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STATES ADVISORY AND FINANCE COMMITTEE

Annual Report of the
Guernsey Financial Services Commission

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B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF

THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY,** the **26th JUNE 2002,** immediately after the meeting already convened for that day.

STATES ADVISORY AND FINANCE COMMITTEE

ANNUAL REPORT OF THE GUERNSEY FINANCIAL SERVICES COMMISSION

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

13th May, 2002.

Dear Sir,

ANNUAL REPORT OF THE GUERNSEY FINANCIAL SERVICES COMMISSION

I enclose the Annual Report of the Guernsey Financial Services Commission in respect of the year ended 31st December 2001.

Section 6(1) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 provides that:

> *"The Commission shall, as soon as practicable in each year, make a report to the Committee on its activities during the preceding year; and the President of the Committee shall, as soon as practicable, submit that report for consideration by the States."*.

Section 18(2)(b) provides that:

> *"The accounts of the Commission shall be ... laid before the States, in the same manner as the accounts of a committee of the States."*.

Auditors

In accordance with the decision of the States on 27 May 1999 (Billet d'État XI for 26 May 1999) it is the duty of the Advisory and Finance Committee to report to the States on the appointment of external auditors, together with appropriate recommendations, at the same time as annual accounts of States entities are submitted for formal approval.

The Committee, after carrying out a competitive tendering exercise, and after seeking advice from the States Audit Commission as required by the States Audit Commission (Guernsey) Law, 1997, recommends that the States appoint the firm of PricewaterhouseCoopers as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31 December 2002.

In so doing, the Committee wishes to make clear that its decision to recommend the appointment of PricewaterhouseCoopers should not he taken as meaning that the services provided by the Commission's previous auditors, BDO Guernsey Ltd, have been in anyway unsatisfactory.

Recommendations

The Advisory and Finance Committee recommends the States:

(1) to note the Report;

(2) to approve the accounts of the Guernsey Financial Services Commission for the year ended 31 December 2001.

(3) to appoint the firm of PricewaterhouseCoopers as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31 December 2002.

I should be grateful if you would lay the Report before the States together with appropriate propositions.

Yours faithfully,

L. C. MORGAN,

President,
States Advisory and Finance Committee.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001



GUERNSEY
FINANCIAL
SERVICES
COMMISSION

Guernsey Financial Services Commission

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This Report, including financial statements as required by section 18 of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 ("the Commission Law"), is made in pursuance of section 6 of the Commission Law to the States Advisory and Finance Committee and submitted by the president of the Committee for consideration by the States of Guernsey.

Note: Throughout this Report the Guernsey Financial Services Commission is referred to as "the Commission". The chairman and ordinary members are referred to collectively as "the Commissioners".

The Commission is the regulatory body for the finance sector in the Bailiwick of Guernsey.

The Commission's primary objective is to regulate the Bailiwick's finance sector to international standards and, by doing so, to protect depositors, investors, policyholders, other customers and the public.

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COMMISSIONERS



Laurie Morgan

President, States Advisory and Finance Committee

Laurie Morgan has been a member of Guernsey's legislature since 1988 and ex-officio chairman of the Commission since 1997. As president of the Committee responsible for Guernsey's external relations, he plays a leading rôle in discussions with international bodies and governments. He was, for twenty years, a senior executive of a Guernsey bank and trust company, from which he retired as managing director in 1993.



John Hallam FCA

Former partner, PricewaterhouseCoopers

Formerly the partner in charge of PricewaterhouseCoopers in Guernsey, Mr Hallam left the group in 1999 having been with it for nearly thirty years. He is currently a non-executive director of a number of financial institutions involved in banking, insurance and investment management. He has served as vice-president of the Guernsey Society of Chartered and Certified Accountants, Treasurer of the Guernsey International Business Association, a member of the committee of the Guernsey Insurance Company Managers Association and on various other bodies associated with the business life of Guernsey.



Nigel Carey LL.B

Advocate, Carey Langlois

Advocate Carey was admitted as a solicitor of the Supreme Court of England and Wales in 1974 and as an advocate of the Royal Court in 1975. He has been a partner in Carey Langlois since 1976 and was chairman of the Guernsey Bar from 1997 to 1999. He is a non-executive director of a number of collective investment fund companies and fund management companies, including a number engaged in venture capital activities.



Mel Carvill FCA, ACII, MSI

Direttore Centrale, Head of Corporate Finance, Assicurazioni Generali SpA

Mr Carvill is a past president of the Guernsey Society of Chartered and Certified Accountants, the Insurance Institute of Guernsey, and the Guernsey Association of Pension Funds and has served on the working group reporting on pension provision for the self-employed and proprietary directors, the Insurance Law Review Committee, the Pensions Steering Group and the Insurance Sector Policy Advisory Group. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the Chartered Insurance Institute and a Chartered Insurer. He is a director of financial services companies incorporated in Germany, Guernsey, the Middle East, the United Kingdom and the United States of America.



Leslie Priestley TD, FCIB, FCIM, CCMI, FRSA

Chairman, CAA Pension Scheme

Mr Priestley has been involved in banking for forty years, holding senior appointments in both Barclays and TSB – finally as chief executive, TSB England and Wales plc and a director of the TSB Group. During his career he was Secretary General, Committee of London Clearing Bankers; a member of the Monopolies & Mergers Commission; a director of the Civil Aviation Authority and London Electricity plc; an adviser to Touche Ross & Co., Financial Services Adviser ICL plc, and a Visiting Fellow at Bangor University. Currently, he is chairman of the CAA Pension Scheme and a director of Prudential Banking plc, Pinnacle Insurance plc, Egg plc and other companies.

DIRECTORS



Peter Neville MA (Oxon) FCA

Director General

Mr Neville read law at Oxford University and is a Fellow of the Institute of Chartered Accountants in England and Wales. Following a period working in the field of insolvency, he spent twelve years as a banker and merchant banker in the United Kingdom and the Far East. He joined the Investment Management Regulatory Organisation in 1987, holding a number of senior positions over a period of seven years. In 1994 he established the investment services regulatory regime for Malta and provided advice on financial services regulation to the government. In 1997 he joined the Regulatory Division of Lloyd's of London as general manager responsible for authorisation, individual registration and conduct of business permissions. He took up the position of Director General of the Commission in April 2001.



Steve Butterworth FCA, ATII, CFE

Director of Insurance

A chartered accountant, an Associate of the Institute of Taxation and a Certified Fraud Examiner, Mr Butterworth has been connected with the insurance industry since 1973 when he became companies manager of an accounting firm in Grand Cayman and, subsequently, financial controller of an insurance group in the Seychelles from 1977 to 1981. He was appointed Deputy Superintendent of Insurance in the Cayman Islands in 1982, Superintendent of Insurance in Guernsey in 1986 and Director of Insurance in 1997.



Philip Marr MSc (Econ)

Director of Banking

Mr Marr graduated in Economics at the University of Hull in 1968 and joined the Bank of England after a postgraduate degree. He was Economic Adviser to the Government of Bermuda from 1974 to 1977 and entered Banking Supervision on his return to the Bank. He was appointed Adviser to the Bahrain Monetary Agency from 1982 to 1984. He was manager of several groups of banks in Supervision at the Bank of England. After a secondment to Hambros Bank in 1988-1989 he was Manager, On-Site Review Teams. He was appointed Senior Manager, Enforcement in 1995 and joined the Commission in June 1997.



Talmai Morgan MA Cantab., Barrister, TEP

Director of Fiduciary Services and Enforcement

Mr Morgan read Economics and Law at Cambridge University before qualifying as a barrister in 1976. He held a number of commercial and advisory appointments in London before moving to Guernsey in 1988. He worked for Barings for six years, before moving to the Bank of Bermuda in 1994 as managing director of Bermuda Trust (Guernsey) Limited. In January 1999 he joined the Commission as Guernsey's first Director of Fiduciary Services and Enforcement.



Peter Moffatt MA (Oxon)

Director of Investment Business

Mr Moffatt joined the Overseas Department of the Bank of England in 1968. International work involved liaison with European Community institutions and the Bank for International Settlements. He was a supervisor during the 1970s and later became Secretary of the City Capital Markets Committee. Leaving the Bank in 1987, he became a compliance officer in investment banking with PaineWebber and JP Morgan and then in investment management with John Govett and Framlington. He has served on legal and regulatory committees of the Association of Investment Trust Companies, the Association of Unit Trusts and Investment Funds and the Financial Services Authority. He joined the Commission in June 2000.

CHAIRMAN'S STATEMENT



The tragic events of 11 September 2001 mean that a new responsibility is expected of financial regulators – that of countering the financing of terrorism. As described on page thirty-five, the Commission rose to this challenge. It undertook a wide range of actions, including contacting every institution in the finance sector in order to ascertain whether there were any assets in Guernsey belonging to suspected terrorists and terrorist organisations listed by the United Nations Security Council and the United States authorities after 11 September. Thankfully, I am able to report that no such assets have been found in Guernsey. Importantly, the Financial Services Commission (Bailiwick of Guernsey) (Amendment) Law, 2002, which was approved by the States (parliament) of Guernsey in March 2002, will provide the Commission with a specific statutory responsibility to counter terrorist financing. This law will come into force by the end of 2002.

Regulatory activity by the Commission continued unabated during 2001. Of particular importance was the coming into force on 1 April of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000. Amongst other matters, this law makes it an offence to carry on fiduciary and administration business and act as a company director by way of business without a licence issued by the Commission. Applications for licences were received from 249 firms and individuals by 31 May, the closing date for those undertaking regulated activities when the law came into force. The Fiduciary Services and Enforcement Division expects to have formed judgements on the vast majority of the applications by the end of 2002.

The Regulation of Fiduciaries Law, milestone though it is, should not distract attention from the Commission's other regulatory activities. The Commission is now a mature regulatory body, with a wealth of experience in regulating financial services businesses. Nevertheless, it cannot afford to rest on its laurels. As outlined in the main body of this Report, a number of new pieces of legislation are planned to be enacted. The most ambitious is the proposed repeal of the Insurance Business (Bailiwick of Guernsey) Laws, 1986 to 1999 and their replacement by the Insurance Business (Bailiwick of Guernsey) Law, 2002 and the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. The Commission recognises the importance of maintaining up-to-date legislation and policies and it will continue to seek to regulate the finance sector in accordance with international standards as they develop.

The Commission also has an interest in the work of the Organisation for Economic Co-operation and Development ("OECD") on harmful tax practices and tax havens. In July 2000 the OECD included Guernsey amongst the jurisdictions which it considered technically met its tax haven criteria, although the authorities in Guernsey did not agree with this view. The OECD asked the thirty-five jurisdictions it had listed as tax havens to consider making commitments to its standards. Guernsey and Jersey adopted a joint approach to

dialogue with the OECD. Discussions were held with the OECD to ascertain its thinking and to identify where there was common ground. Indeed, Guernsey already has existing legislation and has engaged in information exchange in line with the OECD's policies on criminal tax matters. This places the Bailiwick in advance of many jurisdictions, including some OECD members. The recent agreement between Guernsey and OECD removes any possibility that Guernsey might be included on the black list of unco-operative tax havens.

There were appointments within the Bailiwick during 2001 which will have a significant effect on the finance sector.

Professor Richard Conder was appointed as the first full-time chief executive of the Training Agency. Richard was previously Pro-Vice Chancellor of Bournemouth University. The Commission established the Finance Training Agency (as it was then called) in 1996. Since that time the Agency has moved from strength to strength. It is now highly regarded as a facilitator of training courses and development programmes. Richard has joined the Training Agency at an important time in the development of both the Agency and the finance sector and I wish him every success. I am also extremely grateful to Keith Corbin, until recently the executive chairman of the Training Agency, for his leadership of the Agency over the past four years; he ensured that the Agency became firmly established as a vital part of the framework of the finance sector.

In addition, the Guernsey Promotional Agency was established in 2001. The Promotional Agency adds to the infrastructure which will enable the Bailiwick to continue to flourish as an international financial centre. John Bridle was appointed as the Promotional Agency's first chief executive. John has particular experience in international brand development and I wish him well in this new venture.

Last year saw the retirement of Peter Crook as Director General of the Commission. As stated in last year's Report, his contribution to the Commission was invaluable. In his place, Peter Neville became Director General on 1 April. He has wide experience in regulation and knowledge of a range of financial sectors. These will stand the Commission in good stead for the challenges that lie ahead.

The next few years will continue to be challenging for the Commission. For example, at the request of the Commission, the Committee has invited the International Monetary Fund ("IMF") to carry out an assessment of its regulatory regime in November 2002. The Commission is no stranger to international assessments (or to their favourable conclusions). I am confident that the Commission's reputation will continue to grow and that such assessments should continue to be welcomed.

Laurie Morgan
Chairman

DIRECTOR GENERAL'S STATEMENT



Guernsey's adaptability and resilience in the face of international events were again demonstrated in 2001. Despite fierce international competition and the global slow-down, Guernsey's financial services businesses continued to grow. Being less vulnerable to the vagaries of the mergers, acquisitions and initial public offerings sectors, Guernsey saw considerable progress in the areas of specialist fund administration and protected cell company insurance.

The terrorist attacks of 11 September intensified international efforts to raise standards in fighting money laundering and the funding of terrorism. Working closely with the industry, the Commission was able to demonstrate that Guernsey reacted swiftly and appropriately to those tragic events.

Drawing on the conclusions of the Basel Committee on Banking Supervision's Paper, "Customer Due Diligence for Banks", the Commission agreed with the other Crown Dependencies a position paper, which was published in February 2002, setting out conclusions and recommendations on customer due diligence procedures. This was based upon earlier consultation on the Overriding Principles. The position paper defines the standards towards which firms should be working and is being discussed with all parts of the finance industry before being turned into formal Guidance Notes and amendments to the Regulations. We will be taking account of the differences in practice between the various sectors of the financial services industry and considering the work the Financial Action Task Force ("FATF") is doing on the review of the Forty Recommendations.

I am indebted to Peter Crook for his smooth hand over of a Commission which had been skilfully guided through a series of international reviews. The pressure to demonstrate that Guernsey's finance industry is being regulated to ever-changing international standards continues unabated. Just as the Commission expects continued compliance within the finance sector, so the Commission will be expected to show that its standards and regulatory systems are up to international norms. The IMF has been invited to assess Guernsey's regulatory regime, as part of a wider review of Guernsey's legislation and law enforcement procedures in the financial services area, and a visit by IMF assessors is due to take place in November 2002. Preparations for this visit are well under way. We are confident that there will be no major surprises and that the IMF's report will again endorse the standards which have been established. Of course, there will be recommendations for improvement and we will consider these very carefully.

Guernsey continues to suffer from misconceived and ill-informed sniping at the "offshore" finance industry. The Commission has embarked on a programme aimed at informing regulators and commentators, particularly within Europe, of the high standards established in Guernsey – higher in some respects than apply in most "onshore" jurisdictions. The Commission is raising its profile internationally by becoming increasingly involved in standard setting groups, such as the Basel Committee/ Offshore Group of Banking Supervisors ("OGBS") Working Group on Cross-Border Banking, the International Organization of Securities Commissions ("IOSCO"), the International Association of Insurance Supervisors ("IAIS"), and the new committee that is establishing global standards for the regulation of fiduciaries and company service providers. The Commission's international involvement also includes the provision of statistics to both the Bank for International Settlements ("BIS") and the IMF.

It is essential, in the interests of establishing truly global standards of regulation and corporate behaviour, that the distinction between "onshore" and "offshore" is replaced by a recognition that the true test is whether or not a financial centre is well regulated and co-operative. All major international finance centres have substantial "offshore" business; what matters is that all regulators should apply the same standards – adapted to the local environment – and should co-operate in countering abuse of the increasingly global international financial system.

Discussions with the OECD, which continued through 2001, were successfully concluded in early 2002 and Guernsey will

not be on any OECD blacklist. The focus on tax related matters has now shifted to discussions with the United Kingdom on the European Union's ("EU") Code of Conduct on Business Taxation and the Taxation of Savings Directive. Here, too, the aim is to ensure fair treatment and a level playing field, so that Guernsey's economic interests are not damaged by action which is out of step with Guernsey's principal competitor jurisdictions. On the domestic front, mindful of the pressures on local resources, the Commission has set in train a debate involving the finance industry and government on the future shape of the finance sector in Guernsey. The objective is to identify ways to raise the value added by the industry and to use Guernsey's limited resources more effectively. An initial survey, which will inform the debate, will be completed in the second half of 2002.

The Commission's programme to revise and update laws, regulations and the system for protecting depositors, investors, policyholders, other customers and the public has stepped up a gear. A policy letter proposing legislation to regulate market abuse was approved by the States in October 2001 and should become law by the end of 2002. In addition, changes to the Commission's own law, to remove the last references to political involvement, to open additional gateways for the exchange of information, and to address certain operational matters, were put in motion. Consultation is also taking place on completely revised and updated insurance laws; the scope of the money laundering regulations is being extended; procedures are being introduced to address issues raised by the new human rights legislation; and certain aspects of companies law are being revised, for example to introduce the concept of administration.

During 2001 preparatory work was undertaken on consultation documents, published in early 2002, for the establishment of a financial services ombudsman, a deposit protection scheme and a new pensions regime. The Commission's aim in making these proposals is to provide customers of financial services businesses in Guernsey with the same level of protection as they would expect in any other well-developed finance centre.

Throughout 2001, the Commission continued its monitoring and supervisory activities and expanded its programme of on-site visits. The coming into force of the new fiduciary regulatory regime has introduced a whole new area of supervision. The programme of work begun during 2001, to vet applicants under the new law and to ensure that those who do not make the grade are not licensed, has continued into 2002. This is an area where Guernsey – together with a very few other jurisdictions – leads the world and the Commission is determined to maintain the same standards in this sector as in all other areas of financial services business that it regulates.

The Commission has not been isolated from the effects of problems in other jurisdictions. In the insurance area, the Commission appointed Norton Rose to consider the position of international policyholders of Equitable Life, in connection with the proposed compromise scheme and the potential application of the United Kingdom Policyholders Protection Act. Their findings are available on the Commission's website. The implications of the affair on regulation locally are being considered very carefully. Problems have also resulted from the successful growth of the funds industry. The increasing number and complexity of applications have meant that the Investment Business Division has had to reorganise its operations so that the standard of service can be maintained.

The Commission has increased its resources in most areas, not only in the regulatory Divisions, but also in order to upgrade the policy and operational support functions. A complete review of staff terms and conditions of employment has led to a number of recommendations for change, many of which are in the course of being implemented. The Commission's staff are its most important asset and it is important that their hard work and dedication are recognised.

Finally, I would like to welcome the appointment of two chief executives whose work is essential to the successful and profitable development of the finance industry in Guernsey. Professor Richard Conder is the first full-time chief executive of the Training Agency, and John Bridle has been appointed as the first chief executive of the Guernsey Promotional Agency. Their experience and expertise should serve Guernsey well for the future.

Peter Neville
Director General



Business developments

Stock markets started 2001 quite strongly but, with a mid-year correction, largely driven by continuing reassessments of the prospects for technology and telecoms stocks, the outlook started to become more subdued in the summer. Not surprisingly, the terrorist attacks in New York and Washington D.C. on 11 September meant that the markets finished the year in muted fashion. There were a number of other strong factors which influenced banks' profits in 2001 and will continue to have a bearing in 2002. The year was marked by a lower interest rate environment with declining interest rates in some currency markets. This usually transmits through to lower profits for those banks with plentiful capital since they will earn less on their free capital when lower interest rates prevail. The lower stock market valuations and the severe contraction in stock market activity also led to a marked reduction in fee and commission income from those private banks who are reliant on portfolio management.

TABLE 1
Licences and deposits at the year end

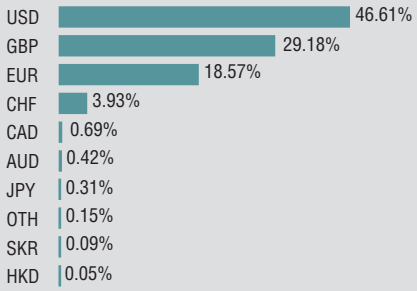
End	Banks licensed	Deposits £mns	Annual change %
1990	72	15,476	19.1
1991	72	16,250	5.0
1992	76	27,442	68.9
1993	75	37,482	36.6
1994	73	42,191	12.6
1995	73	46,855	11.1
1996	72	43,324	-7.5
1997	78	49,357	13.9
1998	78	52,922	7.2
1999	79	57,059	7.8
2000	77	68,474	20.0
2001	72	77,211	12.8

Consequently, Guernsey banks will generally be satisfied with their profits in 2001, in what turned out to be a year which many international bankers will be happy to forget. Profits were down overall on 2000, but only by some 6%, which most bankers would regard as acceptable in the circumstances.

Throughout the year, deposit growth was shown on all fronts although, as in the previous year, the greatest strength was in the growth of Swiss fiduciary deposits. Deposits increased by some 13% to £77.2 billion (table 1), the highest level that has been achieved. A feature of the year was the gradual increase in the proportion of deposits accounted for by euro and euro legacy currency deposits, which rose from some 14.3% at the start of the year to nearly 18.6% at the end (figure 1).

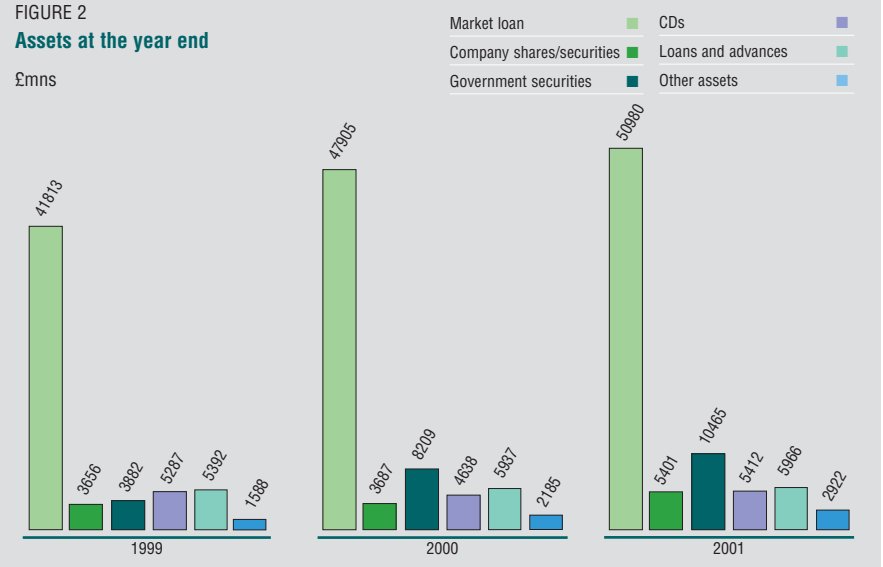
Total assets grew to £81.1 billion by the end of the year (figure 2 and table 2), with greater placements in the money market and increased holdings of liquid government securities. Lending to companies and persons remained modest (table 2 and figure 3). The aggregate capital base increased to £1.8 billion (figure 4). The weighted average risk asset ratio remained healthy at 20.52% (figure 5).

