INTERNATIONAL MONETARY FUND

Offshore Financial Centers
The Assessment Program—A Progress Report

Prepared by the Monetary and Financial Systems Department
(In consultation with Other Departments)

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February 25, 2005

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ACRONYMS AND ABBREVIATIONS

AML	anti-money laundering
BCP	Basel Core Principles
CFT	combating the financing of terrorism
CPIS	Coordinated Portfolio Investment Survey
CY	calendar year
FATF	Financial Action Task Force
FSAP	Financial Sector Assessment Program
FSF	Financial Stability Forum
FSSA	Financial System Stability Assessment
FY	financial year
IAIS	International Association of Insurance Supervisors
ICP	IAIS Insurance Core Principles
IOFC	international and offshore financial centers
IOSCO	International Organization of Securities Commissions
LEG	Legal Department
MFD	Monetary and Financial Systems Department
OFC	offshore financial center
SCP	IOSCO Objectives and Principles of Securities Regulation
STA	Statistics Department
TA	technical assistance

EXECUTIVE SUMMARY

The first phase of the OFC assessment program is now virtually complete. Forty-one of the 44 jurisdictions contacted at the inception of the program have been assessed. Of the remaining three jurisdictions, one is to be assessed under the FSAP in 2005, and two are receiving technical assistance.

All but one jurisdiction has published or indicated their intention to publish their assessment reports. An additional 17 reports have been published since the last update in March 2004.

Compliance with standards in OFCs is, on average, better than in other jurisdictions assessed under the FSAP, reflecting in part the higher average income levels of the OFCs. Results on cooperation and information sharing principles, which play a key role in cross-border supervision, show a similar pattern. Nevertheless, deficiencies remain including inadequate onsite inspections, inability to address cooperation on terrorist financing, need to expand mutual legal assistance treaties, and lack of formal agreements to share information.

Progress has been made in implementing the four broad program elements approved by the Board in November 2003.

- Regular monitoring: Staff are in the process of contacting jurisdictions for the next round of assessments and, thus far, assessments have been scheduled for two jurisdictions in 2005 and for one in early 2006. Monitoring of developments in financial centers will be facilitated with the implementation of the Information Framework that has been developed by staff in consultation with jurisdictions.

- Transparency: The Information Framework will also provide a common template that jurisdictions can use in their dissemination efforts. Broad participation will be key to the success of this initiative, and Executive Directors may wish to encourage jurisdictions to participate.

- Technical assistance: In 2004, eighteen jurisdictions have received TA in various areas, including AML/CFT legislation and supervision, banking, insurance, and securities supervision, and statistics.

- Collaboration with standard setters and onshore and offshore supervisors: In July 2004, MFD hosted a two-day conference which identified major approaches and impediments to cross-border cooperation and information exchange. The participants strongly encouraged wide dissemination of information on contact persons and arrangements for information exchange, and a stocktaking of current practices. The proceedings of this conference will be published in FY 2006.

I. INTRODUCTION

1. This report is the latest in the series of periodic updates on the offshore financial center (OFC) assessment program requested by the Board (see BUFF/03/196).

2. The paper is structured as follows. Section II summarizes the status and results of the first, and the planning for the second, round of assessments. Section III describes the work to implement the other components of the program. Appendix I summarizes the status of the assessments and assessment findings, jurisdiction by jurisdiction. Appendices II to IV and a supplement provide supporting information.

II. COMPLETING THE FIRST PHASE

A. Status of First Round of Assessments

3. **The first phase of the OFC assessment program is now virtually complete with only one jurisdiction remaining to be assessed.** Forty-one of the 44 jurisdictions contacted at the inception of the program have been assessed either through a Module 2 assessment[1] or under the Financial Sector Assessment Program (FSAP). Of the remaining three jurisdictions, one is to be assessed under the FSAP in 2005, and two were scheduled to receive technical assistance (TA) in lieu of assessments (Table 1). Of these two jurisdictions, one received technical assistance in 2004, while the other is scheduled for 2005. Since the last status report of March 2004, 13 additional reports have been completed.

4. **Almost all jurisdictions have published their assessment reports.** Since the last update to the Board, an additional 17 jurisdictions have published their reports, bringing the total of published reports to 38. As a result, reports of all but three of the assessments undertaken have been published. Two of these are expected to publish, and one jurisdiction is still considering publication.

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[1] A Module 2 assessment evaluates the compliance of supervisory and regulatory systems with international standards in the banking sector, and, if significant, in the insurance and securities sectors. It also assesses the effectiveness of the anti-money laundering and combating the financing of terrorism regime. Standards of the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the International Organization of Securities Commissions (IOSCO), and the Financial Action Task Force (FATF) Recommendations are the yardsticks used. Assessments under the FSAP, in addition to evaluating observance of relevant financial sector standards and codes, consider risks to macroeconomic stability stemming from the financial sector and the capacity of the sector to absorb macroeconomic shocks.

Table 1. Summary Status of Contacted Jurisdictions
First Phase of the OFC Program

	Total	FSAP	Module 2
Published	38	14	24
To be published	2	0	2
Considering publication	1	0	1
Total jurisdictions assessed	**41**	**14**	**27**
Scheduled in CY 2005	1	1	0
TA delivered in lieu of assessments in CY 2004	1	n.a.	n.a.
TA scheduled in lieu of assessments in CY 2005	1	n.a.	n.a.
Total jurisdictions contacted	**44**		

5. **The main findings of the assessments as detailed in the previous progress report[2] are that compliance with standards is positively correlated with the level of income**. Compliance levels for OFCs are, on average, better than in other jurisdictions assessed under the FSAP[3], reflecting in part the higher average income levels of the OFCs. Supervisory deficiencies were most frequently found to result from inadequate resources and skills (see Appendix I).[4] Jurisdictions with low levels of income have a much lower rate of compliance with all the assessed standards than wealthier jurisdictions. Such jurisdictions often have low volumes of financial activity and many of the poorer jurisdictions have eliminated or are phasing out their OFC activities.

B. Findings on Cooperation and Information Exchange

6. **Directors have noted the key role that information sharing arrangements play in effective cross-border supervision**. The results for cooperation and information sharing principles in the first round of assessments are consistent with the general finding that, on average, OFCs meet supervisory standards superior to those of other jurisdictions though

[2] See *Offshore Financial Centers—The Assessment Program—An Update*, March 15, 2004 (SM/04/92).

[3] This includes between 24 and 55 (depending on the standard assessed) jurisdictions, representing a cross-section of Fund membership (see Tables 4 to 7 in SM/04/92).

[4] The results reported in the tables of Appendix I are time-specific and may therefore not be representative of current conditions in the jurisdictions. Not only have standards changed, but several jurisdictions have improved, and are improving, their supervisory standards.

with deficiencies in lower income jurisdictions. [5] Over 80 percent of jurisdictions were assessed to meet the standards for cooperation and information exchange in banking and insurance, however, implementation of the securities and AML/CFT cooperation-related principles and recommendations was weaker (see Appendix II). The areas most requiring attention were the following:

- In the *banking sector*, the inability or failure to carry out adequate onsite inspections and the resulting defects in host and consolidated supervision were the most common shortcomings. Others included a lack of mechanisms to share information, and excessive confidentiality provisions, particularly with regard to individual customers.

- With respect to *AML/CFT*, shortcomings in about one third of jurisdictions assessed mainly related to their inability to address cooperation on terrorist financing because they had not yet defined terrorism as a criminal offence, or had difficulties in extraditing for terrorist financing offenses. The other major shortcoming arose from the need to enhance mutual legal assistance laws or expand the range of mutual legal assistance treaties.

