MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Economic & Market Overview

July 2012

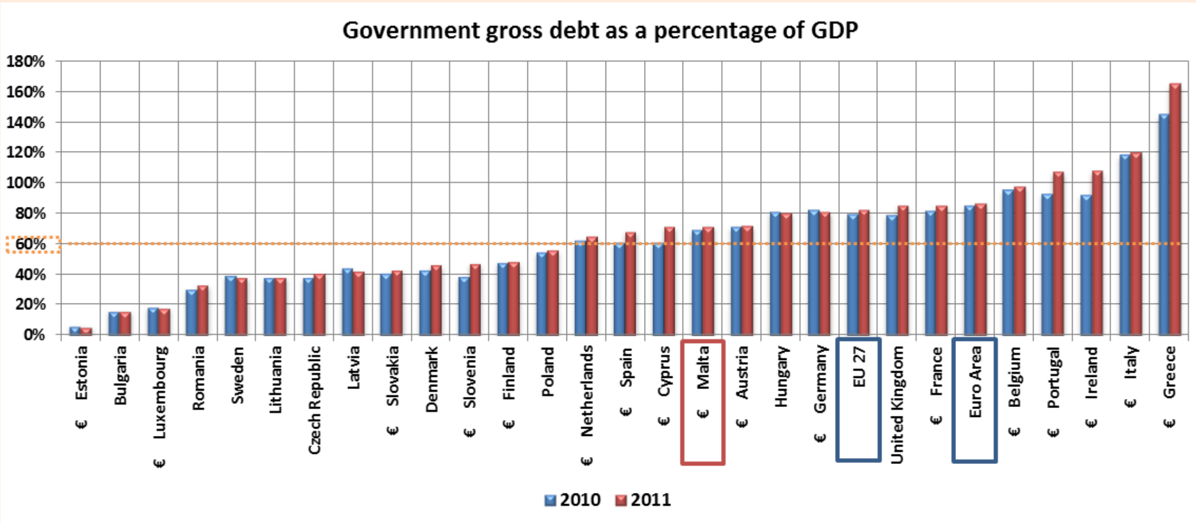
Contents

Section 1: EU Member States Economic Performance

The following are the euro convergence criteria stipulated by the Maastricht Treaty, together with the criteria dealing on fiscal discipline and stability as enforced by the Stability and Growth Pact and the Six Legislative Framework:

- *Gross Government Debt-to-GDP ratio* must not exceed 60 per cent at the end of the preceding fiscal year or at least is approaching the reference value at a satisfactory pace;
- *Annual government deficit-to-GDP ratio* must not exceed 3 per cent at the end of the preceding fiscal year;
- *Inflation rate* must not be 1.5 percentage points higher than the average of the three best performing member states;
- *Average nominal long-term interest rate* must not be greater than 2 percentage points than that of the three best performing countries in terms of price stability.

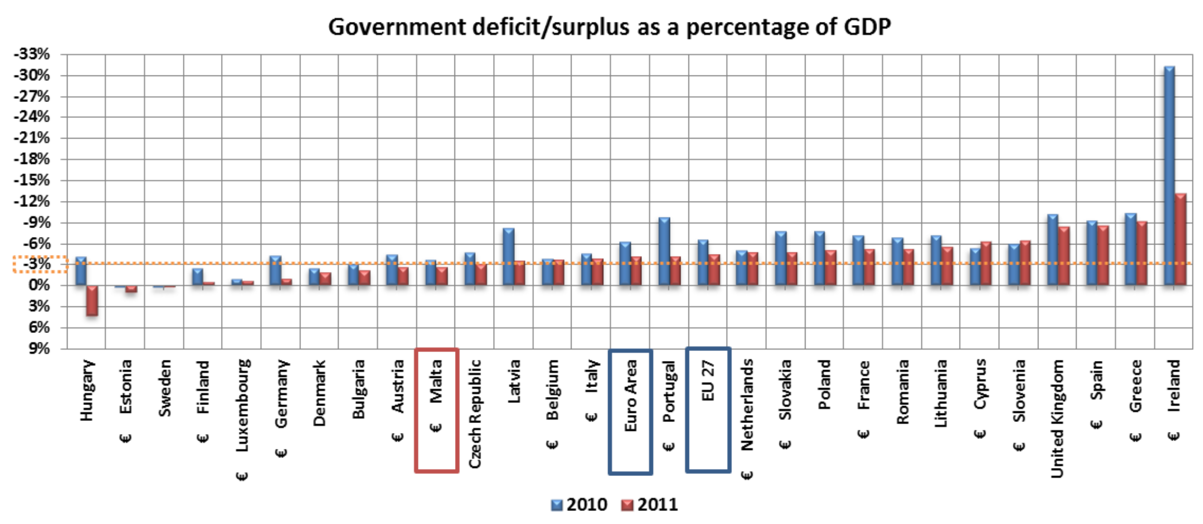
The following charts give a brief overview of how EU member states, both euro and non-euro member, performed during 2010 and 2011 with respect to the above mentioned criteria.



Source: *Eurostat figures*

The government gross debt-to-GDP ratio for Malta stood at 72% in 2011; 82.5% in the EU; and 87.2% in the Eurozone.

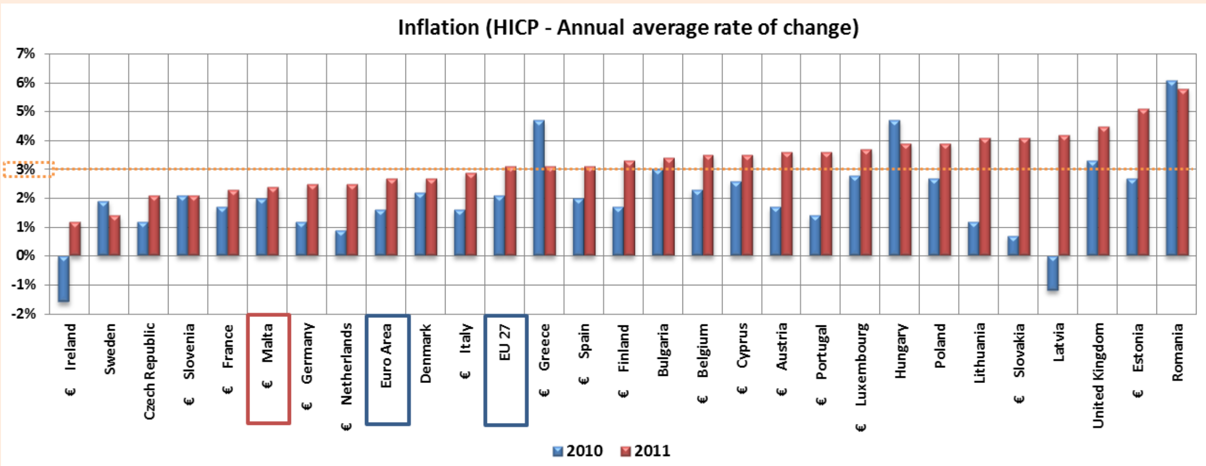
The Netherlands, Spain, Cyprus, Malta, Austria, France, Belgium, Portugal, Ireland, Italy, and Greece are the euro member countries that incurred a debt-to-GDP ratio of greater than 60 per cent and continued to suffer an increase in ratio from 2010 to 2011.



Source: *Eurostat figures*

The Government deficit/surplus-to-GDP ratio for Malta stood at -2.7% in 2011; -4.5% in the EU; and -4.1% in the Eurozone.

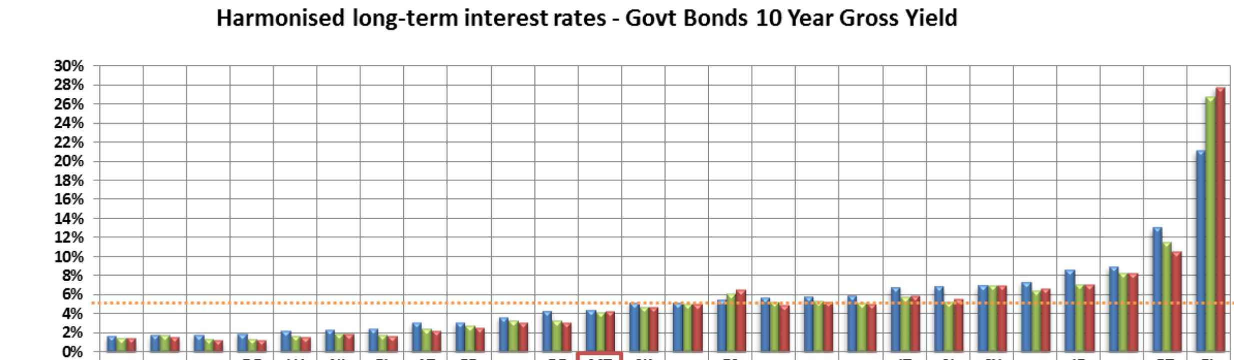
The Eurozone countries incurring a deficit-to-GDP ratio greater than the 3% benchmark during 2011 are Belgium, Italy, Portugal, the Netherlands, Slovakia, France, Cyprus, Slovenia, Spain, Greece and Ireland.



Source: *Eurostat figures*

The inflation rate, measured by the Harmonised Index of Consumer Prices (HICP), for Malta stood at 2.4% in 2011; 3.1% in the EU; and 2.7% in the Euro area.

The euro member countries with the lowest inflation rates were Ireland, Slovenia and France, hence setting the inflation rate benchmark at 3.1%. The Eurozone countries incurring an inflation rate higher than the benchmark during 2011 are Greece, Spain, Finland, Belgium, Cyprus, Austria, Portugal, Luxembourg, Slovakia and Estonia.

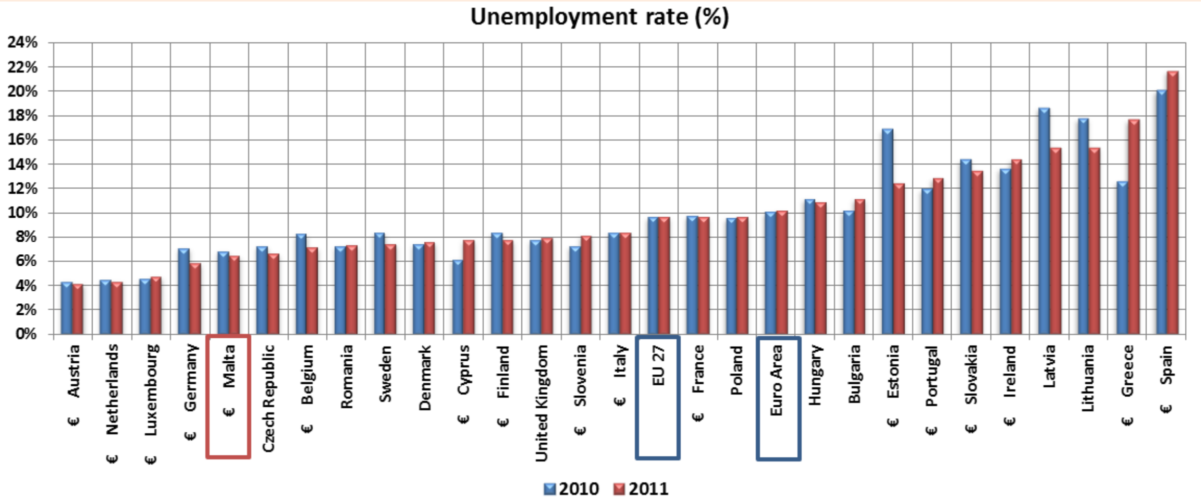


	SE	UK	DK	DE (€)	LU (€)	NL (€)	FI (€)	AT (€)	FR (€)	CZ	BE (€)	MT (€)	SK (€)	BG	ES (€)	LT	PL	LV	IT (€)	SI (€)	CY (€)	RO	IE (€)	HU	PT (€)	EL (€)
Dec 2011	1.7%	1.8%	1.9%	1.9%	2.3%	2.4%	2.5%	3.1%	3.2%	3.7%	4.4%	4.4%	5.2%	5.2%	5.5%	5.8%	5.8%	5.9%	6.8%	6.9%	7.0%	7.4%	8.7%	9.0%	13.1	21.1
May 2012	1.5%	1.8%	1.4%	1.3%	1.7%	2.0%	1.8%	2.5%	2.8%	3.3%	3.3%	4.2%	4.8%	5.1%	6.1%	5.3%	5.4%	5.2%	5.8%	5.3%	7.0%	6.5%	7.1%	8.3%	11.6	26.9
June 2012	1.5%	1.6%	1.3%	1.3%	1.6%	1.9%	1.8%	2.3%	2.6%	3.1%	3.2%	4.3%	4.8%	5.1%	6.6%	5.0%	5.2%	5.1%	5.9%	5.6%	7.0%	6.7%	7.1%	8.3%	10.6	27.8

__note:__ Estonia has been left out from analysis as currently there are no suitable long-term government bonds available for comparison on the financial market due to a very limited government debt. (Sources: ECB and European Commission)

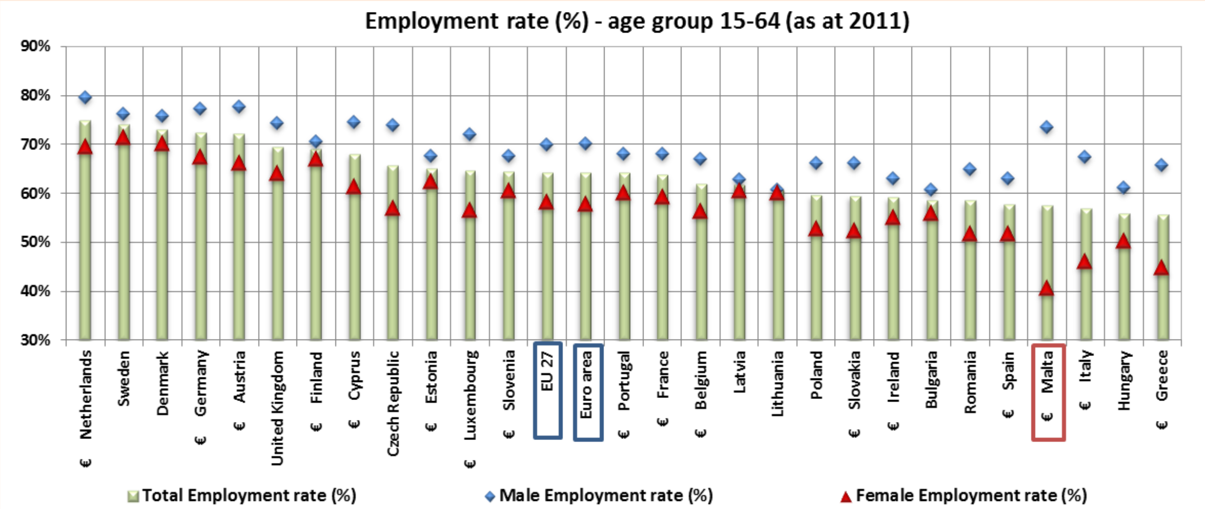
Source: *European Central Bank figures*

The long term interest rate for 10 year government bonds issued by Malta stood at 4.4% as at December 2011. Since the long-term interest rate benchmark is set by the performance of the three best performing countries in terms of price stability, the benchmark rate for December 2011 was 5.3%. The Eurozone countries exceeding this benchmark during the year were Spain, Italy, Slovenia, Cyprus, Ireland, Portugal and Greece.