FIGURE 1
Breakdown of deposits with Guernsey banks by currency at end 2001



There was a reduction in the number of banking licence holders, falling from seventy-nine at the start of the year to seventy-two at 31 December. In the main, the surrenders of licences were a result of acquisitions, take-overs and restructurings or group rationalisations. There was an outright surrender by Banque CAI (Suisse) SA, Guernsey Branch following the relocation of its business to another jurisdiction where the group was represented. HSBC Bank USA, Guernsey Branch surrendered its licence but the

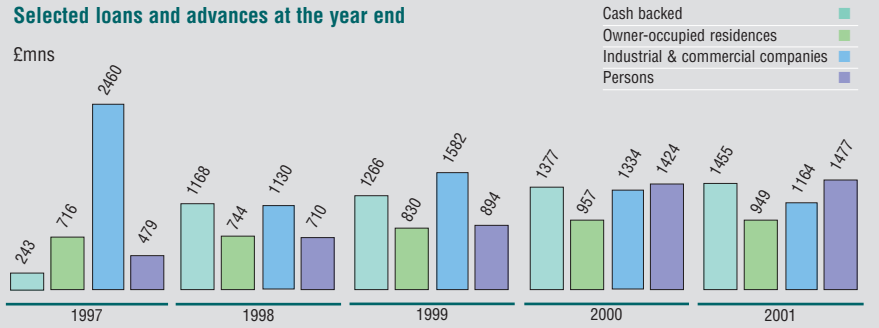
FIGURE 2
Assets at the year end



business was absorbed by other licensed entities in the Bailiwick. During the year the business of CIBC Bank & Trust Company (Channel Islands) Limited, including the service contracts to administer several other licensed banks, was acquired by Bank of Butterfield International (Guernsey) Limited. BGL Private Bank (Channel Islands) Limited surrendered its licence, having transferred its business to its fellow group member MeesPierson (C.I.) Limited. Ansbacher (Guernsey) Limited transferred its business to a Guernsey branch of the newly incorporated Jersey bank, Ansbacher (Channel Islands) Limited, and surrendered its licence. The Kleinwort Benson group is restructuring in a similar fashion, but currently has two banks running parallel. At the start of 2002, the licence previously held by NatWest Offshore Limited was surrendered and that business was subsequently undertaken by The Royal Bank of Scotland International Limited – Guernsey Branch. NatWest still continues to operate in Guernsey but purely as a brand; essentially, it is the community banking or retail banking channel for the Royal Bank of Scotland group. Despite these changes, the country of origin of Guernsey licensed banks remains well diversified (figures 6 and 7).

The momentum of rationalisation and restructurings looks likely to continue throughout 2002.

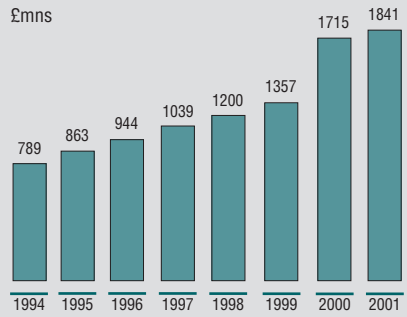
FIGURE 3
Selected loans and advances at the year end



As mentioned above, the year saw some restructuring of banking businesses between the Bailiwicks of Guernsey and Jersey. The objectives are to remove duplication of functions and economise on the use of capital and infrastructure. As part of this trend, the banking business in Jersey of the Royal Bank of Canada group has now been restructured so that it is a branch of the Guernsey bank, Royal Bank of Canada (Channel Islands) Limited. The Commission is the lead consolidated supervisor of the Channel Islands sub-group, which has its capital base in Guernsey. The sub-group continues to operate substantial banking businesses in Jersey and Guernsey and operates its treasury business from Guernsey.

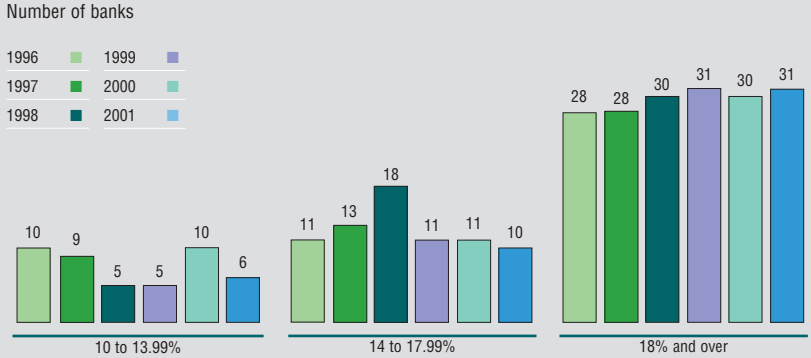
The year 2001 was notable in that the Commission was able for the first time to supply a geographic analysis of Guernsey business to the BIS in Switzerland, an organisation that acts as the Central Banker's bank and which collects world-wide banking statistics. The reporting of that information on a regular quarterly basis by banks now provides the Commission with a better understanding of the geographic origin and destination of Guernsey's banking business. A broad allocation of business analysed geographically is set out in figures 8 and 9. The liabilities analysis,

FIGURE 4
Total tier 1 capital at the year end



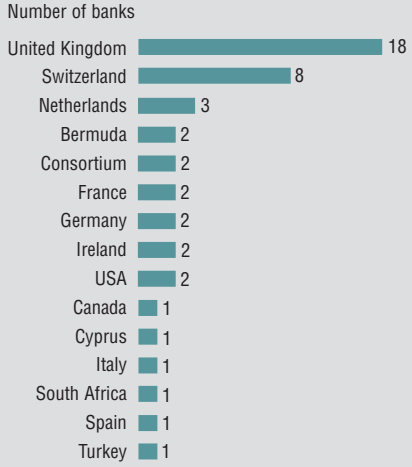
which is mainly composed of deposits, does not present any surprises, but it does quantify the importance of some markets to the Bailiwick. Clearly, the importance of Switzerland will be noted as the largest

FIGURE 5
Distribution of locally incorporated banks by risk asset ratio



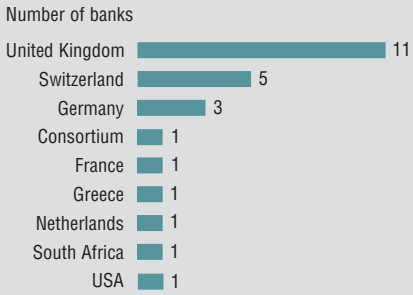
single source of deposits. The deposits of Guernsey residents and intermediaries are the second most important source and the United Kingdom is the third, accounting for some 12%. Other EU countries in aggregate are material at just over 5%. Germany is the largest source of deposits from the EU but it is by no means the dominant EU source. Other important business originates from the Cayman Islands, British Virgin Islands, other Caribbean jurisdictions and Bermuda.

FIGURE 6
Country of origin of Guernsey licensed banks – subsidiaries at end 2001



On the asset side, the picture is somewhat different. The Commission has long known that the United Kingdom is the single most important destination for funds from Guernsey banks. Some 45% of placements are made to the United Kingdom, either because London is the dominant inter-bank centre in Europe or to fund the United Kingdom parent businesses of Guernsey banks. In contrast to the liabilities side, other EU Member States are important recipients of funds from Guernsey banks. This arises from inter-bank placements with head office banks and holdings of low risk EU government securities and high quality investment paper. Switzerland is worthy of a mention as a destination for funds, largely as a result of placements with Swiss banks and some lending to Swiss clients. The United States of America is an important destination mainly because of the attraction of low risk United States government paper, including treasury bonds and United States Government National Mortgage Associations ("GNMAs") and United States Federal National Mortgage Associations ("FNMAs"). Inter-bank placements to the treasury operations of banks with Jersey head offices or Jersey offshore treasury centres are also significant.

FIGURE 7
Country of origin of Guernsey licensed banks – branches at end 2001



Supervision and policy

The supervisory programme continued smoothly. There were seventy-three formal prudential meetings with licensed banks in 2001 compared with seventy-two the previous year. In addition there were 163 general or courtesy meetings dealing with changes in strategy, corporate restructurings, mergers and take-overs and changes in personnel.

TABLE 2
Assets and liabilities of licensed banks at the year end

	1997 total £mns	1998 total £mns	1999 total £mns	2000 total £mns	2001 total £mns		1997 total £mns	1998 total £mns	1999 total £mns	2000 total £mns	2001 total £mns
Assets						Liabilities					
Loans, advances and market loans with:						Tier 1 capital*	1039	1200	1357	1715	1841
Banks etc	38778	39872	42138	48599	51602	Tier 2 capital**	77	81	83	27	27
British Isles public sector	4	2	1	2	12						
Companies, persons, other	4047	4289	5066	5242	5333	Deposits by:					
						Banks etc	11241	15938	11468	13065	12424
CDs	3556	3971	5287	4638	5412	British Isles public sector	36	41	50	50	59
Government securities	5292	5968	3882	8209	10466	Companies, persons, other	37162	36159	44598	54626	64728
Company shares/securities	1483	1949	3657	3687	5401						
Other assets	1045	1197	1589	2186	2922	Other liabilities	4650	3829	4064	3080	2069
Total assets	54205	57248	61620	72563	81148	Total liabilities	54205	57248	61620	72563	81148

* Paid-up share capital and disclosed reserves

** Undisclosed reserves, revaluation reserves, general provisions, debt/equity instruments and subordinated debts

BANKING CONTINUED

The momentum of the on-site review visit programme was increased in 2001. Some eighteen visits were completed by the Banking Division, covering some twenty-two licensed banks. By the end of the year the Banking Division had completed visits to some two-thirds of the banking sector and had covered all types of bank present in the Bailiwick, including small and large private banks, and retail and corporate banks. In 2001 the Division made a series of return on-site visits to banks which had been visited the previous year and which had been required to make remedial changes to their know your customer procedures and practices.

FIGURE 8

Location of bank deposits at December 2001

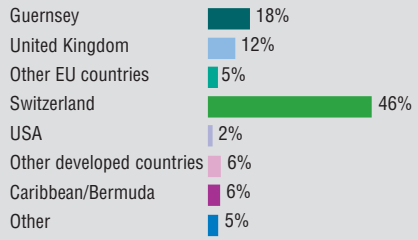
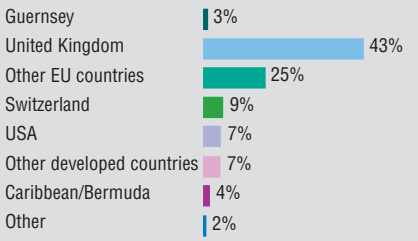


FIGURE 9

Location of bank assets at December 2001



Important progress was made during the course of the year to tighten up the know your customer and anti-money laundering disciplines in the banking sector. In April the Banking Division issued a guidance note requiring banks to exercise more caution and to adopt enhanced disciplines in respect of business from sensitive jurisdictions. Prompted by a United States Senate Minority Staff report by Senator Levin published in March, the Commission also conducted a review of the extent to which banks in Guernsey provided correspondent banking facilities to minor banks from other jurisdictions. This exercise identified a few small banks from unco-operative jurisdictions which had correspondent banking arrangements with Guernsey banks. These arrangements have now been terminated.

In May there was a technical relaxation of the minimum risk asset ratios required for some banks. Banks were advised that the Commission was prepared to consider applications for reduced minimum risk asset ratios from banks already operating at the then 10% minimum where their parent banks were prescribed lower levels by their home supervisors. The purpose of this was to address inefficient use of regulatory capital in a group context and avoid the possibility that subsidiary banks could be at a disadvantage. A few banks have applied for a reduction but the overall risk asset ratio for subsidiary banks remains comfortably high at over 20%.

The Basel Committee on Banking Supervision published its Paper on Customer Due Diligence For Banks on 4 October. In November the Commission issued guidance to banks as to best practice in the taking on of introduced business. The Basel Paper also paved the way for the three regulatory Commissions in the Crown Dependencies to produce a position paper, following consultation with the industry on the overriding principles for a revised know your customer framework (see page thirty-six).

During the second half of the year, preparation continued on the consultation paper on deposit protection in Guernsey which was published at the end of January 2002. A synopsis of the important principles that would be considered in the final consultation document was published in June by the Director of Banking in the Commission's publication, Update, as an article entitled "Towards Deposit Protection in Guernsey". The introduction of a deposit protection scheme will give depositors certainty of protection up to a specified maximum level of deposits. The consultation process seeks to find a consensus as to which categories of depositors should be eligible for protection and which should be excluded. In addition, the consultation paper asks whether deposits should be paid in full or whether depositors should bear a portion of the loss.

Comments were submitted in May by the Banking Division to the Basel Committee in respect of its consultation paper on the new Capital Accord. The comments focussed on whether it is appropriate for supervisors in small jurisdictions to apply or be involved in the vetting of the internal ratings approach models where banks in their jurisdiction are not significant providers of credit. The other points raised related to the likelihood of double counting of capital under the then current proposals on the measurement and control of operational risks and the fact that

applying further capital to operational failures may still fail to address those risks. Substantial work is still being undertaken on the new Capital Accord and the Banking Division expects to assess the impact on Guernsey banks of the Basel Committee's more refined approach to operational risk in 2002.



FIDUCIARY SERVICES AND ENFORCEMENT

Introduction

The main event of 2001 was the bringing into effect of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 ("the Regulation of Fiduciaries Law"). The law came into effect throughout the Bailiwick on 1 April 2001.

The Regulation of Fiduciaries Law introduced a comprehensive structure for the regulation of trust and corporate service providers (including company directors). All those engaged in the provision of such services in or from within the Bailiwick must apply to the Commission for a licence authorising such activities. The provision of such activities without a licence is a criminal offence for which the penalty is a fine and/or imprisonment for up to two years.

The introduction of regulation has provided valuable information as to the size and economic importance of the fiduciary sector to the Bailiwick (see below). Restructuring of the fiduciary sector has continued over the last year and the Commission has continued to place great emphasis on the appropriate training and development of staff.

Most trust companies enjoyed a very profitable year of trading in 2001.

During the year, the Director spoke at a number of conferences and seminars on fiduciary regulation, anti-money laundering and private client matters generally.

Regulation

The Bailiwick is one of the very first jurisdictions in the world to introduce a law for the effective regulation of the fiduciary sector. The Regulation of Fiduciaries Law is both robust and proportionate. It is based on the proposition that all those involved in the provision of fiduciary services should be "fit and proper" in terms of integrity, competence and solvency.

There are two categories of fiduciary licence:–

- A full fiduciary licence which can only be granted to a company or a partnership. Such a licence authorises the licensee and its directors or partners, managers and employees to carry on regulated fiduciary activities in the course of the licensee's business.
- A personal fiduciary licence which can only be granted to an individual. This authorises the licensee to carry on a restricted range of fiduciary activities. These include acting as a company director, as a co-trustee (but not as a sole trustee), and as a trust protector.

The law grants various powers to the Commission relating to the obtaining of information and documents from licensees and others. Pursuant to the law, the Commission has issued separate codes of practice for trust service providers, corporate service providers and company directors. The Commission may take any contravention of any of the provisions of the codes into account in its decision as to whether to exercise any of its powers under the law.

Individuals and businesses involved in the provision of fiduciary services had to submit their licence applications to the Commission by 31 May 2001. The Commission received a total of 179 applications for a full fiduciary licence and seventy applications for a personal fiduciary licence. The names of all applicants were posted on the Commission's website. Under the transitional provisions of the Regulation of Fiduciaries Law, an applicant may continue with the provision of fiduciary services pending the final determination of the application.

By 31 December 2001, the Commission had granted thirty-two full fiduciary licences and sixteen personal fiduciary licences to applicants, following consideration in depth of the licence applications, and seventeen on-site inspection visits by Commission staff. By 31 March 2002, the number of licences granted had increased to seventy full fiduciary licences and twenty-three personal fiduciary licences.

Pursuant to the Regulation of Fiduciaries Law, the Commission has made the following rules and regulations:–

- The Regulation of Fiduciaries (Accounts) Rules, 2001
- The Regulation of Fiduciaries (Fiduciary Advertisements and Annual Returns) Regulations, 2001
- The Regulation of Fiduciaries (Fees) Regulations, 2001
- The Regulation of Fiduciaries (Consequential Modifications) Regulations, 2001

The Director of Fiduciary Services and Enforcement is serving on an international working group which is charged with the task of setting international standards for the regulation of trust and corporate service providers.

Size of sector

The number of applications for a fiduciary licence received by 31 May 2001 (together with subsequent applications by new start-up businesses) shows 184 companies or partnerships and seventy-seven personal fiduciaries involved in the provision of fiduciary services. The businesses employ 2,556 staff. The total of fiduciary assets under administration is £114 billion.

Restructuring of the fiduciary sector continued over the course of 2001. The major developments were the acquisition of Riverdale Limited by Insinger Trust (Guernsey) Limited, and the acquisition of the CIBC group's Guernsey operations by the Bank of Butterfield group. The year also saw the setting up of two completely new trust companies, the closing down of another, and the withdrawal of a number of individuals from the provision of fiduciary services. Restructuring of the sector may be expected to be an on-going process.

Trust law

The Trust Law Review Committee (whose members are set out in Appendix 2) continued to provide advice as to potential amendments of Guernsey trust law. A detailed review of the Trusts (Guernsey) Law, 1989, as amended, has been undertaken by Professor Paul Matthews. The Commission intends to publish a summary of the review as part of a full consultation exercise with trust practitioners before bringing forward proposals for the amendment of certain aspects of the trust legislation.

Companies

A total of 1,363 Guernsey companies were incorporated during 2001 representing a 16% decrease over the previous year. Guernsey has continued with its policy of requiring complete disclosure of beneficial ownership (and undertaking due diligence on such potential beneficial owners) before permitting the incorporation of a company. The Commission understands that such a robust policy is only shared by two other jurisdictions. There were 15,910 companies on the Guernsey register at the year end.

TABLE 3
Number of Guernsey companies registered at the year end

Year	New companies registered	Number of companies
1991	1,364	13,814
1992	1,438	14,020
1993	1,360	14,014
1994	1,363	14,011
1995	1,406	14,232
1996	1,448	14,550
1997	1,586	15,046
1998	1,322	15,215
1999	1,410	15,453
2000	1,623	15,900
2001	1,363	15,910

Table 3 shows the trend in company formations since 1991, while figures 10 and 11 provide information on the types of company formed and the jurisdiction of beneficial ownership.

Company law

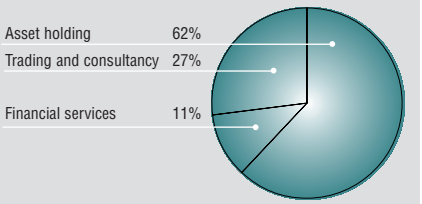
The Commission promoted two changes to company law during 2001. The Companies (Guernsey) (Amendment) Law, 2001 came into force in January 2002. This law simplifies the mechanism for the conversion of share capital from one currency to another. A draft ordinance and regulations have also been prepared which will permit companies to issue shares of no par value. The ordinance and regulations are expected to come into force in the summer of 2002.

The Company Law Reform Committee met seven times in 2001. Following these meetings and work by the committee in previous years, draft legislative changes to the existing body of company law have been prepared. In addition, the Commission had been considering how best to transfer the provisions in the Control of Borrowing Ordinances relating to the formation of companies to company law. The Commission expects to issue consultation papers on the proposed changes to company law during 2002 and 2003.

Enforcement

The Commission has continued with its policy of providing active and practical assistance to regulators and law enforcement bodies at both a local and an international level.

FIGURE 10
Analysis of types of Guernsey companies formed in 2001 by intended activity

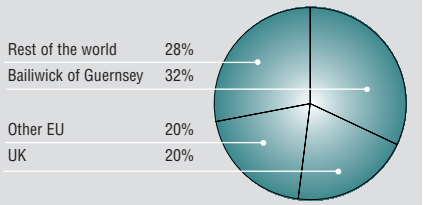


Recognition was received from the United States Federal Bureau of Investigation ("FBI") for assistance provided in a case which resulted in a four year sentence of imprisonment and a U$8.4 million restitution order made against Michael Richmond who was convicted for his part in an investment fraud conducted through

the internet. On a more general note, the London-based FBI agent wrote an article for the FBI's in-house periodical which was complimentary to all the Crown Dependencies for their positive attitude in the fight against economic crime.

FIGURE 11

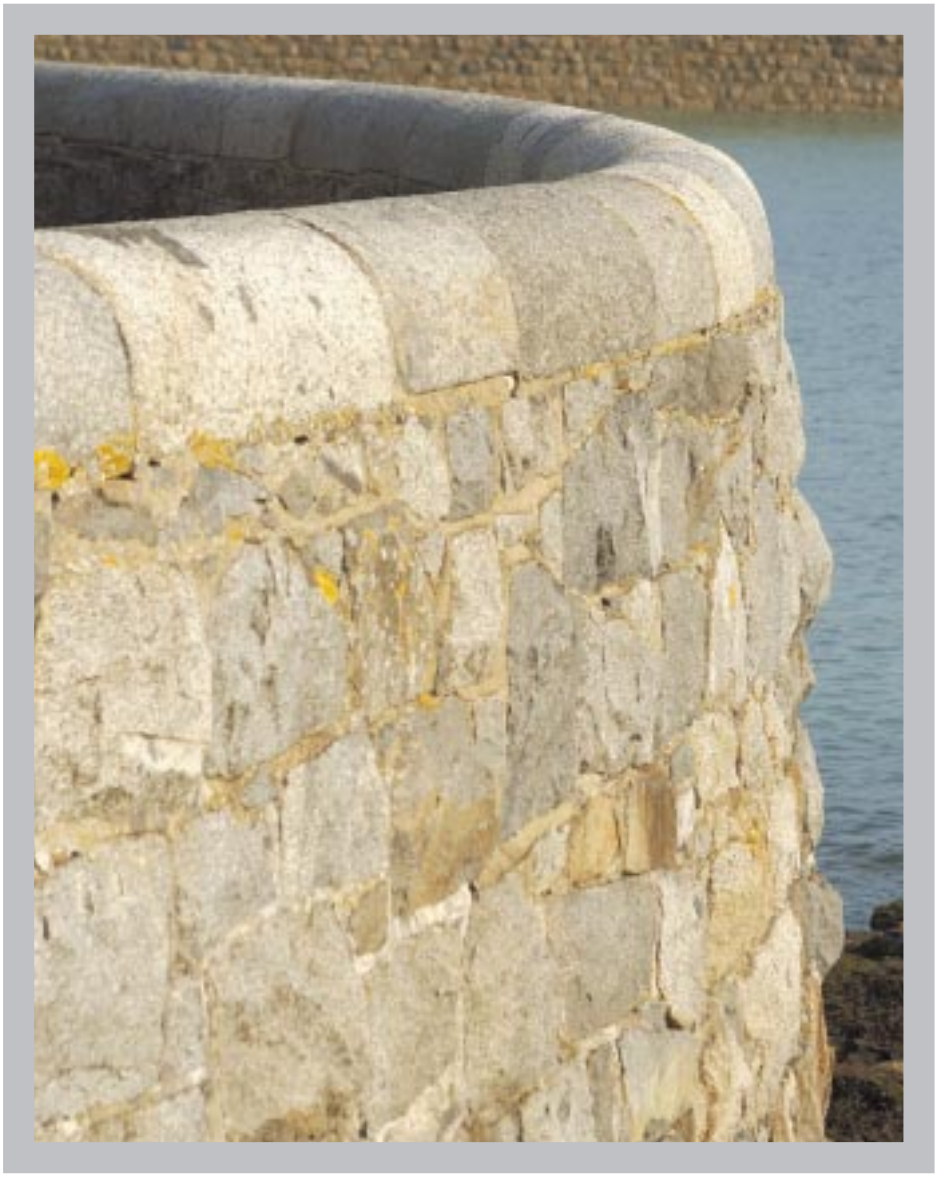
Analysis of jurisdiction of beneficial owners of Guernsey companies formed in 2001 by origin of beneficial owner



As discussed on page thirty-seven, in September, the Director of Fiduciary Services and Enforcement and the Assistant Director, Enforcement attended the International Symposium on Economic Crime in Cambridge, England. The Director also gave a speech on the OECD's report on the misuse of corporate vehicles for illicit purposes.