- In the *securities sector*, partial implementation (in about 40 percent of jurisdictions assessed) resulted mainly from the lack of formal agreements to share information either among domestic supervisors or cross-border. As a result, assessments recommended that formal agreements such as MOUs be negotiated with key overseas counterparts. Other impediments to information exchange arose from the need to seek authorization or a court order to share information, particularly if customer related.

- In the *insurance sector*, only four of the jurisdictions assessed were noncompliant with the cooperation and information sharing principles. Three of these had no legal gateway provisions to share information, although cooperation may have taken place on an informal basis. In addition, two jurisdictions had overall ineffective supervision.

III. PROGRESS WITH SECOND PHASE OF THE PROGRAM

7. In November 2003, Directors agreed that the second phase of the OFC program should incorporate four broad elements:

- Regular monitoring of OFCs' activities and compliance with supervisory standards;

[5] 50 percent of offshore jurisdictions comply with every principle and recommendation directly concerned with cooperation and information exchange as opposed to 47 percent of other assessed jurisdictions.

- Improved transparency of OFC supervisory systems and activities;
- Technical assistance in collaboration with bilateral and multilateral donors;
- Collaboration with standard-setters and the onshore and offshore supervisors to strengthen standards and exchanges of information.

This section describes the progress to date in implementing these elements.

A. Monitoring

8. **Directors agreed that it would be appropriate to continue periodic monitoring of OFCs' compliance with relevant international regulatory standards**. Module 2 assessments every 4–5 years were generally considered appropriate, focusing mainly on those jurisdictions that are not covered by FSAPs, but it was also noted that the program should be sufficiently flexible to allow for more frequent targeted assessments to address areas of immediate concern ("risk-focused" assessments).[6] Participation in the second round of assessments remains voluntary. Staff has commenced its contacts with jurisdictions for second round assessments. While the number of assessments will be lower in FY2005 than originally planned, in some cases assessments were postponed to allow for the delivery of TA (see Section C). The first assessments are scheduled for Cyprus in March 2005 and Panama later in 2005. Gibraltar has agreed to an assessment in early 2006 (see Table 5, Appendix III). Staff is in the process of contacting other jurisdictions and plans to undertake five Module 2 or risk-focused assessments in financial year 2006. Staff is updating a list of jurisdictions classified by the size and type of cross-border activity. Some jurisdictions with insignificant cross-border activity will be subject to off-site monitoring only, and additional jurisdictions are being considered for assessment (see Table 5).

9. **During the second round of assessments, priority will be given to assessing (1) progress in addressing weaknesses identified in the first round of assessments; (2) relevant areas not previously assessed; and (3) cooperation and information sharing arrangements.** Reports will identify shortcomings noted in earlier assessments and the actions taken by the authorities to address these shortcomings. Assessments for banking supervision and AML/CFT would be updated, as would, were there is significant activity, those for insurance and securities supervision. Assessments will take account of revisions in the standards. The FATF Recommendations were revised in 2003 and a ninth Special Recommendation on Terrorist Financing added in 2004, and the IAIS Core Principles were revised in October, 2003 to include, in particular, the supervision of reinsurance. IOSCO has developed an assessment methodology whose use has only recently started. The Basel Core Principles are also in the process of revision. More intensive offsite monitoring of activities will take place through the information framework described in Section III.B.

[6] Member countries may elect to be assessed under the FSAP.

10. **The assessments will also give significantly increased attention to cooperation and information exchange.** While cooperation and information sharing have always been a major concern in the international and offshore financial center context, its smooth functioning is of increasing importance (See Section D). Going forward, therefore, reports on jurisdictions with international and offshore financial centers (IOFCs) will include a dedicated section bringing together the implications for cooperation and information exchange in each of the sectoral assessments.

B. Transparency and Monitoring of OFC Activities and Supervision

11. At the November 2003 Board meeting, Directors supported transparency through circulation of the Module 2 main report to the Board, and staff's working with OFCs to improve information dissemination. The monitoring of OFC activities and compliance through, inter alia, maintenance of information on the main activities in OFCs was also endorsed. In response, the staff has developed an Information Framework to provide (1) a common template that jurisdictions can use in their minimum dissemination efforts, and (2) a tool for the Fund to monitor developments offsite.

12. **The information framework consists of data on structural and activity indicators.** The data cover the banking and insurance industries and collective investment schemes, as well as information on the number of company and trust service providers, and two statistical indicators of financial sector contributions to the economy. A description of the framework can be found in the supplement to this Board paper and will be published on the Fund's website (see Supplement 1). It also requests that IMF assessment reports and basic laws and regulations be disseminated. Optional data consists of a small subset of the financial soundness indicators (FSIs) that the Fund has asked a number of jurisdictions to supply in June 2006 under the Coordination Compilation Exercise for FSIs, and additional data on insurance.

13. **The information framework has been developed in close consultation with offshore and onshore supervisors**. Drafts of the framework were circulated for comments to offshore and international financial centers in March and July 2004, and a revised version of the framework was presented at the second annual IMF roundtable for offshore and onshore supervisors and standard setters in November 2004. In particular, in response to comments, the revised version made the FSI elements optional; it also allowed for the possibility that, where financial activity in the banking, insurance, and securities sectors is below a threshold level, jurisdictions could choose to submit only a subset of data to the Fund.

14. **Participants at the roundtable agreed to phase in implementation of the proposed framework on a pilot basis**. While the representatives from the offshore and international financial centers emphasized their willingness to cooperate, several participants underlined the need for a level playing field among designated offshore centers and major jurisdictions. Staff has compared the data recommended for dissemination in the framework to that published by a sample of advanced economies. Most of the information requested for

dissemination as part of the Information Framework pilot is already made publicly available by the advanced financial centers not monitored in the program.[7]

15. Participants also noted the technical difficulties in implementing the framework. Staff further revised the framework to clarify the modalities, the definitions, and the instructions for the compilation of the data, and will arrange a workshop in spring 2005 to address data compilation and technical issues in implementing the framework.

16. **The final version of the Information Framework was forwarded in December 2004 to the 46 jurisdictions in Tables 2 and 3 inviting their participation**. Jurisdictions were requested to confirm their participation by end-January 2005. Twenty seven jurisdictions have responded so far. Twenty-three have indicated an interest in participation, although three of these questioned their classification as OFCs, or noted that their offshore activities had been, or were being, phased out. One jurisdiction reserved the right to withdraw if similar transparency proved unavailable for major jurisdictions, and another agreed conditional on participation by a significant number of jurisdictions. Three jurisdictions have declined to participate either because they participate in other Fund initiatives, or because their data are already available from other sources. One jurisdiction indicated that it would take part only if all other international financial centers and neighboring countries did so. Staff will have an opportunity to discuss these issues with the jurisdictions at the third annual roundtable planned for autumn 2005.

17. Participants were also invited to provide initial responses, which could be partial, by June 2005, for end 2004 data, with full implementation aimed for mid 2006, for end 2005 data. The FSI component of the framework follows the schedule for implementation of the FSI Coordinated Compilation Exercise. The progress with implementing the pilot will be reviewed at the roundtable. Staff will follow up with jurisdictions to encourage participation. Executive Directors are also requested to encourage jurisdictions to participate.

C. Technical Assistance in Collaboration with Bilateral and Multilateral Donors

18. Directors have indicated that TA should focus on those OFCs that have the resources and commitment to benefit most, or that experience the greatest shortcomings in complying with international standards. Technical assistance has concentrated on the smaller jurisdictions facing the most significant supervisory challenges, with particular emphasis on AML/CFT, as well as basic banking supervision. Particular areas of concern and statistical issues have also been addressed in a small number of larger jurisdictions.[8]

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[7] Staff's research indicates that exceptions relate mainly to data on trusts and company service providers, reinsurance, captive insurance, and collective investment funds.

