



Newsletter

Volume No. 4 | 2021

WHAT'S INSIDE THIS ISSUE

- Corporate Governance - Building the Governance Operating Model
- Legislative Updates
- Statistical & Other Updates
- Messages from the Team
- ...and more!

INTRODUCTORY NOTE: The Financial Services Regulatory Commission (the “Commission”) continues to provide onsite and offsite surveillance as part of its supervisory mandate to ensure that the operations of corporate management and trust service providers (“corporate service providers”) in Antigua and Barbuda are in compliance with applicable laws and sound prudential standards. In this connection, and in response to the expressed interest of several corporate service providers, we are pleased to announce that this publication of our newsletter will spotlight the issue of corporate governance. The Commission’s ongoing surveillance has identified this as a key improvement area. Discussions will also provide perspective on building an effective governance operating model.

CORPORATE GOVERNANCE ASSESSMENT - The Commission has conducted onsite reviews of over 80% of licensed corporate service providers which included assessments of directors' and managers' effectiveness in the discharge of their functions in managing the business's operational risks in line with industry standards. In keeping with this, assessments were conducted of the corporate governance framework.

A key element of this framework is a corporate service providers' risk and performance management. For the purpose of this discussion, corporate governance may be defined simply as the system by which companies are directed and controlled. It involves a careful balance of stakeholders' (shareholders, directors, managers, employees, clients etc.) interests in meeting the objectives of a company.



The findings of onsite examinations conducted within the past three (3) years found that 36% of the governance framework of licensed corporate service providers was generally satisfactory while the remaining 64% required further strengthening in one or several areas. The examinations had largely confirmed the board's involvement in the development and implementation of policies and procedures governing a licensee's operation. However, further improvements were needed in several areas which suggested that boards could benefit from greater direction on the specific requirements for effective oversight at the granular level. For instance, some examination findings revealed inadequate reporting and a disconnection of policies and practices. These issues can be addressed through the implementation of an effective governance operating model tailored to the size, risk profile and business needs of respective corporate service providers.

GOVERNANCE OPERATING MODEL - In seeking to address operational requirements and meet regulatory expectations, a governance operating model can provide useful direction to boards and management in addressing gaps in the governance framework. This is especially true for corporate service providers who generally operate with limited resources and may be more susceptible to money laundering, terrorist financing and a range of other emerging risks such as cyber security threats. Leading management consultancy firm, Deloitte & Touche LLP has suggested that a governance operating model can assist boards and management by organizing related processes and mechanisms which interact across a business's operation to provide consistent and transparent guidance for more effective oversight. With this in mind, corporate service providers are encouraged to review their corporate governance framework in conjunction with the several risk areas associated with the business, to formulate a governance operating model which should include the following components: -

- **Assessment of the Risk Strategy:** Boards should know the required skills and composition necessary to execute their oversight responsibility. Essential to this, is an understanding of the company's business model and the inherent or associated risks. Moreover, in order to advise management on policies which govern operational activities, boards must know the key enterprise risks which threaten the business and the company's risk management strategy predicated on its overall risk appetite. The Commission's past reviews have revealed that the overall risk strategy of some corporate service providers needed to be documented and known by all relevant personnel as a necessary first step in building a solid corporate governance structure tailored to a business's unique situations and inherent risk.
- **Defined Roles and Responsibilities of the Board and Management:** Boards and management committee structures should be considered to better align skills and responsibilities and give clearer definition to reporting protocols. This will minimize the noted exposures associated with under-reporting and provide a greater understanding of 'who is responsible for what'.

- **Adequacy of risk management infrastructure** – An important component of the governance operating model considers the balance of people, processes and systems across the business to manage risk. Importantly, the findings of examinations have indicated gaps in the risk management framework of some corporate service providers which emanate from a mismatch of risk and resources. These results suggest that risk management infrastructure should also consider the balance of people, processes and systems tasked with controlling risk at all levels of the business.
- **Adequate reporting structures** – In addition to organizational structures, boards require management information from all key risk areas of the business for prudent and informed decision making. The Commission's examination findings mentioned earlier suggest that boards could benefit from clearer and well implemented reporting protocols which are known and understood by all employees and external stakeholders. Examinations have also shown that the documentation of key board decisions was limited on several occasions. Management information should provide perspective on key risk indicators and recommendations on how these are measured and controlled.
- **Periodic assessments and gap analyses** – The governance operating model should include a testing mechanism to monitor the alignment of strategy, risk, controls, compliance, incentives and people. Periodic assessments of the governance operating model ensures effective linkages of strategy and execution which will empower corporate service providers to better anticipate and manage emerging risks such as those associated with cyber security threats which are potentially disruptive and could alter the business risk profile.