One reaction to the terrorist acts in the United States on 11 September was a series of resolutions and orders from the United Nations which took effect in the Bailiwick. This in turn led to significant activity by the Commission in dealing with enquiries from the finance sector and with information that was disclosed. A Terrorist Finance Team was established in order to co-ordinate the action and responsibilities relating to terrorism matters. This consists of representatives of the Commission, the Financial Intelligence Service, Police Special Branch, the Attorney General's Office and Customs. The Team meets on a regular basis to discuss issues arising from the financing of terrorism.

Meetings of the Financial Fraud Information Network continued to be attended regularly in London by the Assistant Director, Enforcement. These meetings discussed general matters of financial fraud.



Captives and protected cell companies

Guernsey continues to maintain its position as the leading captive location in Europe, with new business in the captive arena being dominated by the increase in the number of protected cell companies ("PCCs") and the establishment of further cells.

TABLE 4
Number of international insurance companies registered

International	End 2000	End 2001
Pure	258	253
Commercial	45	47
Broad	27	25
PCCs	28	44
Sub-total	358	369
Cells	136	176
Total	494	545

Traditional captive business still attracts new participants, witnessed by a significant number of new registrations in 2001, although the past year also saw several licences surrendered, including the licences of six captive owners who chose to convert their companies to PCCs. The tragic events of September, which heralded unprecedented rate rises and a substantial decline in capacity in the traditional insurance and reinsurance markets, have had, and will continue to have, a significant impact on captive business.

A total of thirty-four new licences were issued, of which sixteen were for PCCs. New PCCs registered include insurers for United Kingdom construction firm Amey, Lloyd's of London syndicate managers Euclidian, the Halifax Bank of Scotland banking group, and the insurance group Thomas Miller.

The new PCCs demonstrate not only increasing support for the concept but a diversity of owners in terms of business, geographic location and size.

During the year a further forty-one cells were established and, after allowing for the closure of one cell, the number of cells in operation at 31 December stood at 176.

In the traditional captive arena, Shire Pharmaceuticals Group Plc, N Brown Group Plc and QinetiQ Group Plc all established new captive companies. The year 2001 also saw the licensing of the first captive insurer for a domestic, and locally owned, trading company.

Table 4 shows that the international business in Guernsey is becoming more complex, with an increasing number of commercial captives and with significant development of new types of business being written by the PCCs.

Tables 5 and 6 and figure 12 show

TABLE 5
Location of shareholders of international insurers at end 2001

Country	Number
Asia	2
Australasia	5
Canada	1
Caribbean	10
Europe	49
Far East	7
Guernsey	15
International*	1
Middle East	3
Northern Europe	8
South Africa	16
South America	2
Southern Europe	2
United Kingdom	233
USA	15
Total international insurers	369

* Joint ownership, three European joint ventures

Guernsey's PCC business is increasingly geographically diverse, in comparison to the traditional captive business in which the historic bias towards United Kingdom parentage perseveres.

TABLE 6
Location of shareholders of PCC cells at end 2001

Country	Number
Asia	1
Australasia	7
Canada	1
Caribbean	2
Europe	40
Far East	4
Guernsey	8
Middle East	2
Northern Europe	7
South Africa	10
Southern Europe	8
United Kingdom	49
USA	37
Total cells	176
Total international insurers	369
Total cells	176
Grand total	545

The number of insurance managers stood at thirty-two at the end of the year. This is an increase of two during the year, with both Ortac Underwriting Agency Limited and Anfre Underwriting Limited being established by the locally based Heritage Group (formerly Polygon) to manage specialist insurance syndicates.

International life insurance

At the end of 2001 there were twenty-five international life companies registered in Guernsey. The majority of these insurers sell specialist life and pensions contracts, mainly to expatriates residing in countries outside Europe. They are a small but strong group with geographically diverse ownership from countries such as France, Italy and the Nordic countries. There

were three additional registrations during 2001 from France, South Africa and the United Kingdom.

Domestic insurance business

There was little movement within the domestic market during 2001, which included the transfer of long-term business of two registered companies into another registered company, taking the total number of domestic insurers to thirty-nine at the end of the year.

During the year, fourteen intermediaries were registered and three registrations were surrendered, bringing the total number at 31 December 2001 to sixty-eight, compared to fifty-seven at the end of December 2000. The fourteen new registrations included two local banking operations, two new companies formed following the withdrawal of direct sales staff of two United Kingdom insurers from the local market and five travel agents.

All insurers with a physical presence in the Bailiwick are required to register with the Commission. An insurer is deemed to have a physical presence if the insurer acts through a resident agent. Those insurers writing Bailiwick risks without a physical presence in the islands are categorised as recognised insurers. All intermediaries registered by the Commission are required by law to arrange insurance only with recognised or registered insurers. At the end of December 2001, the number of recognised insurers had increased to 147.

Premium income, gross assets and net worth

Total premium income received by all Guernsey registered international insurers is estimated to have increased to £2.3 billion at December 2001. The gross assets of offshore insurers increased over the year from £10.9 billion to an estimated £12 billion, while their net worth increased from £4.35 billion to an estimated £4.8 billion.

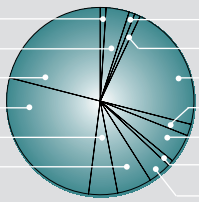
Supervision and policy

The Commission continues to regulate on a risk-based basis. As well as meeting minimum solvency requirements, the insurer must ensure that the funds available are sufficient to meet the estimated total annual aggregate net risk retention, together with expenses, calculated on a worst case scenario. Any risk gap should be adequately covered. Account is taken of the nature of the classes of business involved, the spread of risk available to the insurer, claims experience and the risk management expertise of the insured. Funds available must be sufficient to meet claims for the future in a worst case scenario. Reinsurance, or retrocession, protection must be of sufficient quality to minimise any probability of non-recovery.

The Insurance Division was actively involved in several projects to diversify and improve the insurance sector in 2001. The Insurance Law Review Committee (whose members are listed in Appendix 2) completed its review of insurance legislation and revised and updated draft legislation was passed to the Attorney General's Office for consideration in September 2001. A consultation paper was issued to the insurance industry in March 2002. It is hoped that the Insurance Business (Bailiwick of Guernsey) Law, 2002 and the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 will come into force by the end of 2002.

FIGURE 12

Location of shareholders of PCC cells at end 2001



Asia	1%	Canada	1%
Australasia	4%	Caribbean	1%
USA	21%	Europe	22%
United Kingdom	27%	Far East	2%
Southern Europe	5%	Guernsey	5%
South Africa	6%	Middle East	1%
		Northern Europe	4%

The Pensions Advisory Panel (see Appendix 2) continued with its consideration of a regulatory framework for pensions and in 2002 produced a consultation paper on future pensions regulation in Guernsey. Currently, there is no specific legislation covering all aspects of pension provision in Guernsey. The paper proposes a system of annual certification by the Commission for occupational schemes, with schemes having to confirm that they have met defined minimum standards. These standards are proposed to include the provision of information to members, the experience of trustees and confirmation that employers' contributions have been paid on time. Certain types of scheme will qualify for exemptions from all or part of the certification system.

During the year Insurance Division staff

dealt with a number of issues in relation to United Kingdom insurer The Equitable Life Assurance Society. Whilst the United Kingdom Financial Services Authority ("FSA") remains responsible for the prudential regulation of the Society, the Commission appointed London lawyers Norton Rose to examine a number of concerns relating to the Guernsey branch operation of Equitable Life Assurance Society. In particular, Norton Rose were asked to consider the position of international policyholders both in connection with the proposed compromise scheme and the potential application of the United Kingdom Policyholders Protection Act. Their findings are available on the Commission's website.

Voting on the proposed compromise scheme took place early in 2002; the majority of policyholders voted to accept the compromise scheme. The Commission considered that a vote in favour of a scheme provided the best opportunity for improving the prospects of the company and policyholders alike.

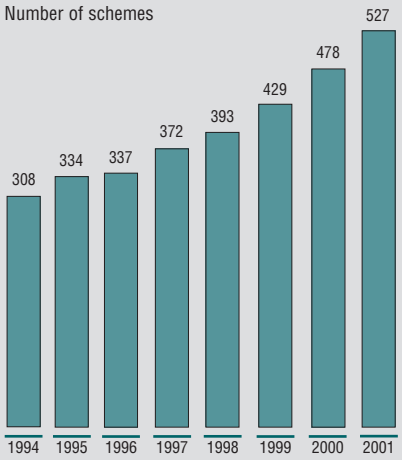
The Insurance Division continued its programme of on-site visits and made visits to six authorised insurance managers, nine registered insurance intermediaries and three domestic insurers. The programme involves assessing the control and management of the operation concerned, a comprehensive anti-money laundering review and an inspection of client files. With the appointment of an actuary to the Commission in 2001, a comprehensive on-site inspection programme covering the international life insurers is now being prepared.



Market sentiment

At the end of 2000 market sentiment had been rather negative, and fund development during the first quarter of 2001 reflected that cautious tone, with the value of open-ended funds declining slightly, although this was offset by growth in closed-ended funds. Improved business inflows were, however, seen very clearly during the second quarter of 2001. At the end of the quarter, funds under management reached a record £32 billion, a 20% increase on the position at December 2000, and reflected in particular a 32% increase in the value of closed-ended funds under management; open-ended funds also increased in value by some 11% over the period. These figures represented new peaks for the Guernsey fund management industry.

FIGURE 13
Total funds authorised and approved at end 2001



Those signs of recovering market sentiments were, of course, entirely reversed by the dreadful events of 11 September so that, by the end of the third quarter, funds under management had declined by some £2.5 billion (7.6%) and open-ended funds in particular gave up all of the gains they had made during the second quarter. However, the resilience of markets, and the strength of the Guernsey fund industry, were re-emphasised by the end of the year, by which time total funds under management had risen again, to a new record of over £33 billion (a 26% increase on the year as a whole). Within that total, open-ended funds accounted for £15.7 billion (a 10% rise during the year) while closed-ended funds finally overtook the value of open-ended funds, reaching £17.5 billion (an increase of 50% on the year). During 2001 a total of eighty-seven new funds were authorised (compared with ninety-five in 2000), along with forty-eight (compared with forty-five in 2000) new classes of existing umbrella funds and PCCs. Figures 13 and 14 indicate the trend over time in the number of funds managed in Guernsey and assets under management. Figures 15 to 19 and tables 7 to 10 provide a broad breakdown of the types of investment by open-ended and closed-ended funds.

FIGURE 14
Total funds under management at the year end

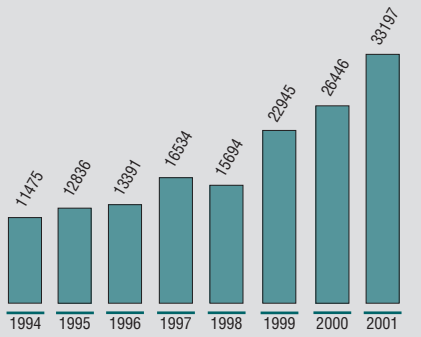
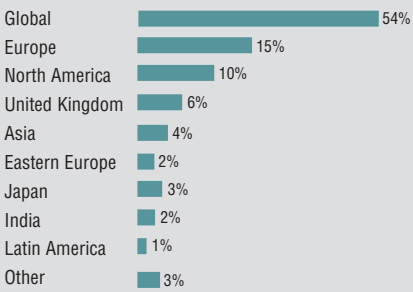
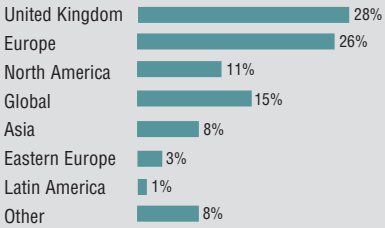


FIGURE 15
Open-ended schemes: geographical distribution of investments at end 2001



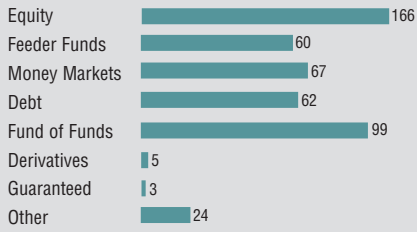
The Commission commented in last year's Report on the importance of the closed-ended fund sector. As market conditions for more traditional investment vehicles remained difficult, it was perhaps natural that there would be a growing focus on venture capital, development capital and alternative investment funds. It was also noticeable that, although the absolute number of new funds and investment classes authorised during 2001 was a little way below the record levels experienced in 2000, the overall value of funds authorised was much greater; some new alternative investment vehicles were very large indeed. Funds under management in non-Guernsey open-ended schemes amounted to some £8.9 billion at the year end, an increase of 15.9% over the position at the end of 2000. The Commission noted in last year's Report that the value of closed-ended non-Guernsey schemes administered in the Bailiwick was significant, although it was uncertain of the absolute values involved. There remain some uncertainties about the coverage of data on closed-ended non-Guernsey schemes, but it seems likely that

FIGURE 16
Closed-ended schemes: geographical distribution of investments at end 2001



the overall value of funds (including non-Guernsey open-ended and closed-ended schemes) administered in the Bailiwick is of the order of £50 billion.

FIGURE 17
Open-ended schemes: analysis by type of investment pool at end 2001



Supervision and policy

The number of institutions licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 increased from 411 at the end of 2000 to 443 at 31 December 2001 (figure 20). The continuing strong demand for fund approvals in both the open-ended and closed-ended sectors continued to make demands on the Investment Business Division's resources. In order to make best use of those resources, the Division consulted during the year on a revised fund approval process designed to deliver greater clarity and transparency for applicants, and greater efficiency for the Division. Those changes, which came into effect at the end of 2001, were well received by the fund industry and already appear to be delivering benefits. The continuing growth in closed-ended funds made particular demands on the Division's time, since the authorisation required for these launches – a consent under the Control of Borrowing Ordinances granted under authority delegated from the Committee – involves an assessment of each proposed prospectus. The Division has long recognised that the criteria it applies, although relatively well understood in the Guernsey fund industry, have not been made public and do not therefore appear transparent to potential fund sponsors. Closed-ended funds do not pay application or annual authorisation fees and it is clear that the open-ended funds sector has in effect been subsidising the closed-ended sector for some time. Now that the closed-ended sector has overtaken the open-ended sector this situation is no longer sustainable. During the third quarter of 2001, therefore, a small industry working party was established to consider how the authorisation process of closed-ended vehicles could be made more transparent, by the publication of a consistent set of disclosure guidelines, and also to consider an appropriate fee structure. It is not intended that there should be any fundamental change to the authorisation policy currently adopted by the Division; it is hoped, however, that publication of a clear set of authorisation policies will, as with the streamlined open-ended approval process, assist promoters.

TABLE 7
Closed-ended funds

	End 2000	End 2001	% change
Number of funds	272	311	+14.34
Value of assets £bns	11.67	17.51	+50.03
Number of registered holders	21,866	36,344	+66.21
Stock exchange listed	66	72	+9.09

Guernsey approved closed-ended funds normally have a fixed capital issued once and for all and investors have no absolute entitlement to redeem their shares/units.

FIGURE 18
Nationality of sponsors/joint sponsors of Guernsey open-ended funds at end 2001



Note: Some funds have more than one sponsor

Despite this continuing pressure of authorisation activity, the Division was able to meet its objective of a significant increase in the number of inspection visits undertaken during 2001. A total of twenty-one visits were undertaken, compared with fifteen during 2000. Of these, eleven were to designated managers and six to designated custodians/trustees; the visits included two follow-up visits to confirm remedial efforts and one special review in response to specific issues which had come

FIGURE 19

Nationality of sponsors/joint sponsors of Guernsey closed-ended funds at end 2001



Note: Some funds have more than one sponsor

to the Commission's attention. The other visits were carried out to licensees not involved in the administration, management or custody of authorised open-ended collective investment schemes.

The increased inspection frequency was in part achieved by further refinements of the Division's on-site monitoring process. A significant amount of information is gathered from licensees and analysed prior to the inspection visit, which can therefore focus more clearly on areas where the Commission might have concerns. Inspection visits have maintained their "top down" approach to licensees' control environments. The fundamental aim of inspections is to enable the Commission to satisfy itself that licensees have an effective process through which directors and senior management can assure themselves – and so can assure the Commission – that they are properly managing the risks inherent in their business, and are having proper regard to the Commission's rules. Where the Commission finds areas of relative weakness, it specifies the remedial action required and agrees with the licensee concerned a programme for corrective action. In the case of one licensee, the Commission imposed a condition limiting the amount of new business that licensee could take on while a programme of improvement was implemented. The institution concerned maintained a regular dialogue with the Commission and the licence condition was removed on satisfactory completion of that programme of improvement which was achieved soon after the year end.

Monitoring of the regulated community and of authorised investment vehicles is not carried on solely through on-site inspection visits. Part of the Investment Business Division team conducts regular reviews of licensees' notifications to the Commission, along with reviews of their accounts and the accounts of the funds they administer. One such accounts review raised significant concerns about the manner in which a small closed-end venture capital fund had been operated by its sponsors, who had been granted a licence to act as a principal manager. The Commission raised those concerns with the fund's sponsors, but did not regard the responses received as satisfactory. After due consideration, therefore, the decision was taken in February 2001 to remove that principal manager's licence. The fund itself is no longer pursuing an active investment strategy and its assets are being realised for the benefit of investors.

The importance of managers' control environments and the duties of senior

TABLE 8

Open-ended funds

	End 2000	End 2001	% change
Number of funds	206	216	+4.85
Number of investment pools	557	578	+3.77
Value of assets (£bns)	14.77	15.68	+6.16
Net new investment over year (£mns)	830	1,370	+65.06
Number of registered holders ('000s)	139.5	133.3	-4.44
Stock exchange listed	56	59	+5.36

Guernsey authorised open-ended funds are funds in which shares/units are offered for sale throughout their life and which investors are entitled to redeem on demand subject to any applicable notice period. A list of authorised schemes appears in Appendix 7.

TABLE 9

Non-Guernsey schemes

	End 2000	End 2001	% change
Number of funds	142	143	+0.70
Value of assets (£mns)	7,656	8,876	+15.94
Stock exchange listed	28	20	-28.56

These open-ended schemes incorporated/established in other jurisdictions are not Guernsey authorised/approved. However, Guernsey institutions licensed under the Protection of Guernsey (Bailiwick of Guernsey) Law, 1987 provide management/ administration or custody services to such schemes with specific approval from the Commission.

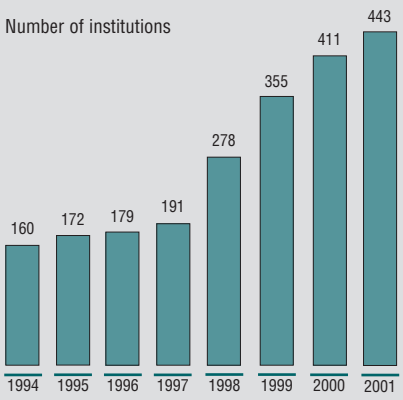
INVESTMENT BUSINESS CONTINUED

management were not solely a theme of inspection visits. More frequent presentations to the Guernsey Fund Managers Association remained a feature of industry dialogue during 2001. These sessions, as previously, provided an opportunity for Commission staff to explain to the industry issues of current concern arising out of both on-site and off-site monitoring as well as newly emerging themes. Other training initiatives included participation in courses on "Building a Compliance Culture" arranged by the Training Agency. This had initially been scheduled as a single seminar but it was repeated on two further occasions in order to meet continuing demand. The pages of the Commission's publication Update were also used to develop regulatory themes, including an article on senior management controls and the rôle of compliance officers included in the summer edition. Last year's Report noted that circulars to the industry were also a helpful device for clarifying issues of regulatory concern. In November 2000 the Division issued a circular on public offers by United Kingdom companies. That guidance was re-issued in April 2001 as an appendix to a broader memorandum on the overall issue of promotion within the Bailiwick.

