).[9] In addition, a preliminary comparison of results of a smaller sample of advanced economies with that of major OFC jurisdictions also indicate similar compliance rates.

15. **The distribution of assessments in Table 3 suggests that there are two groups of jurisdictions**: **those with high overall compliance with the BCP and those with a poor record of compliance**. While a significant share (35 percent) of jurisdictions is in the latter group, these are the jurisdictions with the smallest business volumes—not only do provisional estimates indicate that they account for less than one percent of all offshore center cross-border assets or liabilities, but half the group have no offshore banks and the assessments reflect the supervision of domestic banks. Furthermore, four (of which three with offshore banks) are upgrading their supervisory systems.

16. **The OFCs with significant activity have adopted a risk-based approach to developing their bank supervision capabilities**.[10] Given their incentive to avoid reputation loss, these financial centers have concentrated their resources on developing those areas of supervision most closely related to their cross-border activities and business focus. Thus, in the important areas of cross-border cooperation and information-sharing, only one major jurisdiction did not comply with the BCPs on cooperation with home supervisors of foreign establishments (two in the entire OFC sample—see Table 5) and information sharing (seven for the entire OFC sample). **All major jurisdictions were compliant with the BCPs on host country supervision (2 were noncompliant for the entire OFC sample), global**

[9] The 60 comprised 9 advanced economies, 15 transitional economies, and 36 developing economies.

[10] Risk-based supervision stresses oversight of those areas that the supervisors judge pose the greatest risk to the institution and the system, aiming to ensure that the institutions are adequately managing their risks.

consolidated supervision, and consolidated supervision (3 were noncompliant in the entire OFC sample).[11] Similarly, there is a high degree of compliance with the anti-money laundering principle. Less than one quarter of the assessed jurisdictions (5/26) were found to be materially non-compliant with the anti-money laundering principle. At the same time, reflecting the fact that most OFC banks are not active as client lenders, the results of the assessment showed that jurisdictions placed less emphasis on compliance with BCPs related to credit policies, or loan classification. Likewise, several of the smaller jurisdictions ignored supervision of their banks' market risk, but it was often judged of limited materiality. At the same time, offshore financial centers were advised to increase the resources devoted to on- and off-site supervision and, as institutions seek to expand the range of their activities, some jurisdictions will need to improve their compliance with the credit- and market risk-related BCPs.

17. The most frequently cited shortcomings in the implementation of the BCP mentioned by the assessors were found in the following areas:[12]

- **Prudential regulation and requirements (BCPs 6-14)**: Main shortcomings related to the absence of credit policy and procedure guidelines issued to banks, and the absence or inadequacy of risk exposures. Capital adequacy requirements for offshore banks were not always fixed, or fixed at too low a level;

- **Methods of ongoing supervision (BCPs 16-19)**: On-site and off-site supervision lacked formal procedures for inspectors, paid insufficient attention to risk, and required enhanced staff training. Infrequent inspections also reflected a lack of trained staff. Scant on-site visits were a factor that, in 8 jurisdictions, adversely affected the validation of the information submitted by banks. In some cases (6/26), lack of senior or well-trained staff contributed to inadequate understanding of banks' operations and consolidated reporting was inadequate or insufficiently analyzed;

- **Framework for supervisory authority (BCP 1)**: More than 60 percent of the countries assessed were in compliance with most of the elements of BCP 1. However, of the six components of BCP 1, some 35 percent (9/26) of jurisdictions were compromised by lack of independence or resources (BCP 1.2). Smaller numbers (7/26) needed to provide gateways for information exchange between supervisors—both cross-sectorally within the domestic system and with foreign supervisors (BCP 1.6).

[11] The latter three principles were not applicable in nine of the jurisdictions assessed.

[12] Those recommendations that were applicable to at least 25 percent of the jurisdictions are discussed below.

18. In summary, **in about half of the jurisdictions assessed**, **supervisors are advised to take an active role** in monitoring banks' risk management. In several jurisdictions this concern was somewhat tempered by the low historical emphasis on customer lending. In order to do this effectively, supervisors may need to acquire a better understanding of banks' activities and some agencies may need to strengthen their staff resources and to acquire additional expertise in, for example, market risk.

B. Anti-Money Laundering and Combating the Financing of Terrorism

19. **All the assessments since the beginning of 2002 have assessed jurisdictions' AML/CFT regime using the version of the methodology current at the time of the assessment**—the February, April, and August versions have been used. Previously, the AML/CFT framework was assessed using the guidance provided by the prudential standard setters for each sector. Assessments conducted since September 2002 have used the methodology approved in October 2002; supplemental missions have sometimes been necessary to allow for the independent law enforcement component contained in the final October version. As a result of the evolving nature of the process, it is not possible to summarize results by counting the areas of weakness as with the other standards. However, the recommendations demonstrate fairly clearly the areas in which additional efforts are needed to begin satisfying the FATF 40+8 standards.

20. **The assessments found that many authorities were already broadening and strengthening their AML/CFT regimes**. The assessors therefore urged them to continue deepening and widening the coverage of AML/CFT measures, by enacting the necessary legislation and setting up supervisory systems, while limiting business in those areas where their AML/CFT regimes require improvement. Some jurisdictions have reacted to the recently increased emphasis on AML/CFT with a number of legislative initiatives enacted at a rapid pace. In some cases, the law passed was based on an old model, which now requires amendments to conform to recent standards. Further, effective implementation of any system raises staffing and general resource issues. Given the reality of resource constraints, a risk-based approach focused on the key areas of AML/CFT vulnerability may be unavoidable.

21. The main recommendations were in the following areas:[13]

- **Ratification and implementation of the Vienna Convention and UN instruments (FATF 1 and FATF I)**: While almost all jurisdictions had ratified and implemented the Vienna Convention, in several cases, assessors recommended that jurisdictions sign and ratify the Palermo Convention[14] and the UN convention for the Suppression

[13] Those recommendations that were applicable to at least 30 percent of the jurisdictions are discussed below.

[14] The Palermo Convention is the UN Convention against Transnational Organized Crime which was opened for signing in December 2000. It commits ratifying states to take

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of the Financing of Terrorism, as well as the UN Security Council resolutions relating to the prevention and suppression of the financing of terrorist acts;

- **Supervision of financial intermediaries' AML programs (FATF 26)**: Recommendations related to the need to monitor implementation in particular sectors (for example, in insurance, for introducers[15] such as lawyers) to provide more guidance and training, or to devote more staff time to such monitoring, and to increase on-site supervision;

- **Multilateral cooperation**, **mutual assistance and international cooperation (FATF 3**, **FATF 37**, **and FATF V)**: Several jurisdictions were advised to improve their level of cooperation, both domestically, between the financial intelligence unit (FIU) and the supervisory agencies among all institutions involved in the AML program, as well as with foreign authorities. Comprehensive mutual legal assistance legislation and additional multi- and bilateral agreements were also recommended. In at least one case, the assessors noted that the jurisdiction was experiencing difficulty in concluding the agreements necessary to effect cooperation because their counterpart jurisdictions ignored their approaches. Larger jurisdictions should be ready to work with minor jurisdictions in order to make progress on the recommendation for more cooperation and mutual legal assistance treaties;

- **Criminalizing the financing of terrorism (FT) and the associated money laundering (ML) (FATF II)**: As 2002 progressed, several jurisdictions had launched the process required to criminalize terrorist financing, and the missions were able to examine the proposed legislation and urge rapid implementation;

- **Attention to large**, **complex transactions and reports to competent authority (FATF 14 and 15)**: Assessors recommended that several jurisdictions improve their suspicious transactions reporting, including by requiring that special attention be paid to large complex transactions, and that an affirmative obligation to report be included in their rules;

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measures against transnational organized crime, including through the creation of appropriate domestic criminal offenses, inter-state cooperation, effective prevention, and law enforcement. The International Convention for the Suppression of the Financing of Terrorism entered into force in April 2002, its purpose basically being to criminalize the act of providing or collecting funds with the intention or knowledge that those funds would be used to carry out a terrorist act.

[15] Introducers are entities which introduce clients to prudentially-regulated financial institutions such as banks, and who are legally permitted to identify customers for banks, allowing the latter to forego their customer identification procedures.