Source: *Eurostat figures (Labour Force Survey)*

The EU does not set any benchmarks on unemployment, however it is still considered to be a significant indicator of economic performance. The unemployment rate for Malta stood at 6.5% during 2011; 9.7% for EU members; and 10.2% for the Euro area. The EU countries with the highest unemployment rate during 2011 were Latvia (15.4%), Lithuania (15.4%), Greece (17.7%), and Spain (21.7%). Whereas the lowest unemployment rates were Austria (4.2%), the Netherlands (4.4%), and Luxembourg (4.8%).

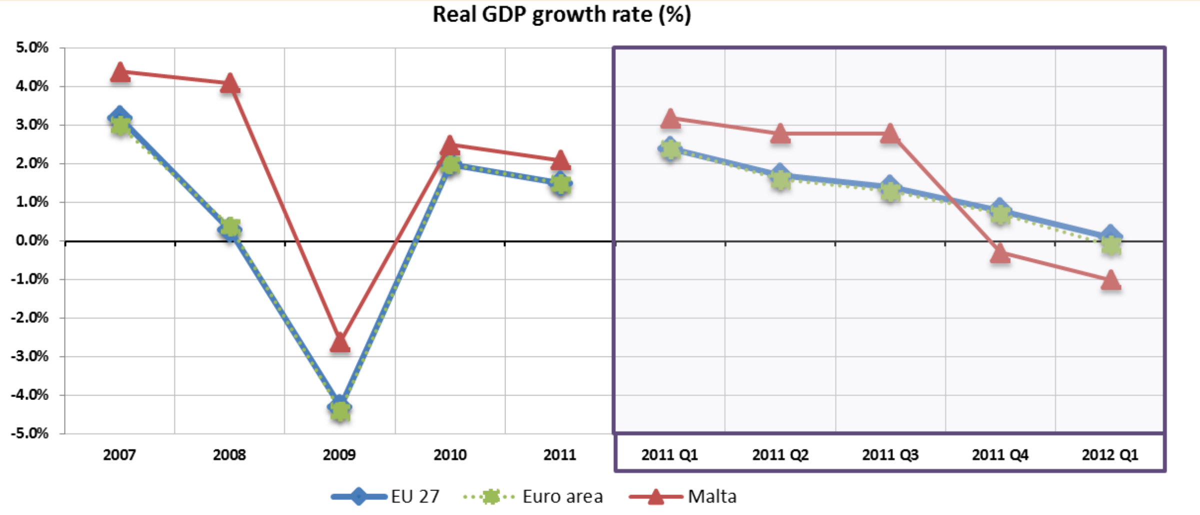


Source: *Eurostat figures*

The employment rate (age group 15 to 64) for Malta grew by 2.7% from 2010 to 2011 reaching 57.6% in 2011. The male employment rate stood at 73.6% in 2011, increasing by 1.7%. The female employment rate in Malta remained the lowest in the EU however it grew by 4.3% during 2011 reaching 41% in 2011.

The average employment rate in the EU27 was 64.3% in 2011. The male employment rate stood at 70.1%, whereas the female employment rate stood at 58.5%. The employment rate in the Eurozone stood at 64.2%. The male employment rate in 2011 stood at 70.3%, whereas the female employment rate stood at 58.2%.

Section 2: Local Economic and Financial Services Sector Overview

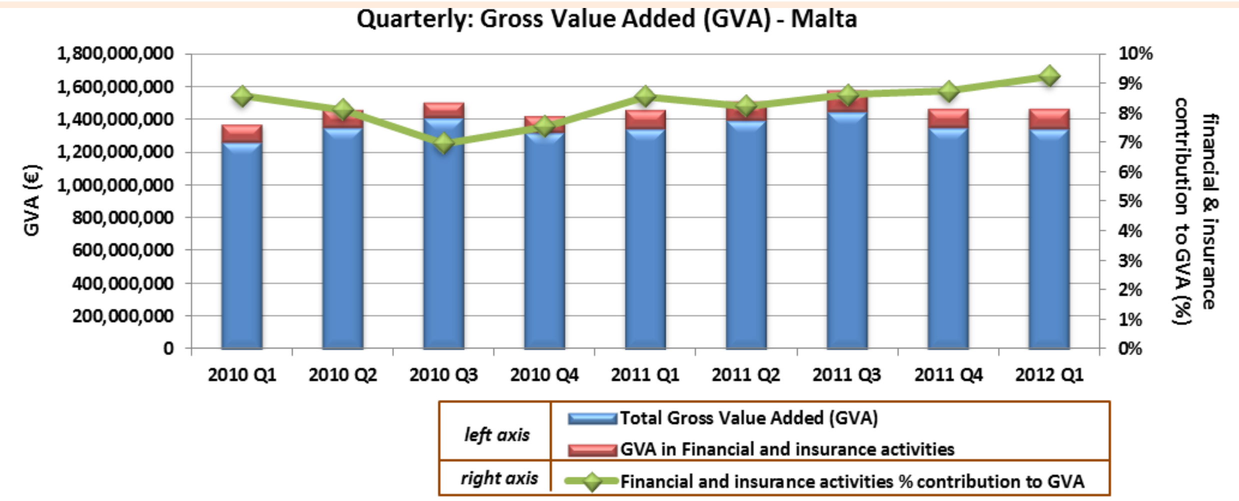


Source: *Eurostat figures*

The above chart shows the real GDP growth rates for Malta, the Euro area, and EU 27 average on an annual and quarterly basis.

Malta's real economic growth contracted from 2.5 per cent in 2010 to 2.1 per cent in 2011. Euro area and EU27 member states on average incurred a drop in economic growth falling from 2 per cent in 2010 to 1.5 per cent in 2011.

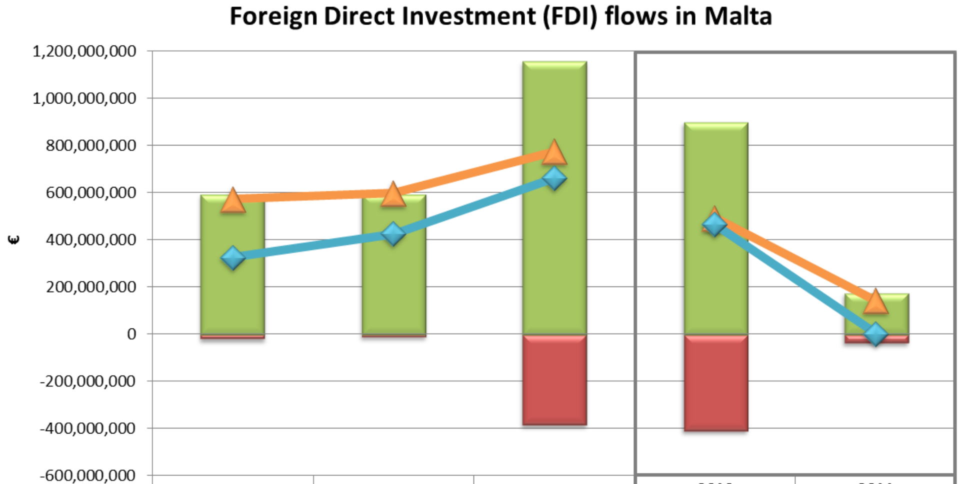
On a quarterly basis, Malta's GDP in real terms for first quarter 2012 stood at €1,141 million. Due to negative economic growth incurred during fourth quarter of 2011 at -0.3 per cent and first quarter of 2012 at -1 per cent, the Maltese economy entered into an economic recession. Contraction was also felt in other euro member states, incurring a negative growth figure in euro area of -0.1 per cent during the quarter under review.



Source: *NSO release - Gross Domestic Product: Q1/2012 (111/2012)*

Notwithstanding negative economic growth incurred during the last two quarters, various economic activities including financial and insurance activities continued to show signs of growth. During the first quarter of 2012, Gross Value Added (GVA) from financial and insurance activities in Malta amounted to €124 million registering a 5.2 per cent growth from the previous quarter. Financial and insurance activities contributed 9.2 per cent to total GVA during the first quarter of this year, up from 8.7 per cent during the previous quarter. In comparison to the corresponding quarter last year, GVA of financial and insurance activities grew by 7.7 per cent.

As illustrated in the chart, from the fourth quarter of 2010 to date, with the exception of the 0.3 percentage points drop incurred during the second quarter of 2011, financial and insurance activities percentage contribution to GVA continued to register steady growth.



	2008	2009	2010	2010 Q1-Q2	2011 Q1-Q2
FDI Credit flows in Malta	594,872,000	595,983,000	1,159,049,000	901,031,000	177,257,000
FDI Debit flows in Malta	-20,939,000	-10,691,000	-384,918,000	-409,417,000	-37,114,000
Net FDI flows in Malta	572,448,000	597,753,000	774,432,000	491,859,000	140,198,000
Contribution to FDI flows in Malta from Financial and Insurance activities	323,702,000	424,503,000	660,989,000	464,734,000	1,044,000

source: NSO release (033/2012)

Source: *NSO release - Direct Investment in Malta and abroad (033/2012)*

During 2010, equity capital investment registered an extraordinary increase mainly in the financial services sector. This resulted in a large increase in Foreign Direct Investment (FDI) flows in Malta during the year. The contribution to FDI flows in Malta from Financial and Insurance activities amounted to 85 per cent in 2010.

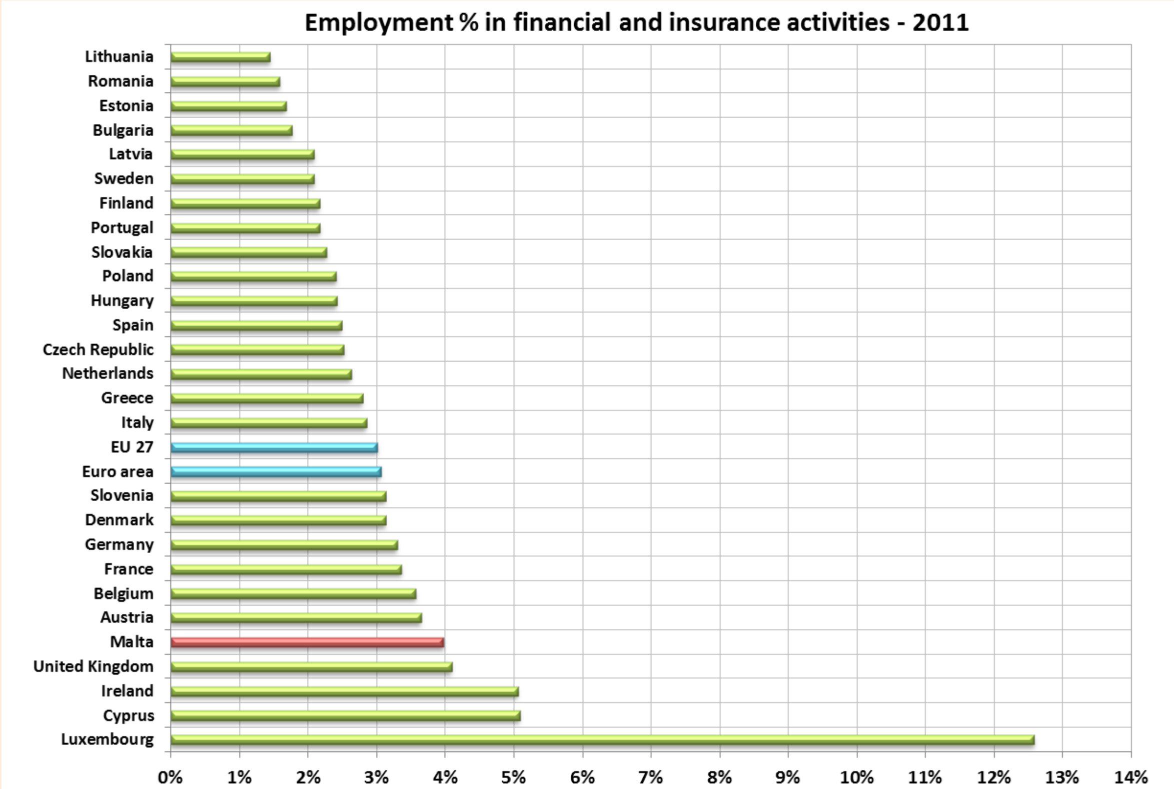
When comparing the first six months of 2011 with that of 2010, the level of FDI flows in Malta incurred a significant decrease. The decrease in equity capital investment incurred during the first six months of 2011 was much greater than the gains generated from reinvestment earning and other capital during the same period. Thus this resulted to a reduction in FDI flows from Financial and Insurance activities.

Full-time employment in Financial and insurance activities in Malta

	Average 2010	Average 2011	February 2012
Financial service activities, except insurance and pension funding	4,793	4,934	4,946
Insurance, reinsurance and pension funding, except compulsory social security	541	592	599
Activities auxiliary to financial services and insurance activities	1149	1250	1299
Financial and insurance activities	**6,483**	**6,776**	**6,844**

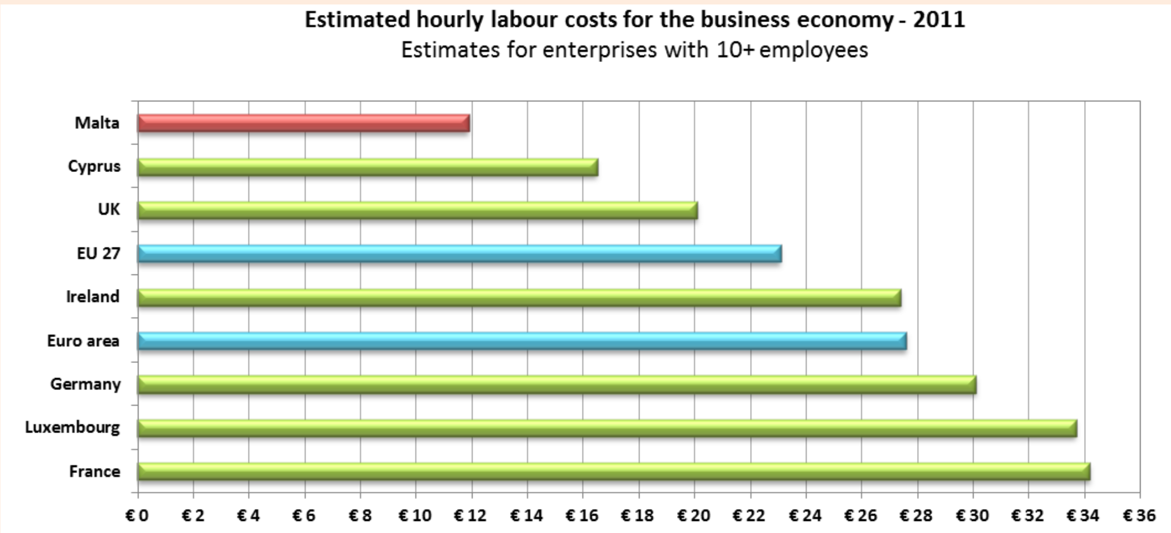
Source: *NSO news release - Gainfully Occupied Population (134/2012)*

Employment in the financial services sector on a full time basis represents 5 per cent of total employment. Full time employment in financial and insurance activities in Malta grew by 1 per cent from end of 2011 till February 2012, standing at 6,844 employees. Comparing 2010 with 2011 data, full time employment in financial and insurance activities grew by 5 per cent.