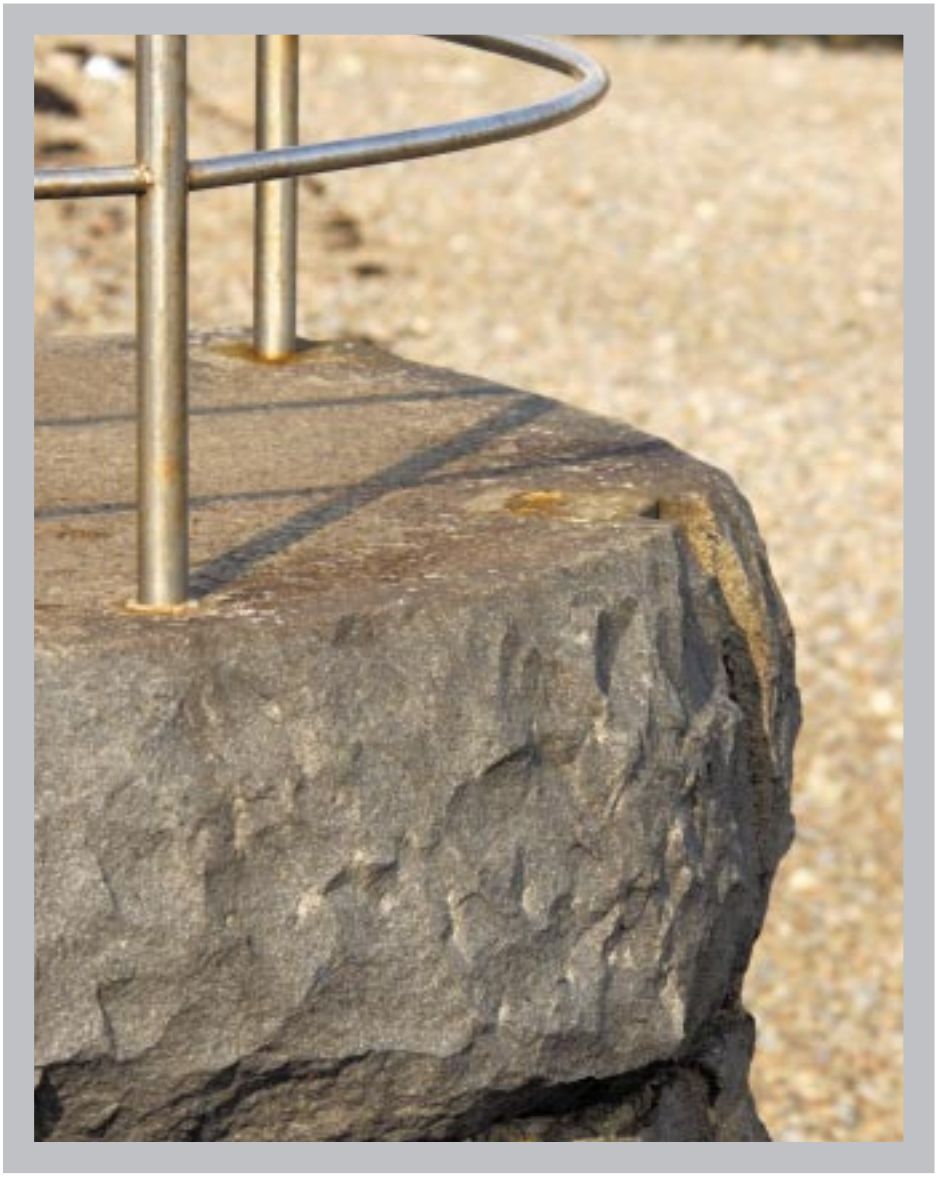
TABLE 10
New collective investment fund business

	End 2000	End 2001
Open-ended funds – authorised	37	31
Open-ended funds – new classes approved	75	48
Closed-ended funds – approved	58	56

FIGURE 20
Number of institutions licensed under the Protection of Investors Law



During the course of the year, preparations continued for the implementation of the revised Guernsey "Class A" Collective Investment Scheme Rules. The Guernsey fund management industry went to significant trouble and expense to meet the requirements of H.M. Treasury in ensuring that arrangements here were equivalent to those operating in the United Kingdom. Confirmation has been received from H.M. Treasury that they will not propose any modifications to the rules put to them but they have yet to define a formal timetable for implementation of a new Designation Order. Following industry consultation, it has been decided to leave the existing designated Class A Rules in place and to implement the new rules alongside them. The existing rules can be rescinded as and when the United Kingdom authorities are able to proceed with a revised Designation Order.



Banking

Maintaining contact with other supervisors around the world remains an important part of the Banking Division's work, not least because all of the banks currently licensed in Guernsey are subsidiaries or branches of international banking groups operating elsewhere. It is also critical to have current information on issues and developments in methodology in the banking supervisory community.

The Director General, the Director of Banking and the Deputy Director of Banking attended the annual meeting of the OGBS held in Gibraltar in June 2001. Much of this meeting involved debriefing by representatives of other international bodies, including the Basel Committee on Banking Supervision, the IMF and the OECD. A feature of this particular meeting was that it was held in parallel with a similar meeting of the Offshore Group of Insurance Supervisors ("OGIS") so there was opportunity for an exchange of views between the two supervisory groups. As always in these meetings, the opportunity is taken to discuss with fellow supervisors from other jurisdictions matters of mutual interest. Pre-arranged meetings were held with the Bermuda Monetary Authority and the Gibraltar Financial Services Commission. The opportunity was also taken to compare notes with fellow regulators in respect of the Commission's understanding of, and preparations for, the Basel Committee's new Capital Adequacy proposals.

A second meeting of the OGBS was held in November 2001 at the FSA in London. The November meeting was, not surprisingly, dominated by consideration of the adequacy of the defences of offshore finance centres in the anti-money laundering sphere and in vigilance against terrorist financing. The Director of Banking spoke in connection with risk profiling.

Several bilateral meetings were held during 2001 with supervisory authorities based in jurisdictions which have established banks in Guernsey. During the year meetings were held with supervisors from the Swiss Federal Banking Commission in Bern, the FSA and the Jersey Financial Services Commission.

During the year the Director and Deputy Director of Banking visited the head offices of the parent banks of Guernsey licensed banks in Zurich, Lugano and Stuttgart.

The Director of Banking participated in the on-going work of the joint Basel Committee/OGBS Working Group on Cross-Border Banking. Meetings were held in Jersey, Paris, London and Basel. The September meeting in London was particularly critical because it was imperative to complete the drafting of the paper on customer due diligence for banks. Impetus was given to the subject by the terrorist attacks of 11 September and the subsequent analysis of terrorist financing. The paper was published in final form on 4 October 2001 by the Basel Committee. The November meeting in Basel was held immediately after a meeting which explained the document to the supervisory world.

After last year's preparations for the statistical collection of geographic locational data on banking assets and liabilities, the Commission was pleased in 2001 to be able to commence both the collection of the data on a regular quarterly basis, and also to submit those figures to the BIS in Switzerland. Aggregate banking data from Guernsey and the other Crown Dependencies will be published as part of the fourth quarter 2001 aggregate banking data by the BIS. The publication of such data by offshore finance centres was a recommendation by the Financial Stability Forum in 2000.

The Deputy Director of Banking and the Assistant Director attended a three day workshop in Switzerland on the Basel Committee's revised Capital Adequacy proposals undertaken by the Financial Stability Institute, the training arm of the Basel Committee.

As in previous years, Guernsey banks were hosts to on-site visits by home supervisors visiting subsidiaries and branches in the Bailiwick. In 2001 there was one on-site visit including staff from the Swiss Federal Banking Commission and several visits by representatives of accounting firms commissioned by the Swiss Federal Banking Commission in order to undertake special audit work.

Contact with representatives of the Jersey Financial Services Commission was maintained through the course of 2001, to keep abreast of preparatory work on introducing deposit protection schemes in the Bailiwicks.

Fiduciary Services and Enforcement

The international spotlight continues to focus on the potential misuse of trusts and

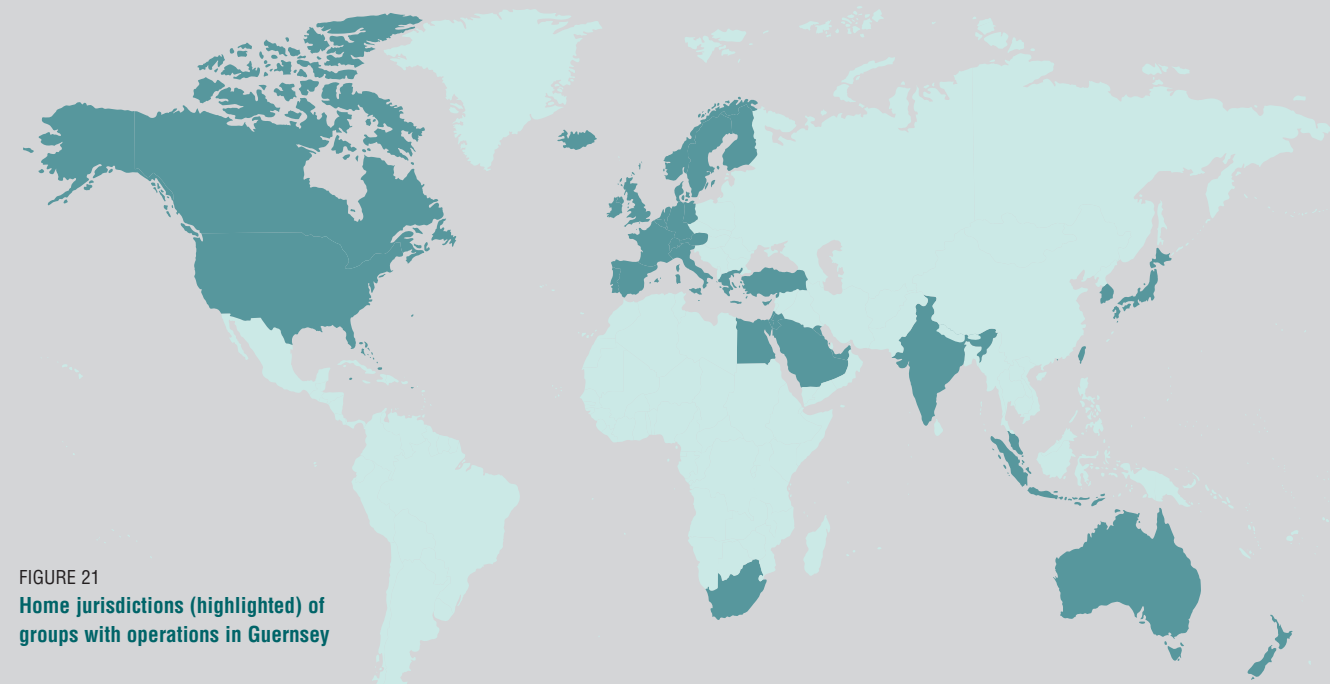


FIGURE 21
Home jurisdictions (highlighted) of groups with operations in Guernsey

Jurisdictions represented

Abu Dhabi
Australia
Austria
Bahamas
Bahrain
Belgium
Bermuda
British Virgin Islands
Canada
Cayman Islands
Cyprus
Denmark
Egypt
Finland
France
Germany
Gibraltar
Greece
Guernsey
Hong Kong
Iceland
India
Indonesia
Ireland
Israel
Italy
Japan
Jordan
Kuwait
Luxembourg
Malaysia
Malta
Netherlands
New Zealand
Norway
Portugal
Saudi Arabia
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland
Taiwan
Turkey
United Kingdom
United States of America

corporate entities. During the year, the University of Trento Research Centre on Transnational Crime in Italy published its final report (which had been commissioned by the European Commission) on non-transparent entities in the EU Member States which might obstruct international anti-money laundering co-operation. The OECD Steering Group on Corporate Governance also published its report on the misuse of corporate vehicles (including corporations, trusts, foundations and partnerships with limited liability features) in 2001; the report was welcomed by OECD Ministers and G-7 Finance Ministers in May 2001 and July 2001 respectively. The report is expected to aid the FATF's current review of its Forty Recommendations. The Director of Fiduciary Services and Enforcement spoke on the subject of the report at a United States Securities and Exchange Commission ("SEC") seminar at the International Symposium of Economic Crime in Cambridge, England in September 2001. The Director also spoke in January 2001 to a joint meeting of the United Nations Global Programme Against Money Laundering/Egmont Group training seminar in Vienna. The Director is currently serving on a working group of FATF concerned with enhancing the transparency of trusts, and on a working group set up under the auspices of the OGBS for the setting of international standards for the regulation of trust and

INTERNATIONAL DEVELOPMENTS CONTINUED

company service providers.

The Commission has continued with its policy of close co-operation with other jurisdictions which also regulate (or are about to regulate) providers of trust and corporate services. Regular meetings have been held in particular with regulators from Jersey and the Isle of Man to discuss common issues and problem areas. Such meetings are of considerable benefit.

The Commission, as a full member of the Financial Fraud Information Network, commonly known as FFIN, has been a regular attender of meetings at the FSA in London.

Insurance

Since the formation in 1993 of OGIS and the establishment of the IAIS in 1994, Guernsey has played a leading rôle in both organisations.

Guernsey sits on the Executive, Technicial and Emerging Markets Committees of the IAIS. The Director of Insurance is the chairman of the Insurance Fraud Subcommittee, which in 2001 issued "Anti-Money Laundering Guidance Notes for Insurance Supervisors and Insurance Entities". These have since been adopted by IAIS members. Membership of the Reinsurance, Securitisation and Education subcommittees, and a presence at other subcommittee meetings, ensure that Guernsey is involved with the policy behind international regulatory changes. The IAIS is also investigating the risks to which supervisory organisations are exposed, so that all of these are identified and allocated to one or more subcommittees or working groups. The Director of Insurance and the Deputy Director regularly meet with other overseas regulatory bodies and exchange information for supervisory purposes. The quarterly committee meetings of the IAIS are held in different parts of the world, and presence at these meetings facilitates a thorough understanding of different supervisory approaches and ensures that other supervisors are comfortable with regulation in the Bailiwick. The Insurance Division has also updated the IAIS training manual to include the IAIS's Core Principles of Supervision.

OGIS continues to bring out guidelines on topics that have not been covered by the IAIS, such as the supervision of rent-a-captives, the migration of insurers, the amalgamation of insurers, the acceptance of personal lines business from overseas and loan-backs to captive group companies. OGIS also takes a stance on those topics where policy has not been finalised by the IAIS, such as reinsurance. The Director of Insurance is an executive committee member of OGIS, representing the organisation in international matters.

During the year the Director of Insurance was contracted to the IMF for a series of missions. He also participated at two OGIS events and made visits to the IMF in Washington D.C. where he assisted officials in preparation for their assessments of insurance supervision in various jurisdictions throughout the world.

The Association of British Insurers, the European Commission, the FSA and Lloyd's of London are visited regularly. The Director of Insurance and his staff also spoke on several occasions on insurance regulatory topics at conferences and seminars, both in Guernsey and overseas, and they continued the policy of inviting experts to speak to the Guernsey insurance sector on interesting and educational topics.

The Insurance Division attended conferences sponsored by the Associations of Insurance and Risk Managers in the United Kingdom (AIRMIC), the Risk and Insurance Management Society (RIMS), the South African Risk and Insurance Management Association (SARIMA), the Federal Risk Management Association (FERMA) and the Tokyo Forum.

Investment Business

The Investment Business Division continues to maintain close contact with regulators in other jurisdictions. The regular vetting of individuals proposed to be associated with a Guernsey fund involves extensive liaison with regulators overseas. Although formal Memoranda of Understanding are not a pre-requisite for the Commission's ability to give information to, or receive information from, regulators in other jurisdictions, such Memoranda are a growing feature of the international scene. Following the events of 11 September, IOSCO working groups have been reviewing the content and effectiveness of such Memoranda of Understanding, and the Commission has been invited to participate in a European working group which is intending to standardise the framework for European regulators.

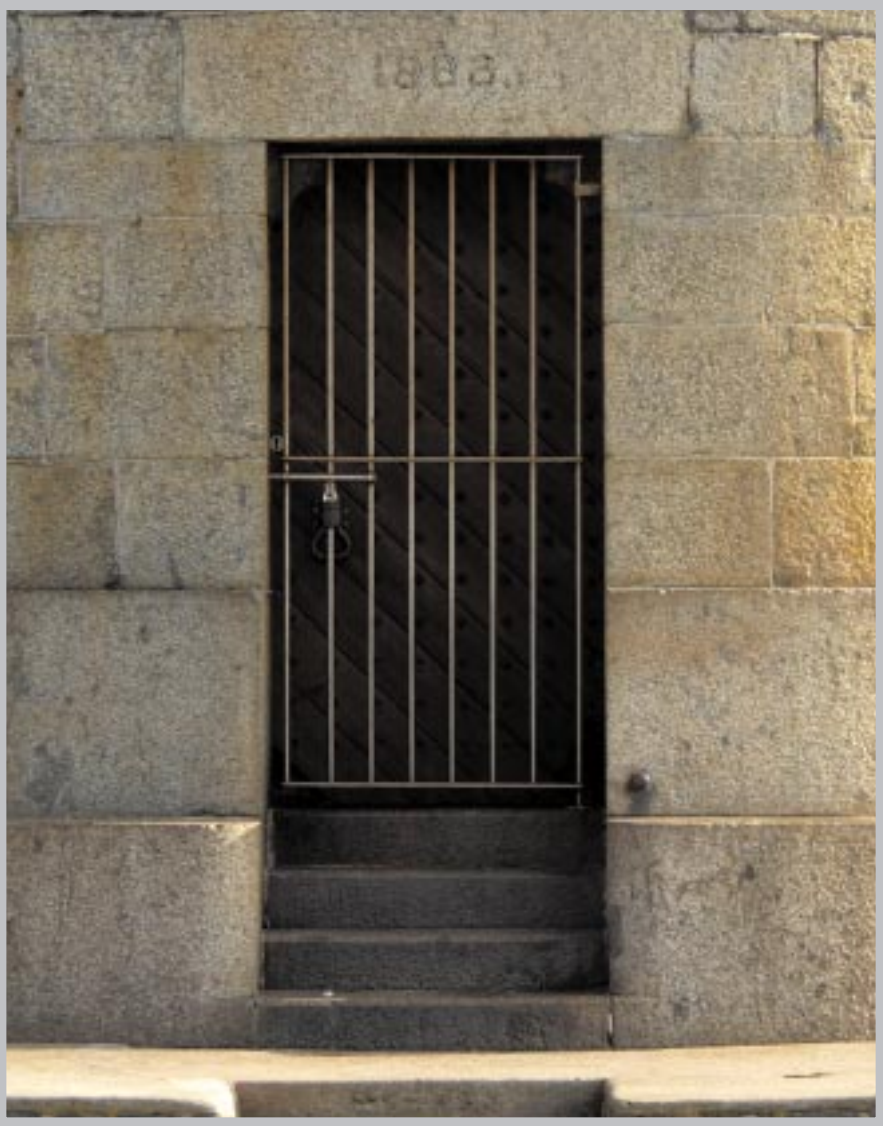
In addition to the European regional

meetings, held in Athens last October, the Director General and the Director of Investment Business attended IOSCO's annual conference in Stockholm in May. The Director General and the Director of Investment Business also represented the Commission at the Enlarged Contact Group meeting held in Athens under the Chairmanship of the Hellenic Capital Markets Commission. The Director also visited London for briefings from H.M. Treasury and the FSA on current regulatory developments.

The Director and Deputy Director of Investment Business, and the Deputy Director (Policy and International Affairs), visited Brussels in March to initiate dialogue with European Commission officials on various aspects of regulatory interest and concern, including financial crime, ombudsman services, and current developments on collective investment schemes and the Investment Services Directive. That dialogue was very fruitful, and it is intended to maintain contact with officials in Brussels on a regular basis.

At the annual "Globalisation of Mutual Funds" conference organised by the Investment Company Institute of America and the International Bar Association, the Director of Investment Business was invited to chair a discussion group on the application of money laundering regulations to the operation of mutual funds.

In accordance with the Division's usual policy, Senior Analysts attended international seminars co-ordinated by the FSA in London, and the SEC in Washington D.C. Attendance at these seminars helped, as always, to develop the Division's growing range of international contacts. In addition, the Commission received a visit from representatives of the Financial Supervision Board of South Africa, with whom it had concluded a Memorandum of Understanding during 2000. Senior Analysts also attended a range of investment seminars and conferences dealing, inter alia, with the essentials of fund management and administration, e-commerce, and alternative investment management.


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General

All Divisions of the Commission continued to be active during 2001 with regard to the prevention and detection of economic crime. Following the terrorist attacks in Washington D.C. and New York on 11 September, the Commission also became more actively involved in the prevention and detection of terrorist funding.

Countering of terrorist financing

The Commission has long been involved in countering terrorism financing. For example, Orders made under the United Nations Act 1946, such as the Afghanistan (United Nations Sanctions) (Channel Islands) Order 1999 (which gave effect to the restrictions under United Nations Security Council Resolution 1267), are routinely circulated to regulated institutions.

With regard to the events of 11 September, the Commission, along with the Attorney General's Office, the Financial Intelligence Service and Police Special Branch and Customs have established the Terrorist Finance Team. This group is responsible for co-ordinating efforts in countering the financing of terrorism.

Since 11 September the Commission has issued four notices to regulated firms (and applicants for a licence under the Regulation of Fiduciaries Law) on terrorism and the financing of terrorism. Amongst other matters these notices:-

- required firms to provide a positive or nil response as to whether they had any relationship with any person on the list of suspected terrorists and terrorist organisations published by the United States Treasury Office of Foreign Assets Control on 24 September;

- notified firms of the requirement to freeze all assets held by those persons and organisations listed by the United Nations under United Nations Security Council Resolutions 1267 and 1333. All firms were required to report to the Commission with a return (positive or negative) as to the value of assets frozen;

- required firms to monitor the Commission's website. The website includes links to the websites of the FBI, the United States Office of Foreign Assets Control, the Bank of England and the FSA;

- provided firms with a copy of the Terrorism (United Nations Measures) (Channel Islands) Order 2001. This Order, made under the United Nations Act 1946, imposes in Guernsey (and Jersey) measures against terrorism pursuant to United Nations Security Council Resolution 1373. It prohibits fund raising for, and restricts the making available of funds to or the provision of financial services to, terrorists. It also provides powers to freeze accounts of suspected terrorists;

- issued Business From Sensitive Sources Notice (No. 3) – see below;

- reminded firms of their anti-money laundering obligations under the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999;

- reminded firms of the Afghanistan (United Nations Sanctions) (Channel Islands) Order 2001, which was made under the United Nations Act 1946;

- reminded firms of the provisions of the Prevention of Terrorism (Bailiwick of Guernsey) Law, 1990; and

- reminded firms of the importance of anti-terrorist activity being a part of each firm's routine operations.

The Commission reviews firms' anti-terrorist procedures during on-site visits.

The Commission has kept in close contact with overseas regulatory and law enforcement organisations in the United States and United Kingdom and has offered to provide assistance to those bodies.

Crown Dependencies Anti-Money Laundering Group meetings

Three meetings were held in London during 2001 attended by representatives from the regulatory agencies, Police, Customs, financial intelligence units and the Attorneys General from the three Crown Dependencies. The Commission was represented by the Director General, the Director of Fiduciary Services and Enforcement and the Deputy Director of Banking. These meetings co-ordinate the Crown Dependencies' anti-money laundering/anti-terrorist financing policies, discuss issues of common interest and provide a forum for the exchange of ideas and views.

The Bailiwick Financial Crime Committee

This Committee met twice in 2001. It is a forum for closer co-ordination at a strategic level between the Attorney General's Office, the Commission, Police, Customs and the Financial Intelligence Service, in the areas of prevention, detection, investigation and prosecution of economic crime and the countering of terrorist financing.