- **Applying FATF 40 Recommendations for the financial system to a range of institutions and activities (FATF 8 and 9)**: While many jurisdictions were expanding the institutional coverage of their AML/CFT legislation, assessors recommended including a number of additional financial institutions, such as financial leasing, portfolio management, and corporate service providers. In several cases where covered institutions had few or no compliance examinations, or there was no guidance for some sectors (such as insurance and trustees), assessors advised jurisdictions to upgrade their procedures;

- **Financial institution control by criminals or their confederates (FATF 29)**: There were also several recommendations to improve the provisions for fit and proper testing for the directors, shareholders, and senior staff of financial institutions.

22. **The financial intelligence unit (FIU)**: Enhancement of the legal provisions for the FIU to provide clear enforcement powers, to clarify their investigative powers, or to publish their reports was recommended. Although there had been good progress in recent years, work was needed to ensure that FIUs carry out their core functions,[16] and receive the necessary increase in resources.

C. Other Sectors

Insurance supervision

23. **In general**, **the financial centers are comparable to other jurisdictions in their observance of the IAIS insurance core principles (ICP)** (Table 6). As in the banking sector, the OFCs have focused on addressing supervision needs in the areas most relevant to the nature of their business. Thus, for example, only 2 of the 15 assessed jurisdictions did not meet the supervisory standards for cross-border business operations (Table 7). Nevertheless, the financial centers need to devote more resources to improving insurance supervision and, in particular, to take urgent action as regards on-site inspection visits and verification, where they were significantly less active than other jurisdictions.

24. Of the 15 jurisdictions that had their insurance supervision assessed, three were found to be highly nonobservant of the principles. As a result, the shortcomings summarized below almost always include the same three jurisdictions. However, cross-border risks generated from poor supervision would have been minimal in two of these cases—one jurisdiction had no licensed or operating insurance companies in their offshore sector, another's business was primarily reinsurance of domestic insurers and the assessments in these cases were motivated

[16] An FIU should receive, analyze, and disseminate disclosures of financial information and other relevant information and intelligence concerning money laundering and terrorist financing (see criterion 17 of the *Methodology for Assessing Compliance with Anti-Money Laundering and Combating the Financing of Terrorism, in attachment to SM/02/349*).

by concern for the potential domestic repercussions of poorly supervised insurance. The third jurisdiction appears to have limited third-party business and, in response to the assessment, has commenced reform of its insurance supervision. The most frequent recommendations by the assessors were in the following areas:[17]

- **On-site inspection (ICP 13)**: Assessors found that jurisdictions either did not undertake on-site inspections or were too general in their scrutiny. This seemed to stem largely from the continued use of an outdated model of supervision which focused on off-site verification;

- **Market Conduct (ICP 11)**: Either legal provision for regulation of market conduct, or guidelines were not available;

- **Corporate governance and internal controls (ICPs 4 – 5)**: The supervisory agency did not make any provision to regulate or oversee these areas, even when they had the legal authority to do so.

Securities regulation

25. **As in the banking and insurance sectors**, **the assessed quality of securities regulation in the OFCs compares reasonably favorably with that of other jurisdictions** (Table 8). Appropriately, the IOSCO objectives and principles of securities regulation (SCPs) have been assessed only in a relatively small subset of jurisdictions (12), predominantly middle and upper income jurisdictions. As expected, most of these jurisdictions have no or a very limited secondary markets, and no scope for self-regulatory bodies. In most cases, therefore, only a selected number of principles was assessed, chiefly those relating to the authority of the regulator, market intermediaries, and collective investment schemes.

26. **The results of the assessments show that the OFCs have, to a large extent, implemented those regulations important for their jurisdictions**. For example, only one jurisdiction was not implementing the standard for cooperation with foreign supervisors. Five were partially implementing information sharing, and 4 had not fully implemented the standards with regard to information sharing mechanisms and cooperation with foreign supervisors (Table 9). In addition, implementation with regard to the regulation of collective investment schemes was on a par, or better, in OFCs than in the 26 jurisdictions with which they are compared in Table 8. Overall, it appears that securities regulation in the financial centers suffers from insufficient legislative provisions for the authority and powers of the

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[17] Those recommendations that were applicable to at least 30 percent of the jurisdictions are discussed below.

regulator. The most frequent recommendations by the assessors were in the following areas:[18]

- **Principles relating to the regulator (SCPs 1-3)**: While every jurisdiction had achieved some degree of implementation in these principles, the principle on power and resources of the regulator was weakly implemented, owing to inadequate legislative provisions, and an insufficient allocation of resources;

- **Enforcement of securities regulation (SCP 8)**: In five jurisdictions, the regulators' capacity to carry out inspection, investigation, and surveillance was somewhat impaired owing to either insufficient legislative provisions, or inadequate resources;

- **Cooperation in regulation (SCPs 11-13)**: As a result of insufficient legal provision, one jurisdiction failed to implement the principle of cooperation with foreign regulators. Other jurisdictions had limitations on their ability to provide information. There were also some shortcomings in information-sharing, particularly with foreign supervisors, because of restrictions such as secrecy provisions, or a lack of appropriate mechanisms, even where sharing did take place;

- **Collective investment schemes (SCP 17)**: Collective investment schemes or mutual funds are the major components of the securities sector in several financial centers. Implementation standards for their eligibility and regulation had shortcomings related to weak conflict of interest rules, or a paucity of inspections;

- **Market intermediaries (SCPs 21**, **23**, **and 24)**: Improvement is needed in the prudential requirements set for market intermediaries, and in the provisions for dealing with intermediary failure. Entry standards and operational conduct were found lacking because of the limited scope of regulations.

Company and trust sector

27. As discussed in SM/02/282 of August 29, 2002, a working group of **the Offshore Group of Banking Supervisors**[19] **(OGBS) developed a Draft Statement of Best Practice** for companies and trusts service providers. The draft statement suggests good practices in

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[18] Those recommendations that were applicable to at least 30 percent of the jurisdictions are discussed below.

[19] The working group comprised representatives from the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, Cyprus, Gibraltar, Guernsey, the Isle of Man, and Jersey, with invited participation from France, Italy, the Netherlands, the UK, Financial Action Task Force (FATF), the IMF, and the Organization for Economic Cooperation and Development (OECD). The OGBS is a group of bank supervisors representing 19 offshore centers.

areas such as authorization requirements, corporate governance, customer due diligence, information sharing, and the FATF 40+8 Recommendations.

28. **Much of the OGBS Draft Statement appropriately relates to AML/CFT concerns**, **the key risk identified with this area of financial services when they act as eligible introducers**. As a result, there is substantial overlap with the practices and regulations already assessed under the FATF standard. This was evident when the statement was used as the basis for reviewing regulations covering trusts and company service providers in six OFC Module 2 assessment missions. Those elements outside the FATF 40+8 would substantially extend the range of assessments undertaken in both the OFC and FSAP programs to include, for example, areas of corporate governance, accounting, auditing, and financial management standards.

29. **Staff therefore plans to address the assessment requirements of this sector by evaluating the AML/CFT regime in jurisdictions where the service providers furnish customer identification services to supervised institutions**. This approach would be in line with the program's assessment mandate to take particular account of vulnerabilities peculiar to offshore business. FATF is working on enhanced requirements for the sector and their inclusion in the FATF standard and the AML/CFT methodology will improve the standard's coverage of the sector. In addition, staff continues to urge jurisdictions to obtain improved information on and statistics describing the activities of the company and trust sector, noting the possibility that certain activities in this sector may be appropriately regulated as part of the securities sector.

IV. Technical Assistance and Possible Next Steps[20]

30. Having identified the major gaps in prudential regulation and supervision, as well as in measures to promote market integrity, technical assistance programs are being developed in collaboration with donors and other international financial institutions to address vulnerabilities. Staff will also work on expanding earlier AML/CFT assessments to include the additional criminal justice and international cooperation measures of the final version of the methodology.

Technical Assistance

31. **Technical assistance**, **including that executed by cooperating institutions**, **has been provided to 11 jurisdictions**, **most being small centers**. The assistance is mainly offered on a regional basis. Work has focused on the issues identified in the assessments, for example:

[20] Technical assistance in statistics is discussed in Section V.