[8] Three Departments—the Monetary and Financial Systems Department (MFD), the Legal Department (LEG), and the Statistics Department (STA)—have been providing technical assistance.

19. **Technical assistance has been delivered to a range of OFCs**. Eight larger jurisdictions received TA in specialized areas, including securities supervision, corporate governance of financial institutions, regional training of trainers for AML/CFT, and statistics. Ten smaller jurisdictions in Africa, the Caribbean, and the Pacific received TA in AML/CFT legislation and supervision, banking supervision, insurance supervision, financial intelligence unit (FIU) formation and operation, and the training of criminal justice officials. In response to both a need demonstrated by the assessments, and requests from jurisdictions, specialized training for AML/CFT supervision in the insurance sector has been developed and is being delivered through regional workshops. A stock-taking of AML/CFT TA delivered to the Pacific island countries is currently underway and will be used for planning future delivery.[9]

20. As part of STA's ongoing work to improve the statistics available on cross-border positions, specifically for the Coordinated Portfolio Investment Survey (CPIS), staff has visited three jurisdictions with significant cross-border activity to help improve data collection and compilation for the CPIS. In addition, STA hosted a regional workshop attended by 11 jurisdictions. Both annual data on the cross-border holdings of securities by OFCs and data reported by partner countries on the portfolio investment liabilities of OFCs are included in the CPIS database on the IMF's external website. Work is continuing to improve the coverage of the CPIS with respect to holdings of securities by mutual funds resident in Caribbean OFCs.

21. Going forward, apart from following up on specific assessment results, staff expects to provide TA to strengthen AML/CFT regimes. In addition, TA in insurance supervision, an area with significant shortcomings, has been requested by the jurisdictions. MFD and STA will be working together to assist jurisdictions in providing the data required by the Information Framework. Specialized technical assistance on information sharing issues is also planned. STA will also be increasing their TA on mutual fund statistics in the more advanced financial centers.

D. Collaboration to Improve Cooperation and Information Exchange

22. The fourth element of the current phase of the OFC program approved in November 2003 was collaboration with standard setters and onshore and offshore supervisors to strengthen standards and exchanges of information.

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[9] TA has been in part supported by funding from the Governments of Japan and the Kingdom of the Netherlands, and the FIRST Initiative, and carried out in collaboration with multilateral agencies, including the Asia/Pacific Group on Money Laundering (APG), the Caribbean Financial Action Task Force (CFATF), the Caribbean Regional Technical Assistance Center (CARTAC), and the Pacific Financial Technical Assistance Center (PFTAC).

23. **Staff surveyed 74 supervisory agencies and FIUs in 2004**. The survey aimed to document the volume and types of information commonly shared among supervisors and FIUs and to provide an indication of the obstacles to information exchange encountered by supervisors, as well as to elicit their views on how cooperation could be improved.

24. **A two-day conference on cross-border cooperation and information exchange was hosted by the Monetary and Financial Systems Department in July 2004.** The conference brought together supervisors from 18 international and offshore financial centers as well supervisors from 9 major home jurisdictions and representatives of the standard setters from the four areas assessed in the OFC program—the Basel Committee, FATF, IOSCO, and IAIS as well as from the Egmont Group of financial intelligence units. Participants discussed both sectoral arrangements for information exchange and the cross-sectoral or diagonal arrangements (see Appendix IV for conclusions). Conferees encouraged the Fund to take stock of existing arrangements and impediments. Proceedings of the conference will be published in FY2006.

25. **Cooperation and information sharing initiatives launched by IOSCO and FATF are being followed by staff**. [10] IOSCO is documenting jurisdictions with whom IOSCO members have experienced difficulties in information exchange. IOSCO will undertake a confidential dialogue with the identified jurisdictions with a view to assisting them in meeting the IOSCO principles of information exchange. FATF has asked members to document repeated country-specific problems arising from requests for international cooperation. These cases were discussed by the February 2005 FATF plenary meeting. FATF, as well as the relevant FATF-style regional bodies, will contact the identified jurisdictions and report back to the next FATF plenary.

E. Other Issues

Roundtable Consultations

26. Consistent with Board guidance, a second roundtable for onshore and offshore supervisors and standard setters was held in November, 2004. The meeting, hosted by the BIS in Basel, discussed the Information Framework, cooperation and information exchange, and the enhancement of regulatory regimes. The follow-up roundtable is planned for Autumn 2005 in Asia.

Proposed FSF initiative on monitoring OFCs

27. The Financial Stability Forum (FSF), whose initial 2000 listing of IOFCs predated the Fund's program, has indicated its intention to continue to monitor OFCs. The exact modalities will be discussed at the FSF meeting in March 2005.

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[10] These initiatives address issues arising in all jurisdictions, not only IOFCs.