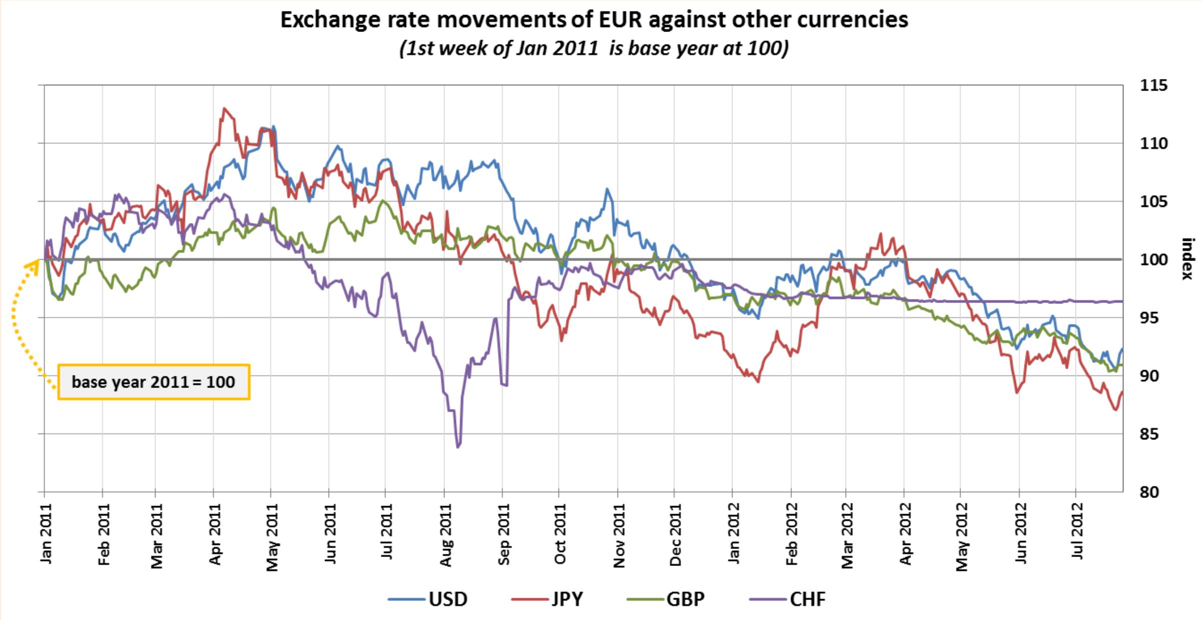
Source: *Eurostat figures*

The above chart gives an overview of the employment rate in the financial and insurance sector as against total employment across EU member states. The average employment rate in the financial and insurance sector in EU 27 and euro area stands around 3 per cent as at 2011. Luxembourg is the EU member state with the largest employment rate in the financial and insurance sector reaching 12.6 per cent. This is followed by Cyprus (5%), Ireland (5%), the United Kingdom (4%) and Malta (4%).



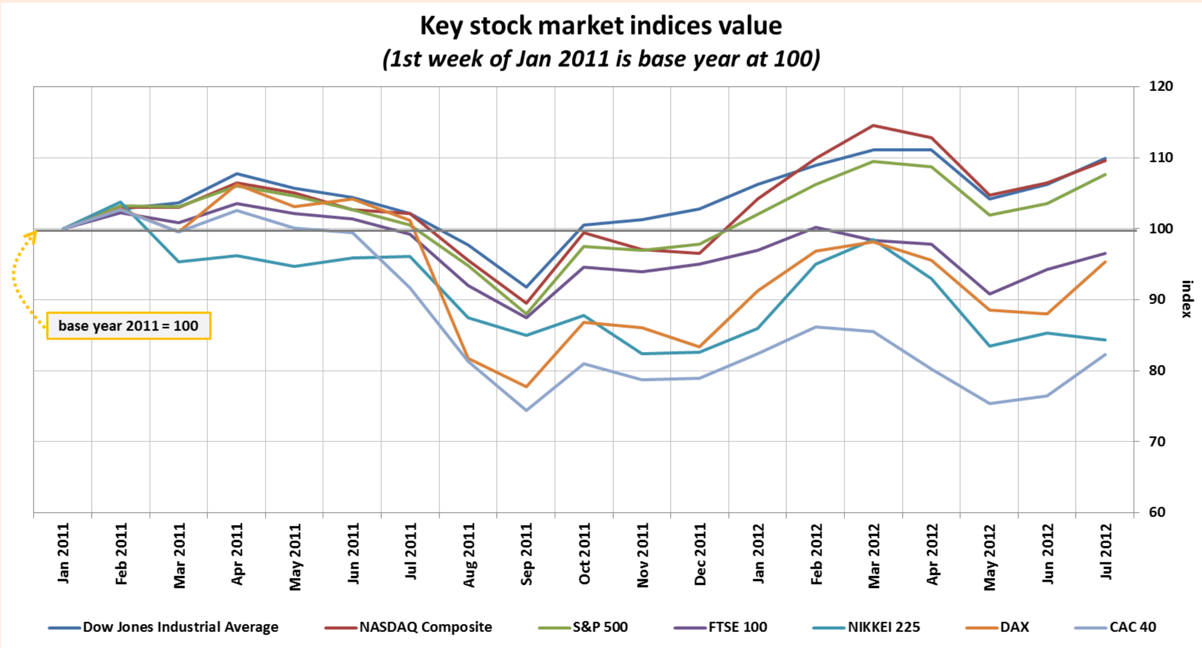
Source: *Eurostat news release (63/2012)*

The average hourly labour cost depicted in the chart considers wages and non-wage costs, such as employer's social contributions, for enterprises with more than 10 employees. In 2011 this was estimated to be EUR 23.10 in the EU27, and EUR 27.60 in the euro area. A large discrepancy exists between EU member states in hourly labour costs ranging between €3.5 and €39.3. The chart depicts hourly labour costs for a number of member states relevant to Malta's economy. The average hourly labour cost in Malta stood at €11.50, which is less than half the EU average.



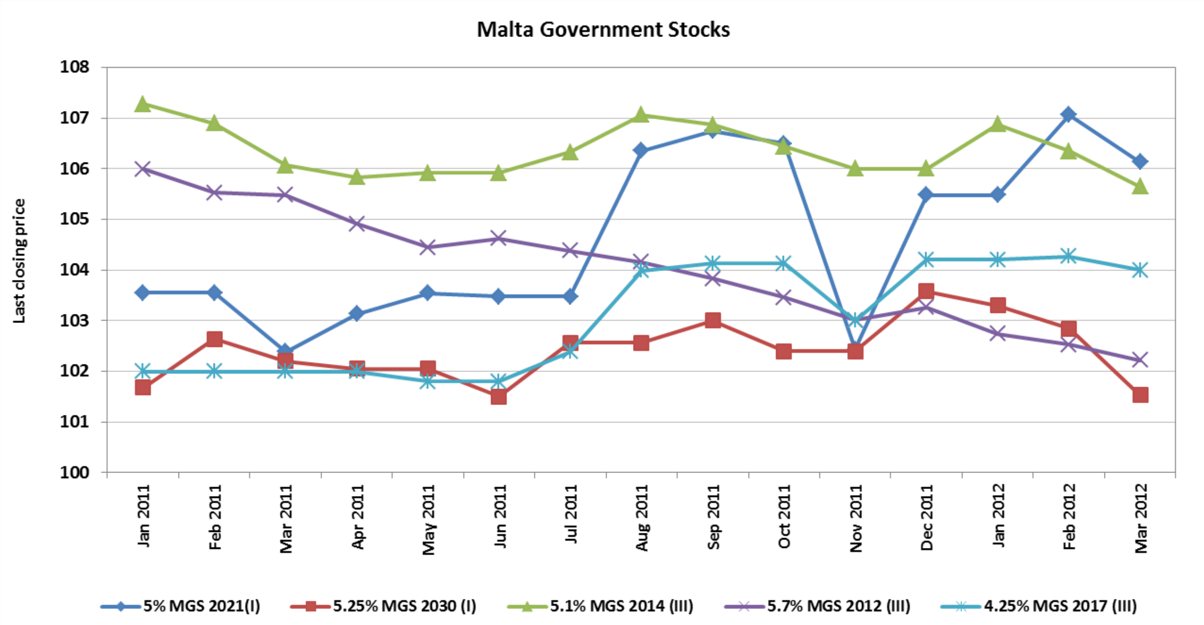
Source: *European Central Bank - Euro foreign exchange reference rates*

The above chart indicates the exchange rate movements of the Euro currency against other major currencies namely, US dollar, Japanese yen, pound sterling, and Swiss franc. For comparison purposes, the first week of January 2011 was used as base year at index level 100. An increase in the index of another currency implies a euro appreciation whereby euro currency buys more units of the foreign currency; whereas a decrease in another currency index implies a euro depreciation whereby euro currency buys fewer units of the foreign currency.



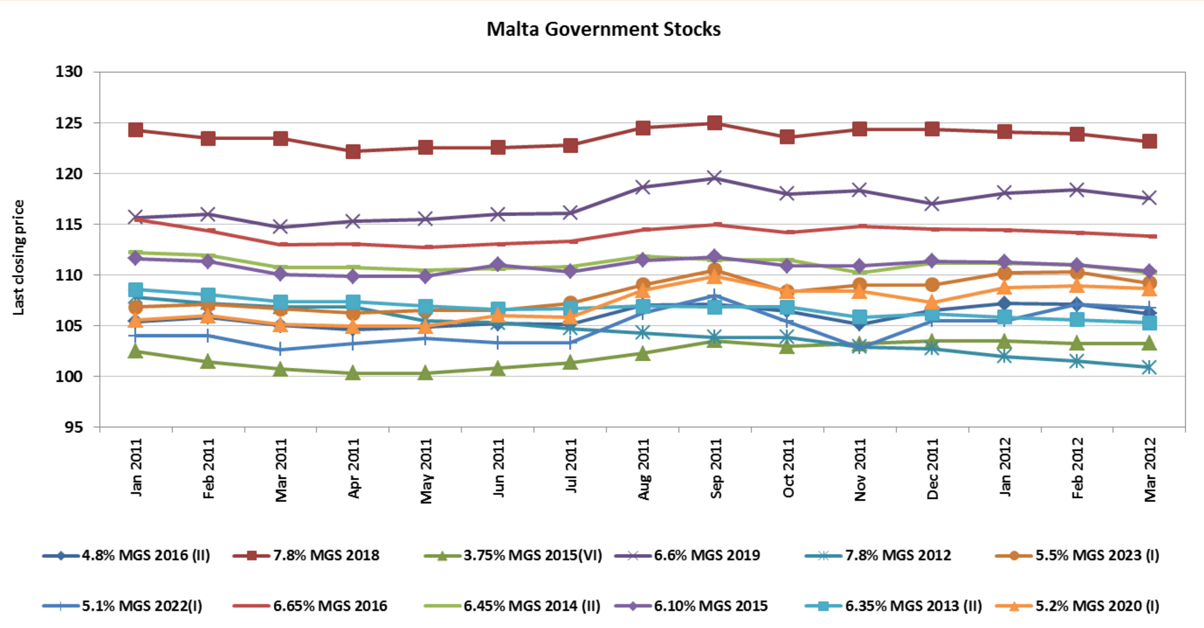
Source: *Yahoo Finance*

Key stock indices summarises the performance of major groupings of stocks. Each of the indices tracks the performance of a specific basket of stocks representing a particular market or sector. In order to monitor performance of stock indices, a base year at 100 was taken for the first week of January 2011.