The Financial Crime Group

This group comprises executives of the Attorney General's Office, the Commission, Police, Customs and the Financial Intelligence Service. It reports to The Bailiwick Financial Crime Committee. Its objectives are to discuss particular cases of interest and provide practical assistance to interested parties. The Group met six times in 2001.

Guidance Notes Working Group of the Crown Dependencies

Representatives of the three regulatory Commissions of the Crown Dependencies held regular meetings in London, Guernsey and the Isle of Man throughout 2001. Some of these meetings were also attended by a representative of the Isle of Man Insurance and Pensions Authority. The Commission was represented in these meetings by the Deputy Director of Banking.

The Working Group concentrated on producing a position paper following up the consultation document ("Overriding Principles for a Revised Know Your Customer Framework") issued in December 2000 and the responses to that consultation document. After detailed discussion and drafting, supplemented by meetings attended by the Director General, the position paper was issued in February 2002. The paper does not amend the Guidance Notes on the Prevention of Money Laundering or the "all crimes" anti-money laundering legislation. However, the three Commissions have stated that they expect financial services businesses to move towards implementing the changes to anti-money laundering practices detailed in the paper. Detailed Guidance Notes and revised Regulations will be finalised after discussions with the various industry sectors and once the Commission has had the opportunity to consider the implications of FATF's revision of the Forty Recommendations.

Guidance Notes on the Prevention of Money Laundering

The Guidance Notes were amended once in 2001. The most significant changes resulting from this amendment (which came into effect in October) were the amendment to Appendix C (re-instating Gibraltar as an equivalent jurisdiction) and the introduction of a new appendix providing financial services businesses with detailed guidance on how they should deal with politically exposed persons ("PEP") risk. This latter guidance was agreed and issued jointly by the three Commissions in the Crown Dependencies.

Working Group on Cross-Border Banking

This working group (consisting of representatives of the OGBS and the Basel Committee on Banking Supervision) produced a paper which was issued by the Basel Committee in October 2001. The Commission was represented on the working group by the former Director General (until April 2001) and by the Director of Banking (after April 2001). The paper, entitled "Customer Due Diligence For Banks", provides a concise exposition of the know your customer standards for supervisors and banks.

Business From Sensitive Sources Notice

On 4 October the Commission issued its third Business From Sensitive Sources Notice ("BSS Notice"). This provided instructions on anti-terrorist financing measures and an update on the jurisdictions considered by FATF to be non-co-operative.

With reference to terrorist financing, the BSS Notice informed financial services businesses that they must not take on business from any person or company named in lists of terrorist suspects or any persons, companies or countries associated with them. Businesses were advised to exercise a much greater level of caution when considering taking on business from countries which have been seen to support terrorist activities or which may have been associated with terrorist activities. Financial services businesses were advised to monitor relevant websites (such as those of the United States Treasury Office of Foreign Assets Control, the FBI, the FSA and the Bank of England) to ascertain the current intelligence on anti-terrorist matters.

On-site visits

The programme of on-site visits continued to be rolled out in 2001. During the year the Banking, Fiduciary Services and Enforcement, Insurance and Investment Business Divisions between them carried out seventy-four on-site visits during which

the matter of anti-money laundering or anti-terrorist financing procedures was at least a part of the programme. These visits have proved to be a valuable supervisory tool and assist the Commission in feeding back to the finance sector what it sees as best practice.

Market abuse

Following recommendations made to the Committee, in October, the States of Guernsey approved a policy letter which proposed a number of amendments to the Protection of Investors (Bailiwick of Guernsey) Law, 1987. These amendments include the introduction of the offence of market abuse. Legislation has been drafted and, following agreement by the Attorney General's Office and the Commission, this will be submitted to the States of Guernsey in the autumn of 2002. The new legislation is expected to be enacted at the end of 2002.

Training

In October 2001 a programme of anti-money laundering training courses for money laundering reporting officers was hosted by the Training Agency.

This programme was organised in close co-operation with the Commission, the Financial Intelligence Service and MHA Consulting. Each of the investment, insurance and banking sectors had one day dedicated courses. The fiduciary services sector had two one day courses in Guernsey and, in November, two half-day courses in Sark and Alderney. The courses were well received by the 225 delegates.

Speakers included representatives from a London investment bank, the Asset Forfeiture and Money Laundering Section of the United States Justice Department, the Moscow based Bank Review Unit of the World Bank's Foundation for Enterprise Restructuring and Financial Institution Development, Lloyd's of London and MHA Consulting. There were detailed and targeted case studies run by MHA Consulting and the Financial Intelligence Service.

The Commission, the Financial Intelligence Service and the Training Agency intend these training courses to become annual events. The next series of courses will be held in July 2002.

Speeches

The Director General spoke at the International Symposium on Economic Crime in Cambridge, England in September on the implications of money laundering for intermediaries and fiduciaries. The Director General, together with the Attorney General and representatives of the SEC and the Monetary Authority of Singapore, presented a workshop on the exchange of information by regulatory authorities. In addition, the Director of Fiduciary Services and Enforcement made a speech on the OECD report on the misuse of corporate vehicles for illicit purposes. As is the objective of such gatherings, considerable value was obtained by making new contacts, and in explaining Guernsey's regulatory framework and the routes available for sharing information for the prevention, detection, investigation and prosecution of crime. The event was particularly relevant in 2001 because it took place during the week of 11 September.

Publications

As a matter of policy, the Commission includes articles on Guernsey's anti-money laundering framework, and topical subjects on the prevention of money laundering, in its newsletter Update. In this connection, the Director of Fiduciary Services and Enforcement provided an article entitled "Trust Structures: A Force For Good" in the summer edition of Update. The article discussed how trusts are useful vehicles but how they, as with any other structure, might be used for money laundering. The Commission considers that this potential problem is best addressed in two ways. First, all trustees must be subject to a comprehensive all crimes anti-money laundering law which includes tax evasion, and which requires effective client identification procedures, record keeping procedures, suspicious transaction reporting procedures and training procedures. Second, there must be an effective licensing and regulation system for trustees, and appropriate powers to inspect and obtain information and then to exchange such information with other international bodies. This is the regime which is in place in Guernsey.

TRAINING AGENCY

Introduction

The Agency is owned by a charitable trust with the protectors of the trust being the Commission and the president of the Committee.

The trustees are:

Stephen Jones	*Guernsey International Business Association*
Peter Morgan	*Representative of the States Board of Industry*
Peter Neville	*Guernsey Financial Services Commission*
Deputy John Roper	*Representative of the States Education Council*

The board of directors of the Agency at 31 December 2001 was as follows:

Advocate Chris Bound	*Collas Day*
Keith Corbin	*Nerine Trust Company Limited* *Chairman*
Robin Fuller	*Rothschild Asset Management (C.I.) Limited*
Dudley Jehan	*N P Holdings Limited*
David Leafe	*Royal Bank of Canada* *Vice-chairman*
Nigel Lewis	*States Board of Industry*
Martyn Mann	*Polar Instruments Limited*
Peter Marchant	*NatWest Offshore*
Ian Morris	*Bacon & Woodrow*
Mary Perkins	*Specsavers Optical Group Limited*
Deputy Kevin Prevel	*States Board of Industry*

The two advisory groups established to act as channels of communication between the board and the commercial and financial sectors met regularly during 2001. Members of the advisory groups are listed in Appendix 2.

The Agency is funded on an equal basis by the States of Guernsey and the Commission.

In 2001, the long-term strategy of the Training Agency, future training demands, information technology strategy and physical space were considered by the Board of Directors. In order to address these issues, it appointed Professor Richard Conder, former Pro-Vice Chancellor, Bournemouth University, as the first full-time chief executive of the Training Agency. Professor Conder took up his position early in 2002.

The Training Agency employed a further seven staff as at 31 March 2002.

General

During 2001 the Training Agency once again proved to be very successful in facilitating high quality training and development initiatives for the Bailiwick's workforce.

An extensive education and training programme took place and the Nelson Place study centre continues to act as a focal point for education and training. Staff at the Agency have worked closely with all stakeholders in determining training priorities and meeting their requirements. During the year Nelson Place operated at full capacity and many larger events took place at outside locations. At the end of 2001 the Agency had 715 student members who, during the year, had made 2731 study visits to the centre. Over 250 training events took place attracting over 2500 delegates. Additionally, 140 examinations were held over fifty-three days during which 600 candidates were examined on a range of award bearing programmes. Table 11 illustrates the Agency's development since 1997.

The achievements of the Agency, mapped against the financial costs incurred, have been impressive. The Agency is extremely grateful to Keith Corbin, until recently the executive chairman, for his leadership of the Agency over the past four years. He has ensured that the Agency is now firmly established as a facilitator of training and development programmes within the Bailiwick.

The long-term aim of the Agency is to engender a training and development culture within all organisations throughout the Bailiwick and facilitate high quality training and development programmes. This culture is expected to generate a highly qualified, knowledge-based workforce, enabling all organisations to compete within the global market place.

The major challenges facing the Agency are the increasing demands of employers,

professional institutes, students, increased supervision of the financial services sector and the complex and varied training needs of the commercial sector. All of these demands must be measured against the finite resources of Nelson Place.

Award bearing programmes

Two major postgraduate academic programmes took place at Nelson Place during 2001. The MSc in Corporate Governance/Grad ICSA commenced its second year in the autumn. The MSc is delivered in Guernsey by the School of Finance and Law, Bournemouth University. The University of Portsmouth also commenced a two year postgraduate diploma in Personnel Management/ Graduate of Institute of Personnel and Development. Both programmes are now well established in Guernsey.

A further run of the Institute of Directors Company Direction Programme took place. Ten candidates were successful at the diploma examination with one candidate obtaining a distinction. A 72% pass rate was achieved compared with a United Kingdom pass rate of 67%. The Agency is delighted to report that one of its students has been elected as a Chartered Director (C.Dir). He is the first to achieve this award in Guernsey and only the eighty-eighth Chartered Director appointed by the United Kingdom Institute of Directors. It is expected that further "graduates" from the Company Direction Programme will seek election to Chartered Director status. The Agency is extremely grateful to the local branch of the Institute of Directors for its support.

A close working relationship exists between the Guernsey Fund Managers Association, the Securities Institute and the Agency in facilitating programmes for the investment sector. A full range of courses has taken place to support participants studying for the Investment Advice Certificate and the Financial Planning Certificate. It has been a complex year as many syllabus changes have taken place as a result of regulatory changes in the United Kingdom. In total, seventy-two candidates registered for these programmes, including fourteen candidates who undertook the regulation and compliance module of the Securities Institute Diploma led by BG Training, London.

Central Law Training once again delivered the Foundation and Diploma Programmes in Offshore Trust Management on behalf of the Society of Trust and Estate Practitioners. Fifty-eight candidates undertook these programmes.

Seven students successfully completed the Advanced Certificate in Marketing Management Practice during 2001, with a further eight starting the course in March 2001. Eight students commenced the Certificate in Marketing Practice. The Agency is delighted to announce that the postgraduate diploma in marketing is likely to commence in 2002. This will be the first time this fully taught programme has been offered. The Agency is the only place in the Channel Islands offering the complete suite of Chartered Institute of Marketing programmes.

Ten students successfully completed the Certificate in Training Practice, leading to Associate Membership of the Chartered Institute of Personnel and Development.

TABLE 11
Development of the Training Agency

	1997	1998	1999	2000	2001
Registered number of students	254	415	485	614	715
Recorded number of sessions	1693	2875	3113	2423	2731
Number of training events	154	253	323	270	254
Number of delegates attending programmes	528	1362	3048	2221	2549
Number of examination days	26	41	68	50	53

Three students achieved distinctions. Forty-four delegates attended the course leading to the "Introductory Certificate in Management" awarded by the National Examining Board for Supervision and Management. This four day course, facilitated by the Agency and delivered by the Guernsey Business School, continues to prove popular, with two more programmes scheduled for 2002.

Short courses

As described on page thirty-seven, a major series of courses on the prevention of money laundering took place throughout the Bailiwick during the autumn. For the first time, product specific programmes were arranged for banking, fiduciary and investment and insurance products. Courses were also held in Alderney and Sark.
A continuing professional development ("CPD") programme course on "De-Mystifying Hedge Funds" took place attracting 145 delegates. It is expected that intermediate and advanced programmes on

TRAINING AGENCY CONTINUED

hedge funds will take place in 2002.

"Guernsey Company Law – An Update" took place in the spring. Once again, the course was accredited for CPD and over 130 delegates attended. A team of advocates from Collas Day led the course.

A series of compliance courses took place, attracting seventy-four delegates. These were led by the Commission's Director of Investment Business and Jenny Lowe of the Guernsey Association of Compliance Officers.

On behalf of the Data Protection Office, the Agency arranged a number of seminars designed to raise awareness of the Data Protection (Bailiwick of Guernsey) Law, 2001. Seven seminars took place over the summer months, with 175 delegates attending in total.

Investors in People

The Agency continues to manage the Investors in People ("IIP") project on behalf of the States Board of Industry. At the presentation ceremony held in May, the Board of Industry signed the main licence for IIP. Prior to the signing of the licence, Investors in People UK assessed whether the Guernsey pilot project had met their stringent standards and whether Guernsey had an infrastructure to manage the long-term licence agreement. Guernsey enjoyed one of the most successful pilot programmes anywhere in the world.

Some 9% of the Guernsey working population works for an organisation that is either recognised or working towards IIP recognition. Currently some sixteen organisations are recognised, with a further twelve working towards recognition.

The Agency is currently designing a local IIP website as well as a step by step guide to achieving recognition, both of which are aimed at supporting local companies.

Other initiatives

To coincide with the introduction of the Regulation of Fiduciaries Law in April 2001, the Agency prepared a booklet for all employers and employees within the fiduciary sector entitled "Award Bearing Courses for the Fiduciary Sector". The booklet is a guide to all course programmes and is suitable for all levels of staff employed within the fiduciary sector.

At the Risk 2001 conference the Guernsey Insurance Company Managers Association announced the launch of a training initiative for the captive insurance sector. A training course which is to be accredited by Glasgow Caledonian University is currently being developed and is expected to have its first intake of participants in 2002. The Agency is grateful to JLT Solutions for their sponsorship of the initiative and to Mr John Parkinson for writing the text for the course.

A study manual which will form the basis of a Guernsey life insurance examination module is in its final stages of preparation. The Agency is grateful to the Life Insurance Association and KPMG for their valuable input. It is expected that the manual will be completed in 2002.

A training needs analysis survey was undertaken in 2001 in conjunction with the local branch of the Securities Institute. The results of the survey were made available to the Guernsey Business School to assist in its planning. Additionally, the Agency organised a Securities Institute road-show in late spring for all training officers.

Working with the States Board of Industry, the Agency designed the Guernsey Leadership Programme for senior managers within the commercial sector. The programme was an intensive three day event facilitated by two faculty members from the London Business School. It comprised two main components – strategic thinking and leadership of people. Eleven senior managers attended and, following excellent feedback, a further programme will be offered in 2002.

As a result of successful negotiations, the Economist Group agreed to work with the Training Agency to deliver the Economist Developing Management Excellence Programme for Senior Managers. This is the first time that the Economist has worked in partnership with an outside agency. A formal launch took place at the Agency in February 2002 when the chief executive of the Economist presented the programme to Guernsey managers.

The Agency continues to work in partnership with the Institute of Directors on the Management Shadowing Programme and the Excellence in Training Award.

The annual report of the Agency is available on request from the Training Agency, Nelson Place, Smith Street, St Peter Port, Guernsey.

General

The Director General is the chief executive of the Commission and has overall responsibility for its management. Although day-to-day responsibility for banking supervision, the supervision of insurance businesses, the supervision of fiduciaries, administration businesses and company directors, enforcement and the regulation of investment business lies with the other Divisions and their Directors, the Director General's Division remains directly involved with a wide range of regulatory issues. These include certain policy and legislation matters, international affairs, accounting and internal control functions, staff matters (including health and safety issues), the infrastructure and operations. The Division also provides core resources to the Commission's four other Divisions and the Training Agency and is the main link with the Committee and the Attorney General's Office.

The Director General and the Deputy Director (Policy and International Affairs) are closely involved with the Commission's policies on anti-money laundering and the countering of terrorist financing. Following a transfer of responsibilities within the Commission in early 2002, the Deputy Director will be responsible for the Guidance Notes on the Prevention of Money Laundering.

The Division also co-ordinates information on the finance sector requested by the Committee. As a matter of routine, in 2001 this included the contributions to the Committee's economics and statistics review and budget report. The Committee also routinely asks the Commission for comments or advice on particular matters such as legislative developments abroad and international agreements and conventions. These exchanges continued throughout 2001. The practice was also continued of the Director General periodically meeting with the Committee.

Other States Committees also seek the Commission's comments from time to time. The Commission continues to provide the Housing Authority with recommendations on applications for essential licences by individuals and institutions in the finance sector. In giving its views, the Commission works within the policy laid down by the Authority. The Commission normally requires an applicant to provide information on matters such as staff, training and qualifications, reasons for the proposed appointment, contribution to the economy and the reasons why a licence of a particular length has been requested. The Commission comments on the actual and prospective economic benefit contributed by the applicant institution and on the applicant's commitment to training. The Commission attaches great importance to training particularly because of the pressure on resources and the importance of utilising local personnel as effectively as possible.

Policy and International Affairs

The policy and international affairs department continued to be busy in 2001.

The year saw continuing activity with regard to the initiative on tax competition by the OECD. The Director General, together with the Attorney General, the States Supervisor and the Administrator of Income Tax, played a part in supporting the Committee in relation to the continuing discussions with the OECD. This involvement included participating in meetings with the OECD in March and October. The discussions concluded in February 2002 with an agreement between Guernsey and the OECD which removes any possibility of Guernsey being considered to be unco-operative by the OECD.

As described on pages thirty and thirty-three, the Director General attended meetings of the OGBS and IOSCO. He also visited London in March to meet representatives of the FSA. In July the Director General met with representatives of the Federal Reserve System, the SEC, the Department of Justice, the Department of Treasury, the IMF, the FBI, the Financial Crimes Enforcement Network, the Department of State Bureau for International Narcotics and Law Enforcement Affairs, and senior executives from the Senate in Washington D.C. The Director General also visited Switzerland twice in November in order, first, to attend a meeting of the chairmen and secretaries of the regional groups of banking supervisors and, second, to participate in a seminar hosted by the BIS on offshore banking centres. These meetings provide useful fora where the Director General can participate in the setting of international regulatory standards, discuss matters of mutual interest with regulators, law enforcement officials and others and explain the Commission's policies and standards to interested parties.

The Director General represents the Commission at formal meetings with the

DIRECTOR GENERAL'S DIVISION CONTINUED

finance sector, the president of the Committee, the Attorney General and the States Supervisor. These meetings enable the authorities to provide information to the finance sector and obtain the reaction of the finance sector to potential developments.

Further to a visit to Guernsey in 2000 by the Statistical Department of the IMF, the Commission agreed to participate in the IMF's 2001 Coordinated Portfolio Investment Survey ("CPIS"). The Deputy Director (Policy and International Affairs) is the CPIS statistician for the Bailiwick and, accordingly, attended seminars for small economies with international finance centres hosted by the IMF in Cayman in February and Bermuda in September. Support for the Bailiwick's participation in the 2001 CPIS was received from the Committee, the Policy and Finance Committee of the States of Alderney and the General Purposes and Finance Committee of the Chief Pleas of Sark, together with a wide range of finance sector associations. It was decided that the Commission would ask relevant institutions to provide cross-border investment statistics in respect of banks, open-ended and closed-ended collective investment funds, insurers, insurance intermediaries/brokers and special purpose vehicles. Following a pilot study, the department approached some 190 institutions for statistical information. The initial results will be discussed with the IMF and other small economies with international finance centres in May 2002 at a seminar to be held in Jersey. The IMF intends to undertake the CPIS annually.

The department was also closely involved with promoting proposed changes to the Commission Law. After consultation with the Commission, the Committee recommended to the States of Guernsey that a number of amendments should be made. The States agreed the recommendations in October and the amendment law in March 2002. The amendments will, when enacted, provide the Commission with an explicit statutory responsibility to counter financial crime and the financing of terrorism, change the mechanism by which the Commissioners are appointed so that the president of the Committee will no longer ex-officio be the chairman of the Commission, introduce a formal relationship in law between the Commission and the General Purposes and Finance Committee of the Chief Pleas of Sark, require the Commissioners to satisfy themselves in connection with the Commission's internal audit and corporate governance and improve the Commission's ability to exchange information with regulatory and law enforcement bodies.

In March 2001, the Deputy Director (Policy and International Affairs) visited the European Commission in order to meet with, amongst others, the official responsible for ombudsman matters and learn about developments within the EU on this important area of consumer protection. During the latter half of the year significant progress was made on drafting a consultation document proposing a financial services ombudsman scheme for the Bailiwick. The consultation document was issued by the Committee in February 2002. It is proposed that the ombudsman scheme should cover all business regulated by the Commission, together with a range of other financial activities, including lending and pensions business and, potentially, consumer credit. The consultation document envisages that the scheme will be administered by a specially constituted body run by a chief ombudsman. It is further suggested that the scheme administrator will have a board mainly comprised of persons with financial services expertise who will act as a panel of experts. The consultation paper also recommends that the chief ombudsman should be able to make compensation awards of up to £100,000 and that eligible complainants will include private individuals and other vulnerable persons such as small businesses.

The Director General and the Deputy Director (Policy and International Affairs) act as chairman and secretary respectively of the Company Law Reform Committee which was active during 2001 (see page eighteen).

In the autumn of 2001 the Director General called upon the finance industry to join the Commission in discussing how the Island's limited resources can be used more efficiently. As a first step, a survey of the finance sector is to be undertaken with the objective of obtaining information which will inform the debate aimed at utilising Guernsey's resources more efficiently by increasing the value added by the finance sector. The Government has now also joined the debate, and the Committee, the Guernsey International Business Association ("GIBA") and the Commission will be joint sponsors of the survey which will take place during the summer of 2002. A project management team, consisting of the

Deputy Director (Policy and International Affairs) and a representative from each of the Committee and GIBA, will supervise the project.

Operations

The operations department deals with finance, information and communications technology, premises, human resources and the general administration of the Commission. Financial responsibilities cover the accounts, budgets and internal control procedures. The department is also responsible for maintaining the accounts and assisting in the financial management of the Training Agency. In addition, the staff of the Agency (except for its chief executive) are employed by the Commission. Consequently, in 2001 the Director General and his team maintained close contact with the Agency and the Director General attends the board meetings of that body as an observer.

A programme to provide additional management information and to update the control environment in the Commission is under way. During the year, significant upgrading of information technology systems and information security took place. Staff have received security awareness training as part of the implementation of these systems.