The International Trust (Amendment) Act, 2021 No. 15 of 2021 was passed on July 16, 2021. This amendment seeks to strengthen the effectiveness of the international trust registration requirements in line with international standards. Of significance, corporate service providers should note that the principal legislation is now amended in the following areas:

- Definitions;
- Registration requirements;
- Annual attestation of beneficial ownership and control;
- Removal of disqualified trusts; and
- Obligations of Trustees

More information on the recent amendment is now available via [Financial Services Regulatory Commission \(gov.ag\)](#)

Did You Know:

An international trust registration package can be sent directly to your inbox. For more information or to request your package, please send your request to registryandCMTSP@fsrc.gov.ag.

Digital Asset Business Regulations, 2021, No. 38 of 2021 was passed on May 14, 2021. This regulation provides guidance on the application process for obtaining a digital assets business licence as well as a range of ancillary provisions governing the following:

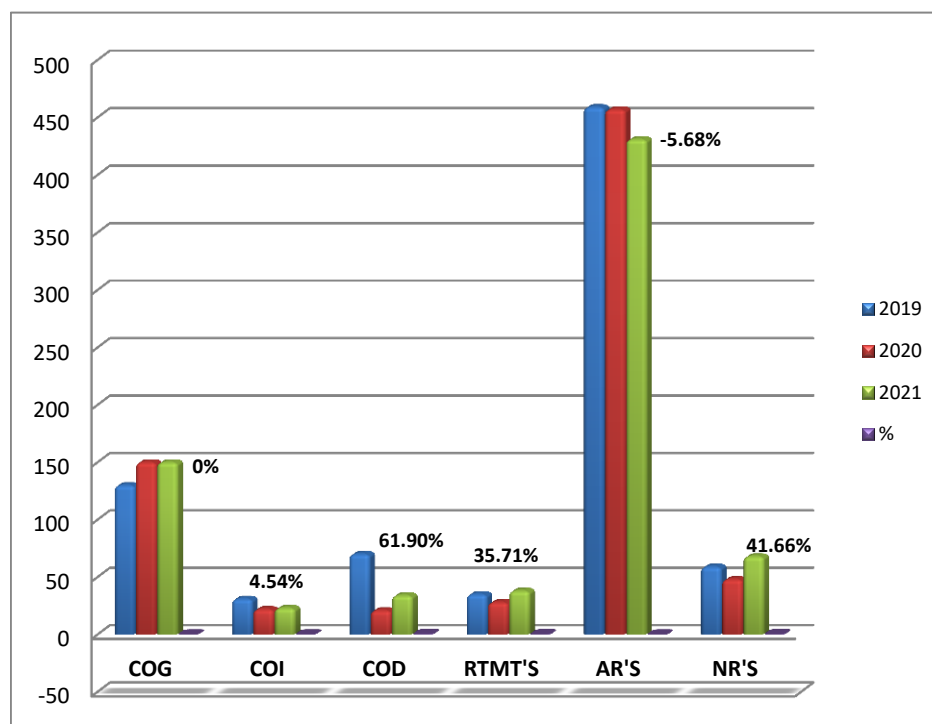
- Record keeping;
- Disclosure requirements;
- Digital asset business licence renewal; and
- Surrender of a licence undertaking.

The provision of digital asset business is a licensed activity and corporate service providers and all other stakeholders are invited to share information with their clients and associates who may be, or are desirous of, conducting digital asset business as defined under the Digital Assets Business Act 2020, No. 16 of 2020. Further information on the legislation and application process can be accessed at [Financial Services Regulatory Commission \(gov.ag\)](#)



The following chart represents the movement of registration and post-registration services for the period ended June 30, 2021 compared to the same period in 2019 and 2020. At the end of the reporting period a 41.66% increase in new incorporations was recorded. Similarly, a 35.71% rise in company reinstatements was also noted. Increases were also seen in other post-registration services such as change of directorship. Conversely, a nominal 5.68% drop in annual renewals was also observed.