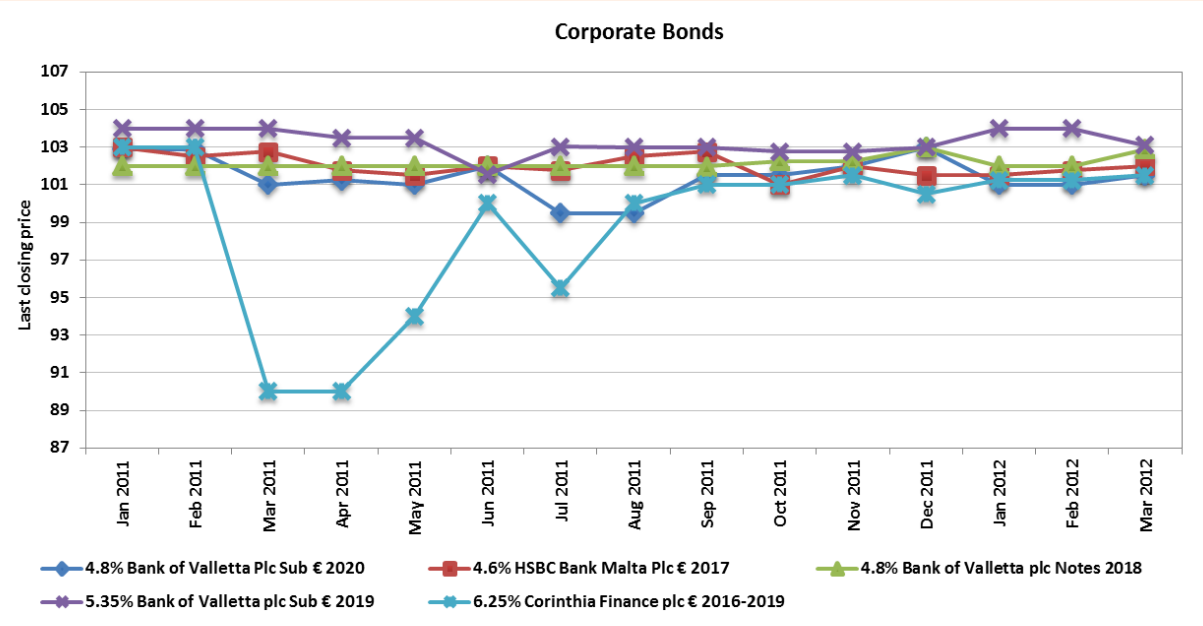
Source: *Malta Stock Exchange - Price list - Malta Government Stocks*

Malta Government Stocks – Largest 5 stocks based on amount issued



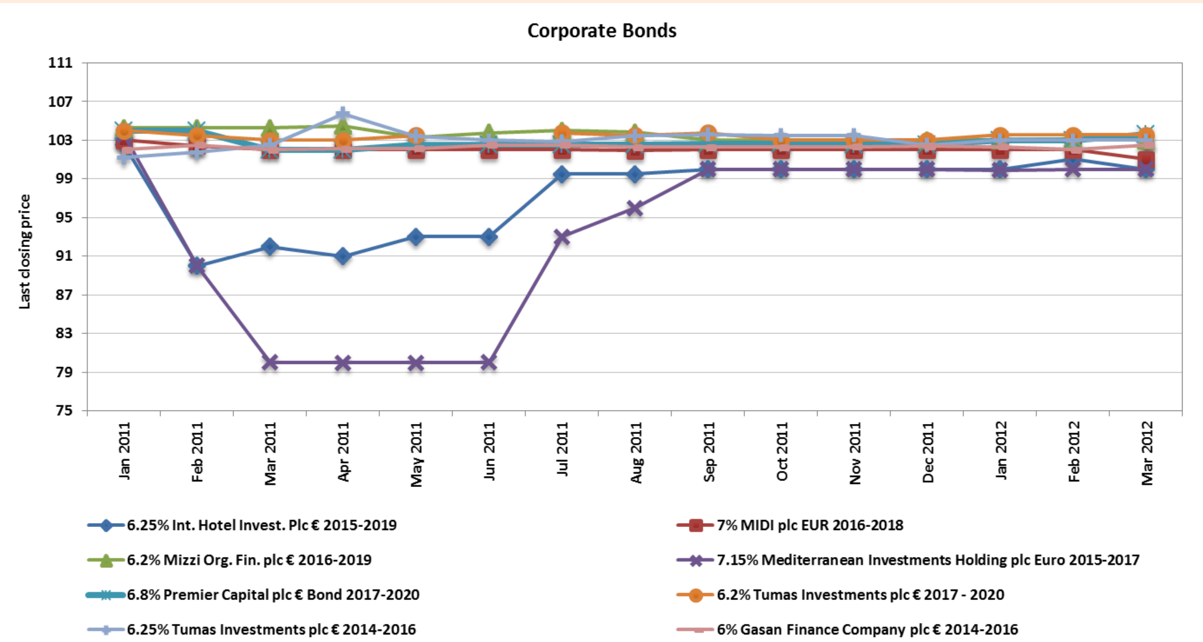
Source: *Malta Stock Exchange - Price list - Malta Government Stocks*

Malta Government Stocks – other stocks



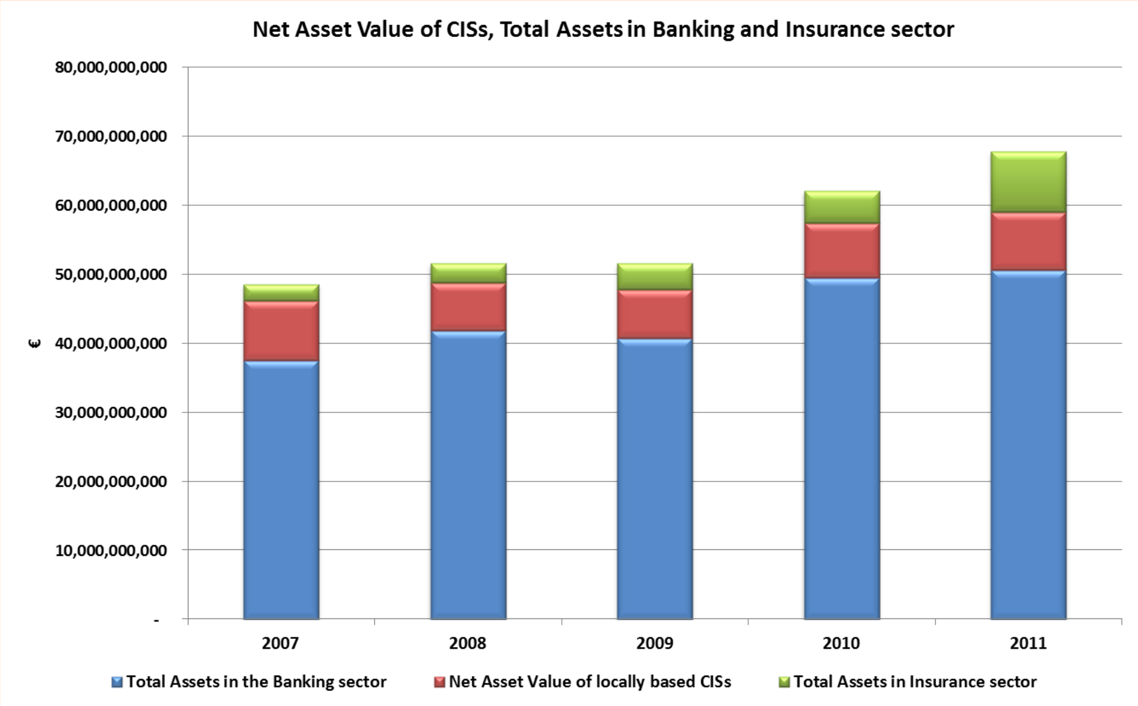
Source: *Malta Stock Exchange - Price list – Corporate Bonds*

Corporate Bonds – Largest 5 bonds based on amount issued



Source: *Malta Stock Exchange - Price list – Corporate Bonds*

Corporate Bonds – other bonds



Source: *MFSA data*

The above chart shows the Net Asset value (NAV) of locally based Collective Investment Schemes (CIS), and aggregate assets in the Banking and Insurance sectors.

Assets in the banking sector have the largest share reaching almost €50.7 billion in 2011, an increase of 2.4 per cent over the previous year. NAV of locally based CIS registered growth of around 4.1 per cent in aggregate NAV over the previous year totalling to € 8.3 billion as at end of 2011. Investment assets of all insurance undertakings totalled to €8.8 billion in 2011, an increase of around €4.2 billion over the previous year.

Section 3: Comparative Study

3.1 - Economic Statistics for Malta, the Netherlands, Guernsey, and Bermuda

Macro Economic statistics	Malta	Netherlands	Guernsey	Bermuda
	2011 data	*2011 data*	*2010 data*	*2010 data*
GDP at Current Market Prices	€ 6,393,246,000	€ 602,105,000,000	€ 2,359,269,452	€ 4,603,197,317
GDP per capita at Current Market Prices	€ 15,300	€ 36,100	€ 38,595	€ 71,294
Real GDP growth rate	2.1%	1.2%	0%	-0.7%
Financial and insurance activities contribution to GVA	8%	8%	*39%*	*12%*
Inflation *(Malta & the Netherlands - measured by HICP; Guernsey - measured by the changes in the RPIX; Bermuda - measured by the Consumer Price Index)*	2.4%	2.5%	3.2% *	2.4%
Population	417,617	16,655,799	62,431	65,038
Labour Force	179,405	8,757,000	32,654	*n/a*
Employment	167,627	8,369,000	32,186 **	37,399 ***
Employment rate - total	57.6%	74.9%	75.2%	*n/a*
Employment rate - males	73.6%	79.8%	81.9%	*n/a*
Employment rate - females	41.0%	69.9%	68.5%	*n/a*
Unemployment rate %	6.8% *	5% *	1.5% **	6%
Employees within the Financial Services Sector	6,538	257,000 *	6,852 ***	2,747 ***
% of Employees within Financial sector as per total employment	4%	3%	21%	7%

note:
* as at March 2012
** as at March 2011
*** as at end 2011

3.2 - Comparative study on Resources and Reputation for the Netherlands, Guernsey & Bermuda

		Netherlands	Guernsey	Bermuda
Resources	Infrastructure - country	• The Netherlands financial centre has a long-standing reputation for its openness and financial innovation. It has a well-established reputation as a base for multinationals, having the second highest number of corporate headquarters per capita in the world. • The legal, taxation and regulatory systems are open and predictable. • The Dutch workforce is highly educated and the vast majority speak English. • The Netherlands pursues liberal policies towards foreign trade and investment. • The cost of living in Netherlands is low compared to other western European countries with high standards of living. • It has a strong telecommunications and information technology infrastructure, having the highest proportion of households using internet banking in the world.	• Guernsey is recognised for its expertise in its use of innovative and modern financial structures within a highly regulated environment. • Its main industries are banking and tourism. • Guernsey is regarded as a paradigm of a free enterprise economy with low taxes, a free flow of capital, an educated and flexible workforce and a sophisticated financial and entrepreneurial infrastructure. • There is practically no unemployment in Guernsey having shortage of labour problems. • Guernsey has a high quality legal, accounting, valuation, and audit services for the structuring, launch and administration of funds.	• Bermuda is a reputable business centre offering experience, stability, and accessibility to many of the world's leading insurance, financial, technology, legal, and consultancy firms. • A substantial infrastructure of IT, high quality transport links, and professional services have been developed to support the financial industry in Bermuda. • Bermuda's telecommunications infrastructure and high technology backbone provide maximum bandwidth accommodating the rapidly growing global electronic commerce and communication services. • The courts apply the general principles of English common law and equity together with the common law of Bermuda, with a final right of appeal to the Judicial Committee of the Privy Council. • Bermuda has a mix of local and international professionals. There are qualified Bermudians who are professionals like lawyers, accountants, bankers, company secretaries, trustees, fund managers and others. About 20% of total job holders are not Bermudians.

Resources	Infrastructure - regulator	The financial markets are regulated by the Dutch central bank - ***De Nederlandsche Bank (DNB)***, and a single regulatory authority – ***Autoriteit Financiële Markten (AFM)***.	The ***Guernsey Financial Services Commission (GFSC)*** is the sole regulatory body for Guernsey's financial services sector.	The ***Bermuda Monetary Authority (BMA)*** regulates the principal financial services in Bermuda including banking and deposit taking, insurance, investment business, trust business, and private and public mutual funds.
		• The ***De Nederlandsche Bank (DNB)*** serves as the prudential and systemic risk supervisor of all financial services, including banking, insurance, pension funds, and securities. • The DNB is responsible to ensure price stability and macroeconomic developments; ensure a shock-resilient financial system and a secure, reliable and efficient payment system; and ensure strong and sound financial institutions that meet their obligations.	• The Guernsey Financial Services Commission was established under the Financial Services Commission Law, 1987 with general and statutory responsibilities. • The primary objectives of the Commission is to regulate and supervise financial services in Guernsey, protect public interest, and protect and enhance the international reputation of Guernsey as a finance centre. • The Commission was one of the world's first such unitary bodies, with the regulation of banking, insurance and investment activity being carried out under one roof.	• The BMA supervises, regulates and inspects financial institutions operating in or from within the jurisdiction. • It issues Bermuda's national currency; manages exchange control transactions; assists other authorities in Bermuda with the detection and prevention of financial crime; and advises the Government and public bodies on banking and other financial and monetary matters. • The Authority develops risk-based financial regulations that it applies to the supervision of Bermuda's banks, trust companies, investment businesses and insurance companies. • The BMA also regulates the Bermuda Stock Exchange.

Resources	Infrastructure - regulator			
		• The Netherlands Authority for the Financial Markets, ***Autoriteit Financiële Markten (AFM),*** is responsible for all conduct of business supervision. Its overall objective is to promote transparent markets and processes, and to protect the consumer. • The AFM is responsible for regulating financial market behaviour; regulating financial institutions in relation to investments, insurance, savings or loans; regulating securities-issuing organisations giving particular attention to possible insider trading, market manipulation, reporting and offerings; and regulate consumers who are active on the financial markets. • The financial markets are governed by a single law, the Act on Financial Supervision (Wet financieel toezicht – Wft) of 2007 which governs the supervision of the industry, a single central bank, and a single regulator. • The Act on Financial Supervision brings together all the rules and conditions that apply to the financial markets and their supervision.	Guernsey financial sector is governed by the following legislations: • The Protection of Investors (Bailiwick of Guernsey) Law 1987 as amended; • The Regulation of Fiduciaries, Administration Businesses and Company Directors Law 2000 as amended; • The Banking Supervision Law 1994 as amended; • The Financial Services Commission Law 1987 as amended.	• The BMA is established under the Bermuda Monetary Authority Act 1969. Furthermore, Bermuda's financial market is governed under the following legislations: - the Insurance Act 1978 as amended; - the Banks and Deposit Companies Act 1999; - the Trust (Regulation of Trust Business) Act 2001; - the Investment Business Act 2003; - the Investment Funds Act 2006

Resources		• Prior to 1 January 2007, supervisory rules covering financial undertakings and financial markets were fragmented and spread across different sector-based laws, namely: - the 1995 Securities Transactions Supervision Act; - the 1993 Insurance Operations Supervision Act; - the Investment Institutions Supervision Act; - the Financial Services Act; - the Disclosure of Influence and Capital Interest in Securities Issuing Institutions; and - the 1992 Credit Supervision Act.		
	Employees in financial sector	Persons employed in financial institutions totalled to 257,000 as at first quarter 2012. *source: Statistics Netherlands (CBS)*	Persons employed in finance sector is 6,852 as at December 2011. *source: States of Guernsey*	Total employment in financial intermediation sector totalled to 2,747 as at December 2011. source: *Bermuda Government - Department of Statistics*
	Legal system	Business laws and regulations conform to international norms, standards and practices, and apply equally to local/ Dutch companies as to their foreign competitors. There is a special court to simplify and speed up corporate legal proceedings.	Guernsey has a well-established legal system which has been enhanced over the years by the introduction of modern legislation covering all important aspects relating to the finance industry.	Bermuda is a self-governing British Overseas Territory; the legal system is based on English common law, the doctrines of equity, and Bermuda statute law dating from 1612.
	Tax treaties	The Netherlands have concluded treaties for the avoidance of double taxation on income and capital with more than 80 countries.	Guernsey has signed Double Taxation Agreements with 13 jurisdictions, including Malta.	Bermuda has double taxation agreements with Bahrain and recently Qatar. Since Bermuda does not levy direct taxes there are no double tax treaties between Bermuda and other nations.