- Problem bank resolution where jurisdictions judged it efficient to exit the offshore business or to restructure viable areas;

- Revision of offshore banking law, training of on-site bank examiners, banking regulations and supervision, and corporate governance where jurisdictions are advised to upgrade their regulation and supervision;

- Workshops on legal drafting for AML/CFT and development of compliance procedures to conform to anti-money laundering legislation, where jurisdictions are advised to strengthen AML/CFT regulation and supervision.

32. The standardized assessment report format requires a prioritized action plan to address the major recommendations. Eight jurisdictions are known to be acting on these action plans, with assistance from consultants, for example. Technical assistance needs based on these action plans are confined to low income centers that will need to access assistance from traditional donors as well as the Fund.

Enhancing AML/CFT Assessments

33. As a result of the evolving assessment methodologies for AML/CFT regimes, the scope of AML/CFT assessment among jurisdictions has varied over time. In their original guidance on the OFC assessment process, Directors had emphasized the need for flexibility, with assessments depending on the nature of the risks and vulnerabilities in each jurisdiction (see BUFF/00/98). As a result, prior to the Fund's adoption of an intensified AML strategy, all OFC assessments included an evaluation of AML policies. Now that the FATF 40+8 has been adopted as a standard useful to the operational work of the Fund, and as it becomes increasingly clear that financial abuse is a potential vulnerability of the offshore and international financial centers, it is important that the AML/CFT standard be adequately assessed. Staff therefore proposes to invite jurisdictions assessed at the early stages of the program to expand the evaluation of their AML/CFT regimes by an assessment based on the new methodology.

Looking forward

34. As the remaining assessments are concluded and draft assessments finalized, staff should have a well-based view about the weaknesses in financial center supervisory systems and potential vulnerabilities posed by the systems. A Board Paper on the OFC assessment program planned for issue in mid summer will include the results of a further seven assessments,[21] and provide a more detailed report on the assessment findings, evaluating their significance in the light of past experience with OFCs and developments in the industry. This analysis will serve as the basis for consideration of emerging policy issues, and a staff

[21] Six that are currently underway, and one that is scheduled for the first half of the year.

proposal on the direction of the assessment program. In that paper, staff will be seeking Directors' guidance on the future of the program and remaining work in this area. Preliminary thinking is to (1) intensify technical assistance to address identified weaknesses in lower income jurisdictions; (2) conduct periodic reviews of OFCs' supervisory arrangements in other jurisdictions, including as part of FSAPs and FSAP follow-ups; and (3) expand AML/CFT assessments to include all elements of the new methodology.

V. The Statistical Component of the Work Program

The STA Work Program

35. **Over the past three years**, **staff held discussions on statistics through workshops and/or staff visits with 27 of the jurisdictions being assessed under the OFC or FSAP programs (see Table 10)**. For the larger economies visited (Hong Kong SAR, Luxembourg, Singapore, and Switzerland), the discussions centered exclusively on their participation in the Fund's 2001 CPIS.[22] All of these economies agreed to participate. For the small economies with international financial centers (SEIFiCs), the discussions also focused on the identification of gaps in the statistical reporting of their international financial sectors and ways of filling them, although for these economies too the principal focus was on their participation in the CPIS as a major step towards filling these gaps. For this reason, visits to SEIFiCs were only to those with substantial cross-border holdings of portfolio investment. Because the CPIS is seen as complementary to the BIS Locational Banking Statistics (LBS), where appropriate, discussions with SEIFiCs covered their participation in both the CPIS and the LBS.[23]

36. **In 2002**, **STA conducted a workshop and four staff visits to SEIFiCs in support of the work program and an extensive email discussion with SEIFiCs participating in the 2001 CPIS**. The workshop, which was the third in a series of statistical workshops for SEIFiCs that were funded by the Japanese Government under the Administered Account for Selected Fund Activities, was hosted by the Jersey Financial Services Commission. The workshop discussed experiences of SEIFiCs in conducting the 2001 CPIS.[24] Staff visits to

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[22] Details of the 2001 CPIS, just released, can be found on http://www.imf.org/external/np/sta/pi/datarsl.htm

[23] The LBS gathers quarterly data on international financial claims and liabilities of bank offices in the reporting countries broken down by currency, sector, and country of residence of counterparty, and by nationality of reporting banks.

[24] Earlier statistical workshops were hosted by the Cayman Islands Monetary Authority (in 2000) and the Bermuda Monetary Authority (in 2001). Some SEIFiCs participated in other regional CPIS workshops in 2002—one for Asian countries hosted by the Hong Kong SAR Census and Statistics Department, and another for Latin American countries hosted by the

(continued)

discuss participation in the CPIS were undertaken to Barbados, the Cayman Islands, and Panama. Following consultation with MAE, it was agreed that STA would participate in some Module 2 assessment missions to SEIFiCs where the regulatory authorities have so far been unsuccessful in their efforts to collect statistics. Subsequently, STA participated in a Module 2 assessment mission to the British Virgin Islands.

37. **Many SEIFiCs treat entities that individually have limited involvement in the host economy as nonresident for statistical purposes (i.e., as "offshore")**. This results in potential gaps in the coverage of global cross-border financial statistics. Their offshore sector usually comprises locally incorporated international business companies (IBCs) and registered/licensed financial institutions (banks, insurance companies, mutual funds, and trust companies). Because offshore entities are treated as nonresident for the purpose of compiling national accounts and balance of payments statistics, statistics are collected/estimated on their transactions with the host economy but not on their transactions with the rest-of-the-world.[25] Few of the statistical agencies in these economies compile international investment position statistics and those that do so do not compile the international investment positions of offshore entities with the rest-of-the-world. Most attempt to estimate the contribution of the financial services sector to Gross Domestic Product (GDP).[26] Table 11 summarizes the situation for this group of economies. None of the statistical agencies in these economies collect statistics on the international activities of IBCs or of their offshore financial institutions. Hence, the only data readily available for the whole range of jurisdictions that might be indicative of the overall scale of their international activities are the number of registered/licensed entities (shown in Table 11).

38. **In the course of the discussions, it became apparent that the authorities in most SEIFiCs have an interest in collecting statistics that highlight their importance in**

Center for Latin American Monetary Studies in Mexico City. The following SEIFiCs participated in the 2002 CPIS workshops: Aruba, the Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Cyprus, Guernsey, Isle of Man, Jersey, Macao SAR, Malta, Mauritius, Netherlands Antilles, Panama, Turks and Caicos Islands, and Vanuatu.

[25] The data for transactions with the host economy are collected either from the resident entities (such as company service providers) that provide services to offshore clients, or from the offshore entities themselves.

[26] A more detailed description of the compilation of macroeconomic statistics by SEIFiCs was given in last year's Progress Report to the Board (Offshore Financial Center Program—A Progress Report, March 28, 2002). Most SEIFiCs calculate the contribution of their international financial sector to GDP as the sum of local purchases of goods and services, labor, and taxes on profits. The exclusion of the gross operating surplus component of output of offshore entities from the estimates in Table 11 means that the contribution to GDP is underestimated.

international financial markets; as such, statistics are seen to underscore their reputation as a well-managed economy. It was equally apparent that the supervisory agencies are best placed to collect such statistics, given their knowledge of and standing with the financial sector, the fact that they have already established, or are in the process of doing so, data reporting for regulatory purposes, and their concern to enhance the reputation of the jurisdiction. At the same time, in line with regulatory best practice, some SEIFiCs have established separate entities charged with the promotion of the international financial service industry. A data collection role for the financial regulators has nonetheless proved useful both to the financial sector itself and to others within the government. This is especially so given the resource constraints faced by small economies.

39. **The discussions with SEIFiCs focused on the feasibility of collecting data that indicated the nature and scale of the international activities of IBCs**, **banks**, **insurance companies**, **mutual funds**, **and company service providers**. For IBCs, the very large numbers of company registrations (some 650,000 identified) and their concentration (two-thirds in the British Virgin Islands and the Bahamas) means that, in most cases, resources available to collect statistics in those jurisdictions are not sufficient to collect data directly from IBCs. Some small economies have considered surveying IBCs indirectly through their local company service providers, but that too has proved impractical given the large number of IBC clients that an individual company service provider is likely to have. For this reason, the initial discussions with small economies concentrated on the feasibility of collecting data from banks, insurance companies, and mutual funds. This provided a much smaller target group of entities that are likely to maintain accounting records and collectively could be expected to account for the bulk of cross-border financial flows.