Percent Change in Registration Services, June 30 2019-2021



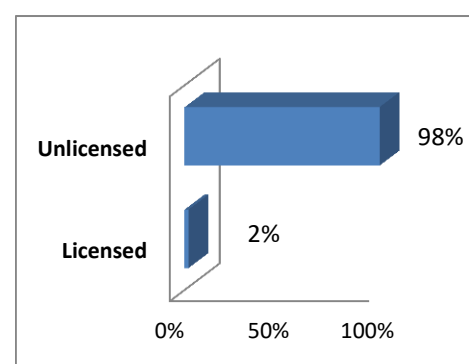
COG	Certificate of Good Standing	RTMTS	Reinstatement of Company
COI	Certificate of Incumbency	AR's	Annual Renewals
COD	Change of Directorship	NR's	New Incorporations

MFC: Micro Finance Companies; MSBs: Money Service Business; IIC: International Insurance Companies; IC: Insurance Companies; IB: International Banks; CMTSP: Corporate Management and Trust Service Providers

The Commission continues to maintain a portfolio of registered IBCs of which only 2% hold licenses in the following areas:

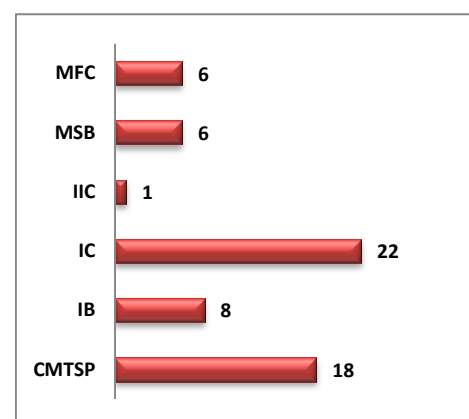
- Corporate management and trust service providers (CMTSPS);
- International banking (IB);
- International gaming; and
- International insurance (II).

Breakdown of Registered IBCs



There are currently no licensed international trust companies or digital asset businesses registered with the Commission.

Breakdown of Licensed Entities



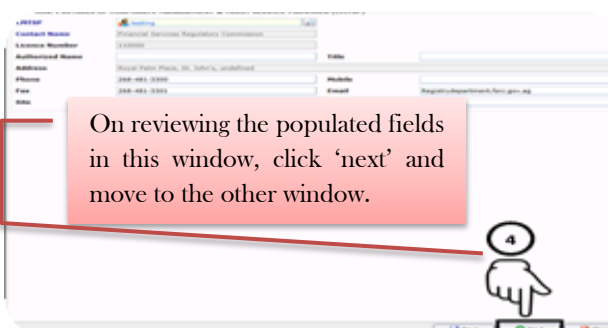
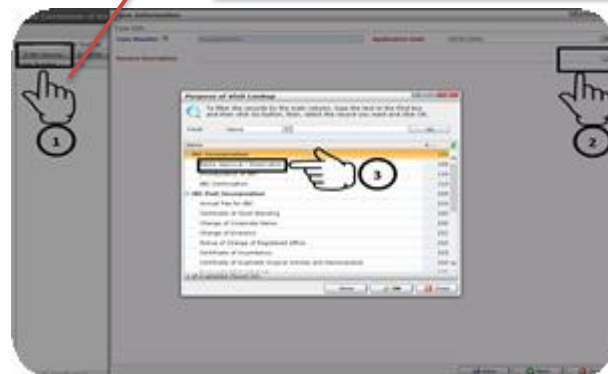
ONSITE EXAMINATIONS: Due to the ongoing restrictions of the COVID-19 pandemic, onsite examinations will remain suspended for the time being. However, examinations will be conducted during the fourth quarter of 2021 using a virtual platform.

CORPORATE PURPOSE CLASSIFICATIONS & ISIC CODES: The team thanks those who have taken advantage of the eRegistry's ability to identify industry classifications through available ISIC codes. All corporate service providers are reminded to use the embedded codes to identify the appropriate industry class when uploading name approvals/reservations, incorporations and business continuances to the eRegistry. More information on the use of ISIC codes can be found at: [IBC Circular 1 of 2021 corporate purpose classifications and the utilization of eRegistry ISIC Codes.pdf \(gov.ag\)](#); and [What is an ISIC Code? - SICCODE.com](#)