Resources	**Tax structure**	The corporation tax rate depends on the taxable amount, which is the taxable profit in a year less deductible losses. If the taxable amount is less than €200,000, the tax rate is 20 per cent. If the taxable amount is €200,000 or higher, the tax rate is 25 per cent.	The corporate income tax rate was reduced from the start of 2008 to zero, except for the rate on profits derived from traditional banking activities which stands at 10 per cent, and utilities and property companies at 20 per cent.	In Bermuda there is no income tax, capital gains tax, VAT, sales or use tax or wealth tax. However all companies are subject to annual company fees which are based on share capital levels.
	MoUs	*n/a*	The Guernsey Financial Services Commission signed 21 Memorandum of Undertandings with regulatory and supervisory bodies.	The Betrmuda Monetary Authority signed 18 Memorandum of Undertakings with regulatory and supervisory bodies.
	Connectivity	• Transport costs in the Netherlands is the lowest in Europe. • Netherlands will soon have a high speed rail link to Brussels, Frankfurt, London and Paris. • Amsterdam Airport Schiphol connects the Netherlands to 250 destinations in 89 different countries. There are direct flights to and from Boston and New York, and easy access to the major financial centres of London, Luxembourg, Frankfurt, Geneva and Zurich.	• Guernsey Airport connects to major destinations within the United Kingdom as well as some in Europe. • Guernsey's two main ports are St. Peter Port and Saint Sampson Port which offer commercial port facilities for sea passengers and freight. Regular ferries connect Guernsey to the UK and France.	• Bermuda is located between Europe and the United States. • It provides easy access to major airports on both sides of the Atlantic.

Reputation		Netherlands	Guernsey	Bermuda
	World Economic Forum	World Economic Forum - *The Global Competitiveness report 2011-2012:* 7th out of 142 countries in the Global Competitiveness Index; 23rd for financial market development; 68th as soundest banking system in the world.	-	-
	Global Financial Centres Index	The Global Financial Centres Index 11 (Mar 2012): Amsterdam ranked 33rd place	The Global Financial Centres Index 11 (Mar 2012): Guernsey ranked 31st place	The Global Financial Centres Index 11 (Mar 2012): Hamilton ranked 43rd place
	World Bank	World Bank - *Doing Business report 2012:* ranked 31st place as ease of doing business.	-	-

Regulatory Infrastructure & Rules		Netherlands	Guernsey	Bermuda
	EU	The Netherlands is a member state of the European Union, benefiting from the harmonisation of EU financial services regulation, including the UCITS passport and being participating member of the European Monetary Union. The Netherlands was one of the six founding members of the European Community in 1952.	Guernsey is neither a separate Member State nor an Associate Member of the European Union. They have a special relationship with the UK, which affects their relationship with the European Union. The terms relating exclusively to the Channel Islands and the Isle of Man were subsequently embodied in Protocol No. 3 of the Treaty of Accession of the United Kingdom to the EEC, signed on 22 January 1972.	Bermuda is an internal self-governing overseas territory of the United Kingdom. Upon the request of Bermuda, the territory is not subject to the Overseas Association Decision implementing Part IV of the EC Treaty. Bermuda is however entitled to participate in the Partnership Meetings involving British Overseas Countries and Territories.
	Redomiciliation	*n/a*	Guernsey law allows for the redomiciliation of foreign companies to Guernsey, or for Guernsey companies to redomicile in foreign jurisdictions. The relevant procedures are set out in Part VII of The Companies (Guernsey) Law 2008. Generally such movement tends to be a straightforward process however this varies depending on the circumstances, in particular whether the company is regulated in Guernsey or elsewhere.	Bermuda's Companies Act 1981 (Section 132C – 132M) as amended provides for the possibility of inward and outward redomiciliation of companies.

3.3 - Comparative study on Regulatory Infrastructure & Rules for funds, insurance, pensions, and banking in the Netherlands

Regulatory Infrastructure & Rules		Netherlands
	Funds business	The fund business is governed by the Financial Supervision Act of 2007. Prior to this it was governed by the 1995 Securities Transactions Supervision Act (Wet toezicht effectenverkeer 1995) and the Investment Institutions Supervision Act (Wet toezicht beleggingsinstellingen).
		The Netherland's fund sector is categorized as follows: **(i) UCITS** The European UCITS IV Directive of 2009 was transposed into the Dutch Financial Supervision Act on 22nd July 2011. **(ii) Funds from jurisdictions with adequate supervision** Investment fund managers designated as having adequate supervision are not required to get a license from the Dutch Authority for Financial Markets (AFM) but instead require a notification procedure. Supervision is relied by the respective foreign supervisor. The following countries have been designated by the Dutch Minister of Finance as having adequate supervision: the United States (if the fund is SEC-registered); Luxembourg; Ireland; United Kingdom; France; Guernsey (for Class A and Class B open-end funds and closed-end funds); Jersey; and Malta. **(iii) Non-UCITS retail funds** **F**oreign non-UCITS fund managers which are not established in a jurisdiction with adequate supervision require a full Dutch license. The requirements are the prospectus, the issuance of a Key Investor Information Document (KIID), capital requirements, screening of directors and organizational requirements. **(iv) Exempted funds** Subject to satisfying certain conditions, certain investment funds may be exempted from licencing requirements. This is subject to selling restrictions and standardised mandatory warning requirements which must be inserted in the fund documentation, prospectuses and marketing materials. In order to be eligible for license exemptions one or more of the following conditions must be met: • The fund must be marketed only to 'qualified investors' • The fund is marketed to a maximum of 99 non-qualified investors. • The shares or units of the fund have a minimum denomination of € 100,000 or can only be acquired against a minimum consideration of €100,000.

Regulatory Infrastructure & Rules	Funds business (cont...)	There are two types of tax exempted funds: ● VBI (vrijgestelde beleggingsinstelling) - which is defined as tax exempt investment institution. ● FBI (fiscale beleggingsinstelling) - which is defined as fiscal investment institution.
		VBI regime ● The VBI regime stimulates the Netherlands market for fund vehicles, fund-of-funds and feeder funds. ● The VBI regime provides: - a full exemption from corporate income tax and dividend withholding tax; - no capital duties or annual subscription taxes; - non-Dutch resident corporate shareholders will not become subject to Dutch corporate income tax solely because of holding units or shares in a VBI; - non-existence of shareholder requirements, financing requirements or requirements to distribute profits; - The VBI is free in its choice of asset managers and custodians and there is no requirement for them to be resident in the Netherlands. ● Companies opting for VBI status would not have access to Netherlands tax treaties. ● To be eligible for VBI status a fund must have a (semi) open-end character, meaning that the shares/units are at the request of holders repurchased or redeemed out of the fund's assets. ● A VBI fund must have a license based on the Financial Supervision Act. ● A fund with VBI status meeting one of the exceptions under the 'exempted funds' category is not subject to any license or other regulatory requirements. ● Where a regulated VBI fund is preferred, the existing regulatory and administrative requirements will apply. ● Generally the Dutch supervisor will take about two months to process an application for a VBI license.

Regulatory Infrastructure & Rules	Funds business (cont...)	***FBI regime*** ● The FBI is widely used as an investment fund for investments in securities and real property, referred to as Dutch REIT. ● Due to its shareholder's restrictions, it Initially was used as a public investment fund. However through legislative relaxations to these restrictions, the FBI became an attractive investment fund vehicle for the private investment fund market as well. ● FBI is subject to 0% corporate income tax. ● It is subject to dividend withholding tax. ● Access to tax treaties is allowed. ● The legislative amendment has relaxed the shareholder requirements that must be satisfied in order to qualify as an FBI: - The condition that a foreign shareholder is not permitted to own an interest of 25% or more in the FBI has been abolished; - At least 75% of investors should comprise of individuals, exempt corporate investors or other (foreign) FBIs; - More lenient conditions apply if the shares of the FBI are either listed on a market in financial instruments or if the FBI or its manager is either subject to Dutch regulatory supervision or exempt from such Dutch regulatory supervision because it is regulated as an UCITS abroad.

Regulatory Infrastructure & Rules		Netherlands
	Insurance	• The main supervisor for the Dutch insurance sector is the De Nederlandsche Bank (DNB). • The DNB grants licenses to those insurers with regulatory requirements and monitors compliance with the regulations of the Financial Supervision Act • Foreign insurance companies may offer products via their insurance branches in the Netherlands, based on a license obtained in another European country. These insurers are not supervised by DNB, but by a supervisory body in the country where they have their headquarters. • Intermediaries that offer products of insurance companies are supervised by the Financial Markets Authority (AFM). • The AFM has been responsible for supervising the operation of the financial markets since March 2002. It is also responsible of the Financial Information Leaflet that explains the complex agreements behind insurance and other financial products to customers.
		DNB distinguishes three types of insurers, broken down by license: (i) *life insurers:* Life insurance companies pay out an agreed amount in the event of the death of the insured before or on the maturity date. (ii) *non-life insurers (including healthcare):* Non-life insurance companies provide protection against specific losses of either material kind or non-material kind. Within the non-life insurance sector various market segments can be differentiated: healthcare, motor, transport, fire and other. (iii) *funeral in-kind insurers:* Funeral in-kind insurers pay out in kind rather than cash. When the policyholder dies, the insurer not only bears the expenses but takes care of the funeral arrangements as well.
		Based on their organisational structures, two forms of insurance companies are allowed by insurance regulations: (i) *limited companies* - a legal form in which external investors provide the necessary financial resources to the company whereby investors expect to receive remuneration through dividends. (ii) *mutual insurance associations* - an association of members (insured persons) who have decided to provide each other the required reassurance on a reciprocal basis. The capital of the mutual insurance association is no more than the combined members' capital and the members have control over their association.

Regulatory Infrastructure & Rules	Insurance	In 2010, the general meeting of members of the Dutch Association of Insurers adopted the Governance Principles known as the Insurance Code. By a decree dated 23 August 2011 and in effect since 1 September 2011, the Insurers Code has been given a legislative basis. The Insurers' Code applies to all activities in the Netherlands performed by insurance companies that are in possession of a licence granted under the Financial Supervision Act, irrespective of whether they perform their activities in the Netherlands or in another Member State, and irrespective of whether those activities are performed by a branch.
		The Insurers' Code lays out the principles for Dutch insurance companies in terms of corporate governance, risk management, audit and remuneration. Insurance companies are required by law to explain in their annual report or on their website how they have applied the Code. If an insurance company has not complied with certain principles and has no intention of complying in the current or coming financial year, it is obliged to provide a reasoned explanation for this. An insurance company that heads a group of insurance companies may elect to report on compliance for the group as a whole. It is then sufficient for the insurance company's subsidiaries simply to refer to that statement, provided they clearly indicate in their annual report where the statement can be found. This exemption does not apply to insurance company's subsidiaries with a stock exchange listing. The Dutch Authority for the Financial Markets (AFM) checks whether listed insurance companies have included the comply-or-explain statement in their annual report and whether its content is consistent with the information in the rest of the annual report.

Regulatory Infrastructure & Rules		Netherlands
	Pension Funds	The Dutch pension system consists of three pillars: (i) ***First Pillar -*** the state pension (ii) ***Second Pillar -*** the supplementary collective pension (iii) ***Third Pillar -*** the private individual pension
		First Pillar - The first pillar is the state pension which provides a basic income of which the level is linked to the statutory minimum wage. - It came into force in 1957 and is the foundation for old-age pension benefits. - Everyone who has lived or worked in the Netherlands between the age of 15 and 65 has a state pension and a right to state pension benefit from the age of 65. - Married couples and couples living together each receive 50% of the minimum wage (approximately €700 gross per month). Pensioners living alone receive more, 70% of the minimum wage (approximately € 1000 gross per month).
		Second Pillar - The second pillar consists of the collective pension schemes. - These pension schemes are administered by a pension fund or by an insurance company. Under Dutch law, company and pension fund are strictly separated. - The second pillar is financed by capital funding, that is the pensions are financed from the contributions members of the scheme paid in the past and from the return on the investment of these contributions. - Pension funds are non-profit organisations. Operating as foundations they are independent legal entities and do not form part of a company. The pension funds will therefore not be directly affected if a company gets into financial difficulties. - In the Netherlands there are three different types of pension funds: • Industry-wide pension funds - for a whole sector; • Corporate pension funds - for a single company or a corporation; and • Pension funds for independent professionals such as medical specialists.

Regulatory Infrastructure & Rules	Pension Funds	
		Third Pillar - The third pillar is formed by individual pension products. - These are mainly used by the self-employed and employees in sectors without a collective pension scheme. - Anyone can purchase a product in the third pillar to meet his or her requirements. In this way, people can save extra pension, often taking advantage of tax benefits.
		The Dutch Central Bank examines the financial position of the pension funds. The Dutch Authority for the Financial Markets monitors the behaviour of pension funds in particular regarding the obligations to provide information to members.
		Types of Pension Agreements: • **Defined Benefit schemes** - this is the most common pension agreement scheme whereby the level of pension depends on the number of years worked in combination with salary earned. • **Defined Contribution schemes -** the amount of pension a person receives depends on the contributions paid during the accumulation period and the return on investment achieved with those contributions. Individual defined contribution schemes are not very common in the Netherlands. The capital must be converted to an annuity on or before the retirement date. In principle, the investment risk and the interest rate risk rest with the employee. • **Combination of Defined Benefit and Contribution schemes -** It is also possible that a pension scheme is a combination of Defined Benefit schemes and Defined Contribution schemes. For example, a person may have a retirement pension that consists of a combination of a Defined Benefit scheme up to a certain salary level and a Defined Contribution scheme to supplement the retirement income above this level. • **Collective Defined Contribution pension schemes -** this is where the amount of pension is based on salary and the number of years a person participates in a scheme. However, the contributions are fixed for many years. If it transpires that the contributions are insufficient, then the pension benefits will be lower than originally envisaged. This scheme combines a limited risk for fluctuating pension commitments for the employer with the advantages of a collective pension scheme.

Regulatory Infrastructure & Rules		Netherlands
	Banking business	Banks in the Netherlands are governed by The Financial Supervision Act of 2006 that reformed Dutch banking laws to take into account big, multinational banks. The law empowers two main agencies to watch over Netherlands banks: - The De Nederlandsche Bank which is responsible for the financial stability of the banks in the Netherlands. - The Authority for Financial Markets which supervises the banking market, the operations of banks and protects bank customers and investors.
		A credit institution under the Financial Supervision Act is defined as: *any company that obtains 'repayable funds' outside a closed circle from legal persons, not being a professional market party and grants loans in the conduct of its business for its own account.* In the Netherlands, it is forbidden to operate as a bank or to use the term bank without a license granted by the De Nederlandsche Bank. Licensed institutions such as investment funds and banks qualify as professional market parties under the Financial Supervision Act. Any banking activities with such parties fall out of the scope of the Financial Supervision Act. Credit institutions with a license granted by a supervisory authority of one of the EU Member States, intending to act as such in the Netherlands through a branch office, are exempted from the obligation to apply for a license. Such credit institutions may rely on the license of their home state pursuant to a European passport. Prior notification to the De Nederlandsche Bank is required.
		The Dutch Banking Code was adopted by the Dutch Banking Association in September 2009 and came into effect on 1 January 2010. The Code lays out the principles by which Dutch banks should conduct themselves in terms of corporate governance, risk management, audit and remuneration. The Banking Code applies to all activities performed by banks that are in possession of a banking license granted under the Dutch Financial Supervision Act, irrespective of whether they perform their activities in the Netherlands or in another Member State, and irrespective of whether those activities are performed by a branch.