40. **For banks**, **insurance companies**, **and mutual funds**, **the discussions focused on the feasibility of establishing regular statistical reporting of a summary balance sheet with a geographic breakdown of cross-border financial assets and liabilities**. Such a framework is useful for portraying the entrepot role of SEIFiCs in the global economy and highlighting the different kinds of financial assets and liabilities that result from the underlying balance of payments transactions passing through the economy. In the discussions, it was suggested that, to complete such a framework, the residence of entities should be determined by their legal domicile, which, for SEIFiCs, was assumed to correspond to the economies where they were registered or licensed. The determination of residence based on legal domicile followed very closely the design of the LBS and the principle of residence followed in international standards for external debt statistics.[27] In the event, the discussions focused more on providing a geographic breakdown of cross-border assets than of liabilities. This partly reflected a concern by some respondents that a geographic breakdown of their cross-border liabilities might reveal information about their

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[27] *External Debt Statistics: Guide for Compilers and Users,* Final Draft, November 2001, BIS, The Commonwealth Secretariat, Eurostat, IMF, OECD, the Paris Club Secretariat, UNCTAD, and the World Bank

client base. It also reflected the fact that a geographic breakdown of portfolio investment is more easily compiled from the asset side; as holders can generally be relied on to know the country of residence of the issuer of the security that they are holding. A further consideration was that partner-country-creditor sources are useful to compilers of portfolio investment liabilities.

41. **An attempt was also made to assess the usefulness of partner country data sources for claims on and liabilities to IBCs, banks, insurance companies, and mutual funds that are domiciled in SEIFiCs.**[28] **It was concluded that the most reliable partner country data for SEIFiCs are likely to be from the CPIS and the LBS**, as both follow the principle of legal domicile for determining residence. Partner country sources for inward and outward direct investment in SEIFiCs are also useful, but commonly reflect differing methodologies and compilation practices.[29] Partner country data based on custodian reporting may over-estimate claims on SEIFiCS as custodians may be unable to identify the beneficial holder of securities booked to addresses in SEIFiCs. Consequently, the most useful existing partner country data for SEIFiCs would seem to be the CPIS for nonresidents' holdings of securities (including mutual fund shares) issued by entities domiciled in SEIFiCs as reported by the end-investors, and partner country data taken from the LBS for banks' nontradeable claims on and liabilities to entities and individuals domiciled in SEIFiCs.

The Coordinated Portfolio Investment Survey

42. **The main focus of the work program has been to encourage SEIFiCs to participate in the CPIS**. In the CPIS for end-December 2001 (2001 CPIS), all participating economies were asked to report their cross-border holdings of equities and long- and short-term debt securities at current market prices together with a geographic breakdown according to the country of residence of the issuer. Participating economies were also encouraged to provide a further breakdown by the institutional sector of the holder. SEIFiCs were encouraged to provide a breakdown as between the non-financial and financial sector, and within the latter to identify banks, insurance companies, and mutual funds. Some provided this breakdown but most did not, partly for reasons of confidentiality. **A total of 19 of the SEIFiCs listed in Table 11 participated in the 2001 CPIS and all of the larger countries listed in Table 10 (the latter comprising Hong Kong SAR, Ireland, Luxembourg,**

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[28] Partner country data are data compiled by the countries that have claims on or liabilities to SEIFiCs and that provide a geographic breakdown of their cross-border financial account transactions and positions in which SEIFiCs are identified.

[29] For example, decision rules may vary for determining whether an offshore IBC is a direct investment enterprise of the investing country or an unrelated entity, or efforts may be made to "see through" related offshore entities. In other cases, there may be insufficient geographic detail to identify individual OFCs in direct investment or other investment statistics.

Malaysia, Singapore, and Switzerland).[30] All participating economies agreed to follow common methodologies and definitions and conducted statistical surveys drawn from best practices as described in the Fund's *Coordinated Portfolio Investment Survey Guide, Second Edition*. SEIFiCs agreed to include in their CPIS all banks, insurance companies, and mutual funds deemed to be legally domiciled in their jurisdictions, even if treated as nonresident for the purpose of compiling balance of payments and national accounts statistics. [31] It was agreed that trust companies should not be included in the CPIS until international statistical standards can be clarified in this area.

43. **Following a recommendation by the IMF Committee on Balance of Payments Statistics**, **the CPIS became an annual survey in 2002**. All economies that participated in the 2001 CPIS were invited to participate in the 2002 CPIS (for the reference date of end-December 2002) and in subsequent annual surveys. It was agreed that the coverage of the 2002 and 2003 CPIS would be the same as for the 2001 CPIS. **Most of the SEIFiCs that participated in the 2001 CPIS have agreed to participate in the CPIS on an annual basis**

Synergies between the MAE and STA Work Programs

44. **The STA's work with SEIFiCs on data collection benefited greatly from the efforts made by SEIFiCs to develop regulatory and supervisory arrangements for financial institutions that conform with internationally accepted standards**. **Statistical availability also benefited from the evolving practice by regulators in many SEIFiCS to collect information on all financial institutions that are licensed in their jurisdictions**. This was particularly important with respect to financial institutions that were treated by the statistical agencies in SEIFiCs as nonresident for statistical purposes with the result that they do not collect data from 'nonresident' companies on their international operations. The OFC assessment program also benefited the CPIS by encouraging the authorities to improve their supervisory practices and demonstrate their knowledge of regulated institutions.

[30] The SEIFiCs that participated in the 2001 CPIS comprised: Aruba, the Bahamas, Bahrain, Bermuda, Cayman Islands, Costa Rica, Cyprus, Isle of Man, Jersey, Guernsey, Lebanon, Liechtenstein (data collected by Switzerland), Macao SAR, Malta, Mauritius, Monaco (data collected by France), Netherlands Antilles, Panama, and Vanuatu.

[31] Even though SEIFiCS conducted the 2001 CPIS as a voluntary survey, for most of them the coverage of the data is considered good because of the way that reported data were grossed up through the use of regulatory data sources (which provided a reliable benchmark for total cross-border holdings of securities). A full description of compilation techniques used by all CPIS participants, including SEIFiCs, will be placed on the IMF external website later in the year. This will take the form of responses to a CPIS metadata questionnaire, the results of which are now being reviewed.

45. **In most of the SEIFiCs that are participating in the CPIS, the financial regulatory agencies are playing a critical role in the collection of data from the financial sector. Without their involvement, participation in the CPIS would not have been possible**. This reflects the fact that (i) regulatory agencies have a close working relationship with all financial service providers that are registered or licensed in a jurisdiction; (ii) data needed for supervisory or regulatory purposes are also useful for statistical purposes; (iii) statistical agencies commonly do not collect data from the "offshore" financial sector regarding their international activities; and (iv) regulatory agencies have an interest in collecting data that underscore the importance and reputation of the jurisdiction as a well managed international financial sector.

Statistics for Individual SEIFiCs on their International Investment Positions

46. **The results of the 2001 CPIS and the LBS for end-December 2001 provide an opportunity to show the importance of individual SEIFiCs in the global financial system** on the assumption that their "offshore" activities are treated as resident for statistical purposes.

47. SEIFiCs cross-border financial assets can be measured by banks' loans and deposits abroad (from LBS direct reporting and partner sources) and their residents' holdings of securities issued by nonresidents (from their CPIS). Their cross-border financial liabilities can be measured by their loan and deposit liabilities to banks abroad (from LBS direct reporting and partner sources) and nonresidents' holdings of their issues of securities, including mutual fund shares (from CPIS partner sources). Table 12 shows these data for the SEIFiCs listed in Table 10.

48. **A striking feature of the data in Table 12 is that, for many SEIFiCs shown, cross-border assets are much larger than cross-border liabilities, which largely reflects gaps in coverage**.[32] Because of these gaps, Table 12 provides an incomplete picture of the international investment position of SEIFiCs. To complete the picture, it would be necessary to include inward and outward direct investment positions and other positions of the nonfinancial sector as well as other parts of the financial sector that are not covered by the CPIS or LBS (such as funds managed by trust companies). It is also likely that the CPIS partner country data do not adequately cover their residents' holdings of shares in offshore mutual funds. Overall, for reasons noted earlier, the quality of the data reported by most SEIFiCs for the 2001 CPIS is considered to be good.