ASSESSMENT STATUS

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Africa				
Seychelles	2002	completed	published	Standards assessed: BCP, FATF [5/]. **Overall assessment:** Seychelles' overall degree of compliance with the BCPs was found to be modest, given the close links between the Central Bank and the Ministry of Finance, and effective fiscal dominance in the allocation of credit. The mission found moderate compliance with international standards for anti-money laundering. Provisions in the Guidance Notes are generally appropriate, but need to be updated to reflect recent developments in best AML/CFT practices. **Cooperation and information exchange:** The powers of the Central Bank of Seychelles to receive and disseminate information should be specified in law. The procedures for cooperation with foreign regulatory authorities need to be enhanced and formalized.
Asia and the Pacific				
Cook Islands	2004	completed	published with detailed assessment.	Standards assessed: BCP, FATF [6/]. **Overall assessment:** The suite of legislation enacted by the Cook Islands Government in May 2003 has created a strong legal framework under which banks licensed in the Cook Islands are now required to operate. However, an effective supervisory framework, which meets the criteria of the BCP assessment methodology, is still to be implemented. Substantial progress was achieved in bringing AML/CFT legislative and regulatory framework in line with the relevant international standards. Nevertheless, significant challenges remain as far as overall implementation is concerned. **Cooperation and information exchange:** Cook Islands should develop procedures for the exchange of information with other supervisory authorities, especially since the two largest domestic banks are foreign branches and a number of the international banks may have operations in other jurisdictions. Procedures for sharing information with the FIU also need to be developed.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Macao SAR	2001	completed	published	Standards assessed: BCP, ICP. **Overall assessment:** The results of the assessment indicate that supervision is generally effective and thorough. It meets most of the international standards with respect to banking and insurance. There is some scarcity of resources, resulting in insufficient onsite supervision in the insurance sector. Current anti- money laundering measures as they relate to the BCPs, and the ICPs need strengthening. **Cooperation and information exchange:** The Monetary Authority complies with accepted international standards of cooperation with foreign supervisory agencies with regard to the exchange of information and allows foreign home supervisors to conduct on-site reviews in Macao SAR.
Malaysia (Labuan)	2002	completed	published	Standards assessed: BCP, ICP, SCP, FATF [6/]. **Overall assessment:** Banking supervision is relatively well developed. The regime for insurance is still being developed, reflecting the gradually evolving scope of business of the sector, and falls well short of IAIS standards. Securities and capital markets activities in Labuan are still embryonic and the supervisory regime for this sector will need to be fleshed out as business develops. The legal and institutional framework for addressing money laundering in Labuan, was substantially strengthened with the enactment of the Anti-Money Laundering Act 2001. AML/CFT guidelines and additional resources for compliance monitoring are required for the nonbank sectors. **Cooperation and information exchange:** Regulations designed to safeguard the confidentiality of customer and institution information inhibit Labuan's ability to fully satisfy international standards with respect to cross-border supervisor cooperation. The AML law overrides these restrictions to the extent that they interfere with reporting requirements of financial institutions. Within this system, the supervisor appears to be forthcoming and responsive to requests to share information.
Marshall Islands	2002	completed	considering publication	Standards assessed: BCP, FATF [5/].
Nauru	2004	completed	n.a.	TA in lieu of assessment.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Niue	2005	scheduled	n.a.	TA in lieu of assessment.
Palau	2002	completed	published with detailed assessment.	Standards assessed: BCP, FATF [5/]. **Overall assessment:** Palau's overall degree of compliance with the BCPs was found to be modest given the newness of the concept of prudential supervision and the fact that no meaningful implementation capabilities have been developed as yet. Palau has a largely satisfactory legal and institutional framework for preventing and detecting money laundering in the banking sector, while implementation capabilities need strengthening. **Cooperation and information exchange:** The supervisor is authorized to the extent set forth in law to cooperate and exchange information with foreign governments. Arrangements for exchange of information with foreign supervisors should be put in place. There are no clear legal provisions for cooperation and information exchange in bank supervision. The mutual legal assistance law sets out the conditions to respond to foreign requests, however FT is not specifically provided for.
Samoa	2002	completed	published	Standards assessed: BCP, FATF [5/]. **Overall assessment:** The BCP assessment underscores a number of major issues, including the limitation of the authorities' access to customer information, no explicit "fit-and-proper" requirements for management, and the absence of effective on-site supervision. Samoan authorities have worked hard to develop an effective AML/CFT framework. A number of amendments to the AML Act were recommended. Closer links should be established with other supervisors and there should be wider access to customer information. **Cooperation and information exchange:** The AML/CFT assessment recommended allowing ad hoc judicial cooperation to take place without the prior condition of entering into a mutual assistance arrangement, and to extend the scope of the mutual assistance provisions to cover all criminal offenses.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Vanuatu	2002	completed	published with detailed assessment	Standards assessed: BCP, ICP, FATF [5/]. **Overall assessment:** The legal and regulatory framework for the offshore sector falls far short of international standards. With respect to the measures to combat money laundering and the financing of terrorism, Vanuatu has made important progress, but still has some way to go in making the system robust. **Cooperation and information exchange:** Legal authorization for regulators to access information must be clearly established while provisions on professional confidentiality should be strengthened. Gateways must be established for offshore supervisors.
Europe				
Andorra	2002	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** The results of the assessment indicate that financial sector supervision is generally sound with respect to material activities of the financial system. This view largely reflects considerations of the supervision of banking activities, which represent in excess of 95 percent of all financial sector activities. There is a generally high compliance with international standards for anti-money laundering. The mission observed that the current framework for funding the supervisory agency is strained, with little capacity for increasing its level of activity, and that there is a cumbersome process to assure its independence. **Cooperation and information exchange:** Assessors pointed to restrictions on the ability of the foreign supervisor to inspect onsite. Cooperation with respect to FATF Recommendations is reported to be working adequately.
Cyprus	2001	completed	published with detailed assessment	Standard assessed: BCP. **Overall assessment:** The mission undertook a BCP assessment of the supervision of the offshore banking sector. The results indicated that supervision was generally effective and thorough. There was some scarcity of resources, and this has meant that the amount of onsite supervision has been somewhat less than would be desirable. **Cooperation and information exchange:** In general terms, Cyprus complies with accepted international standards for the exchange of information and for cooperation with other supervisory authorities.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Gibraltar	2001	completed	published	Standards assessed: BCP, ICP, SCP. **Overall assessment:** The results of the assessments indicated that supervision is generally effective and thorough and that Gibraltar ranks as a well-developed supervisor. There is a high level of compliance with the BCP. Insurance is also supervised to a good standard. There is some scarcity of resources, and this has meant that the amount of onsite supervision has been somewhat less than desirable. **Cooperation and information exchange:** The supervisor complies with accepted international standards for the exchange of information and for cooperation with other supervisory authorities.
Guernsey	2002	completed	published with detailed assessment	Standards assessed: BCP, ICP, SCP, FATF[6/]. **Overall assessment:** The jurisdiction has been assessed to have a high level of compliance with the four standards. The authorities were encouraged to enhance the independence of the regulator; include safety, soundness, and integrity of the financial system as its objectives; and address the resource deficit in the Banking Division. The mission also suggested to enhance certain powers and procedures, enhance the legal framework on AML/CFT, broaden the coverage of the guidance notes in certain areas, and reinforce the communication of certain AML/CFT policies. **Cooperation and information exchange:** Guernsey complies with accepted international standards for the exchange of information and for cooperation with other supervisory authorities.
Isle of Man	2002	completed	published with detailed assessment.	Standards assessed: BCP, ICP, SCP, FATF[6/]. **Overall assessment:** The jurisdiction has been assessed to have a high level of compliance with the four key standards. The authorities were encouraged to adopt legislation to provide for appropriate independence and accountability of the financial regulators; upgrade the onsite supervisory process; amend the legal framework on AML/CFT and broaden the coverage of the guidance notes in certain areas; and enact the Fiduciary Services Bill quickly. **Cooperation and information exchange:** The Isle of Man complies with accepted international standards for the exchange of information and for cooperation with other supervisory authorities.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Jersey	2002	completed	published with detailed assessment	Standards assessed: BCP, ICP, SCP, FATF[6/]. **Overall assessment:** The financial regulatory and supervisory system complies well with international standards. The authorities were encouraged to enhance the independence of the supervisory commission; increase its resources and improve its processes with respect to onsite banking supervision; issue instructions on onsite examination work in banking on matters related to prudential risks; introduce capital requirements for market risk; increase the staff of the insurance division and institute more frequent onsite inspections; and amend AML/CFT-related laws as recommended. **Cooperation and information exchange:** Jersey complies with accepted international standards for the exchange of information and for cooperation with other supervisory authorities.
Liechtenstein	2002	completed	published with detailed assessment	Standards assessed: BCP, ICP, SCP, FATF[6/]. **Overall assessment:** With regard to BCP and SCP, the mission noted a high level of dedication in the supervisory authority and a good foundation of modern laws and regulations, but noted material weaknesses in the staff resources. For the ICP, the issue of resources was less pronounced but remained a concern. The mission observed a high level of compliance with the FATF standard. **Cooperation and information exchange:** The supervisor's legal authority to share information with foreign supervisory agencies was affirmed by the supreme administrative court. In the case of trustees, the FSA is limited by its lack of ability to obtain information through inspections. In AML/CFT fiscal offenses should be read more narrowly to ensure that mutual legal assistance requests with nonfiscal aspects are not rejected on fiscal grounds.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Monaco	2002	completed	published with detailed assessment	Standards assessed: BCP (partial), SCP, FATF[5/]. **Overall assessment:** The banking sector is subject to French regulations and supervision. However, AML arrangements are a Monegasque responsibility, so the AML-related BCPs were assessed. The assessments found that, while the supervisory structure is relatively complex, current AML/CFT arrangements are sound and generally effective; and securities regulation as currently structured is effective within the Monegasque context of careful government planning of commercial activity. **Cooperation and information exchange:** There is a need to broaden information sharing arrangements with foreign financial sector supervisors. In particular, the mutual funds supervisory commission should be given more authority to share information with its foreign counterparts.
Western Hemisphere				
Anguilla	2002	completed	published	Standards assessed: BCP, FATF[6/]. **Overall assessment:** Anguilla is in process of strengthening its legal and supervisory framework, which includes the creation of an operationally independent regulatory body. In the area of AML/CFT, there has been progress in the legislative and regulatory framework but more intensified efforts are required to implement the legislation. Although Anguilla has recently licensed two offshore banks, it has still to put in place the necessary mechanisms for compliance with many of the BCP. **Cooperation and information exchange:** Anguilla's offshore financial system has robust provisions for sharing of information, licensing and for monitoring bank ownership. Anguillan law also provides for a wide range of assistance in AML/CFT matters. On domestic banking, assessors identified the need for the Eastern Caribbean Central Bank (ECCB), the supervisor of domestic banks, to establish a more formal information exchange mechanism with home supervisors.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Aruba	2001	completed	published	Standards assessed: BCP, ICP. **Overall assessment:** The authorities have successfully engaged in a process of rapid development and improvement of the system of rules and regulation, and in increasing their supervisory capacity. The mission recommended that the supervisor focus on more in-depth scrutiny of some of the key risk areas in banks. The law on regulation and supervision of the insurance sector had only been in force since July 1, 2001, and many implementation methods still needed to be put in place. **Cooperation and information exchange:** It was recommended that an MOU with foreign banking supervisors be arranged, and that prior approval be required for cross border establishments by licensed supervisors.
Bahamas, The	2002	completed	published	Standards assessed: BCP, SCP, FATF[6/]. **Overall assessment:** While the Central Bank of The Bahamas has made very substantial progress in developing a robust regulatory framework, it should maintain close oversight of managed banks that have until June 2004 to establish physical presence. The mission noted the extensive AML/CFT provisions introduced since June 2000. These contain some important fundamentals, but they have posed practical difficulties for the financial services industry in view of the extremely detailed and prescriptive nature of many of the provisions. **Cooperation and information exchange:** Information sharing with overseas regulatory authorities is covered in legislation although it appears that the principles of the laws have not been applied evenly among regulatory authorities. There are legal impediments to financial institutions' sharing of nominative customer information though gateways have developed. Judicial authorities have mechanisms for the passage of relevant information.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Belize	2003	completed	published	Standards assessed: BCP, ICP, FATF[6/]. **Overall assessment:** The assessment found that banking supervision complies with or is largely compliant with most of the Basel Core Principles. Legislation for the supervision of domestic insurance is outdated and is being revised. International insurance business is beginning and the mission offered a number of suggestions for upgrading its supervision to a level which would satisfy international standards. With the establishment of the FIU, the AML/CFT regime has been considerably strengthened. **Cooperation and information exchange:** The financial supervisors are circumscribed in their ability to access and share information cross-sectorally. The FIU has the authority to respond to enquiries from relevant authorities. There is need to enact a law which specifically provides for the widest possible range on mutual assistance with regard to AML/CFT matters.
Bermuda	2003	completed	to be published	Standards assessed: BCP, ICP, SCP, FATF[6/].
British Virgin Islands	2002	completed	published with detailed assessment	Standards assessed: BCP, ICP, SCP, FATF[6/]. **Overall assessment:** The BVI has most of the essential elements for a suitable framework for financial supervision. Primary legislation provides the Financial Services Commission with adequate independence and authority to license and supervise covered financial services, which include banking, insurance, securities, trust, and company service providers. Implementation has largely been good. However, while the legal and supervisory frameworks are adequately structured, the implementation of the full range of AML/CFT supervisory measures has not yet been fully achieved. **Cooperation and information exchange:** In banking it was recommended that interaction with home country supervisors be increased. In securities, though there is broad authority to share information, legislative provisions on information sharing and providing assistance should be conformed so that there are no artificial constraints on sharing.
Cayman Islands	2003	completed	to be published	Standards assessed: BCP, ICP, SCP, FATF[6/].