		The Code has been drawn up as a self-regulation in response to a report entitled 'Restoring Trust' published by the Advisory Committee on the Future of Banks in the Netherlands and provides for a 'comply-or-explain' basis. This means that the Code introduces an obligation for banks to state each year in their annual report how they have applied the principles or to provide a reasoned explanation of why a principle has not been applied or not applied in full. This obligation applies from the annual report for 2010. There are differences in many areas between the banks that are covered by the Code. For example, they have different corporate governance structures, operate in different markets or submarkets and may have a national or international focus. Departures from the Code, if substantiated, can therefore be justified.

3.4 - Financial services statistics for the Netherlands

Funds	
	Netherlands
Trust Companies *(2010)*	176
Total Net Assets of domiciled funds *(Sep 2011)*	**€ 70,352,000,000**
UCITS market	€ 58,591,000,000
Non-UCITS market	€ 11,761,000,000
Number of Funds - including Sub-funds *(Sep 2011)*	
Domiciled	620
Collective Investment Schemes - including Sub-funds *(Sep 2011)*	
UCITS	493
Non UCITS	127

Insurance	
	Netherlands
Insurers *(2010)*	295
Reinsurers *(2010)*	15
Assets under Management *(2010)*	
Life insurers	€ 335,000,000
Non-life insurers (excl. health care)	€ 41,000,000
Health care insurers	€ 27,000,000

Pension	
	Netherlands
Pension funds *(2010)*	514
Assets under Management (2011)	€ 745,000,000,000

Banking

	Netherlands
Credit institutions *(Mar 2012)*	**797**
Banks	82
Central credit institutions	1
Credit institutions affiiated to a central credit institution	141
Electronic money institutions	2
Electronic money institutions offering cross-border services in the Netherlands	14
Brances of credit institutions established in non-EU countries Banks	5
Branches of credit institutions established in EU-countries Banks	37
EU credit institutions offering cross-border services in the Netherlands Banks	511
Branches of financial institutions established in another Member State offering services	4
Total income *(2010)*	€ 50,300,000,000
Total expenses *(2010)*	€ 39,600,000,000
Balance sheet total *(2010)*	€ 2,707,000,000,000

3.5 - Comparative study on Regulatory Infrastructure & Rules for insurance services in Guernsey and Bermuda

Regulatory Infrastructure & Rules	Insurance	Guernsey	Bermuda
		Legislation Insurance business conducted in or from within Guernsey has been subject to regulation by the Commission since 1986 when The Insurance Business Law 1986 came into effect. In 1998 an amendment to the law was passed to impose registration requirements on insurance intermediaries. In 2002 the regulation of insurance business in Guernsey was further enhanced through the introduction of two new laws which superseded earlier legislation, namely: • the Insurance Business (Bailiwick of Guernsey) Law 2002, covering insurers conducting insurance business in or from within Guernsey • the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law 2002, covering insurance managers and insurance intermediaries conducting business in or from within Guernsey. Since 2002, a number of amendments and revisions have been made to these insurance laws and numerous supporting regulations, rules, codes and guidance have been introduced.	**Legislation** The insurance business in Bermuda is regulated under the Bermuda Insurance Act of 1978, as amended in 1981, 1983, 1985, 1995, 1998, and 2001. Insurance company regulation in Bermuda changed after Government passed the Insurance Amendment Bill 2008 in the House of Assembly, allowing the Bermuda Monetary Authority (BMA) to prescribe standards for an enhanced capital requirement and a capital and solvency return for insurers to comply with, and making new provisions for classes of insurance companies and Special Purpose Insurers. As required by the Act, the Minister of Finance has appointed an Insurance Advisory Committee (IAC) to advise the Authority and the Minister on matters pertaining to the Act. This consultative process between regulators and industry through the IAC regularly review the law and practice of insurance in Bermuda.
		Supervision Guernsey's insurance sector is regulated by the Guernsey Financial Services Commission. The Insurance Division supervises its licensed insurers, insurance managers and insurance intermediaries by conducting regular off-site monitoring supplemented by periodic on-site monitoring.	**Supervision** Bermuda insurers are regulated by the Supervisor of Insurance, which is part of the Bermuda Monetary Authority (BMA), which regulates all financial institutions in Bermuda. Insurers are assigned to groups based on their size, nature and complexity. The class system used to categorise Bermuda insurance and reinsurance companies acts as an indicator of risk impact.

Regulatory Infrastructure & Rules	Insurance	**Insurance sector structure** Insurers in Guernsey can be licensed to write either: • general business (i.e. non-life) • long term business (i.e. life) The Law distinguishes general insurance and long-term (life) insurance business. Other than in the case of a cell company, a single company cannot be licensed to conduct both long-term and general insurance business (composite insurers not allowed). Guernsey's insurance business can be divided into two types: (i) International insurance business (ii) Domestic insurance business ***(i) International insurance business*** • Pure captive insurer - an insurer established for the sole purpose of insuring some or all of the risks of its parent; • Commercial insurer - an insurer established for the primary purpose of participating in the traditional insurance or reinsurance market. ***(ii) Domestic insurance business*** • Locally incorporated - domestic insurers incorporated in Guernsey which must comply with all relevant local insurance laws, regulations, rules and codes; • Non-locally incorporated - domestic insurers incorporated overseas with a branch office in Guernsey.	**Insurance sector structure** The Insurance Act distinguishes between: (i) long-term business; (ii) special purpose business; (iii) general business. **(i) Long-term business** Consists of life, annuity, accident and disability contracts in effect for not less than five years. Any person seeking to carry out long-term insurance business is now required to be registered as either a Class A, Class B, Class C, Class D or Class E insurer under the Insurance Act. ***Class A Insurer*** • wholly owned by one person. • intends to carry on long-term business consisting only of insuring the risks of that person; or • an affiliate of a group and intends to carry on long-term business consisting only of insuring the risks of any other affiliates of that group or of its own shareholders. • required to maintain fully paid up share capital of at least US$120,000. • the Minimum Solvency Margin is the greater of $120,000 or 0.5% of assets.

Regulatory Infrastructure & Rules	Insurance	Guernsey offers two insurance company structures which provide flexibility when writing an extensive range of different types of business or when dealing with a variety of different customers. (i) Protected Cell Companies (PCCs) (ii) Incorporated Cell Companies (ICCs) ***(i) Protected Cell Companies (PCCs)*** • Guernsey developed the concept of PCCs in 1997 in response to the demand from companies who wished to take advantage of the captive approach to risk management but did not wish to establish a captive of their own. • a PCC is one legal entity. • a PCC is subdivided into the core, which contains the capital of the company as a whole, and individual cells, which can either be capitalised separately or rely on the core for support. • Insurance PCCs established in Guernsey are regulated at a cellular level. • the PCC structure enables general and long term insurance business to be written in different cells of the same PCC provided these cells are not both reliant upon the core assets for solvency purposes. • the PCC must meet the minimum margin of solvency. • A more recent development has been the use of PCCs as Special Purpose Vehicles (SPVs) to facilitate either the translation of capital market transactions into insurance transactions or risk transfer conduits to enable securitisation of future income streams.	***Class B Insurer*** • wholly owned by two or more unrelated persons. • intends to carry on long-term business with not less than 80% of the premiums and other considerations written in respect of which will be written for the purpose of insuring the risks of: - any of those persons or of any affiliates of any of those persons; or - which in the opinion of the BMA arise out of the business or operations of those persons or any affiliates of any of those persons. • required to maintain fully paid up share capital of at least US$250,000. • the Minimum Solvency Margin is the greater of $250,000 or 1% of assets. ***Class C Insurer*** • total assets of less than $250 million. • is not registrable as a Class A or Class B insurer. • required to maintain fully paid up share capital of at least US$250,000 • the Minimum Solvency Margin is the greater of $500,000 or 1.5% of assets. ***Class D Insurer*** • total assets of $250 million or more, but less than $500 million. • not registrable as a Class A or Class B insurer. • required to maintain fully paid up share capital of at least US$250,000. • the Minimum Solvency Margin is the greater of $4,000,000; or 2% of the first $250,000,000 of assets plus 1.5% of assets above $250,000,000. ***Class E Insurer*** • total assets of more than $500 million. • not registrable as a Class A or Class B insurer. • required to maintain fully paid up share capital of at least US$250,000. • the Minimum Solvency Margin is the greater of $8,000,000; or 2% of the first $500,000,000 of assets plus 1.5% of assets above $500,000,000.

Regulatory Infrastructure & Rules	Insurance		
		(ii) Incorporated Cell Companies (ICCs) • Guernsey adopted the ICC structure in 2006 • an ICC has individual cells, but each cell is separately incorporated making them distinct legal entities. • ICCs provides an extra layer of protection for investors who may be concerned about the legal standing regarding the ring fencing of liabilities within PCCs, particularly in foreign courts where the concept does not exist. • the legal structure of an ICC enables contracts, such as reinsurance, to be arranged between different cells within the same ICC. • each incorporated cell must be separately capitalised to meet the minimum capital requirement. • the ICC must meet the minimum solvency requirement.	**(ii) Special Purpose Insurer (SPI)** • includes insurance business under which an insurer fully funds its liabilities to its insurers through the proceeds of a debt issuance, cash, time deposits or other financing mechanism. • It focuses on fully collateralized special purpose vehicles that are set up to carry out specific insurance transactions. • minimum paid up share capital of $1.00; • the margin of solvency requirement will require that the assets of the SPI exceed its liabilities at all times; • an SPI will only be permitted to write "special purpose business" • the SPI will be restricted from entering into any other business save for ancillary agreements to effect its special purpose business. **(iii) General business Insurance** For insurers conducting general business, the Insurance Act introduces four classes of insurance licenses. The classes have been established in recognition of the diversity of insurers currently operating from Bermuda. It must be noted that within each license class, different regulations will apply. The regulatory requirements by class of insurer are: ***Class One Insurers*** • Single parent captives insuring the risks only of the parent corporation. • Minimum capital and surplus is $120,000. • No requirement that reserves have to be certified by an actuary • Statutory financial statements don't need to be filed.
		Requirements for Licensing In accordance with section 6 of The Insurance Business Law 2002, a person wishing to be licensed as an insurer shall apply in that behalf to the Commission. Under the Law, a person must not carry on or hold himself out as carrying on insurance business in or from within Guernsey unless licensed to do so. The requirements for licensing are contained in The Insurance Business Regulations 2010 and include the submission of: • A completed application form in the standard format determined by the Commission; • Details of the proposed ownership of the applicant; • Details of the proposed business plan of the applicant; • Details of the proposed personnel and third party service providers of the applicant, including the general representative; • Details of the proposed bank mandate signing powers of the applicant.	

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<td rowspan="2">Regulatory Infrastructure & Rules</td>
<td rowspan="2">Insurance</td>
<td>A copy of the applicant’s certificate of incorporation, memorandum and articles of association, and confirmation that share capital has been received, and/or that letters of credit and subordinated loans are in place, are also required before a licence can be granted. Additional information may also be required where the applicant, controller or ultimate holding company is resident in a sensitive jurisdiction, as published by the Commission on its website.</td>
<td rowspan="2">Class Two Insurers
• Multi-parent captives and single parent captives.
• Multi owner captives are insurance companies owned by two or more unrelated persons provided that the captive insurer underwrites only the risks of their owners and affiliates of the owners, or the risks related to or arising out of the business or operations of their owners and affiliates.
• Single parent and multi-owner captives in this class may write no more than 20 percent of net premiums from risks which are not related to, or arising out of, the business or operations of their owners and affiliates.
• Minimum capital and surplus is $250,000.
• Reserves have to be certified by an actuary at least every three years.
• A statutory financial statement has to be filed.

Class Three Insurers
• Captive insurers underwriting more than 20 percent and less than 50 percent unrelated business.
• The minimum capital and surplus requirement is $1,000,000.
• the actuarial certification requirement is yearly.
• It includes a large number of firms with a wide range of characteristics, from captives writing a limited amount of third-party business to large purely commercial re/insurers.
• There are sub-categories within the Class 3 group based on their respective risk profiles:
- Class 3A: Small commercial insurers whose percentage of unrelated business represents 50 percent or more of net premiums written or loss and loss expense provisions and where the unrelated business net premiums are less than $50 million.
- Class 3B: Large commercial insurers whose percentage of unrelated business represents 50 percent or more of net premiums written or loss and loss expense provisions and where the unrelated business net premiums are more than $50 million.</td>
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<td>Capital requirementsThe minimum paid up capital for a licensed general insurer is £100,000 and for a licensed long-term insurer is £250,000.A general insurance company structured as a PCC would commonly issue £100,000 in core shares in order to meet this minimum capital requirement.</td>
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Regulatory Infrastructure & Rules

Insurance

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Solvency requirements

General insurers must also maintain a minimum margin of solvency of the higher of:

- 18% of net premium income up to £5,000,000; and
- 16% of net premium income thereafter; or
- 5% of loss reserves.

Where the calculation is based on net premium income, it must be calculated on both a retrospective and a prospective (i.e. budgeted) basis and if the prospective calculation is at least 10% higher than the retrospective calculation, the prospective calculation must be used for the purposes of calculating solvency.

For long-term (life) insurers, the minimum margin of solvency is the greater of:

- £250,000; or
- 2.5% of the value of the statutory fund maintained by that insurer.

The statutory fund is an account which every Guernsey licensed long-term insurer is required to maintain in respect of receipts from long-term business conducted by it.

The Commission also has the power to vary the minimum capital and margin of solvency requirements. It generally and frequently does so in the case of companies which are fully funded in respect of the risks they underwrite including for example special purpose vehicles.

In addition, every insurer must maintain shareholders' funds of at least 75% of the minimum capital requirement.

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Class Four Insurers

- open market insurers and reinsurers underwriting, for example direct excess liability insurance and property catastrophe reinsurance.
- The minimum capital and surplus requirement is $100,000,000.
- The actuarial certification requirement is yearly.
- Bermuda Solvency Capital Requirement (BSCR), an enhanced solvency regime, now applies to these re/insurers.

The minimum solvency margins for Class 1, 2, 3, and 4 insurers and reinsurers equal the maximum of the minimum capital and surplus requirement, the premium test, or the loss test. The premium and loss tests are, respectively, defined as percentages of net premiums written and loss and loss expense reserves, with the percentages varying by class of insurer.