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[32] Two exceptions are the Cayman Islands and Netherlands Antilles, for which cross-border liabilities in Table 12 are larger than cross-border assets. For the Cayman Islands, this outcome is likely to be due to major gaps in the coverage of the 2001 CPIS resulting from the exclusion of mutual funds and offshore insurance companies, both major offshore industries in the Cayman Islands.

49. Because SEIFiCs may be reluctant to develop an international investment position statement of this kind that highlights their role in the global economy (partly because of resource constraints and the complexity of the task), **STA's future work program is largely focused on steps that can be taken by partner economies to develop statistics that would help compile a more complete international investment position statement for SEIFiCs** (in which partner economies may have a greater interest).

STA's technical assistance work program in 2003

50. In 2003, STA will be conducting a seminar for SEIFiCs that will review their experience with the 2001 and 2002 CPIS and plans for the 2003 CPIS. The seminar will be hosted by the Bermuda Monetary Authority and funded by the Japanese Government under the Administered Account for Selected Fund Activities. STA will also be conducting a number of visits to SEIFiCs that are not yet participating in the CPIS or which have experienced difficulties in ensuring the participation of insurance companies and mutual funds.

Future Work on Standard Setting for Statistics

51. **The current international statistical guidelines for determining the residence of entities establish residence in relation to production and do not provide clear guidance on the residence of entities that are cross-border asset holders**. A review of the concept of residence used in statistics is currently being undertaken in the context of the review of the fifth edition of the *Balance of Payments Manual* (BPM5) that is being undertaken by the Fund and which is expected to be completed in 2008. If adopted, this could encourage a more consistent treatment of residence in the partner country data for direct and other investment in and from SEIFiCs, with the result that partner country data could provide a more reliable data source for claims on and liabilities to SEIFiCs. Attention will also be given to encouraging countries to compile a supplementary presentation of direct investment statistics based on the principle of the ultimate beneficial owner, possibly as a satellite account, which would be of particular relevance for statistics on SEIFiCs, as this would permit the "seeing through" of the links between SEIFiCs and the global economy.

52. **Further work is planned on the statistical treatment of trusts, with a view to establishing that trusts be treated as separate institutional units within the financial sector**, and that cross-border trusts (where the beneficiary is resident in one economy and the trustee in another) should be treated as institutional units owning the entrusted assets. A review of the statistical treatment of trusts is currently being undertaken in the context of the review of *BPM5* and the *1993 System of National Accounts.*

Table 3. Frequency of Overall Compliance with the Basel Core Principles

	Numbers		Proportions	
Number of BCPs with which jurisdictions compliant 1/	International and offshore financial centers 2/	All jurisdictions 3/	International and offshore financial centers 2/	All jurisdictions 3/
26-30	12	5	46	8
21-25	4	5	15	8
16-20	1	6	4	10
11-15	4	12	15	20
6-10	3	11	12	18
0-5	2	21	8	35
Total	26	60	100	100

Sources: Detailed assessments and Table 3 in *Implementation of the Basel Core Principles for Effective Banking Supervision, Experiences, Influences, and Perspectives,* SM/02/310, September 23, 2002.

1/ Counting each of the components of BCP 1 separately.
2/ The BCP assessments of the following jurisdictions are reflected here: Andorra, Anguilla, Aruba, Barbados, Belize, British Virgin Islands, Costa Rica, Cyprus, Gibraltar, Guernsey, Isle of Man, Jersey, Labuan (Malaysia), Liechtenstein, Macao, SAR, Luxembourg, Marshall Islands, Montserrat, Netherlands Antilles, Palau, Panama, Samoa, Seychelles, Switzerland, The Bahamas, and Vanuatu. Some of these have not yet been reviewed, so results are preliminary.
3/ Results of 60 assessments reported in SM/02/310.

Table 4. Profile of Overall Compliance with Basel Core Principles

	BCP Principles	Proportion of jurisdictions in compliance with BCP 1/: All jurisdictions 2/	Proportion of jurisdictions in compliance with BCP 1/: International and offshore financial centers 3/	Number of jurisdictions in which BCP assessed: All jurisdictions 2/	Number of jurisdictions in which BCP assessed: International and offshore financial centers 3/
Principle 1	Effective system				
Principle 1.1	Clear supervisory responsibility	87.0	80.8	60	26
Principle 1.2	Independence and resources	60.0	61.5	60	26
Principle 1.3	Legal framework	90.0	80.8	60	26
Principle 1.4	Supervisory powers	80.0	84.6	60	26
Principle 1.5	Legal protection	60.2	96.2	59	26
Principle 1.6	Information sharing	68.0	73.1	60	26
Principle 2	Permissible activities	93.0	96.2	60	26
Principle 3	Licensing	85.0	80.8	60	26
Principle 4	Transfer of ownership	73.0	88.5	60	26
Principle 5	Investment criteria	73.0	61.5	60	26
Principle 6	Capital adequacy	65.0	61.5	60	26
Principle 7	Credit policies	60.0	50.0	60	26
Principle 8	Loan evaluation	71.0	53.8	60	26
Principle 9	Large exposures	75.0	65.4	60	26
Principle 10	Connected lending	58.0	61.5	60	26
Principle 11	Country risk	42.3	56.0	47	25
Principle 12	Market risks	52.0	48.0	60	25
Principle 13	Other risks	55.0	57.7	60	26
Principle 14	Internal controls	68.0	73.1	60	26
Principle 15	Money laundering	50.0	80.8	60	26
Principle 16	On-site and off-site supervision	80.0	50.0	60	26
Principle 17	Understanding banks' operations	87.0	76.9	60	26
Principle 18	Off-site supervision	70.0	76.9	60	26
Principle 19	Independent validation	80.0	69.2	60	26
Principle 20	Consolidated supervision	39.8	82.4	53	17
Principle 21	Accounting and disclosure	77.0	65.4	60	26
Principle 22	Corrective action	58.0	80.8	60	26
Principle 23	Global consolidated supervision	58.3	82.4	43	17
Principle 24	Host country supervision	67.5	88.2	48	17
Principle 25	Foreign banks' establishments	71.4	87.5	59	24

Sources: Assessments Reports and Table 2, *Implementation of the Basel Core Principles for Effective Banking Supervision, Experiences, Influences, and Perspectives*, SM/02/310, September 23, 2002.

Note: 1/ In percentage of the number of jurisdictions in which the BCP was found to be applicable and was assessed.
2/ Results of 60 assessments reported in SM/02/310.
3/ See footnote 2 in Table 3 for the jurisdictions assessed.

Table 5. Basel Core Principles for Effective Banking Supervision: Areas of Weakness in International and Offshore Financial Centers

Principles with which Jurisdictions are either Materially Noncompliant or Noncompliant 1/			
Proportion of jurisdictions	Principles 2/	Proportion of jurisdictions	Principles 2/
1/26	Permissible activities (2)	7/26	Information sharing (1.6)
		7/26	Internal controls (14)
2/26	Legal protection (1.5)		
2/17	Host country supervision (24)	8/26	Independent validation (19)
2/24	Foreign banks' establishments (25)		
		9/26	Independence and resources (1.2)
3/26	Transfer of ownership (4)	9/26	Large exposures (9)
3/17	Consolidated supervision (20)	9/26	Accounting and disclosure (21)
3/17	Global consolidated supervision (23)		
		10/26	Investment criteria (5)
4/26	Supervisory powers (1.4)	10/26	Capital adequacy (6)
		10/26	Connected lending (10)
5/26	Clear supervisory responsibility (1.1)		
5/26	Legal framework (1.3)	11/25	Country risk (11)
5/26	Licensing (3)	11/25	Other risks (13)
5/26	Money laundering (15)		
5/26	Corrective action (22)	12/26	Loan evaluation (8)
		13/26	Credit policies (7)
6/26	Understanding banks' operations (17)	13/25	Market risks (12)
6/26	Off-site supervision (18)	13/26	On-site and off-site supervision (16)

Sources: Assessments of the Basel Core Principles for Effective Banking Supervision.

1/ See footnote 2 in Table 3 for the jurisdictions assessed.
2/ BCP numbers are indicated in parentheses.