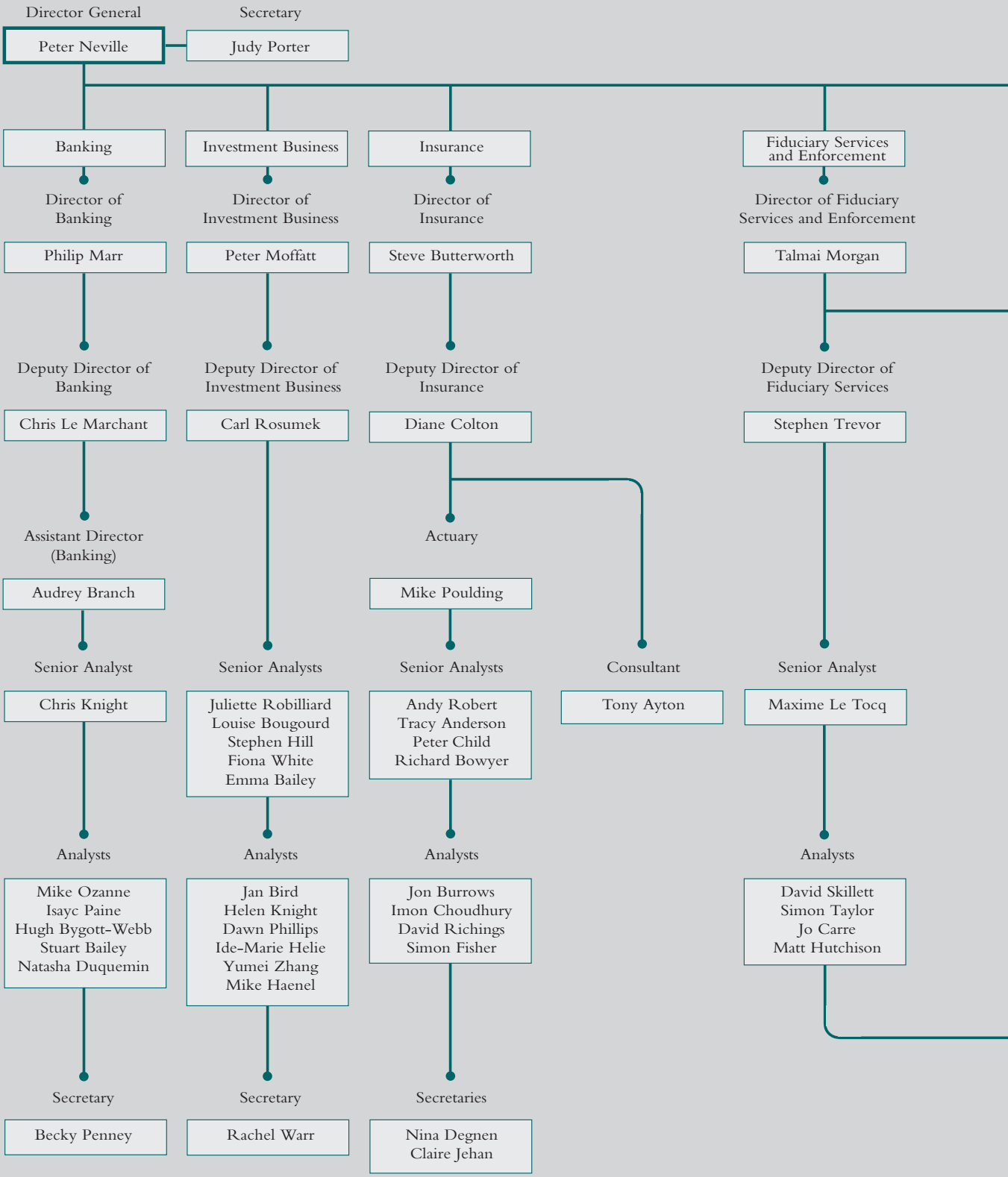
When the Commission Law is amended, the Commissioners will be required by law to satisfy themselves as to the Commission's internal audit and corporate governance standards. The Commission is working with outside consultants to enhance the relevant systems.

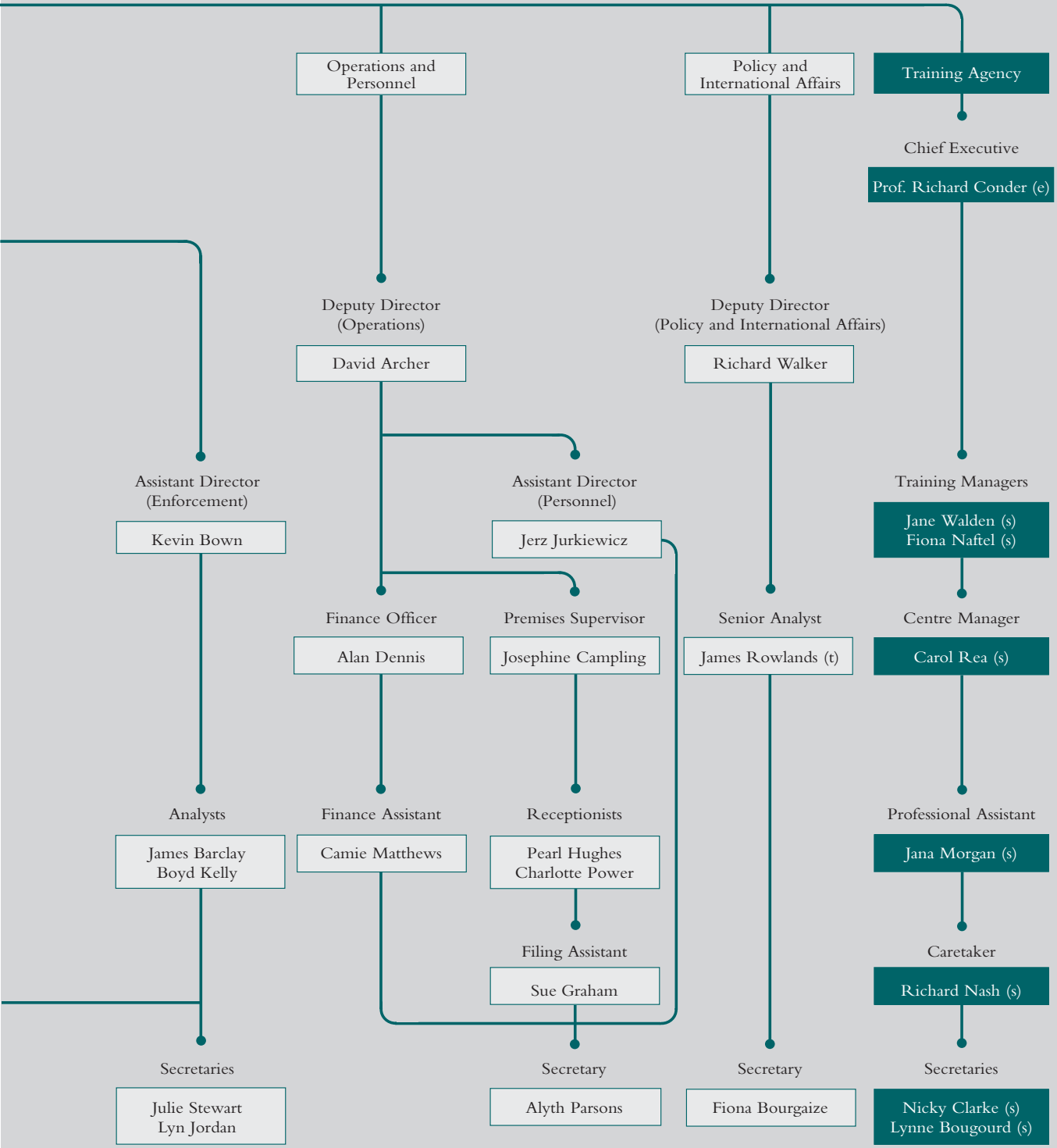
The operations department has commissioned studies on the processes involved with the potential reliance on information in electronic form.

The website has been re-designed and the new format, which is intended to make information more readily identifiable and accessible, is now operational. The Commission is making increasing use of its website to provide information to regulated firms and other interested parties. For example, most of the consultation documents and draft laws prepared during the last two years have been posted on the website instead of being printed and photocopied. The Commission intends to make increasing use of this medium of communication.

The personnel department has been busy not only as a result of the Commission's increasing staff numbers but also with the need to keep abreast of the changing employment environment. During 2001 the department commissioned a comprehensive review of staff terms and conditions of employment. The review covered a wide range of issues and led to a number of recommendations for change. These recommendations have been, or are in the course of being, implemented. The Commission has decided to undertake to move towards the IIP accreditation and work on this will start later in 2002. A dedicated human resources officer is being recruited.

COMMISSION ORGANOGRAM AS AT 31 MARCH 2002





(e) Member of staff employed by the Training Agency
(s) *Staff seconded by the Commission*
(t) Member of staff seconded to the Commission by a third party

COMMISSIONERS AND STAFF

The Commissioners have remained unchanged since 1999. Their wide experience in their respective fields enables the Commission to continue to benefit from the expert views of practitioners across a wide range of disciplines.

Peter Neville took over as Director General in April 2001, following the retirement of Peter Crook.

All Divisions saw an increase in staff numbers during 2001. From relatively few persons staffing the Commission at the latter end of the 1980s, as at 31 March 2002, a total of seventy persons were employed by the Commission (together with a consultant and a secondee) - sixty-three employed directly by the Commission and a further seven seconded to the Training Agency. The Training Agency employs its chief executive directly.

There were promotions in three Divisions. Assistant Directors in the Director General's Division, the Fiduciary Services and Enforcement Division and the Insurance Division were promoted to the rank of Deputy Director, and an Analyst in the Investment Business Division was promoted to Senior Analyst.

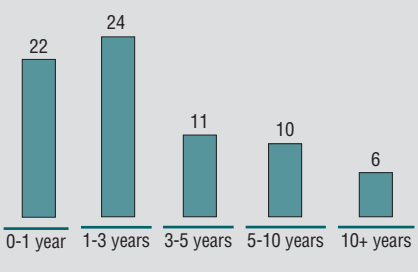
Additional Senior Analysts were recruited in the Fiduciary Services and Enforcement, Insurance and Investment Business Divisions, whilst additional Analysts were recruited in all the regulatory Divisions.

The number of staff in the Banking Division has increased to ten, reflecting the general growth in workload and the increasing focus on on-site visits. The new staff include a person with wide-ranging statistical experience, in line with current Commission policy to increase the Division's international statistical function.

The Fiduciary Services and Enforcement Division has continued to expand since the introduction of the Regulation of Fiduciaries Law. The Division now comprises twelve persons, of which three - an Assistant Director and two Analysts - are directly involved with enforcement. In the fiduciary services area there is a recently recruited Senior Analyst, who reports to the Deputy Director, and four Analysts.

Increasing demands on the staff, particularly in relation to on-site visits, has required restructuring and recruitment in the Insurance Division. The Division now has the dedicated services of an actuary and the number of Senior Analysts has increased to four under the control of the Deputy Director. The Division has fourteen staff and expects to recruit further Analysts in the near future.

FIGURE 22
Length of service as at 31 March 2002



Commission and Training Agency staff

The Investment Business Division has seen an increase in the number of Senior Analysts to five, which includes a promotion to this level. The Senior Analysts all report to the Deputy Director of Investment Business. There are also six Analysts. This number is to increase to eight in the near future. Increased activity across the Division has resulted in restructuring and the establishment of dedicated teams to cover on-site visits, monitoring and applications.

Over the last year there have been increasing demands upon the staff of the Director General's Division. As a consequence, the Policy and International Affairs department has recruited the services of a secondee. It is expected that a permanent member of staff will be taken on to replace the secondee in the Spring of 2002. The rise in staff numbers across the Commission has put pressure on the human resources and information technology areas. An accounts supervisor and an information technology administrator have been recruited. In addition, a dedicated human resource manager is being recruited.

The Commission's staff have expertise, experience and academic qualifications covering a broad range of relevant disciplines. The Commission recognises that staff need continuing training and experience in order to ensure they are able to meet the demands made of them. Training programmes range from introductory to advanced and diploma level and include specialist courses. In many cases, these are further augmented with professional qualifications. Commission staff also attend workshops and conferences to keep abreast of developments.

A breakdown of the length of service of staff in the Commission and the Training Agency is provided in figure 22.

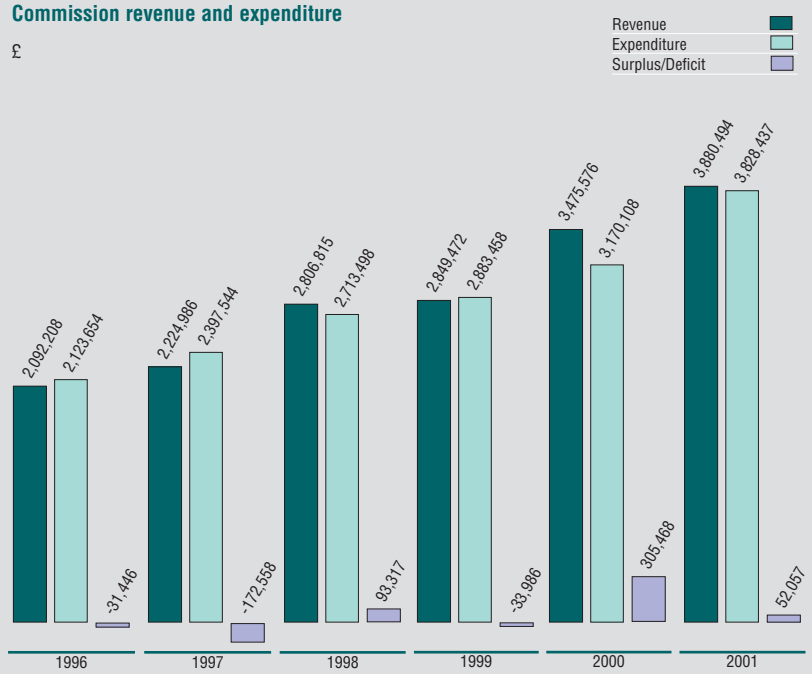
INCOME AND EXPENDITURE OF THE COMMISSION

General

The Commission's financial objectives are to match its expenditure to income and to operate on a nil profit basis. Inevitably, on a year to year basis there are likely to be surpluses and deficits.

As indicated by figure 23, in recent years surpluses and deficits have been kept as low as possible. Prior to 1994, surpluses were used to build up reserves against large expenses and unforeseen costs. The Commission is mindful that it imposes financial resources requirements on the firms it regulates and that it is equally prudent for the Commission to retain an appropriate financial reserve.

FIGURE 23
Commission revenue and expenditure
£



Fees

The Commission's main source of income is fees.

On 1 January 1998 the Financial Services Commission (Fees) Regulations, 1997 came into effect establishing a new fee structure. This structure has since been amended and extended by the Protected Cell Companies (Fees for Insurers) Regulations, 1998 which came into operation on 1 April 1998; the Financial Services Commission (Fees) (Amendment) Regulations, 1998 which came into effect on 7 July 1998; the Financial Services Commission (Fees) Regulations, 1998 which came into operation on 1 January 1999; the Migration of Companies (Fees) (Amendment) Regulations, 1999 which came into force on 1 April 1999; the Amalgamation of Companies (Fees) Regulations, 2000 which came into operation on 23 August 2000; the Regulation of Fiduciaries (Fees) Regulations, 2001 which came into force on 1 April 2001; the Financial Services Commission (Fees) (Amendment) Regulations, 2001 which came into effect on 1 January 2002; and the Protected Cell Companies (Fees for Insurers) (Amendment) Regulations, 2001 which came into force on 1 January 2002. Copies of the fees regulations are available from the Commission.

As well as covering the costs of supervision and regulation, the fees paid to the Commission provide for a significant proportion of the costs of the Training Agency. The States of Guernsey also provide funding for the operation of the Training Agency and provide its premises rent-free.

Independent auditors' report to the chairman and ordinary members of the Guernsey Financial Services Commission

We have audited the financial statements of The Guernsey Financial Services Commission for the year ended 31 December 2001 which are set out on pages 49 to 56. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 52.

Respective responsibilities of the Commissioners and auditors

The Commissioners are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Commission and of the income and expenditure of the Commission for that period. In preparing those financial statements the Commissioners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue its operations.

The Commissioners are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Commission and to enable them to ensure that the financial statements have been properly prepared. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Commission has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commissioners in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Commission's affairs as at 31 December 2001 and of its income and expenditure for the year then ended.

BDO Guernsey Limited
Chartered Accountants
Commerce House
Guernsey
2 April 2002

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001	2000
		£	£
Income	2		
Fees receivable		**3,469,001**	3,069,447
Income derived from the States of Guernsey:			
Interest on deposits with States Treasury		**105,769**	99,763
Administration of Control of Borrowing Legislation		**100,000**	100,000
Development grant		**200,000**	200,000
Other income, including bank interest		**5,724**	6,366
		3,880,494	3,475,576
Expenses			
Salaries, pension contributions, staff recruitment and training		**2,258,688**	1,954,547
Legal and professional fees		**318,239**	38,551
Premises and equipment, including depreciation	4/8(ii)/9	**574,743**	460,138
Insurance		**6,671**	6,930
Ordinary members' fees		**20,000**	20,000
Auditors' remuneration		**4,575**	4,020
Development expenses		**348,091**	389,264
Other operating expenses		**149,032**	132,428
Net expenses of Training Agency Limited	8(i)	**148,398**	164,230
		3,828,437	3,170,108
Surplus of income over expenditure	2	**52,057**	305,468
Balance brought forward		**1,328,399**	1,022,931
Balance carried forward		**£1,380,456**	£1,328,399

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

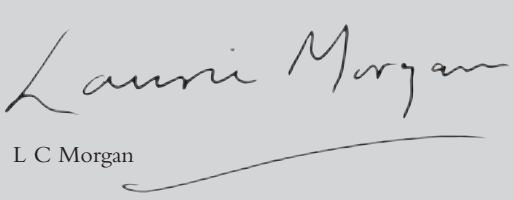
There were no recognised gains or losses other than the surplus of income over expenditure for the financial year.

The notes on pages 52 to 56 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	4/8(ii)	**350,112**	259,021
Current assets			
Debtors	5	**300,908**	144,565
Balances with States Treasury		**1,357,346**	1,178,852
Cash at bank and in hand		**29,311**	31,612
		1,687,565	1,355,029
Creditors			
amounts falling due within one year	6	**(657,221)**	(285,651)
Net current assets		**1,030,344**	1,069,378
Total assets less current liabilities		**£1,380,456**	£1,328,399
Represented by:–			
Income and expenditure account		**£1,380,456**	£1,328,399

The financial statements on pages 49 to 56 were approved by the Commissioners and signed on their behalf on 2 April 2002 by:



L C Morgan

Chairman



J E Hallam

Vice-Chairman

The notes on pages 52 to 56 form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001	2000
		£	£
Reconciliation of surplus of income over expenditure to net cash inflow from operating activities			
Surplus of income over expenditure		**52,057**	305,468
Depreciation on tangible fixed assets		**136,121**	138,437
Loss on disposal of fixed assets		**33**	–
Interest receivable		**(111,493)**	(106,129)
Increase in operating debtors		**(42,140)**	(12,764)
Increase/(decrease) in operating creditors		**371,570**	(18,974)
Net cash inflow from operating activities		**£406,148**	£306,038
Cash flow statement			
Net cash inflow from operating activities		**406,148**	306,038
Returns on investments and servicing of finance	11	**111,493**	106,129
Capital expenditure and financial investment	11	**(341,448)**	57,449
Increase in cash in the year		**£176,193**	£469,616
Reconciliation of net cash flow to movements in net cash			
Increase in cash in the year		**176,193**	469,616
Net cash at 1 January 2001	12	**1,210,464**	740,848
Net cash at 31 December 2001	12	**£1,386,657**	£1,210,464

The notes on pages 52 to 56 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001

1. Accounting policies

(a) Convention

These financial statements have been prepared in accordance with the historical cost convention. The principal accounting policies which the Commissioners have adopted within that convention are set out below.

(b) Fees receivable

Fees receivable are recorded when they fall due to the Commission and are recognised in the profit and loss account on an accruals basis.

(c) Interest

Bank and States Treasury deposit interest is accounted for on an accruals basis.

(d) Tangible fixed assets and depreciation

Depreciation on tangible fixed assets is calculated to write down their cost to their estimated residual values over the period of their estimated useful economic lives at the following annual rates:-

Leasehold improvements – over the shorter of the term of the lease and the estimated useful economic life of the assets
Office equipment and fittings – 25% straight line
Computer equipment – 33$^{1}/_{3}$% straight line

(e) Foreign currency translation

Assets and liabilities denominated in currencies other than sterling have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions during the year have been translated at the rates of exchange ruling at the date of the transaction.

2. Income and surplus of income over expenditure

Income and surplus of income over expenditure derive wholly from continuing activities.

3. Taxation

The Commission is exempt from the provisions of the Income Tax (Guernsey) Law 1975 (as amended).

4. Tangible assets

	Leasehold Improvements	Office Equipment and Fittings	Computer Equipment	Total
Cost				
At 1 January 2001	85,692	467,438	283,373	836,503
Additions	13,533	92,718	120,994	227,245
Disposals	–	–	(34,278)	(34,278)
At 31 December 2001	99,225	560,156	370,089	1,029,470
Depreciation				
At 1 January 2001	56,583	337,709	183,190	577,482
Charge for the year	3,489	58,619	74,013	136,121
On disposals	–	–	(34,245)	(34,245)
At 31 December 2001	60,072	396,328	222,958	679,358
Net book value				
At 31 December 2000	£29,109	£129,729	£100,183	£259,021
At 31 December 2001	£39,153	£163,828	£147,131	£350,112

5. Debtors

	2001	2000
Fees receivable	**34,416**	20,718
Prepayments	**86,990**	70,331
Other debtors	**21,834**	10,051
Amount due from Training Agency Limited (note 8)	**157,668**	43,465
	£300,908	£144,565

6. Creditors – amounts falling due within one year

General expense creditors	**288,196**	198,751
Accruals	**45,500**	57,000
Fees received in advance	**323,525**	29,900
	£657,221	£285,651

7. Superannuation

Employees of the Commission are eligible to be members of the States of Guernsey Public Servants' Pension Scheme. This is a defined benefits scheme funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected costs of benefits payable to employees over the expected service lives of those employees.

	2001	2000
Charge for the year	**£122,632**	£110,511

As a result of the pension scheme being a multi-employer scheme the Commissioners of the Guernsey Financial Services Commission are unable to identify the share of the assets and liabilities of the scheme that relate to the Commission. As such, in accordance with the requirements of Financial Reporting Standard No. 17 – Retirement Benefits, the pension scheme has been accounted for as if it were a defined contribution scheme.