Insurers other than long-term insurers must satisfy a liquidity ratio test such that specified categories of assets must exceed 75% of defined liabilities.

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Regulatory Infrastructure & Rules	Insurance	**Own Risk and Solvency Assessment (ORSA)** • The Insurance Division has developed a risk-based approach to assessing the solvency of its licensed insurers in line with developing international standards. • The minimum solvency requirements set out in Schedule 2 of the Law applies. • Also, since 2008, each licensed insurer is required to undertake an Own Risk and Solvency Assessment (ORSA) at least annually in order to determine its Own Solvency Capital Assessment (OSCA). • OSCA involves the board of directors conducting a subjective analysis of the business written by the insurer and determining the appropriate level of capital that should be maintained. • The OSCA may be and often is higher than the minimum solvency requirement. • The OSCA calculation must be lodged with the Commission annually.	**Bermuda Solvency Capital Requirement (BSCR)** • Bermuda introduced a new risk-based capital standards for insurance companies. • The purpose of BSCR is to allow the Bermuda Monetary Authority to analyse the impact and probability of failures among regulated insurers. • The BSCR is being implemented in phases, first among the Class 4 insurers, and subsequently among certain commercial Class 3 insurers. • The BSCR makes use of a standard mathematical model that can relate more accurately the risks taken on by insurers to the capital that is dedicated to their business. The particular framework that has been developed seeks to apply a standard measurement format to the risk associated with an insurer's assets, liabilities and premiums, including a formula to take account of catastrophe risk exposure.
		Licensing criteria of a person wishing to establish a licensed insurer A person wishing to establish a licensed insurer in Guernsey must satisfy the Guernsey Financial Services Commission that it meets the licensing criteria set out in Schedule 7 to the Law. Schedule 7 requires that the insurance business will be carried on with prudence, integrity, professional skill and in a manner which will not tend to bring Guernsey into disrepute as an international finance centre. Any person who is to be a director, partner, manager, controller or general representative of the insurer will also have to meet criteria set in Schedule 7. Schedule 7 requires that such persons must be fit and proper having regard to their probity, competence, experience, judgement, qualifications, knowledge and understanding of the legal and professional obligations to be assumed and policies, procedures and controls to be implemented.	**Non-life insurers** Some of the Act's key requirements for non-life insurers are: • A company must be registered under the Act before it can carry on business in Bermuda. • Every insurer must appoint and maintain a Principal Representative in Bermuda who is a corporation or individual who is resident in Bermuda and who can represent the company. • Every insurer must appoint an auditor to report on the company's annual financial statements and Statutory Financial Return. • Companies must meet minimum capital and solvency requirements as required under the terms of their licences. • Insurers must maintain liquid assets equal to at least 75 percent of their liabilities. • A Statutory Financial Return must be prepared annually. This return is filed with the Bermuda Monetary Authority but is not available for public review.

Regulatory Infrastructure & Rules	Insurance	**Directors** The business of every licensed insurer must be directed by two individuals of appropriate standing and experience who are independent of each other. In addition, every licensed insurer must appoint at least one entirely independent non-executive director as well as a general representative who is authorised to accept service of official notices in Guernsey.	• A company whose gross premiums for professional liability insurance constitute more than 30 percent of gross premiums written is required to appoint a Loss Reserve Specialist who must on an annual basis certify the adequacy of loss reserves. • Companies which discount their loss reserves must provide details of the methodology and rationale for discounting and an annual actuarial opinion on the discounted reserves if the captive has not met its general business solvency margin on an undiscounted basis.
		Actuary Every licensed insurer which carries on long-term business must appoint an actuary who must prepare an annual report including a valuation of the liabilities of the insurer and an assessment of the surplus or deficit on the statutory fund. **Trustee** Long-term insurers must also appoint a Guernsey based trustee to hold in trust assets representing at least 90% of policyholder liabilities. The Commission has a discretion to waive this requirement and will generally do so in respect of life reinsurers. **Annual return** In accordance with section 33 of The Insurance Business Law 2002, all licensed insurers are required to prepare an annual return. The annual return must include: - an up to date business plan including financial projections, - a statutory solvency calculation; - a copy of the auditors' management letter; - a summary of the extent of adherence to the corporate governance principles applicable to licensed insurers; - a note on how insurance reserves are calculated. Consistent with Guernsey Companies law, every licensed insurer which is a company must be audited annually.	The Insurance Act does not distinguish between insurers and reinsurers, such that companies are licensed under the Insurance Act as "insurers". The Insurance Act uses the defined term "insurance business" to include reinsurance. In certain circumstances a condition to registration may be imposed to the effect the company may carry on only reinsurance business.

Regulatory Infrastructure & Rules

Insurance

Ownership
Strict controls are imposed on the shareholders and key officers of Guernsey licensed insurers.

A person acquiring an interest in excess of 5% of the equity share capital (directly or indirectly) of a licensed insurer must notify the Commission.

A person proposing to obtain an equity interest of 15% or more or an interest of 50% or more in a cell of a PCC must obtain the consent of the Commission before doing so.

The Commission must approve any proposed change in the directors or officers of a licensed insurer which is a company.

Solvency II opt out
In a joint statement issued by the Commission and the States of Guernsey Commerce and Employment Department in January 2011, the authorities state that they are currently not considering equivalence under Solvency II. Since the Island does not form part of the EU, it is not required to adopt the regulation. Guernsey will remain committed to meet internationally accepted regulatory standards as set by the IAIS and endorsed by the G20. Furthermore the Authorities will continue to monitor developments on Solvency II with a view to determining whether or not full or partial equivalence may be beneficial to Guernsey.

Captive industry
The Bermuda insurance and reinsurance market developed in the 1970's through the captive industry. Bermuda has a three tier captive insurance classification system as follows:

- ***Class 1 captives –*** single parent companies writing only the exposures of their parents or affiliates;
- ***Class 2 captives*** – single parent or multi owned companies that have the ability to write unrelated risk up to 20% of gross written premiums;
- ***Class 3 captives***– companies which have the ability to write over 20% of their gross premium in unrelated risk.

Single general class of companies dealing with Captive Insurance may have the following form:
- *Agency* - Formed and owned by one or more independent insurance agents to write high quality risks that they control.
- *Association* - Formed and owned by members of a common industry or trade association to share risks of that industry among its members.
- *Captive of insurer* - Single parent captive by a professional insurer or reinsurer.
- *Captive writing 3rd Party business* - Captive writing a portion of its net premium from risks unrelated to the business of its owners and/or affiliates.
- *Composites* - Insurance company writing a composition of life and general business.
- *Finite Insurer and/or Reinsurer* - Company writing unrelated risks where there are clearly defined aggregate limits and premiums that reflect the underwriter's anticipated investment income.
- *Health Care Captive* - Owned by a hospital or health maintenance organization and writing the risks of its owners and/or affiliates.
- *Long Term (or Life) Insurer and/or Reinsurer* - Insurance company writing life risks as a direct writer and/or insurer.

Regulatory Infrastructure & Rules

Insurance

- *Multi Owner Captive* - Owned by two or more unrelated persons or organizations and writing the risks of its owners and/or affiliates.
- *Professional Insurer and/or Reinsurer* - Insurance company writing unrelated risks as a direct writer and/or insurer.
- *Pure Captive* - Single parent captive writing only the risks of its owner and/or affiliates.
- *Rent-a-Captive* - Owned by unrelated persons or organizations and providing captive facilities to others for a fee.

Requirements for Licensing In order to become licensed as an insurer in Bermuda, it is necessary for firms to complete a license application, which is filed with the BMA. License applications are considered for approval by the BMA's Assessment and Licensing Committee.The license application provides details about the company, including disclosure of its shareholders and the specification of its business plan. The business plan conveys information such as the initial capitalization of the company, names and resumes of its principal managers, the lines of business it intends to write, financial projections, and the name of its auditors. Approval is based on the quality of the business plan, the likelihood that the proposed operation will be financially viable, and the qualifications of the managers. A company can be up and running within about three to six weeks after filing a business plan with the BMA.

Principal Representative and Principal Office
The Insurance Act requires every insurer to appoint a principal representative resident in Bermuda and to maintain a principal office in Bermuda. The principal representative will be responsible for arranging for the maintenance and retention of the statutory accounting records and for making the annual statutory financial return.

Regulatory Infrastructure & Rules	Insurance		**Auditor** Every insurer must appoint an independent auditor based in Bermuda and must be approved by the BMA, to report on the company's statutory financial statements. The auditor may be the same person or firm which reports to the shareholders.
			Reporting The Insurance Act requires every insurer to prepare annual statutory financial statements and file these statements with the BMA together with a statutory financial return. The rules for preparing these statements are set out in the Regulations and include a uniform format of the balance sheet, income statement, statement of capital and surplus and rules for valuation of assets and determination of liabilities. The statutory financial return includes a business solvency certificate and a declaration of statutory ratios, both of which must be signed by at least two directors of the insurer, of whom one must be a director resident in Bermuda if the insurer has a Bermuda resident director, and the insurer's principal representative in Bermuda. In addition to preparing statutory financial statements, all Class 3A, 3B and Class 4 insurers must file with the BMA audited financial statements in respect of their insurance business prepared in accordance with generally accepted insurance principles or international financial reporting standards. It is expected that the BMA will publish copies of the audited GAAP financial statements on its website, together with the notes to those statements and the auditor's report.

3.6 – Insurance services statistics for Bermuda & Guernsey

Insurance	
	Bermuda
Number of Insurance Companies *(2010)*	
General business	**874**
Class 1	237
Class 2	254
Class 3	223
Class 3A	112
Class 3B	16
Class 4	32
Long Term	**67**
Special Purpose Insurers	**9**
Gross Premiums *(2010)*	
General business	**€ 59,900,000,000**
Class 1	€ 2,700,000,000
Class 2	€ 7,400,000,000
Class 3	€ 7,000,000,000
Class 3A	€ 9,800,000,000
Class 3B	€ 8,100,000,000
Class 4	€ 25,000,000,000
Long Term	**€ 25,600,000,000**
Special Purpose Insurers	**€ 129,000,000**
Net Premiums *(2010)*	
General business	**€ 49,200,000,000**
Class 1	€ 2,100,000,000
Class 2	€ 5,000,000,000
Class 3	€ 5,300,000,000
Class 3A	€ 8,400,000,000
Class 3B	€ 6,000,000,000
Class 4	€ 22,300,000,000
Long Term	**€ 25,600,000,000**
Special Purpose Insurers	**€ 96,000,000**

Total Assets *(2010)*	
General business	**€ 254,700,000,000**
Class 1	€ 12,000,000,000
Class 2	€ 34,800,000,000
Class 3	€ 24,100,000,000
Class 3A	€ 36,800,000,000
Class 3B	€ 24,100,000,000
Class 4	€ 122,900,000,000
Long Term	**€ 161,700,000,000**
Special Purpose Insurers	**€ 1,163,000,000**

Capital and Surplus *(2010)*	
General business	**€ 119,300,000,000**
Class 1	€ 7,300,000,000
Class 2	€ 16,600,000,000
Class 3	€ 10,500,000,000
Class 3A	€ 14,200,000,000
Class 3B	€ 12,200,000,000
Class 4	€ 58,400,000,000
Long Term	**€ 28,000,000,000**
Special Purpose Insurers	**€ 79,000,000**

Insurance

	Guernsey
International Insurers *(April 2012)*	**344**
PCC Cells *(April 2012)*	**387**
Intermediaries *(April 2012)*	**39**
Managers *(April 2012)*	**20**
Domestic Insurers *(April 2012)*	**9**
Gross Assets *(2010)*	**€ 26,700,000,000**
Net Worth *(2010)*	**€ 10,600,000,000**
Premiums *(2010)*	**€ 5,100,000,000**

Section 4: Recent Developments

4.1 - General Financial Services Business

Luxembourg

Interview with former CEO of the Luxembourg Stock Exchange (March 2012)
The CEO of the Luxembourg Stock Exchange, Michel Maquil, leaves the Luxembourg Stock Exchange after 38 years of service. The below is a link to Michel Maquil interview conducted by The Luxembourg for Finance.
http://www.lff.lu/fileadmin/redaction/documents/Newsletters/Newsletter_13/Goodbye_to_all_that.pdf

A new chapter for ASEAN (14/5/12)
The Chamber of Commerce organised a meeting between the Ambassadors of the ASEAN (Association of Southeast Asian Nations) countries and representatives of LFF, ALFI and PBGL in May 2012. The Luxembourg team gave a briefing on different aspects of the Luxembourg financial center while, the ASEAN Ambassadors provided an insight into the future of the ASEAN members countries. The ASEAN member countries are planning the creation of an ASEAN Economic Community (AEC) by 2015. The AEC will transform ASEAN into a single market with 5 core elements: free flow of goods, services, investment, capital and skilled labour.
http://www.lff.lu/nc/finance/news/news-detail/article/a-new-chapter-for-asean/21/

Signature of a new Memorandum of Understanding between the China Securities Regulatory Commission from China and the CSSF (May 2012)
The China Securities Regulatory Commission (CSRC) and the Commission de Surveillance du Secteur Financier (CSSF) signed a new Memorandum of Understanding in May 2012 in relation to mutual assistance and exchange of information in the areas of regulation of transferable securities, futures and other investment products as well as securities markets in general. The new agreement which replaces the agreement signed on 18 May 1998 between the CRSC and the Commissariat aux Bourses entered into force on the day of its signature.
http://www.cssf.lu/fileadmin/files/Publications/Newsletter/Newsletter_2012/newsletter136eng.pdf

Signature of a Memorandum of Understanding between the Egyptian Financial Supervisory Authority and the CSSF (May 2012)
The Egyptian Financial Supervisory Authority and the CSSF signed a Memorandum of Understanding on May 2012 on mutual assistance and exchange of information in the areas of regulation, of cross-border investment management and of securities markets. The agreement took effect on the day of its signature.
http://www.cssf.lu/fileadmin/files/Publications/Newsletter/Newsletter_2012/newsletter136eng.pdf

Signature of a Memorandum of Understanding between the Isle of Man Financial Supervision Commission and the CSSF (March 2012)
The Isle of Man Financial Supervision Commission and the CSSF signed a Memorandum of Understanding on Feb 2012 on mutual assistance and exchange of information in the areas of

regulation of cross-border investment management and of securities markets. The agreement took effect on the day of its signature.
http://www.cssf.lu/fileadmin/files/Publications/Newsletter/Newsletter_2012/newsletter134eng.pdf

Signature of a Memorandum of Understanding between the Qatar Financial Centre Regulatory Authority and the CSSF (March 2012)
The Qatar Financial Centre Regulatory Authority and the CSSF signed a Memorandum of Understanding in March 2012 on mutual assistance and exchange of information in the area of supervision of financial institutions that perform their activities in the two jurisdictions. The MoU covers in particular the exchange of regulatory and technical information, as well as cooperation as regards supervision and inquiries. The agreement took effect on the day of its signature.
http://www.cssf.lu/fileadmin/files/Publications/Newsletter/Newsletter_2012/newsletter134eng.pdf

Signature of a Memorandum of Understanding (MoU) with the Securities and Commodities Authority of the United Arab Emirates (January 2012)
The Emirates Securities and Commodities Authority and the CSSF signed a Memorandum of Understanding in January 2012 on mutual assistance and cooperation in the field of regulation of securities markets. The MoU covers in particular an exchange of information of a regulatory and technical nature as well as cooperation as regards inquiries on the respective markets. The agreement took effect on the day of its signature.