Table 6. Profile of Overall Compliance with the IAIS Core Principles

IAIS Core Principles		Proportion of jurisdictions in which ICP observed 1/		Number of jurisdictions in which ICP assessed	
		All jurisdictions 2/	International and offshore financial centers 3/	All jurisdictions 2/	International and offshore financial centers 3/
Principle 1	Organization of an Insurance Supervisor	70.5	73.3	17	15
Principle 2	Licensing	90.0	86.7	20	15
Principle 3	Changes in control	65.0	80.0	20	15
Principle 4	Corporate governance	30.0	54.5	20	11
Principle 5	Internal controls	45.0	66.7	20	15
Principle 6	Assets	50.0	85.7	20	14
Principle 7	Liabilities	85.0	80.0	20	15
Principle 8	Capital adequacy and solvency	85.0	80.0	20	15
Principle 9	Derivatives and "off-balance sheet" items	56.3	75.0	16	12
Principle 10	Reinsurance	68.4	73.3	19	15
Principle 11	Market conduct	53.0	57.1	17	14
Principle 12	Financial reporting	95.0	80.0	20	15
Principle 13	On site inspections	85.0	53.3	20	15
Principle 14	Sanctions	85.0	86.7	20	15
Principle 15	Cross-border business operations	75.0	85.7	8	14
Principle 16	Coordination and cooperation	79.0	73.3	19	15
Principle 17	Confidentiality	95.0	93.3	20	15

Sources: Assessment Reports and Table 3 in *Experience with the Insurance Core Principles Assessments Under the Financial Sector Assessment Program*, SM/01/266, August 21, 2001.

1/ In percentage of the number of jurisdictions in which the ICP was found to be applicable and was assessed.
2/ Results of 20 assessments reported in SM/01/266.
3/ The ICP assessments of the following jurisdictions are reflected here: Aruba, Barbados, Belize, British Virgin Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Labuan (Malaysia), Liechtenstein, Luxembourg, Macao, SAR, Netherlands Antilles, Switzerland, and Vanuatu.

Table 7. IAIS Core Principles for Insurance Supervision: Areas of Weakness in International and Offshore Financial Centers

Principles of which Jurisdictions are Materially Nonobservant or Nonobservant 1/			
Proportion of jurisdictions	Principles 2/	Proportion of jurisdictions	Principles 2/
2/15	Licensing (2)	4/15	Organization of the insurance supervisor (1)
2/14	Assets (6)		
2/15	Sanctions (14)	4/15	Reinsurance (10)
2/14	Cross-border business operations (15)	4/15	Coordination and Cooperation (16)
3/15	Changes in control (3)	5/11	Corporate governance (4)
3/15	Liabilities (7)	5/15	Internal controls (5)
3/15	Capital adequacy and solvency (8)		
3/12	Derivatives & off-balance sheet items (9)	6/14	Market conduct (11)
3/15	Financial reporting (12)	7/15	On-site inspections (13)

Sources: Module 2 and FSAP reports.

Notes: 1/ See footnote 3 in Table 6 for the jurisdictions assessed.
2/ ICP numbers are indicated in parentheses.

Table 8. Profile of Overall Implementation of the IOSCO Principles

	IOSCO Objectives and Principles	Degree of Implementation 1/ All jurisdictions 2/	Degree of Implementation 1/ International and offshore financial centers 3/	Number of Jurisdictions All jurisdictions 2/	Number of Jurisdictions International and offshore financial centers 3/
Principle 1	Clear regulatory objectives	92.0	66.7	25	12
Principle 2	Independence and accountability	44.0	50.0	25	12
Principle 3	Supervisory powers and resources	52.0	41.7	25	12
Principle 4	Consistent regulatory processes	84.0	83.3	25	12
Principle 5	Professional regulatory staff	70.8	91.7	24	12
Principle 6	Use of self-regulatory organizations (SROs)	72.0	100.0	25	6
Principle 7	Oversight of SROs	60.9	50.0	23	6
Principle 8	Regulatory powers	75.0	58.3	24	12
Principle 9	Enforcement powers	52.0	75.0	25	12
Principle 10	Effective compliance program	36.0	58.3	25	12
Principle 11	Information sharing	64.0	58.3	25	12
Principle 12	Information sharing mechanisms	52.0	54.5	25	11
Principle 13	Cooperation with foreign supervisors	58.3	66.7	24	12
Principle 14	Disclosure of issuers	48.0	70.0	25	10
Principle 15	Equal property rights	54.2	55.6	24	9
Principle 16	Accounting and auditing standards	52.0	83.3	25	12
Principle 17	Collective investment scheme	68.0	66.7	25	12
Principle 18	Legal framework	68.0	75.0	25	12
Principle 19	Disclosure of investors	66.7	75.0	24	12
Principle 20	Asset valuation of a collective investment scheme	58.3	75.0	24	12
Principle 21	Market intermediaries: minimum entry standards	87.0	63.6	23	11
Principle 22	Market intermediaries: prudential requirements	56.0	81.8	25	11
Principle 23	Market intermediaries: management	53.8	54.5	26	11
Principle 24	Market intermediaries: failure	50.0	54.5	26	11
Principle 25	Trading systems	88.0	83.3	25	6
Principle 26	Integrity of markets	83.3	66.7	24	6
Principle 27	Transparency	84.6	83.3	26	6
Principle 28	Control of manipulation trading practices	42.3	66.7	26	9
Principle 29	Management of large exposures	76.9	40.0	26	5
Principle 30	Clearing and settlement system	69.2	80.0	26	5

Sources: Assessment reports and staff estimates.

Note: 1/ In percentage of the number of jurisdictions in which the Principle was found to be applicable and was assessed. The number of jurisdictions included may differ among principles.
2/ Results of 26 assessments.
3/ The IOSCO assessments of the following jurisdictions are reflected here: Barbados, British Virgin Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Labuan (Malaysia), Liechtenstein, Luxembourg, Monaco, Switzerland, and the Bahamas.

Table 9. IOSCO Principles: Areas of Weakness in International and Offshore Financial Centers

Proportion of Jurisdictions	Principles 1/	Proportion of Jurisdictions	Principles 1/
	IOSCO Principles that Jurisdictions have Not Implemented 2/		
1/12	Cooperation with foreign supervisors (13)	2/12	Effective compliance program (10)
1/9	Equal property rights (15)		
1/11	Market intermediaries: prudential requirements (22)		
	IOSCO Principles that Jurisdictions have Partly Implemented 2/		
1/12	Professional regulatory staff (5)	4/12	Clear regulatory objectives (1)
1/11	Market intermediaries: prudential requirements (22)	4/11	Information sharing mechanisms (12)
1/6	Trading systems (25)	4/12	Cooperation with foreign supervisors (13)
1/6	Transparency (27)	4/12	Collective investment scheme (17)
1/5	Clearing and settlement system (30)	4/11	Market intermediaries: minimum entry standards (21)
		4/11	Market intermediaries: management (23)
2/12	Consistent regulatory processes (4)		
2/12	Accounting and auditing standards (16)	5/12	Regulatory powers (8)
2/6	Integrity of markets (26)	5/12	Information sharing (11)
3/6	Oversight of SROs (7)	6/12	Independence and accountability (2)
3/12	Enforcement powers (9)	6/11	Market intermediaries: failure (24)
3/12	Effective compliance program (10)		
3/10	Disclosure of issuers (14)	7/12	Supervisory powers (3)
3/9	Equal property rights (15)		
3/12	Legal framework (18)		
3/12	Disclosure of investors (19)		
3/12	Asset valuation of a collective investment scheme (20)		
3/9	Control of manipulation trading practices (28)		
3/5	Management of large exposures (29)		

Source: Detailed Assessments of IOSCO Objectives and Principles of Securities Regulation.

Notes: 1/ The numbers of the listed IOSCO principles are in parentheses.

2/ See footnote 3 in Table 8 for the jurisdictions assessed.