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Montserrat	2002	completed	published	Standards assessed: BCP, FATF[6/]. **Overall assessment:** The volcanic eruptions effectively suspended financial sector supervision in the offshore sector between 1996 and 1999. The whole supervisory process resumed almost from scratch after 1999. Montserrat is materially non-compliant or non-compliant with most of the BCPs, particularly those relating to prudential requirements and supervision. However, the legal framework relating to autonomy and supervisory powers was found to be relatively sound particularly with regards to BCPs on licensing. While progress has been achieved in developing a comprehensive AML/CFT legislative and regulatory framework, significant gaps remain in its implementation, particularly in the offshore banking sector. **Cooperation and information exchange:** In the offshore sector, appropriate provisions exist in the law for cooperating with foreign regulators. To implement these provisions, MOUs have been entered with a number of foreign supervisors but there remain significant implementation challenges. On domestic banking, assessors identified the need for the Eastern Caribbean Central Bank (ECCB), the supervisor of domestic banks, to establish a more formal information exchange mechanism with home supervisors.
Netherlands Antilles	2002	completed	published with detailed assessment	Standards assessed: BCP, ICP, FATF[5/]. **Overall assessment:** Banking supervision is compliant or largely compliant with the great majority of the BCP. Insurance supervision is also observant or broadly observant with the great majority of the ICP, and supervisory staff is of high quality. In general, the AML/CFT legal and institutional framework is comprehensive and well designed, however, there are some areas to be strengthened. **Cooperation and information exchange:** The banking supervisor has adequate cross-border arrangements. More extensive contacts and structures for cooperation with insurance supervisors abroad are needed. There are provisions for sharing of information and intelligence on ML and FT, and procedures for effective legal assistance in criminal matters.

Table 2. International and Offshore Financial Centers Contacted—Module 2 Assessments				
Jurisdiction	Year of Assessment [1/]	Assessment status [2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Panama	2001	completed	published	Standard assessed: BCP. **Overall assessment:** Module 2 assessment validates that Panama has achieved substantial progress towards putting in place a supervisory and regulatory framework for the banking system that meets most international standards. While Panama was compliant or largely compliant with 23 of the 25 BCPs, the remaining two, offsite monitoring and investment activities, showed shortcomings in analysis of financial factors. Follow-up assessment planned. **Cooperation and information exchange:** The banking supervisor has established good working relationships with foreign supervisory agencies and actively promotes consolidated supervision.
Turks and Caicos Islands	2003	completed	published	Standards assessed: BCP, ICP, FATF[6/]. **Overall assessment:** The supervisory framework has undergone major modifications since 2000, but further strengthening of the legal and institutional framework is needed. Implementation of the framework is weak in large part because the Financial Services Commission is underfunded and understaffed. The legal framework for anti-money laundering is comprehensive but effective regulatory enforcement suffers from staff shortage. **Cooperation and information exchange:** Turks and Caicos Islands has structured arrangements for cross-border information exchange and cooperation, both with respect to cooperation with financial supervisors and with foreign judicial law-enforcement agencies, but some impediments to effective cooperation remain.

