ANGUILLA FINANCIAL SERVICES COMMISSION

Capital Adequacy Guidelines for Company Managers, Trust Companies and Money Transfer Businesses

(Issued under Section 49 of the Financial Services Commission Act, R.S.A c. F28 (as amended))

Introduction

1. These guidelines provide directions to Company Managers, Trust Companies and Money Transfer Businesses on allowable assets for use in computing the licensee's capital requirements. The objective of these guidelines is to ensure that the licensee's capital is sufficient to meet prudential requirements, even under adverse conditions, and is well diversified and adequately liquid. The Commission, in keeping with the standards of safety and soundness, advises the following.

Assessment of Capital Adequacy

2. In assessing the adequacy of a licensee's capital position, consideration will be given to the net assets of the licensed entity.

3. Net assets of a licensee should at all times be equal to or greater than the minimum paid up capital required under the relevant legislation. Net assets are equal to fixed and currents assets net of provisions and long term and current liabilities.

4. The following minimum guidelines should be followed in computing the capital adequacy at any given time.

    4.1. The items used in this calculation should only include assets generated or used in the ordinary course of business. Intangible assets and assets that are highly subjective in value and with a limited market should be excluded.

    4.2. The longer a receivable remains outstanding of its agreed repayment terms, the greater the likelihood that it would not be collectable. Accordingly, all trade receivables and other third party receivable balances should be evaluated for their collectability and the following provisions for doubtful debts should be made:

Doubtful Debt Provision

91-180 days past due:	30%
181-365 days past due:	50%
1 year past due:	100%

4.3. A specific provision should be made for likely losses which are quantifiable or where there is objective evidence that the licensee will not be able to collect all amounts due according to the original terms of the receivables.

4.4. All related party receivable balances, including loans and advances, should be excluded from the assets used in determining the licensee's capital adequacy.

4.5. A licensee should not pay any dividend or distribute funds to principals or related parties that would result in the licensee not satisfying the minimum capital requirement, or to a continuation of the licensee's none compliance with the minimum capital requirement.

Financial Services Commission
January 2010