Table 10. Participation in International Statistical Collections of Economies With International Financial Centers 1/

Country/Jurisdiction	Association with Fund (or Fund member)	Discussions held on Statistics	Participation in Coordinated Portfolio Investment Survey	Participation in BIS International Locational Banking Statistics
Africa				
Seychelles	Member	No	No	No
Asia and Pacific				
Cook Islands	(Assoc. with New Zealand)	No	No	No
Hong Kong SAR	(Part of China)	Yes	Yes	Yes
Macao SAR	(Part of China)	Yes	Yes	No
Malaysia (Labuan)	Member	Yes	Yes	Yes
Marshall Islands	Member	No	No	No
Mauritius	Member	Yes	Yes	No
Nauru	None	No	No	No
Niue	(Assoc. with New Zealand)	No	No	No
Palau	Member	No	No	No
Samoa	Member	No	No	No
Singapore	Member	Yes	Yes	Yes
Vanuatu	Member	Yes	Yes	No
Middle East				
Bahrain	Member	Yes	Yes	Yes
Lebanon	Member	Yes	Yes	No
Morocco	Member	No	No	No
Europe				
Andorra	(France/Spain)	No	No	No
Cyprus	Member	Yes	Yes	Yes
Gibraltar	(U.K. Overseas Territory)	Yes	No	No
Guernsey	(U.K. Crown Dependency)	Yes	Yes	Yes
Ireland (Dublin)	Member	Yes	Yes	Yes
Isle of Man	(U.K. Crown Dependency)	Yes	Yes	Yes
Jersey	(United Kingdom)	Yes	Yes	Yes
Liechtenstein	None	No	Yes 2/	Yes 2/
Luxembourg	Member	Yes	Yes	Yes
Malta	Member	Yes	Yes	Yes
Monaco	(France)	No	Yes 3/	Yes 3/
Switzerland	Member	Yes	Yes	Yes
Western Hemisphere				
Anguilla	(U.K. Overseas Territory)	No	No	No
Antigua & Barbuda	Member	No	No	No
Aruba	(Part of the Netherlands)	Yes	Yes	No
The Bahamas	Member	Yes	Yes	Yes
Barbados	Member	Yes	In process	No
Belize	Member	No	No	No
Bermuda	(U.K. Overseas Territory)	Yes	Yes	In process
British Virgin Islands	(U.K. Overseas Territory)	Yes	In process	No
Cayman Islands	(U.K. Overseas Territory)	Yes	Yes	Yes
Costa Rica	Member	Yes	Yes	No
Dominica	Member	No	No	No
Grenada	Member	No	No	No
Montserrat	(U.K. Overseas Territory)	No	No	No
Netherlands Antilles	(Part of the Netherlands)	Yes	Yes	Yes
Panama	Member	Yes	Yes	Yes
St. Kitts & Nevis	Member	No	No	No
St. Lucia	Member	No	No	No
St. Vincent & Grenadines	Member	No	No	No
Turks & Caicos Islands	(U.K. Overseas Territory)	Yes	No	No

1/ The countries/jurisdictions listed here are drawn from Tables 1 and 2.
2/ Switzerland includes data for Liechtenstein in the data that it sends to the Fund for the CPIS and in the data that it sends to the BIS for the LBS.
3/ France includes data for Monaco in the data that it sends to the Fund for the CPIS and in the data that it sends to the BIS for the International Locational Banking Statistics.

Table 11. The International Financial Services Sector of SEIFiCs 1/

Country/Jurisdiction	Contribution of Financial Services Sector to GDP (in percent)	Number of Registered International Business Companies (IBCs), Banks, Insurance Companies, Mutual Funds, Trust Companies, Company Service Providers 2/					
		IBCs	Banks	Insurance Companies	Mutual Funds	Trust Companies	Company Service Providers
Africa							
Seychelles	n.a.	n.a.	7	4	n.a.	n.a.	n.a.
Asia and Pacific							
Cook Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Marshall Islands	n.a.	5,200	3	5	n.a.	0	1
Macao SAR	n.a.	12	23	24	350	n.a.	n.a.
Mauritius	n.a.	15,000	11	25	220	18	110
Nauru	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Niue	n.a.	6,000	4	0	0	0	1
Palau	n.a.	0	12	n.a.	0	0	n.a.
Samoa	n.a.	7,500	11	9	0	0	6
Vanuatu	n.a.	4,500	38	45	0	10	n.a.
Middle East							
Bahrain	n.a.	100	52	70	17	0	0
Europe							
Andorra	n.a.	n.a.	8	36	n.a.	n.a.	n.a.
Cyprus	1	20,000	43	80	n.a.	12	n.a.
Gibraltar	25	9,000	19	18	44	47	83
Guernsey	35	n.a.	69	409	585	n.a.	189
Isle of Man	37	35,500	59	172	128	n.a.	193
Jersey	53	21,000	62	179	368	n.a.	n.a.
Liechtenstein	n.a.	n.a.	17	21	81	n.a.	732
Malta	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Monaco	n.a.	n.a	51	0	60	n.a.	40
Western Hemisphere							
Anguilla	n.a.	3,000	7	20	n .a.	12	29
Antigua & Barbuda	n.a.	8,000	22	0	0	n.a.	6
Aruba	n.a.	5,000	7	29	0	0	16
The Bahamas	n.a.	47,000	212	n.a.	706	107	165
Barbados	7	4,000	63	199	10	8	30
Belize	n.a.	15,000	9	18	n.a.	n.a.	40
Bermuda	27	12,000	4	1,650	1,590	29	n.a.
British Virgin Islands	40	350,000	11	293	2,606	188	89
Cayman Islands	n.a.	45,000	427	542	3,648	346	n.a.
Dominica	n.a.	8,000	5	2	0	5	22
Grenada	n.a.	3,000	15	6	0	11	11
Montserrat	n.a.	50	13	2	0	n.a.	n.a.
Netherlands Antilles	n.a.	20,000	45	48	600	n.a.	190
Panama	n.a.	n.a.	80	24	n.a.	46	n.a.
St. Kitts & Nevis	n.a.	23,000	1	0	0	n.a.	46
St. Lucia	n.a.	n.a.	1	0	0	n.a.	10
St. Vincent & Grenadines	n.a.	10,000	20	1	4	n.a.	33
Turks & Caicos Islands	n.a.	16,000	8	2,572	10	n.a.	35

Source: For jurisdictions for which assessments under the OFC and FSAP programs have been undertaken, the data are taken from the Appendix. For the other jurisdictions, the data are provided by the authorities.

1/ SEIFiCs are economies with international financial centers with Gross Domestic Product of US$ 10 billion or less. Data are latest available.
2/ Where company regulations permit a distinction between international and local companies, e numbers reported are for international companies. For banks, insurance companies, mutual funds, trust companies, and company service providers, all registered entities are reported inclusive of those providing services for the domestic economy. In cases where entities are not registered, not applicable (n.a.) is reported.

Table 12. CPIS and BIS Data for the International Financial Sectors of SEIFiCs 1/