Notes:
[1/] Refers to calendar year of mission.
[2/] The categories in the table have the following meanings:
completed = assessment mission and review have been completed;
scheduled = a date has been agreed with the authorities.
[3/] The categories in the table have the following meanings:
published = the assessment report (s) has been published. See http://www.imf.org/external/np/ofca/ofca.asp;
n.a. = not applicable;
[4/] Indicates areas of formal assessment and provides brief summaries of findings for reports that are published. These summaries relate only to the situation encountered at the time of the assessment, and do not reflect any subsequent changes. They may not therefore be descriptive of current supervisory conditions. Furthermore, the standard for AML/CFT was revised in 2003 and 2004 and the insurance standard was revised in 2003. BCP = Basel Core Principles, ICP = IAIS Core Principles (of October, 2000), SCP = IOSCO Objectives and Principles, FATF = FATF Forty Recommendations against Money Laundering and Eight Special Recommendations on Terrorist Financing.
[5/] The AML/CFT standard was assessed using draft versions of the methodology available at the time of the assessment.
[6/] The AML/CFT standard was assessed relative to the October 2002 methodology endorsed by FATF and the Fund.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Africa				
Mauritius	2002	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** The assessment of standards and codes found that the authorities have made substantial progress and are upgrading key financial sector legislation and regulations. The supervisory and regulatory framework would be further strengthened by implementation of recommendations regarding consolidated supervision, monitoring of group exposure, supervisory focus on operational risk, and further strengthening the legal and institutional framework for AML/CFT. **Cooperation and information exchange:** The supervisor needs to further enhance its contacts with foreign supervisors in countries where Mauritian banks have establishments. It was recommended that the Mauritian authorities review the laws and procedure for assistance in order to ensure that there are adequate gateways for cooperation at each stage of a money laundering investigation.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Asia and the Pacific				
Hong Kong SAR	2002	completed	published	Standards assessed: BCP, ICP, SCP, FATF[5/]. **Overall assessment:** The financial sector regulatory system is well developed by international standards. In the banking sector the main supervisory challenges relate to enhancing measures for credit risk and risks associated with banks' activities in the insurance and securities' markets. The securities regulatory regime is undergoing modernization and reform. The insurance sector is posing new supervisory challenges with high supervisory reliance on the actuarial system in the absence of proper standards for the approval of an appointed actuary. The regulatory and supervisory framework for AML/CFT is largely in place though the assessment found a weakness in the oversight of remittance agents and money changers. **Cooperation and information exchange:** The Securities and Futures Commission has been active in entering into agreements for sharing information with domestic and foreign regulatory agencies. To meet the challenges of increasing regional competition and integration with the Mainland, it is important to strengthen cross-border information sharing mechanisms and regulatory arrangements.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Singapore	2002	completed	published	Standards assessed: BCP, ICP, SCP, FATF[5/]. **Overall assessment:** Overall, the Monetary Authority of Singapore has established a sound prudential and regulatory framework for effective supervision of its commercial banking sector. Insurance supervision shows a high degree of observance with the Core Principles. The framework for the oversight and regulation of securities markets, intermediaries, issuers, and collective investment schemes is well developed, and sophisticated. Singapore has in place a sound and comprehensive legal, institutional, policy and supervisory framework for AML/CFT. **Cooperation and information exchange:** International cooperation is generally working. With respect to FATF Recommendations, there are limitations on Singapore's ability in practice to provide particular kinds of mutual legal assistance such as the provision of bank records and enforcement of confiscation orders. However, the authorities adopt a pragmatic approach to finding a basis to meet requests they consider to be well-founded.
Middle East				
Bahrain	2005	scheduled	n.a.	n.a.
Lebanon[7/]	1999	completed	n.a.	n.a.
Europe				
Ireland[7/]	2000	completed	n.a.	n.a.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Luxembourg	2001, 2003 AML/CFT	completed	published published	Standards assessed: BCP, ICP, SCP, FATF[8/] **Overall assessment:** The mission found strong conformance with supervisory and regulatory principles with reliance on the work of external auditors in the banking and securities industries. The mission recommended improving the capacity of the insurance supervisor. Luxembourg is broadly compliant with almost all of FATF recommendations but improvement are needed in various areas including the limited scope of predicate offences, the reporting of suspicions of FT, and the FIU legal framework. **Cooperation and information exchange:** Continuation of the ongoing policy of exchanging information was recommended. Stronger cooperation in life insurance and reinsurance might enhance the soundness of the supervisory system. In AML/CFT there should be a legal basis for a wider range of investigations.
Malta	2002	completed	published	Standards assessed: BCP, ICP, SCP, FATF[5/]. **Overall assessment:** The Maltese authorities have a comprehensive legal framework and strongly adhere to most international standards and codes. Nevertheless, the overall supervisory framework could be improved by establishing effective cooperation between the single financial regulator and the central bank, by clearly delineating their respective roles in capital markets supervision, and by improving the supervision of insurance company internal controls and investment policies. The authorities should ensure that the financing of terrorism is fully criminalized, and that the newly introduced elements of the comprehensive methodology should be swiftly implemented. **Cooperation and information exchange:** Appropriate legal provisions are in place in banking supervision, in insurance the supervisor cooperates closely with most foreign supervisors, and in securities amended legislation facilitates the exchange of information. There are a number of laws and procedures that provide a wide range of mutual legal assistance in ML/FT.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Switzerland	2001	completed	published	Standards assessed: BCP, ICP, SCP, FATF[6/]. **Overall assessment:** The supervisory system is effective and has been strengthened in recent years in terms of quality and quantity, with a focus on large institutions and a more risk-based approach. External auditors and self-regulatory bodies play a key role in the supervisory process, and staff notes that this approach would benefit from a more formalized quality assurance program for supervising external auditors. Staff favored rapid adoption of the new law on insurance, and notes that the supervisors would benefit from clearer enforcement powers. Staff recommended that all asset managers be brought within the overall prudential regulatory framework. The Swiss AML regime in the financial supervisory area is broadly in line with international best practice. **Cooperation and information exchange:** In the banking sector, consideration should be given to formalizing current information sharing arrangements with foreign supervisors in countries where Swiss banks have significant operations, but current informal arrangements have not impaired consolidated supervision. Swiss law does not allow adequate cooperation with respect to the sharing of customer-related data with foreign regulators; plans for an amendment had been announced.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Western Hemisphere				
Antigua and Barbuda	2004	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** Offshore banking assessors identified the need to enhance prudential supervision including a risk-based framework for capital adequacy and the need to implement supervisory guidelines for, inter alia, credit, market, and connected lending risk. The absence of meaningful mind and management in the jurisdiction by some offshore banks will continue to be a challenge for the conduct of periodic on-site inspections overseas. **Cooperation and information exchange:** An effective information sharing agreement is needed between the offshore banking supervisor and the domestic supervisor, the Eastern Caribbean Central Bank (ECCB), as a matter of priority. MOUs with overseas regulators are in place, but implementation challenges remain. On domestic banking, assessors identified the need for the ECCB to establish a more formal information exchange mechanism with home supervisors, especially with respect to the consolidated supervision of significant regional banking groups.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Barbados	2002	completed	published	Standards assessed: BCP, ICP, SCP, FATF[6/]. **Overall assessment:** Compliance with international supervisory standards is high both in the onshore and the offshore banking sectors. There are serious weaknesses in the regulatory and supervisory framework for insurance arising in the organization and resources of the supervisor, implementation of prudential rules, and onsite inspections. There is a low level of capital market activity, nevertheless implementation of the SCP in line with international standards require effective inspections and prudential and regulatory requirements. The authorities have worked hard to develop an effective framework for AML/CFT - the degree of effectiveness is commensurate with the broader supervision in each sector. **Cooperation and information exchange:** In offshore banking, supervisory information is exchanged , as appropriate, with foreign supervisory authorities, through ongoing informal contacts. The insurance supervisor has been proactive with respect to communication with foreign regulators. In securities, domestic and foreign cooperation requires improvement, and potentially more formal arrangements.
Costa Rica	2001	completed	published	Standards assessed: BCP. **Overall assessment:** As of end-2001, a substantial part of the financial system (particularly offshore banking) was not subject to regulation and supervision. However, since then, in response to concerns raised by the FSAP, important reforms were undertaken. These included efforts to enable consolidated cross-border supervision, a new regulatory framework for financial groups, training in risk management for supervisors, accounting standards, and new know-your-customer guidelines. **Cooperation and information exchange:** The bank supervisor is not empowered to request relevant information from offshore subsidiaries that are operating as banks in Costa Rica. Extended supervisory powers and effective systems of systemic information exchange are needed with countries where Costa Rican financial groups are established.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
Dominica	2003	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** Joint assessment for the Eastern Caribbean Currency Union (ECCU). In domestic banking supervision, assessors noted the need to strengthen the legislative framework to enhance the powers and autonomy of the Eastern Caribbean Central Bank (ECCB) and to generally beef up the enforcement process. More frequent and comprehensive on-site examinations and implementation of a risk-based framework are required. **Cooperation and information exchange:** On domestic banking, assessors identified the need for the ECCB, the supervisor of domestic banks, to establish a more formal information exchange mechanism with home supervisors, especially with respect to the consolidated supervision of significant regional banking groups.
Grenada	2003	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** Joint assessment for the Eastern Caribbean Currency Union (ECCU). In domestic banking supervision, assessors noted the need to strengthen the legislative framework to enhance the powers and autonomy of the Eastern Caribbean Central Bank (ECCB) and to generally beef up the enforcement process. More frequent and comprehensive on-site examinations and implementation of a risk-based framework are required. **Cooperation and information exchange:** On domestic banking, assessors identified the need for the ECCB to establish a more formal information exchange mechanism with home supervisors, especially with respect to the consolidated supervision of significant regional banking groups.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
St. Kitts and Nevis	2003	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** Joint assessment for the Eastern Caribbean Currency Union (ECCU). In domestic banking supervision, assessors noted the need to strengthen the legislative framework to enhance the powers and autonomy of the Eastern Caribbean Central Bank (ECCB) and to generally beef up the enforcement process. More frequent and comprehensive on-site examinations and implementation of a risk-based framework are required. **Cooperation and information exchange:** On domestic banking, assessors identified the need for the ECCB to establish a more formal information exchange mechanism with home supervisors, especially with respect to the consolidated supervision of significant regional banking groups.
St. Lucia	2003	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** Joint assessment for the Eastern Caribbean Currency Union (ECCU). In domestic banking supervision, assessors noted the need to strengthen the legislative framework to enhance the powers and autonomy of the Eastern Caribbean Central Bank (ECCB) and to generally beef up the enforcement process. More frequent and comprehensive on-site examinations and implementation of a risk-based framework are required. **Cooperation and information exchange:** On domestic banking, assessors identified the need for the ECCB to establish a more formal information exchange mechanism with home supervisors, especially with respect to the consolidated supervision of significant regional banking groups.