Ireland

Central Bank publishes consultation on the handling of inside information (20/4/12)
The Central Bank of Ireland today issued a public consultation, Consultation Paper 58, on the Handling of Inside Information under the Market Abuse (Directive 2003/6/EC) Regulations 2005. The consultation paper sets out recommendations in respect of new rules and guidance on the handling of inside information.
http://www.centralbank.ie/regulation/poldocs/consultation-papers/Documents/CP58/Consultation%20Paper%2058.pdf

Central Bank plans to strengthen the protection of client assets (23/3/12)
The Central Bank of Ireland has outlined its plan to strengthen the protection of client assets and published the 'Review of the Regulatory Regime for the Safeguarding of Client Assets'. The review contains wide-ranging recommendations, covering internal operational and structural issues for firms, revision of the regulatory framework and amendments to the existing legislation. The following link refers.
http://www.centralbank.ie/press-area/press-releases/Pages/CentralBankplanstostrengthentheprotectionofclientassets.aspx

Central Bank Announces End of Market Abuse Delegation Arrangement with the Irish Stock Exchange (31/1/12)
The Central Bank of Ireland announced that the Market Abuse delegation arrangement with the Irish Stock Exchange (ISE), which has been in place since 2005, has been unwound. Pursuant to the Market Abuse (Directive 2003/6/EC) Regulations 2005, the Central Bank delegated certain functions

and tasks to the ISE. The ending of the delegation arrangement will result in the monitoring and investigation functions, formally undertaken by the ISE, being conducted by the Markets Supervision Directorate of the Central Bank.
http://www.centralbank.ie/press-area/press-releases/Pages/CentralBankAnnouncesEndofMarketAbuseDelegationArrangementwiththeIrishStockExchange.aspx

UK – London

FSA agrees settlement with four banks over interest rate hedging products (29/6/12)
The FSA has today announced that it has found serious failings in the sale of interest rate hedging products to some small and medium sized businesses (SMEs). FSA stated that this has resulted in a severe impact on a large number of these businesses. In order to provide as swift a solution to this problem as possible FSA has reached agreement with Barclays, HSBC, Lloyds and RBS to provide appropriate redress where mis-selling has occurred.
http://www.fsa.gov.uk/library/communication/pr/2012/071.shtml

Barclays fined £59.5 million for significant failings in relation to LIBOR and EURIBOR (27/6/12)
The Financial Services Authority (FSA) has today fined Barclays Bank Plc (Barclays) £59.5 million for misconduct relating to the London Interbank Offered Rate (LIBOR) and the Euro Interbank Offered Rate (EURIBOR). This is the largest fine ever imposed by the FSA.
http://www.fsa.gov.uk/library/communication/pr/2012/070.shtml

FSA consults on lowering its projection rates (31/5/12)
The Financial Services Authority (FSA) is consulting on rules to ensure investors taking out a retail investment product such as a personal pension or a life policy receive a realistic indication of potential future returns and charges.
http://www.fsa.gov.uk/library/communication/pr/2012/065.shtml

FSA confirms its regulatory fees and levies for 2012/13 (29/5/12)
The FSA launched a consultation (CP12/3) on its proposed fees, which cover its Annual Funding Requirement (AFR). Following that process and finalisation of its annual accounts, the FSA has reduced the amount firms will be required to pay.
http://www.fsa.gov.uk/library/communication/pr/2012/062.shtml

FSA decides to ban and fine hedge fund CEO Alberto Micalizzi £3 million (29/5/12)
The FSA has today published a decision notice indicating that it has decided to fine Alberto Micalizzi £3 million and ban him from performing any role in regulated financial services for not being fit and proper. This is the FSA's largest fine for an individual in a non-market abuse case.
http://www.fsa.gov.uk/library/communication/pr/2012/061.shtml

FSA fines Martin Currie £3.5 million for failing to manage a conflict of interests between clients (10/5/12)
The FSA has fined Martin Currie Investment Management Limited and Martin Currie Inc £3.5 million for failing to manage a conflict of interest between two of its clients. This is the largest fine ever imposed by the FSA in a conflict of interest case. In addition to the fine issued by the FSA, the Securities and Exchanges Commission is also fining Martin Currie in the US.
http://www.fsa.gov.uk/library/communication/pr/2012/053.shtml

FSA chief executive to leave organisation at the end of June (16/3/12)
Hector Sants, chief executive of the FSA, has announced his intention to leave the organisation at the end of June 2012, having completed the fundamental design and delivery of the changes needed to achieve the Government's plan to separate prudential and conduct financial regulation in the UK.
http://www.fsa.gov.uk/library/communication/pr/2012/028.shtml

Switzerland

FINMA proposes package of measures to strengthen client protection (24/2/12)
The Swiss Financial Market Supervisory Authority FINMA takes the view that Swiss financial market legislation needs to be improved as regards client protection. To reduce the asymmetrical power relationship between financial services providers and clients and strengthening the market, FINMA has written a position paper proposing as key measures clear rules of business conduct for financial services providers and better product documentation. It also sees the strategic extension of supervisory powers as necessary. These measures are to be implemented through legislation.
http://www.finma.ch/e/aktuell/Pages/mm-vertriebsbericht-20120224.aspx

Singapore

MAS Issues Revised Code of Corporate Governance (4/7/12)
The Monetary Authority of Singapore has accepted the recommendations made by the Corporate Governance Council on the Code of Corporate Governance, and issued the revised Code of Corporate Governance. MAS has considered the recommendations of the Council, and has announce that it has accepted all of the Council's recommendations. The key changes to the Code are focused on the areas of director independence, board composition, director training, multiple directorships, alternate directors, remuneration practices and disclosures, risk management, as well as shareholder rights and roles. MAS will however make two modifications to the recommendation relating to independence from substantial shareholders.
http://www.mas.gov.sg/News-and-Publications/Press-Releases/2012/MAS-Issues-Revised-Code-of-CG.aspx

MAS signs MOU with the European Securities and Markets Authority (16/3/12)
The Monetary Authority of Singapore and the European Securities and Markets Authority have signed a Memorandum of Understanding on the supervision of credit rating agencies. ESMA has also announced that it considers Singapore's regulatory framework for CRAs to be in line with EU's CRA regulations, thereby facilitating EU registered CRAs to endorse credit ratings issued in Singapore.
http://www.mas.gov.sg/News-and-Publications/Press-Releases/2012/MAS-signs-MOU-with-ESMA.aspx

MAS introduces regulatory framework for Credit Rating Agencies (17/1/12)

The Monetary Authority of Singapore will implement the regulatory framework for Credit Rating Agencies. The Authority issued a consultation paper on the proposed CRA regulatory framework in March 2011, as well as conducted discussions with the industry and market practitioners. Under the new CRA regulatory framework, the provision of credit rating services will be regulated under the Securities and Futures Act (SFA). CRAs will consequently have to be licensed under the Capital Markets Services (CMS) licensing regime under the SFA and be subject to licensing obligations.
http://www.mas.gov.sg/News-and-Publications/Press-Releases/2012/MAS-introduces-regulatory-framework-for-CRA.aspx

Hong Kong

Approval of Mainland-traded Hong Kong stock ETFs and Hong Kong-listed RQFII A-share ETF (29/6/12)

The China Securities Regulatory Commission approved two exchange-traded funds to be listed on the Shanghai and Shenzhen Stock Exchanges that will invest directly in Hong Kong listed stocks, each tracking a Hong Kong stock index. The SFC has authorised the world's first Renminbi Qualified Foreign Institutional Investor (RQFII) A-share ETF for listing on the Stock Exchange of Hong Kong. Through the RQFII investment quota granted by the Mainland authorities, an RQFII A-share ETF seeks to track the performance of an A-Share index by channelling renminbi raised outside mainland China to invest directly in a portfolio of A-shares, which replicates the performance of the underlying A-share index.
http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=12PR67

Guernsey

The Finance Sector Code of Corporate Governance – Assurance Statement

The Guernsey Financial Services Commission (GFSC) issued 'The Finance Sector Code of Corporate Governance' with an effective date of 1 January 2012. The Code requires an assurance statement from companies confirming that the directors have considered the effectiveness of their corporate governance practices and are satisfied with their degree of compliance with the Principles set out in the Code, or the alternative codes accepted by the GFSC, in the context of the nature, scale and complexity of the business. The assurance statement should be submitted with the relevant Annual Return as required by the Fiduciary Services, Investment Business and Insurance Divisions or the S36C Annual Review as required by the Banking Division.
http://www.gfsc.gg/The-Commission/News%5CPages/Code-of-Corporate-Governance-Assurance-Statement.aspx

4.2 - Fund business

Luxembourg

Luminis provides fund selectors with unprecedented transparency on Microfinance funds (11/5/12)
MicroRate, with the support of LuxFLAG and the Grand Duchy of Luxembourg, is announcing the hard launch of Luminis™ the first web-based, analytical platform on microfinance funds.
http://www.lff.lu/nc/finance/news/news-detail/article/luminis-the-impact-investing-platform-provides-fund-selectors-with-unprecedented-transparency-on-m/21/

LuxFLAG awards first Microfinance Label to a non-Luxembourg fund (4/5/12)
LuxFLAG has awarded its first LuxFLAG Microfinance Label to a non-Luxembourg domiciled microfinance investment vehicle.
http://www.lff.lu/nc/finance/news/news-detail/article/luxflag-awards-its-first-microfinance-label-to-a-non-luxembourg-fund/21/

Questions & Answers concerning the Key Investor Information Document - KIID (15/5/12)
A series of questions and answers has been published by the CSSF in view of the implementation of the Key Investor Information Document (KIID) for UCITS subject to Part I of the Law of 17 December 2010.
http://www.cssf.lu/fileadmin/files/Prospectus_OPC/FAQs_KIID_final.pdf

Ireland

Irish Stock Exchange and Malta Stock Exchange launch the European Wholesale Securities Market (21/2/12)
The Irish Stock Exchange together with the Malta Stock Exchange, in a joint venture, launched the European Wholesale Securities Market - a new market for wholesale fixed-income debt securities. The Irish Stock Exchange will own 80% of the new market with the Malta Stock Exchange having a 20% shareholding.
http://www.ise.ie/News_and_Media/ISE_Press_Releases/Press_Releases_2012/ISE_and_MSE_launch_the_European_Wholesale_Securities_Market.pdf

France

AMF launches a consultation on the transposition of the AIFM Directive (15/6/12)
The Alternative Investment Fund Managers (AIFM) Directive was adopted by the European Parliament in November 2010 and is due to be transposed into French law by 22 July 2013. An AIFMD Stakeholders' Committee has come up with twenty-five recommendations for transposing the directive. The below link refers.
http://www.amf-france.org/documents/general/10443_1.pdf

End of the short selling ban regarding French securities of the financial sector (13/2/12)
The provisions prohibiting any creation of a net short position and increase of an existing one in relation to French equity securities of the financial sector (as listed below) came to an end on 11th February 2012.
http://www.amf-france.org/documents/general/10310_1.pdf

AMF publishes instructions, completing transposition of the UCITS IV Directive
Further to the transposition of the UCITS IV Directive, the AMF instructions governing the authorisation and operation of UCITS, non-UCITS and real estate collective investment schemes have been amended and now incorporate all the new measures introduced into French law.
http://www.amf-france.org/documents/general/10276_1.pdf

4.3 - Insurance business

Bermuda

Brussels talks indicate Bermuda equivalence plan on track (25/6/12)
Following high-level talks with officials in Brussels earlier this month, the Bermuda Monetary Authority remains confident that Bermuda will be successful in its bid to win equivalence with Europe's Solvency II Directive. The Authority is also optimistic that European Commission undertakings exempting captive insurance companies in Bermuda from the Solvency II provisions will be honoured.
http://www.bma.bm/BMANEWS/Brussells%20Talks%20Indicate%20Bermuda%20Equivalence%20Plan%20on%20Track.pdf

UK - London

FSA confirms traded life policy investments should not generally be promoted to UK investors (25/4/12)
The Financial Services Authority has confirmed guidance that traded life policy investments are high risk products that should not be promoted to the vast majority of retail investors in the UK. The guidance is an interim measure, as the FSA will shortly be consulting on new rules imposing significant restrictions on the promotion of non-mainstream investments, including traded life policy investments, to retail investors.
http://www.fsa.gov.uk/library/communication/pr/2012/041.shtml

4.4 - Banking business

UK

FSA introduces rules telling banks to display depositor compensation arrangements (28/5/12)
The Financial Services Authority will require all banks, building societies and credit unions to prominently display posters and stickers in branches and on websites explaining which deposit guarantee scheme applies to their customers' deposits. These rules will take effect from 31st August 2012.
http://www.fsa.gov.uk/library/communication/pr/2012/058.shtml

Switzerland

FINMA opens consultation on Banking Insolvency Ordinance (16/1/12)
The Swiss Financial Market Supervisory Authority has opened the consultation on the complete revision of the Banking Insolvency Ordinance. This revision was deemed necessary as a result of the foreseen amendments to the Swiss Banking Act on 1st September 2011, the deposit protection scheme bill entered into force, while the new provisions of the "too-big-to-fail" bill should come into effect during this year. The new Banking Insolvency Ordinance shall specify the statutory rules on restructuring banks and applies to all banks and securities dealers.
http://www.finma.ch/e/aktuell/Pages/mm-biv-20120116.aspx

4.5 - Pension business

UK - London

FSA publishes new rules to ensure pension transfers are suitable for scheme members (27/4/12)
The Financial Services Authority has published new rules and guidance, following consultation, to strengthen the protection for members of defined benefit pension schemes who are considering moving their money into personal pensions.
http://www.fsa.gov.uk/library/communication/pr/2012/043.shtml

FSA publishes proposals to change the way pension transfer values are calculated (28/2/12)
The Financial Services Authority today published a consultation paper outlining proposals to change the way pension transfer analysis is carried out. The proposed changes will clarify and update the current standards and aim to ensure that pension scheme members considering a transfer are given a fair assessment of what they will receive in retirement.
http://www.fsa.gov.uk/library/communication/pr/2012/019.shtml