	Gross domestic product in 2001 or latest available (In billions of U.S. dollars)	Portfolio investment assets at end-Dec 2001 2/ (In millions of U.S. dollars	Loans/deposits with banks abroad at end-Dec 2001 3/ (In millions of U.S. dollars)	Portfolio investment liabilities at end-Dec 2001 4/ (In millions of U.S. dollars)	Loans/deposits from banks abroad at end-Dec- 2001 5/ (In millions of U.S. dollars)	Cross-border financial assets in relation to GDP (percent)	Cross-border financial liabilities in relation to GDP (percent)
Africa							
Seychelles	0.6	n.a.	243	0	150	43	26
Asia and Pacific							
Cook Islands	0.1	n.a.	0	0	0	---	---
Macao SAR	6.2	3,330	0	134	0	54	2
Marshall Islands	0.1	0	0	619	0	---	538
Mauritius	4.5	584	1,837	584	2,906	54	77
Nauru	0.1	n.a.	53	0	20	88	33
Niue	0.1	n.a.	0	1	0	0	18
Palau	0.1	n.a.	0	0	0	0	0
Samoa	0.1	n.a.	0	4	0	-0	0
Vanuatu	0.2	1,868	886	9	813	1,255	375
Middle East							
Bahrain	7.9	15,280	30,589	217	29,356	66	53
Europe							
Andorra	1.3	n.a.	6,017	38	384	463	32
Cyprus	9.1	3,893	9,040	1,589	. 9,944	142	.126
Gibraltar	0.5	n.a.	10,714	2,900	5,872	2,143	1,754
Guernsey	1.9	67,510	72,788	14,078	53,842	7,384	3,545
Isle of Man	1.4	28,947	32,855	445	8,707	4,414	654
Jersey	4.2	103,660	185,242	39,390	106,877	6,879	3,483
Liechtenstein	0.7	n.a. 6/	20,077	332	3,412	2,750	513
Malta	3.6	2,929	4,693	189	3,222	373	251
Monaco	0.9	n.a.7/	n.a. 7/	120	n.a. 7/	n.a.	n.a.
Western Hemisphere							
Anguilla	0.1	n.a.	0	9	0	0	9
Antigua & Barbuda	0.7	n.a.	0	75	0	. 0	11
Aruba	1.9	564	882	379	201	75	30
The Bahamas	5.0	18,455 8/	235,516	7,154	152,811	5,109	.3,218
Barbados	2.5	. n.a.	8,545	298	8,969	344	. 373
Belize	0.8	n.a.	842	114	1,959	107	264
Bermuda	3.6	162,433	27,733	155,888	27,536	5,282	5,095
British Virgin Islands	0.3	n.a.	0	14,566	0	n.a.	4,401
Cayman Islands	1.2	50,817 8/	620,257	397.920	410,724	56,871	68,529
Dominica	0.3	n.a.	197	579	115	71	251
Grenada	0.4	n.a.	78	11	60	18	16
Montserrat	0.3	n.a.	0	0	5	0	17
Netherlands Antilles	2.5	19,576	17,254	67,187	68,249	1,470	5,405
Panama	10.2	. 3,280	30.927	12,465	40,462	336	520
St. Kitts & Nevis	0.3	n.a.	0	37	0	0	11
St. Lucia	0.7	. n.a.	47	0	72	6	10
St. Vincent & Grenadines	0.2	n.a.	311	2	756	88	214
Turks & Caicos Islands	0.1	n.a.	895	110	252	699	283

Source: Data provided by the authorities, the BIS, and the Fund's CPIS database
1/ As listed in Table 10.
2/ As reported in the 2001 CPIS
3/ Derived from partner country (creditor) sources as reported to the BIS.
4/ Derived from partner country (creditor) sources as reported in the 2001 CPIS.
5/ Derived from partner country (debtor) sources as reported to the BIS.
6/ In the 2001 CPIS, data for Liechtenstein are included with Switzerland.
7/ In the 2001 CPIS and BIS data sources, data for Monaco are included with France.
8/ Comprises securities held by banks

Financial Structure of Assessed Jurisdictions at Time of Assessment

Jurisdiction 1/	Banks Total	Banks Domestic	Offshore 2/ Total	Offshore 2/ *Of which:* home 3/	Insurance companies 4/ Total Direct	Insurance companies 4/ *Of which* Offshore	Insurance companies 4/ Captive	Insurance companies 4/ Reinsurance	IBCs or exempt companies 5/	Service providers Companies	Service providers Trusts	Credit unions (domestic)	Other domestic financial institutions 6/	Fund managers	Stock market	*Memorandum item:* Number of mutual funds
Africa																
Seychelles 7/	7	6	1	...	4	2	...	...	...	...	...	1	2	0	no	0
Asia and the Pacific																
Labuan (Malaysia)	49	...	49	0	...	6	19	22	...	...	18	...	6	12	yes	17
Macao, SAR 8/	23	22	1	...	24	0	...	...	12	0	0	...	13	0	no	350+
Marshall Islands 9/	3	3	0	0	5	0	...	...	5,200	1	0	...	1	0	no	0
Palau	12	12	0	0	...	...	...	...	0	...	...	...	11	...	no	...
Samoa 10/	11	3	8	...	5	1	4	0	7,553	...	6	20	14	...	...	0
Vanuatu 11/	38	4	34	3	45	15	...	...	4,478	...	10	...	...	...	...	0
Europe																
Andorra 12/	8	8	...	...	36+	...	...	...	...	...	...	...	...	...	no	...
Cyprus 13/	43	12	31	...	69	17	11	...	20,000	...	12	...	466	9	yes	...
Gibraltar 14/	19	8	11	...	8	6	10	...	8,800	83	47	...	28		...	44
Guernsey 15/	69	69	n.a.	...	26	...	383	...	...	189	...	...	...	47	yes	525
Isle of Man	59	59	...	...	16	...	156	...	35,514	193	...	...	2	...	no	128
Jersey 16/	62	62	...	...	179	...	...	...	21,120	...	...	...	210	...	no	368
Liechtenstein 17/	17	17	...	...	16	...	...	5	...	...	732	...	...	17	yes	81
Luxembourg 18/	189	189	n.a.	...	94	...	260+	...	...	...	...	...	...	145	yes	1,908
Monaco	51	51	n.a.	...	0	...	...	...	...	40	...	...	...	24	...	60
Switzerland	375	375	n.a.	...	138	...	...	35	...	...	...	...	...	198	yes	2,700+
Western Hemisphere																
Anguilla	7	4	3	2	20	0	...	...	3,041	29	12	...	...	...	yes	...
Aruba 19/	7	5	2	0	29	6	...	...	4,950	16	...	2	4	...	no	...
Bahamas, The 20/	212	9	203	...	...	...	...	...	47,100	165	107	...	...	60	yes	706
Barbados 21/	63	7	56	...	199	180	...	...	4,065	30	...	41	14	...	yes	10
Belize 22/	9	5	4	3	18	...	...	...	15,000	40	...	15	6	...	no	...
British Virgin Is. 23/	11	7	4	...	30	...	263	...	350,000	89	188	...	...	490	no	2,606
Montserrat	13	2	11	...	2	0	...	...	50	...	...	...	...	...	yes	...
Netherlands Antilles	45	...	45	...	27	0	16	5	20,000	190	...	8	...	...	no	600
Panama 24/	80	54	26	...	24	...	...	...	...	...	46	...	154	...	yes	...

Sources: Reports of the OFC Module 2 and FSAP Assessments.

Notes:

1/ All information is of the year of the assessment, or the nearest year available: 2001 – 2002.
2/ Banks with licenses to operate offshore only.
3/ Locally-headquartered offshore banks.
4/ Data available did not always clearly distinguish between company types. Therefore, direct, captive, and/or reinsurance companies shown may not be mutually exclusive.
5/ The number of IBCs or exempt companies is usually estimated from permits granted.
6/ Includes mortgage banks, financial companies, investment banks where applicable and should be taken as an approximation.
7/ Temporary license granted, not operational. Other domestic financial institutions consist of a development bank and a housing finance company.
8/ Other domestic financial institutions includes 10 money changers and 2 remittance companies.
9/ Other domestic financial institutions consists of a development bank.
10/ Trust service providers also provide company services. Other domestic financial institutions include money lenders, money transfer agents, and money changers.
11/ Data for IBCs, Banks, Insurance companies, and Trust companies are from the November 2002 Article IV report for Vanuatu.
12/ Andorra's banks also manage funds and sell life insurance products.
13/ Of the 20,000 active companies, only 1,080 maintain a physical presence in the country. Other domestic financial institutions consist of 360 credit cooperatives and 106 international finance service companies.
14/ All banks in Gibraltar are licensed to conduct business locally and internationally. Some banks elect to serve the offshore market largely because of a more favorable tax regime. Some of the insurance companies are doing both captive and reinsurance business. The number for offshore insurance companies may include reinsurance companies.
15/ The number for CSP includes companies that are licensed to undertake a full range of fiduciary activities including providing trust services.
16/ Firms engaged in investment business.
17/ TSPs includes 87 attorneys licensed to carry out trust activities
18/ Data on fund managers refers to financial sector professionals comprising of commission agents, private portfolio managers, distributors of investment fund units, financial advisors, brokers, and custodians. Data on captives include some reinsurance companies.
19/ Some of the insurance companies also do captive insurance business.
20/ CSPs hold combined banking and trust licenses (123 of the 212 banks combine banking with trust licenses).
21/ The number for company service providers reflects only exempt insurance management companies.
22/ Company service providers are licensed to form and manage IBCs and manage trusts. Not all credit unions may be active. Other domestic financial institutions include 3 building societies and 3 government owned financial institutions.
23/ The number of company service providers include 69 companies which are also counted in the number of trust service providers as they offer both services.
24/ Includes 30 banks and 2 insurance companies that provide trust services.