Full details relating to the funding of the superannuation scheme are provided in the Superannuation Fund section of the accounts for the States of Guernsey. A summary of the main features is given below:

The assets of the scheme are held separately from other States assets. The fund is under the control of the States Advisory and Finance Committee, which has arranged for it to be invested by professional advisers in a wide range of stock exchange securities.

The pension costs relating to the scheme are assessed in accordance with the advice of qualified actuaries using the attained age method of valuation. The most recent actuarial valuation of the scheme was conducted at 31 December 1998. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 7% per annum, that the general rate of salaries would increase at the rate of 5% per annum, and that pensions and deferred pensions would increase at the rate of 3% per annum. These are long term assumptions which are expected to relate to the future lifetime of the pension scheme.

The assets and liabilities of the scheme are separated between those relating to public servants (including employees of the Commission), those relating to teachers, and those relating to States Members. The valuation showed that the actuarial value of the assets relating to public servants at 31 December 1998 represented 116.2% of the actuarial value of the accrued liabilities relating to this group. The market value of the total scheme's assets amounted to £569,015,647 at 31 December 1998.

8. Training Agency Limited

i) Training Agency Limited arranges training for the finance industry and for other industry sectors. The company's staff are employed by the Commission and permanently seconded to the company. The Commission currently provides funding to the company in order to meet 50% of its net operating expenditure (including notional rent charged by the Board of Administration and the depreciation charge suffered by the Commission on the provision of fixed assets, as set out below), the balance of the funding requirement being provided by the States of Guernsey via the Board of Industry.

ii) Included in the tangible fixed assets set out in note 4 are the following assets which relate exclusively to Training Agency Limited and which are situated at its premises in Smith Street. The depreciation charged on these assets in the year of £13,601 is included in the Commission's income and expenditure account. The company's Smith Street premises are provided by the States of Guernsey.

8. Training Agency Limited *continued*

	Leasehold Improvements	Office Equipment and Fittings	Computer Equipment	Total
Cost				
At 1 January 2001	51,579	88,046	71,879	211,504
Additions	–	–	21,852	21,852
Disposals	–	–	(34,278)	(34,278)
At 31 December 2001	51,579	88,046	59,453	199,078
Depreciation				
At 1 January 2001	50,157	81,067	61,921	193,145
Charge for the year	105	4,460	9,036	13,601
On disposals	–	–	(34,245)	(34,245)
At 31 December 2001	50,262	85,527	36,712	172,501
Net book Value				
At 31 December 2000	£1,422	£6,979	£9,958	£18,359
At 31 December 2001	£1,317	£2,519	£22,741	£26,577

9. Financial commitments

The Commission leases office accommodation at La Plaiderie Chambers. This lease expires on 25 March 2020 and the rentals payable in 2002 under the terms of this lease amount to £245,397.

10. Controlling party

In the opinion of the Commissioners there is no controlling party of the Commission, as defined by Financial Reporting Standard No. 8 – Related Party Disclosures, as no party has the ability to direct the financial and operating policies of the Commission with a view to gaining economic benefits from their direction.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 CONTINUED

11. Analysis of cash flows for headings netted in the cash flow statement

	2001	2000
Returns on investments and servicing of finance		
Interest received	**£111,493**	£106,129
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(227,245)**	(82,517)
Loan to Training Agency Limited	**(114,203)**	139,966
Net cash (outflow)/inflow from capital expenditure and financial investment	**£(341,448)**	£57,449

12. Analysis of net cash

	At 1 January 2001	Cash Flow	At 31 December 2001
Balance with States Treasury	1,178,852	178,494	1,357,346
Cash at bank and in hand	31,612	(2,301)	29,311
	£1,210,464	£176,193	£1,386,657

APPENDIX 1 STATUS, FUNCTIONS AND STRUCTURE OF THE COMMISSION

In April 1986 the States (parliament) of Guernsey ("the States") resolved to establish the Commission as a statutory body. The following year, the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 ("the Commission Law") was passed and, on 1 February 1988, the Commission came into being.

The status of the Commission is dealt with in sections 1 and 4 of the Commission Law. It is not a committee of the States nor a servant or agent of the States and its staff are not civil servants. Neither is it a company for the purposes of the Companies (Guernsey) Law, 1994. It is a body corporate with perpetual succession and a common seal, capable of suing and being sued in its corporate name.

The Commission Law established the Commission with both general and statutory functions. The general functions include the taking of "such steps as the Commission considers necessary or expedient for the development and effective supervision of finance business in the Bailiwick" and the statutory functions include those under the following:-

The Protection of Depositors, Companies and Prevention of Fraud (Bailiwick of Guernsey) Law, 1969 as amended
The Banking Supervision (Bailiwick of Guernsey) Law, 1994 as amended
The Insurance Business (Bailiwick of Guernsey) Laws, 1986 to 1999
The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended
The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000
Section 3 of the Road Traffic (Compulsory Third Party Insurance) (Guernsey) Laws, 1936 to 1989
Section 1 of the Surf-Riding Long Boards (Compulsory Third-Party Insurance) Law, 1969
Section 1 of the Vessels and Speed Boats (Compulsory Third-Party Insurance, Mooring Charges and Removal of Boats) (Guernsey) Law, 1972.

Section 22 of the Commission Law provides that no member, officer or servant of the Commission is personally liable in any civil proceedings in respect of anything done or omitted to be done in the discharge or purported discharge of any function (statutory or general) of the Commission under the Commission Law unless the thing is done or omitted to be done in bad faith. Similarly:-

The Financial Services Commission (Limitation of Liability) Ordinance, 1990
The Protection of Investors (Limitation of Liability) Ordinance, 1990 and
The Insurance Business (Limitation of Liability) Ordinance, 1990

made by the States in exercise of powers under section 23 of the Commission Law, together with section 55 of the Banking Supervision (Bailiwick of Guernsey) Law, 1994 and section 57 of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 provide variously that no liability shall be incurred by the States, the Committee or the Commission in respect of anything done or omitted to be done in the discharge of the Commission's various statutory functions unless the thing is done or omitted to be done in bad faith.

Schedule 1 to the Commission Law provides that the Commission shall consist of the president for the time being of the Committee and four ordinary members elected by the States from persons nominated by the Committee and appearing to it to be persons having knowledge, qualifications or experience appropriate to the development and supervision of finance business in the Bailiwick. Paragraph 2 of the Schedule provides that the chairman shall appoint a member of the Committee to act as his alternate. Following a suggestion in the 1998 United Kingdom Home Office Review report that it may be appropriate for regulatory organisations to be entirely separate from all political bodies, in 1999 the Committee agreed that the chairman of the Commission should not be the president of the Committee. This change requires an amendment to the Commission Law. The opportunity was therefore taken to review the whole of the Commission Law. Following that review, the Commission, the Committee and the Law Officers discussed a range of amendments which were presented to the States in a policy letter in October 2001. A draft amendment law was approved by the States in March 2001. It is expected that the law will be enacted in 2002, following approval by the Privy Council.

The statutory functions do not include administration of the Control of Borrowing Ordinances, responsibility for which remains with the Committee. Individual officials of the Commission act for the Committee in matters requiring consent under the Ordinances. Under a similar arrangement, Commission officials act for the Committee in matters requiring action by the Commission under certain sections of the Companies (Guernsey) Law, 1994.

APPENDIX 2 COMMITTEES AND WORKING PARTIES

Class A Rules Working Party

Jeff Burton	Barings (Guernsey) Limited
Adv. Nigel Carey	Carey Langlois
David Farrimond	KPMG
Chris Hill	Guernsey International Fund Managers Limited
Bruce Riley	Investec Guinness Flight Fund Managers (Guernsey) Limited

Company Law Reform Committee

Adv. Ian Kirk	Guernsey Branch of the Institute of Directors
John Loveless	SG Hambros Trust Company (Guernsey) Limited
Alan Roberts	Chandlers
Adv. William Simpson	Guernsey Bar
Adv. Diana Thompson	Consultant
Mark Thompson	Guernsey Society of Chartered and Certified Accountants
Adv. Nik van Leuven	Guernsey Bar

Closed-ended Fund Working Party

Paul Bannier	Credit Suisse Fund Administration Limited
Adv. Nigel Carey	Carey Langlois
Adv. Peter Harwood	Ozannes
Connie Helyar	International Private Equity Services Limited
Chris Hill	Guernsey International Fund Managers Limited
John Le Prevost	Anson Fund Managers Limited

Guernsey Insurance Forum

Karl Bradley	Insurance Institute of Guernsey
Vince Bray	Consultant
Peter Butler	British Insurance Brokers Association
Mel Carvill	Guernsey Association of Pension Funds
Sean Clancy	Loss Adjusters in Guernsey
Michael Clarke	Life Insurance Association
Tom Cleal	Guernsey Friendly Societies Council Managers Association
Paul Cutter	Association of Guernsey Insurers
Clive James	Guernsey Insurance Company Managers Association
Stephen Jones	Channel Islands Actuarial Society
Alex Lindsay	Association of Guernsey Insurance Brokers
Chris Schofield	Consultant
Paul Sykes	Insurance Institute of Guernsey (Education Secretary)
John Wills	Guernsey Association of Mutual Insurance Societies

Insurance Law Review Committee

Rodney Benjamin	Bacon & Woodrow
Paul Cutter	Nordben Life and Pensions Insurance Company Limited
Adv. Peter Harwood	Ozannes
Ron Hendry	Kleinwort Benson (Guernsey) Limited
Barry Jenkinson	Independent consultant
Ian McCathie	International Risk Management (Guernsey) Limited
Ian Morris	Bacon & Woodrow
Chris Schofield	Normandie Risk Management Limited
Barry Seymour	Aon Insurance Managers (Guernsey) Limited
Richard Tee	Polygon Insurance Company Limited
Peter Walpole	Insurance Corporation of the Channel Islands Limited

Pensions Advisory Panel

Paul Buckle	Olsen Ferbrache Morgan
Winston Bull	Guernsey Association of Pension Funds
Paul Cutter	Nordben Life and Pensions Insurance Company Limited
Pat Merriman	Occupational Pensions Advisory Service
Tony Spruce	International Energy Group Limited
Mike Timmer	Generali Worldwide Insurance Co Limited

Review of FNCC Rules Working Party

Jeff Burton	Barings (Guernsey) Limited
Mike Clarke	Clarke Middleton Associates
Shane Le Prevost	Collins Stewart (CI) Limited
Anthony Paul	Close Fund Services Limited
Peter Radford	Bordeaux Services Limited
Alex Ward	Royal Bank of Canada Offshore Fund Managers Limited

Training Agency Finance Sector Advisory Group

John Clacy	Guernsey Association of Chartered and Certified Accountants
Jill Despres	International Bankers' Association
Keith Dorrian	Guernsey Fund Managers Association
Anne Ewing	Institute of Chartered Secretaries and Administrators
Ken Gibbs	Chartered Institute of Bankers
Sean Lacey	Society of Trust and Estate Practitioners and the Securities Institute
Ian Robinson	Representative of the insurance sector

Training Agency Commercial Sector Advisory Group

Dudley Jehan	N P Holdings Limited
Stuart Le Maitre	States Board of Industry
Martyn Mann	Polar Instruments Limited
Mary Perkins	Specsavers Optical Group Limited

Trust Law Review Committee

Adv. David Allison	Rothschild Trust Guernsey Limited
Adv. Ian Kirk	Collas Day
Professor Paul Matthews	University of London

The Director General of the Commission and the chief executive of the Training Agency and their colleagues take this opportunity of acknowledging the contribution made by the members of these groups and of thanking them for their support and assistance.

APPENDIX 3 THE BANKING SUPERVISION (BAILIWICK OF GUERNSEY) LAW, 1994

List of institutions holding a banking licence at 31 December 2001

Adam & Company International Limited
Alliance & Leicester PLC
Ansbacher (Channel Islands) Limited Guernsey Branch
Baden-Württembergische Bank AG
Banca Monte dei Paschi (Channel Islands) Limited
Banco Santander Central Hispano (Guernsey) Limited
Bank Hofmann (Guernsey) Limited
Bank Julius Baer & Co. Limited – Guernsey Branch
Bank of Bermuda (Guernsey) Limited
Bank of Butterfield International (Guernsey) Limited
Bank of Cyprus (Channel Islands) Limited
Bank Sarasin (Guernsey) Limited
Barclays Bank PLC
Barclays Finance Company (Guernsey) Limited
Barclays Private Bank & Trust Limited
Barings (Guernsey) Limited
BNP Paribas Guernsey Limited
BNP Paribas (Suisse) SA
Bristol & West International Limited
BSI AG
BSI (Channel Islands) Limited
C & G Channel Islands Limited
Cheshire Guernsey Limited
Clariden Bank (Guernsey) Limited
Close Bank Guernsey Limited
The Co-operative Bank p.l.c.
Coutts (Guernsey) Limited
Credit Suisse First Boston Guernsey Branch
Credit Suisse Guernsey Branch
Credit Suisse (Guernsey) Limited
D.A.H. Hambros Bank (Channel Islands) Limited
Deutsche Bank International Limited
EFG Private Bank (Channel Islands) Limited
EFG Private Bank SA (Guernsey Branch)
EFG Eurobank Ergasias International (C.I.) Limited
Fiduciary Trust Company International
First Active Bank Channel Islands Limited
FleetBoston Financial (Guernsey) Limited
Girobank PLC
Hamburgische Landesbank (Guernsey) Limited
HSBC Bank International Limited
HSBC Bank plc
HSBC Republic Bank (Guernsey) Limited
HSBC Republic Bank (Suisse) SA
ING Baring Private Bank (Switzerland) Guernsey Branch
Investec Bank (Channel Islands) Limited
Kleinwort Benson (Channel Islands) Limited – Guernsey Branch
Kleinwort Benson (Guernsey) Limited
Leopold Joseph & Sons (Guernsey) Limited
Lloyds TSB Bank (Guernsey) Limited
Lloyds TSB Offshore Private Banking (Guernsey) Limited
Lloyds TSB Offshore Treasury Limited – Guernsey Branch
MeesPierson (C.I.) Limited
Mellon Bank (Channel Islands) Limited
National Bank of Greece SA - Guernsey Branch
NatWest Offshore Limited
Northern Rock (Guernsey) Limited
Portman Channel Islands Limited
Rabobank Guernsey Limited
RBSI Custody Bank Limited, Guernsey Branch
N M Rothschild & Sons (C.I.) Limited
Rothschild Bank Switzerland (C.I.) Limited
Royal Bank of Canada (Channel Islands) Limited
The Royal Bank of Scotland International Limited - Guernsey Branch
Sabanci Bank (Guernsey) Limited
Saudi International Bank (Guernsey) Limited
Schroders (C.I.) Limited
SG Hambros Bank & Trust (Guernsey) Limited
Skipton Guernsey Limited
The United Bank of Kuwait PLC – Guernsey Branch
Woolwich Guernsey Limited
Yorkshire Guernsey Limited

APPENDIX 4 THE REGULATION OF FIDUCIARIES, ADMINISTRATION BUSINESSES AND COMPANY DIRECTORS, ETC. (BAILIWICK OF GUERNSEY) LAW, 2000

Applications for a fiduciary licence by existing businesses received by 31 May 2001 are determined on a regular basis. Please refer to the Commission's website at www.gfsc.guernseyci.com or contact the Fiduciary Services and Enforcement Division for the up-to-date list of licensees.

List of institutions holding a full fiduciary licence at 31 December 2001

Where licences were granted on a joint application, the name of the lead licensee is shown first in larger type.

Adam & Company International Trustees Limited
Adam & Company International Nominees Limited

Allied Trust Company Limited
Allied Nominees Limited
Allied Trust Directors One Limited
Allied Trust Directors Two Limited
BSCHG Directors Limited
BSCHG Consejeros Limited
The Royal Alliance Trustee Corporation (Canada) Limited

Amex International Trust (Guernsey) Limited
AITG Corporate Secretaries Limited
Birdsong Limited
Nominees One Limited
Nominees Two Limited
Songbird Limited

Bachmann Trust Company Limited
ADL One Limited
ADL Two Limited
Bachmann Alpha Limited
Bachmann Beta Limited
Bachmann (Channel Islands) Limited
Bachmann Corporate Services Limited
Bachmann Delta Limited
Bachmann Epsilon Limited
Bachmann Gamma Limited
Bachmann Nominees Limited
Bachmann Omega Limited
Bachmann Pi Limited
Bachmann Securities Limited
Bachmann Trust Company (UK) Limited
Cantalibra Limited
Commercial Trading Limited
Fidsec Limited
Guernsey Ship Management Limited
Marine Nominees Limited
MDL Limited
NVWBC Trustees Limited
PDL Limited
Plantation Trust Limited

Bacon & Woodrow Trust Company (C.I.) Limited
Bacon & Woodrow Pension Trustees (C.I.) Limited

Barclays Bank plc
Barclays Nominees (Guernsey) Limited

Barclays Private Bank & Trust Limited
Barclaytrust Channel Islands Limited
Barclaytrust International (Guernsey) Limited

BGL Reads Group Limited
Bajan Limited
BDO Guernsey International Management Limited
BDO Guernsey Trustees Limited
BGL Reads International Management Limited
BGL Reads Private Clients Limited
BGL Reads Trust Company Limited
BGL Trustees Limited
Channel Corporate Services Limited
Chart Trust Company Limited
Codale Secretaries Limited
Cosign Nominees Limited
Cosign Services Limited
Cosign Limited
C.M.S. Limited
Hugo Holdings Limited
JSH Services Limited
Mathieu Limited
Merley Holdings Limited
Penhall Limited
Perbury Limited
Pritchards Nominees Limited
Pritchards Secretarial Services Limited
Pritchards Trustees Limited
Prisim Services Limited
Probus Reads Trust Company Limited
Relton Holdings Limited
Spread Nominees Limited
Spread Services Limited
Spread Trustee Company Limited

BMPS Trustees (C.I.) Limited
BMPS Corporate Services (C.I.) Limited
BMPS Nominees (C.I.) Limited
City Nominees Limited
Saints Trustees Limited

Bourse Trust Company Limited

BSI Trust Corporation (Channel Islands) Limited
BSI Administrators (Channel Islands) Limited

Butterfield Trust (C.I) Limited
The Bank of N.T. Butterfield & Son (C.I.) Limited
BNTB Nominees (Guernsey) Limited
Butterfield Management Services (Guernsey) Limited
Havre Corporate Services Limited
Havre Management Services Limited

CA Fiduciary Services Limited
Admiral Directors Limited
CA Nominees Limited

Close Trustees Guernsey Limited
Landmark Directors Limited

Coutts (Guernsey) Limited
Citron Limited
Corpshare Limited
Coutts Guernsey Nominees Limited
Rouge Limited
Vert Limited

Deutsche Bank International Trust Co. Limited
DBMG Trust Company Limited
Deutsche Bank (Cayman) Limited
Deutsche Bank International Trust Co. (Cayman) Limited
Deutsche Bank Investments (Guernsey) Limited
Deutsche Bank Nominees (Guernsey) Limited
Deutsche Bank Trustee Services (Guernsey) Limited
Deutsche International Trust Corporation (C.I.) Limited
Deutsche International Trustee Services (C.I.) Limited
Deutsche Transnational Trustee Corporation Inc
Regula Limited
Trevona Limited

Federal Trust Company Limited
Federal Trust Corporation Limited

Guernsey Trust Company Limited
GTC Alpha Limited
GTC Beta Limited
GTC One Limited
GTC Secretaries Limited
GTC Two Limited

Haven Trustees Limited
Century Limited
Century Management Limited

Heritage Trust Limited
Adelphi Limited
Barnham Limited
Cavendish Securities Limited
Delta Confirmers Limited
Elan Holdings and Investments Limited
Forest Securities Limited
Heritage Property Holdings Limited
Wigmore Consultants Limited

International Private Equity Services Limited
IPES Trustees Limited

JG Trustees Limited
Fiduciary Services Limited
JG Nominees (Guernsey) Limited
JG Secretaries Limited

Kingston Management (Guernsey) Limited
Hawkshead Investments Limited
Kendal Limited
Kingston Trustees Limited
Oxford Investments Limited
Wessex Holding Limited

KPMG Secretaries Limited
Lyth Nominees Limited
Winster Nominees Limited

L & S Services Limited Partnership
Enzian Limited
Honor Trustees Limited
Jardy Directors Limited
Lisle Secretaries Limited
Lisle Trustees Limited
Manor Directors Limited
Old Manor Trustees Limited
Phoenix Nominees Limited
Sarsura Directors Limited
Wild Plateau Limited

The Louvre Trust Company Limited
Grenadier International Limited
Louvre Nominees One Limited
Louvre Nominees Two Limited
Louvre Secretaries Limited
Louvre Trustees Limited

Marshall Secretarial Services Limited
New Street Nominees Limited

Merlin Group Securities Limited
Cranberry Investments Inc
Merlin Group (Clients) Limited
Merlin Group Nominees Limited
Merlin (Protectors) Limited
Merlin Services Limited
Procard Services Inc
Pronet Personnel Limited

N.M.T. Trustees Limited
Parkway Administration (Guernsey) Limited

Rawlinson & Hunter Limited
Granary Trust Limited
International Company Management Limited
Kings House Management Limited
Kings House Trustees Limited
Portman Welbeck Limited
R & H Trust Co. (Guernsey) Limited

APPENDIX 4 CONTINUED

S G Hambros Trust Company (Guernsey) Limited
CDS International Limited
HTG Limited
TNS Services Limited

Trust Management (Alderney) Limited

List of persons holding a personal fiduciary licence at 31 December 2001

Allen, Mrs P A
Atkinson, P J G
Betley, T J
Carey, N T
Collas, R J
Eades, M J S
Evans, R A R
Langlois, J E
Le Blanc, A
Morris, W R
Palmer, P M A
Perrot, R A
Peters, J F
van Leuven, J N
Wilson, M J
Wright, W T P

The following persons with existing businesses applied for fiduciary licences by 31 May 2001 and are deemed to be licensed fiduciaries under the transitional provisions in section 59 of the Regulation of Fiduciaries Law. They are therefore authorised to carry on regulated fiduciary activities by way of business although their licence applications have not been finally determined. In addition to the persons listed below, others have applied for exemption from the provisions of the Regulation of Fiduciaries Law. If you are in any doubt over whether a person is authorised to carry on fiduciary activities by way of business, please refer to the Commission's website at www.gfsc.guernseyci.com or contact the Fiduciary Services and Enforcement Division.

List of applicants for a full fiduciary licence at 31 December 2001

Where applicants have applied jointly, the name of the lead applicant is shown first in bold type.