Table 3. International and Offshore Financial Centers Contacted—Assessments under the FSAP				
Jurisdiction	Year of Assessment [1/]	Assessment status[2/]	Publication status [3/]	Comments [4/] (Summary Findings as of Assessment Date)
St. Vincent and the Grenadines	2003	completed	published	Standards assessed: BCP, FATF[5/]. **Overall assessment:** Assessors identified the need to enhance prudential supervision including introduction of a risk-based framework for capital and implementation of prudential requirements that establishes guidelines for large exposures and connected lending. Assessors also noted that supervisory capacity is thin. The absence of meaningful mind and management in the jurisdiction poses a challenge for effective supervision. **Cooperation and information exchange:** The Offshore Finance Authority of St. Vincent (OFA) has virtually no reason to be in contact with overseas regulators. However, to be prepared, the OFA should be granted the authorization to examine affiliates both in St. Vincent and overseas and the power to limit their activities. As regards domestic banking, assessors identified the need for the Eastern Caribbean Central Bank (ECCB), the supervisor of domestic banks, to establish a more formal information exchange mechanism with home supervisors, especially with respect to the consolidated supervision of significant regional banking groups.

Notes:

[1/] Calendar year of first mission.

[2/] The categories in the table have the following meanings:
completed = assessment mission and review have been completed;
scheduled = a date for the assessment has been agreed with the authorities.

[3/] The categories in the table have the following meanings:
published = the Financial System Stability Assessment (FSSA) has been published. See http://www.imf.org/external/np/fsap/fsap.asp#cp, and http://www.imf.org/external/np/rosc/rosc.asp .
n.a. = not applicable;

[4/] Indicates areas of formal assessment and provides brief summaries of findings for reports that are published. These summaries relate only to the situation encountered at the time of the assessment, and do not reflect any subsequent changes. Furthermore, the standard for AML/CFT was revised in 2003 and 2004 and the insurance standard was revised in 2003. They may not therefore be descriptive of current supervisory conditions. BCP = Basel Core Principles, ICP = IAIS Core Principles (of October 2000), SCP = IOSCO Objectives and Principles, FATF = FATF Forty Recommendations against Money Laundering and Eight Special Recommendations on Terrorist Financing.

[5/] The AML/CFT standard was assessed relative to the October 2002 methodology endorsed by FATF and the Fund.

[6/] The AML/CFT standard was assessed using draft versions of the methodology available at the time of the assessment.

[7/] Both Lebanon and Ireland had FSAPs before the start of the OFC program in the pilot phase of the FSAP. The Fund did not publish reports produced in the pilot. The FSAP for Lebanon, which is a regional financial center, was updated in 2001.

[8/] The AML/CFT standard was assessed in November 2003 relative to the October 2002 methodology.

Table 4. Compliance with Principles and Recommendations Related to Cooperation and Information Sharing.

	Jurisdictions found compliant (in percent) 1/	
	Assessed jurisdictions	International and offshore financial centers
Basel Core Principles		
1. Preconditions for Effective Banking Supervision		
1.6 Information sharing	65	82
Cross-Border Banking		
23. Global consolidated supervision	59	83
24. Host country supervision	69	88
25. Foreign banks' establishments	72	87
IAIS Core principles		
Cross-Border Business Operations		
15. Cross-border business operations	85	90
Coordination, Cooperation, Confidentiality		
16. Coordination and cooperation	74	81
17. Confidentiality	97	100
IOSCO Objectives and Principles		
Principles for Cooperation in Regulation		
11. Information sharing	50	65
12. Information sharing mechanisms	47	69
13. Cooperation with foreign regulators	55	76
FATF Recommendations		
3 – Multilateral cooperation and mutual legal assistance in combating ML	61	94
26 – Adequate AML programs in supervised banks, financial institutions or intermediaries; authority to cooperate with judicial and law enforcement	52	65
32 – International exchange of information relating to suspicious transactions, and to persons or corporations involved	54	88
33 – Bilateral or multilateral agreement on information exchange when legal standards are different should not affect willingness to provide mutual assistance	77	93
34 – Bilateral and multilateral agreements and arrangements for widest possible range of mutual assistance	74	76
37 – Existence of procedures for mutual assistance in criminal matters for production of records, search of persons and premises, seizure and obtaining of evidence for ML investigations and prosecution	63	71
38 – Authority to take expeditious actions in response to foreign countries' requests to identify, freeze, seize and confiscate proceeds or other property	70	88
40 – ML an extraditable offense	71	82
Eight Special Recommendations on Terrorist Financing		
SR V – Provide assistance to other countries' FT investigations	52	50

Source: Table 4, 5,6 and 7. SM/04/92 - March 15, 2004.

1/ In percentage of the number of jurisdictions in which the principle or recommendation (for FATF) was found to be applicable, and was assessed as compliant and largely compliant (BCP and FATF), observed or largely observed (ICP), and implemented or largely implemented (SCP).