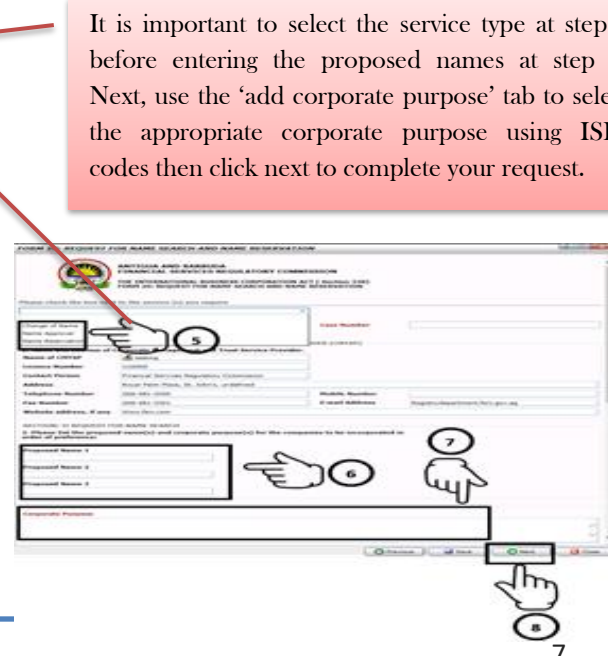
BENEFICIAL OWNERSHIP & CONTROL: The team takes this opportunity to remind all providers of corporate management and trust services of the legal requirement to identify the natural beneficial owners and persons having control of legal structures in line with Circular No. 3 of 2021 which was issued in July. The Commission continues to note several exceptions in the use of corporate structures for beneficial ownership disclosures. Corporate service providers should take steps to mitigate the risk of legal structures being used for money laundering or terrorist financing. In this connection, information should identify *natural persons* having beneficial ownership and control and must be kept accurate, up to date and available on a timely basis in accordance with legal requirements. Some additional resources include: [Best Practices on Beneficial Ownership for Legal Persons \(Fatf-Gafi.Org\)](#)

eREGISTRY TIP: Guidance is provided below on the process of requesting a name approval/reservation via the eRegistry.

First, select the 'IBC Service Tab' on your dashboard. Next, open the services description window and select 'name approval/reservation'.



On reviewing the populated fields in this window, click 'next' and move to the other window.



It is important to select the service type at step 5 before entering the proposed names at step 6. Next, use the 'add corporate purpose' tab to select the appropriate corporate purpose using ISIC codes then click next to complete your request.

WORD PUZZLE - CORPORATE GOVERNANCE

C O R P O R A T E G O V E R N A N C E Z K I U E
D F L Q P C R W W X O H F M S L V G U J R F T L
E C P Z O E W H H C K K L O Z M X B R N N M G E
C R I S K C O N T R O L B M O B I W F U T A R D
I V O A U D P I P E R I O D I C T E S T I N G O
S Y A V G H H R S Y I V P R U J H T O A S A B M
I A V Z N V O O S N S K J H X P I G O M G H G
O S O B Z V L Z C C E L P O E P Z K S L Y E N N
N I J L H G L C U N E R Z F X C M Y I S E M Z I
S I D D G J M I O Y F S M P C S U H I S D E U T
V H O V E R S I G H T O S J Y M Y D F D R N F A
F K G Z P V X L V A G C W E M E F U G L G T E R
P G A G T B D O Z V Y R S H S T H J N C F C C E
R T P J G X R E J S G N L V L S W C I F K O N P
M T A E D I W Y N A P M O C U Y B H T O N M A O
K C N T N E R A P S N A R T J S I T R M F M I I
B N A H B M G R Q L T N E V T O L D O Y L I L A
B L L Y L P E T I T E P P A K S I R P R Q T P N
F Z Y W U R I R U A J X C K D J B J E G S T M U
O F S T A F F A L I G N M E N T S U R E J E O Y
F W I J N B Y T C O N S I S T E N T E Z A E C M
N C S F V W S R O T C E R I D F O D R A O B U Y
B Q T F T F D Z I C G Y G J Q I J Q C X E U O C
G L P D E Q B C R P X Y A S S E S S M E N T S I



Assessments	People
Board of Directors	Periodic Testing
Company-Wide	Processes
Compliance	Reporting
Consistent	Risk Appetite
Corporate Governance	Risk Control
Decisions	Staff Alignments
Gap Analysis	Systems
Management Committee	Transparent
Operating Model	
Oversight	



**Our Mission: To develop Antigua and Barbuda as an effectively regulated,
well managed major financial services jurisdiction**

WE INVITE YOUR QUESTIONS & COMMENTS

IBCs & CMTSPs Department

Financial Services Regulatory Commission