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Table 5. Projected Offshore and International Financial Center Assessments

	Initial Assessment				Size in US $ billion, 2003 2/	Updates or Assessments
	Jurisdictions	Date 1/	Type of assessment	Standard(s) Assessed		
1	Bahrain	2000	Stand Alone	BCP	100.9	FSAP (1st round) scheduled (2005)
2	Ireland 3/	2000	FSAP		577.8 (May 2003)	FSAP update requested by authorities (FY 2006)
3	Lebanon 3/	2001	FSAP		60.1	
4	Aruba	2001	Module 2	BCP, ICP	2.4	
5	Costa Rica	2001	FSAP	BCP	8.7	
6	Cyprus	2001	Module 2	BCP	35.7	Module 2 (2nd round) scheduled (2005)
7	Gibraltar	2001	Module 2	BCP, ICP, SCP	8.7	Module 2 (2nd round) scheduled (2006)
8	Luxembourg	2001	FSAP	BCP, ICP, SCP, FATF 4/	1,083.8	Updated AML/CFT assessment (2004)
9	Macao SAR	2001	Module 2	BCP, ICP	19.5	
10	Panama	2001	Module 2	BCP	32.3	Module 2 (2nd round) scheduled (2005)
11	Switzerland	2001	FSAP	BCP, ICP, SCP, FATF 4/	1,808.6	
12	Andorra	2002	Module 2	BCP, FATF 4/	10.4 (2001)	
13	Anguilla	2002	Module 2	BCP, FATF 5/	0.4 6/	
14	Bahamas, The	2002	Module 2	BCP, SCP, FATF 5/	296	
15	Barbados	2002	FSAP	BCP, ICP, SCP, FATF 4/	38.5 (2002)	
16	British Virgin Islands	2002	Module 2	BCP, ICP, FATF 5/	55	
17	Guernsey	2002	Module 2	BCP, ICP, SCP, FATF 5/	130	
18	Hong Kong SAR	2002	FSAP	BCP, ICP, SCP, FATF 5/	838.1	
19	Isle of Man	2002	Module 2	BCP, ICP, SCP, FATF 5/	44.3	
20	Jersey	2002	Module 2	BCP, ICP, SCP, FATF 5/	341 (Sept. 2003)	
21	Liechtenstein	2002	Module 2	BCP, ICP, SCP, FATF 5/	30.7	
22	Malaysia (Labuan)	2002	Module 2	BCP, ICP, SCP, FATF 5/	18.7 (June 2002)	
23	Malta	2002	FSAP	BCP, ICP, SCP, FATF 5/	21.1	
24	Marshall Islands	2002	Module 2	BCP, FATF 4/	1.0	
25	Mauritius	2002	FSAP	BCP, FATF 5/	10.1 (June 2003)	
26	Monaco	2002	Module 2	BCP (partial), SCP, FATF 4/	75.7	
27	Montserrat	2002	Module 2	BCP, FATF 5/	1.1 (June 2002)	
28	Netherlands Antilles	2002	Module 2	BCP, ICP, FAT F4/	43.7	
29	Palau	2002	Module 2	BCP, FATF 4/	1.4 (June 2001)	
30	Samoa	2002	Module 2	BCP, FATF 4/	0.5 (2002)	
31	Seychelles	2002	Module 2	BCP, FATF 4/	1.1	
32	Singapore	2002	FSAP	BCP, ICP, SCP, FATF 5/	213.3	
33	Vanuatu	2002	Module 2	BCP, ICP, FATF 4/	2.8	
34	Belize	2003	Module 2	BCP, ICP, FATF 5/	0.7	
35	Bermuda	2003	Module 2	BCP, ICP, SCP, FAT F5/	200	
36	Cayman Islands	2003	Module 2	BCP, ICP, SCP, FATF 5/	1,045	
37	Dominica 7/	2003	FSAP	BCP, FATF 5/	0.3 6/	
38	Grenada 7/	2003	FSAP	BCP, FATF 5/	0.6 6/	
39	St. Kitts and Nevis 7/	2003	FSAP	BCP, FATF 5/	0.8 6/	
40	St. Lucia 7/	2003	FSAP	BCP, FATF 5/	1.0 6/	
41	St. Vincent and the Grenadines	2003	FSAP	BCP, FATF 5/	0.6 (June 2003)	
42	Turks and Caicos Islands	2003	Module 2	BCP, ICP, FATF 5/	0.5 (2002)	
43	Antigua and Barbuda	2003	FSAP	BCP, FATF 5/	4.0 (2002)	
44	Cook Islands	2004	Module 2	BCP, FATF 5/	0.1	
45	Nauru 8/	n.a.	n.a.		n.a.	
46	Niue 8/	n.a	n.a.		n.a	
Proposed new jurisdictions to be assessed:						
47	Brunei				2 (June 1998)	
48	Dubai (U.A.E.)				n.a.	
49	Botswana				2.7 (Aug. 2003)	Initial FSAP requested by authorities (2005)
50	San Marino				4.7 (2000)	Initial FSAP requested by authorities (2005)
51	Uruguay				11.6	

1/ Calendar year of first mission. Some FSAPs have had multiple missions which did not occur in a single year.
2/ Indicates size (total assets) of largest sector in the jurisdiction as of end of year 2003, unless otherwise indicated. Source: national authorities or IMF assessments.
3/ FSAP assessments were conducted as part of the FSAP pilot. The Fund did not publish reports produced in the pilot.
4/ The AML/CFT standard was assessed using draft versions of the methodology available at the time of the assessment.
5/ The AML/CFT standard was assessed relative to the October 2002 methodology endorsed by FATF and the Fund.
6/ Size denotes domestic banking sector assets.
7/ Offshore activities in these jurisdictions were not significant enough to warrant an assessment. These jurisdictions have been invited to participate in the information dissemination and monitoring initiative to facilitate offsite monitoring.
8/ Given the limited volume of activities in these jurisdictions, they are receiving TA in lieu of assessment.

OFFSHORE FINANCIAL CENTER PROGRAM

CONFERENCE ON

CROSS-BORDER COOPERATION AND INFORMATION EXCHANGE

WASHINGTON D.C., JULY 7–8, 2004

Aide Mémoire

The conference underlined the critical importance of international cooperation and information exchange among financial sector agencies in view of the growing integration of world markets and deepened international operations of financial firms. Participants agreed that the conference had been a very useful contribution to strengthening communications across sectors and jurisdictions, and in elaborating the major approaches and impediments to information exchange and cooperation.

The conference concluded:

- Effective channels for cooperation and information exchange are needed;
- An appropriate balance must be achieved between the public interest in obtaining and using information and protection of civil rights;
- While there are historical differences in emphasis in the objectives of cooperation and information exchange in the different sectors—banking and insurance were focused on solvency while securities focused on enforcement investigation—AML/CFT customer due diligence requirements and conglomeration in the financial services industry are bringing the requirements closer together;
- There is a spectrum of instruments that facilitates cooperation including informal contacts and MOUs. Many jurisdictions emphasized the value of informal and flexible arrangements, while acknowledging that, without legal gateways, informal contacts may not be adequate for civil and criminal proceedings;
- It is essential that national laws provide the basic gateways and do not impede cooperation and information exchange.

To enhance cooperation, the conference strongly encouraged:

- Standard setters to consider making information on contact persons more readily available to relevant agencies;
- National authorities to consider publishing information on contacts, gateways, and requirements indicating “how” to communicate with them, including their statistics on information sharing as well as unsolicited transmission;
- The IMF, in collaboration with the standard setters, to conduct a stock taking of barriers, gateways, and practices on the basis of an expanded IMF survey and information from FSAP and OFC assessments. The stock taking could include a comparison of the four standards’ principles on information exchange to identify common elements and differences and ways to help facilitate compliance with the standards.