Abacus Financial Services Limited
Abacus (C.I.) Limited
Abacus (Guernsey) Limited
Abacus (Nominees) Limited
Abacus Secretaries (Guernsey) Limited
Abacus Trustees (Guernsey) Limited
Abacus Trustees (Jersey) Limited
Whiteley Trustees Limited

ABC International Trust Limited

Achates Services Limited
Achates Trust Limited
Cardinal Limited

Administration Services (Guernsey) Limited

Albany Trustee Company Limited
Argonaut (Guernsey) Limited

Alex Picot & Company Limited

Anglo Trust Limited
Anglo Nominees Limited
Anglo Services Limited
Anglo Trust (Jersey) Limited

Ansbacher (Guernsey) Limited
Anka Limited
Ansbacher Portfolio Nominees (Guernsey) Limited
Ansbacher Trust Company (Guernsey) Limited
Perseus Limited
Plaiderie Corporate Directors One Limited
Plaiderie Corporate Directors Two Limited
Plaiderie Corporate Secretaries Limited
Polaris Limited
Sarnia Yachts Limited
Topaz Investments Limited

AON Services (Guernsey) Limited

Appleton Trust Company (CI) Limited

Arbuthnot Trust (Guernsey) Limited
AT Nominees Limited

Artemis Trustees Limited

A.S. & K. Services (Guernsey) Limited

Babbe Le Pelley Tostevin
BLP Trust Limited
Hirzel Management Limited
Quill Trust Company Limited

Baird Taylor & Co
Globe Nominees Limited
Goldcrest Management Services Limited
Trust Corporation (Alderney) Limited
Weald Nominees Limited

Balchan Trustees Limited
Balchan Directors Limited
Balchan Management Limited
Balchan Secretaries Limited

Bank Hofmann Trustees Limited
Clariden Trust (Guernsey) Limited
Leu Trustees (Guernsey) Limited

Bank of Montreal Trust Company (C.I.) Limited

Baring Trustees (Guernsey) Limited

Bartholomew Trust Company Limited
Bartholomew Nominees Limited

BCL Trust Company (Guernsey) Limited

Benow Trustees Limited

Bermuda Trust (Guernsey) Limited
First Somers (Guernsey) Limited
Second Somers (Guernsey) Limited

Betty & Dickson Trustees Limited

Biltrust Limited

BKR Haines Watts (CI) Limited
BKR HW Trust Company Limited

Blenheim Fiduciary Group Limited
Blenheim Management Services Limited
Elfin Trust Company Limited
Kensington Nominees Limited
Lambeth Nominees Limited
Westminster Nominees Limited

BNP Paribas International Trustee (Guernsey) Limited
Paribas Investment Limited

Bordeaux Services Limited

Butterfield Trust (Guernsey) Limited
Bank of Butterfield International (Guernsey) Limited
Halsfield Limited
Rosebank Management Limited
Rose Nominees Limited

Cannon Trust Company Limited
Cannon Corporate Directors Limited
Cannon Corporate Services Limited
Cannon International Limited
Cannon Investments Limited
Cannon Nominees Limited
Cannon Secretaries Limited
Euro Finance Limited

Carey Langlois Trust Company Limited
Carey Langlois Administration Services Limited
Carey Langlois Company Services Limited
C.L. Directors Limited
C.L. Nominees Limited
C.L. Secretaries Limited
M.C. Trustees Limited
Privatrust Limited
Scholer Trustees Limited

Castle Company Management LLC

Castle Trust Company Limited
Beauvais Trust Company Limited
Beckston Investments Limited
Castle Trust Services Limited
City Corporate Services Limited
Cobo Nominees Limited
Gramos Investment Holdings Limited
Regent Administration Limited
Vazon Nominees Limited

Chamberlain Heritage Services Limited
Chamberlain Trustees Limited

Chandler Backer & Co
CB Directors Limited
CB Nominees Limited
CB Secretaries Limited
CBT Management Limited
CB Trustees Limited

Channel Group Management Limited
Accounting Services Limited
Channel Investment Management Limited
Channel Nominees Limited

APPENDIX 4 CONTINUED

Coreford Corporation
International Fiduciary Services Inc

Channel Islands Insurance Consultants Limited

Charter Trust Company Limited
Azure Limited
Charter Management Limited
Interco Services Limited

Claridges Trustees Limited
Claridges Trust Company (Guernsey) Limited
First Nominees Limited
Second Nominees Limited

Clarke Middleton Associates Limited

Clifton Services Limited
Eurolink (C.I.) Limited

Codan Trust Company (Guernsey) Limited
Codan (Guernsey) Limited
Codan Management (Guernsey) Limited
Codan Services (T&C) Limited
Orient Services Limited

Controlfida Trustees Limited

Corner Trust (C.I.) Limited

Corporate Planning Trustees (Guernsey) Limited

Corporate Secretarial Services Limited
Cain Nominees Limited
Centaur Financial Services Limited
City Gate Trust Company Limited
Court Directors Limited
Fermain Legal Services Limited
Livingstone Nominee Services Limited
Marchant Directors Limited
Oakdale Trustees Limited
Solent Nominees Limited
Victoria Nominee Services Limited

Corporate Services (Alderney) Limited
Alderney Trustees Limited
Anchor Nominees (Alderney) Limited
Busby Nominees (Alderney) Limited
Channel Nominees (Alderney) Limited
Duncan Nominees (Alderney) Limited
Frank Nominees (Alderney) Limited
Giffoine Limited
Huret Limited
Ingot Limited

Credit Suisse Trust Limited
Brock Nominees Limited
College Trustees Limited
Court Administration Limited
Credit Suisse Trust Limited (Isle of Man)
Fundamentum Limited
GTB Management Limited
GTB Secretaries Limited
Keynedon Trustees Limited
Kiloran Trust Company Limited
Leeward Nominees Limited
Primary Management Limited
Prism Management Limited
Relayer Limited
Tenby Nominees Limited
Touraine Trust Company Limited
Viribus Nominees Limited
Waterfront Securities Limited
Windward Nominees Limited

Crossways Trustees Limited
REC Services Limited
Standfast Limited

Danske Financial Services Limited

David Lewis Associates Limited

DBS Trustee Limited

de Vernon Group SA
de Vernon Holdings Limited
de Vernon Limited
de Vernon Secretaries SA
de Vernon Trustees Inc
JC Brannam Inc
LJ Willis Inc

Direct Holdings Limited
Arden Investments Limited
Avondale Nominees Limited
Direct Administration Limited
Direct Securities Limited
Direct Trustees Limited
Yearlstone Holdings Limited

Dixcart Trust Corporation Limited
Dixcart Financial Services Limited
Dixcart Management Limited
Dixcart.Net Limited
Lonsdale Trustees Limited
Mayfield Trustees Limited
Meadowside Management Limited
Merrydown Limited
Savannah Management Limited
Yates Management Limited

Duncan Lawrie Trust Company Limited
Sterling Securities Limited

Eagle Star Trust Company (Guernsey) Limited
Eagle Star Trust Company (Caribbean) Limited
Eagle Star Trust Company (Jersey) Limited
Stellar Holdings Limited

EFG Private Bank (Channel Islands) Limited
Castle Court Protectors Limited
Dallington Holdings Limited
PB Nominees (Guernsey) Limited
Strategic Asset Management Limited

Fairbairn Trust Company Limited
FRT Directors Limited
FRT Secretarial Limited
Old Mutual Guernsey Nominees Limited
Spectrum Nominees Limited

Fornells Limited
Lizard Limited
Scar Limited

Fort Management Services Limited
Elton Limited
Eros Nominees Limited
Fort Investments Limited
Fort Limited
Fort Trustees Limited
Regent Nominees Limited
Sloane Nominees Limited

Future Film Management (C.I.) Limited

Glenhoney Limited
FIFO Limited
OTC Limited

Goethe Management Limited
Agential Merchants Limited
Ardennes Holdings Limited
Arden Secretaries Limited
Barton Secretaries Limited
Broadstone Enterprise Limited
Chad Management Limited
Consultancy Services Overseas Limited
Corridet Limited
Craystere Limited
Fairport Holdings Limited
G.M. Trustees Limited
Goethe Holdings Limited
Grafton Services Limited
Parkridge Holdings Limited
Rushworth Holdings Limited
Statefare Securities Limited
Stateline Securities Limited
Taymanor Limited
Technical Services (Overseas) Limited
Tudorlord Limited
Whitecourt Holdings Limited
Whitestone Holdings Limited
Wingrave Limited

Guernsey International Trustees Limited

Guinness Flight Trustees S.a.r.l.
Bayeux Trustees Limited
Benelux Trust (Guernsey) Limited
Bengal Nominees Limited
Executive Nominees Limited
Finistere Directors Limited
Finistere Limited
Finistere Nominees Limited
Finistere Secretaries Limited
Finistere (UK) Nominees Limited
GFT Directors Limited
Guinness Flight (UK) Nominees Limited
Quality Court Trustees (Channel Islands) Limited
Quiboy Limited
Theodores Trustees (Guernsey) Limited

Hamilton Trustees Limited
Glenross Limited
Hamilton Management Services Limited
Hamilton Nominees Limited
Hamilton Secretarial Services Limited
Kappa Limited

Hansard Management Services Limited
B.L.A. Limited
Hansard Trust Company Limited
Island Directors Limited
Island Secretaries Limited

Harbour Trustees Limited
Corporate Directorate Services Limited
Corporate Secretary Services Limited
Harbour Consultancy Services Limited
Harbour International Services Limited
Harbour Nominees Limited
KS Nominees Limited
KS Trustees Limited

F Haskins & Co
Codirse Limited
College Chambers Administrative Services Limited
College Chambers (No. 1) Limited
College Chambers (No. 2) Limited
College Chambers Nominees (No. 1) Limited
College Chambers Nominees (No. 2) Limited
College Chambers Trustees Limited

APPENDIX 4 CONTINUED

Hero Nominees Limited

HSBC Republic Trust Company (Guernsey) Limited
Eton Corporate Services Limited
Eton Management Limited
HSBC Investments (Bahamas) Limited
HSBC Republic Bank (Guernsey) Limited
Midland Bank Trustee (Guernsey) Limited

ICM International Company Management Partners and Associates Limited

ILS (Corporate Services) Limited
ILS Group Holdings Limited
International Law Systems Limited

Indosuez Trust Services Limited
Cherry and Neale Limited
Cloverdale Holdings Limited
Duet Services Limited
Levant Services Limited
Palermo Holdings Limited
Wynndel Limited

Insinger Trust (Guernsey) Limited
Aldgate Trust Company Limited
Amarado Limited
Barsac Company Limited
Birchtown Limited
Bishopsgate Nominees Limited
Caravel Management Limited
Channel Life Trust Company Limited
Kimali Services Limited
Leadenhall Nominees Limited
Leadenhall Services Limited
Leadenhall Trust Company Limited
Moultrie Investments Limited
Oldwick Holdings Limited
Riverdale Limited
Threadneedle Services Limited
Tower Secretaries Limited

International Office Services Limited

Intertrust (Guernsey) Limited

Investec Bank (Channel Islands) Nominees Limited

Iron Arm Limited
Iron Arm Nominees Limited
Iron Arm Secretaries Limited

Julius Baer Trust Company (Channel Islands) Limited
JB Secretaries (Guernsey) Limited
T.C. Directors (Channel Islands) Limited
Ursa Alpha Limited
Ursa Beta Limited

Jupiter Administration Limited
Dinosaur Limited
Jupiter Trustees Limited
Quarrymount Limited

The Kensington Corporation Limited

KLA Trust Company Limited

Kleinwort Benson (Channel Islands) Trustees Limited
Borrowdale Nominees Limited
Corporate Directors (No 1) Limited
Corporate Directors (No 2) Limited
Corporate Services (Guernsey) Limited
Fenchurch Nominees (Singapore) PTE Limited
Fitrust Fiduciaire et Trustee SA
Guernsey Nominees Limited
Hilary Nominees Limited
K.B. (C.I.) Nominees Limited
Kleinwort Benson (Geneva) Trustee SA
Kleinwort Benson (Guernsey) Limited
Kleinwort Benson (Guernsey) Trustees Limited
Kleinwort Benson International Trustees Limited
Kleinwort Benson (Jersey) Trustees Limited
Knowlfa Limited
Langdale Nominees Limited
Orbis Business Services Limited
Orbis Group Limited
Orbis Management Limited
Orbis Pension Trustees Limited
Orbis Tax Services Limited
Orbis Trustees (BVI) Limited
Orbis Trustees Guernsey Limited
Orbis Trustees Guernsey (1997) Limited
Orbis Trustees Jersey Limited
Orbis Trustees Limited
Property Nominees (Channel Islands) Limited

Law Trust Limited

Legis Corporate Services Limited
Doric Limited
Fifth Ovalap Limited
First Ovalap Limited
Fourth Ovalap Limited
Ionic Limited
Lapco Limited
Legis BVI Limited
Legis (MRL) Limited
Legis International Management Limited
Legis Nominees Limited
Legis Trust Limited
Nomos Trustees Limited
Ovaco Limited
Ovalap Nominees Limited
Second Ovalap Limited
Sixth Ovalap Limited
Third Ovalap Limited

Leopold Joseph Trust Company (Guernsey) Limited
Leopold Joseph Secretaries (Guernsey) Limited
Leopold Joseph & Sons (Guernsey) Nominees Limited
Moulinet Trustees Limited

Lince Salisbury
Avenue Partners Limited
Avenue Trust Company Limited
Lince Muller
Rose Garden Limited

Lloyds TSB Offshore Private Banking (Guernsey) Limited
LBI Finanz Anstalt
LBI (Guernsey) Nominees Limited
Hill Samuel Offshore Trust Company Limited
Lloyds TSB Management Limited
Lloyds TSB Services Limited

Marsh Management Services Guernsey Limited

MeesPierson (C.I.) Limited
Albany Associates Limited
Ardgowan Holdings Limited
Argenta Limited
Athos Group Limited
Coodall Services Limited
Court Trust Company Limited
Creighton Services Limited
Holme Head Limited
INB Holdings Limited
Isis Management Limited
Lexus Service Corporation Limited
Locherben Company Limited
MeesPierson Management (Guernsey) Limited
MeesPierson Nominees (Guernsey) Limited
MeesPierson Trust (Asia) Limited
Porthos Group Limited
Stocksfield Limited
Tradepoint International Limited

Mentor Trust Limited
MCO (BVI) Limited
Mentor Nominees Limited
Mentor Secretaries Limited
Mentor Trustees Limited
Spook Limited

Mercator Trust Company Limited
Alex Picot Limited
Anson Limited
Breams Trustees Limited
Cabot Limited
Chrisalis Trustees (Guernsey) Limited
Dewsbury International Limited
Exchange Services Limited
Fourth CB Trustee Limited
Isis Fiduciary Corporation
Mercator Finance and Guarantors Limited
Mercator Group Holdings Limited
Mercator Management Services Limited
Mercator Nominees Limited
Mercator Secretaries Limited
Mercator Trustees Limited
Mewbec Limited
Moores Rowland Trust Company (Guernsey) Limited
MRG Services Limited
Ormond Limited
Padt En Van Kralingen Trust (Guernsey) Limited
Pearson Fraser Consulting Limited
Pearson Fraser Limited
Saints Bay Trust Company Limited
Third C B Trustee Limited
Victor Limited
Winslow Limited
Winslow Secretaries Limited

Mignot Trustees Limited

Moore Stephens
First Island Nominees (Guernsey) Limited
First Island Properties (Guernsey) Limited
First Island Secretaries (Guernsey) Limited
First Island Trustees (Guernsey) Limited
Moore Stephens Trust Company (Guernsey) Limited

Nashbond Trustees Limited

Nerine Trust Company Limited
Amelaine Limited
Bellhall Investments Limited
Brookland Enterprise Limited
C&D Consulting Limited
Elmlee Investments Limited
Genro Impex (UK) Limited
Kloisters Inc
Larem Management Limited
Larem Trustees Limited
Leigh Management Limited
Oakdene Limited
Ravensport Limited
Ridgeville Investment Company Limited
S.C.S. Trust Company Limited
Southbox Limited
Summerland Trading Limited
Tanelorn Investments Limited
Vestry Services Limited
Woodleigh Limited

Nordben Pension Trustees Limited

Oak Trust (Guernsey) Limited
Acorn Finance Limited
Oak Nominees Limited
Oak Secretaries Limited

APPENDIX 4 CONTINUED

Obelisk International Trust Company (Guernsey) Limited
Obelisk Nominees Limited
Obelisk Secretaries Limited

Ogier Trustee (Guernsey) Limited
Golem Limited
Melog Limited

Old Crown Trust Limited
Aegis Trust Limited
C.I. Administration Limited
Co. Howat
Director Limited
Old Crown Limited
Old Crown Trust Limited (Irish)
Secretary Limited
St Paul's Trust Company Limited

OME Trust Company Limited

Optimum Risk Research (International) Limited

PaineWebber Trust Company (Guernsey) Limited
Director Services (Guernsey) Limited

Perkins Trustees Limited
Albany Secretarial Services Limited

PG Trustees Limited
PG Nominees Limited

Pont Street Trustees (Guernsey) Limited

Praxis Fiduciaries Limited
PKF Trustees Limited
Praxis Directors One Limited
Praxis Directors Two Limited
Praxis Fiduciaries (Iberia) Limited
Praxis Fiscal Consultants Limited
Praxis Nominees Limited
Praxis Secretaries Limited
Praxis Trustees Limited

Prism Insurance Management Limited

Rabobank Trust Company Guernsey Limited
Rabobank Nominees Guernsey Limited
Rabobank Secretaries Guernsey Limited

Randell & Loveridge

RBC Trustees (Guernsey) Limited
Consultancy & Secretarial Services Limited
Guernroy Limited
Royal Bank of Canada (Asia) Limited
Royal Bank of Canada (Channel Islands) Limited
Royal Bank of Canada Offshore Fund Managers Limited
Royal Bank of Canada Trust Company (Asia) Limited
Royal Bank of Canada Trust Company (Bahamas) Limited
Royal Bank of Canada Trust Company (Cayman) Limited
Royal Bank of Canada Trust Corporation Limited
Royal Bank of Canada Trustees (Jersey) Limited
Royal Trust (Bermuda) Limited
Roycan Protector Limited
Roycan Trust Company SA

RBSI Trustee Services (Guernsey) Limited
Rock Nominees Limited
Roygen Nominees Limited

Rhine Trustees Limited

Risk Management Limited

Rosetrust Limited
Rosetrust Nominees Limited

Rothschild Trust Guernsey Limited
Ashley Trust Company (Guernsey) Limited
Casquets Limited
Ensifer Trust Company (CI) Limited
First Board Limited
First Court Limited
Rothschild Corporate Administration Services Limited
Rothschild Corporate Fiduciary Services Limited
Rothschild Switzerland (CI) Trustees Limited
Rothschild Trust (Bermuda) Limited
Rothschild Trust Canada Inc
Rothschild Trust Cayman Limited
Rothschild Trust Corporation Limited
Rothschild Trust Jersey Limited
Rothschild Trust New Zealand Limited
Second Board Limited
Second Court Limited
St. Julians Trust Bahamas Limited
St. Julians Trust Company (Guernsey) Limited
Third Board Limited

Safehaven International Limited
Bach and Associates Limited
Bach and Hodson Consulting Limited
Keats Limited
Safehaven Marine Holdings Limited
Safehaven Trustees Limited
Wordsworth Limited

Saffery Champness Management International Limited
Champness Limited
Clore/Duffield Foundations Nominees Limited
Consolidated Funds Investments Nominees Limited
Hexagon Trust Company (C.I.) Limited
J. Rothschild Nominees (Guernsey) Limited
Octavian Nominees Limited
Proteus Nominees Limited

RHK Nominees Limited
Rysaffe International Services Limited
Rysaffe Limited
Rysaffe Nominees (C.I.) Limited
Rysaffe Trustee Company (C.I.) Limited
Saffery Champness Trust Corporation
Saffery Champness Trustees Limited
Saffery Limited
Saffery Trustee Company (C.I.) Limited

Saltire Trustees (Overseas) Limited
Saltire (Nominees) Limited
Turcan Connell

Sarnia Management Corporation Limited
Bordage Directors Limited
Extratime Management Limited
Fistral Directors Limited
Fistral Limited
Fistral Trustees Limited
Sarnia Directors Limited

SBTC Limited

Schroder Executor & Trustee Company (C.I.) Limited
Schroder Corporate Services (C.I.) Limited

Seamark Trust Company (CI) Limited
Collatine Limited
Euro-Seamark Limited
Listard Limited
Nestorian Limited
Staffport Limited
Tagus Investments Limited

Sphere Management Limited
Sphere Holdings Limited
Sphere Trustees Limited

St Anne's Holdings Limited
Freestar Directors Limited
Freestar Nominees Limited
Freestar Trustees Limited
Orion Nominees Limited
Orion Trust Limited
The Pensioneer Trustee Company (Guernsey) Limited
Richmond Corporate Services Limited
Richmond Nominees Limited
Scorpio International Limited
Scorpio Secretarial Services Limited
St Anne's Trustees Limited

St Peters Trust Company Limited
Abaco Secretaries Limited (Guernsey)
Abaco Secretaries Limited (Liberian)
Allaire Limited
Andros Management Limited (Guernsey)
Andros Management Limited (Liberian)
Appendale Services Limited
Astonmain Limited
Conemara Limited
Cornet Trustees Limited
General Merchants Limited
Goldenthorpe Limited
H Johns Limited
Kameroon Securities Limited
Kerryhead Limited
Lutine Services Limited
Management International Limited
Marjorie Securities Limited
Martin Securities Limited
St Peters Securities Limited

Stenham Gestinor Trustees Limited
Centaurus Limited

Sun Life Trust Company Limited

Towers Perrin Share Plan Services (Guernsey) Limited

Trident Trust Company (Guernsey) Limited
The Cabinet Trust Company Limited
Hillcrest Executor & Trustee Company Limited
Island Consultants Nominees Limited
Trident Nominees (Guernsey) Limited
Western House Nominees Limited

Trinity Court (Management) Limited

Trust Securities Corporation Limited

UBK Trustees (Guernsey) Limited

Valora Holding Finance Limited

Walbrook Trustees (Guernsey) Limited
Lindmar Trust Company Limited
SVH Services Limited
Walbrook Corporate Services (Guernsey) Limited
Walbrook Directors (No 1) Limited
Walbrook Directors (No 2) Limited
Walbrook Nominees (No 5) Limited
Walbrook Nominees (No 6) Limited
Walbrook Nominees (No 7) Limited

Warwick International Trust Company Limited
Warwick Nominees Limited
Warwick Secretaries Limited

Watson Wyatt International Pension Trustees Limited

APPENDIX 4 CONTINUED

Weighbridge Trust Limited
Averon Holdings Limited
Bournemead International Limited
Edgewater Estates Limited
Marble Hill Investments Limited
Merdolino Limited
Seydor Limited
Weighbridge Trust Administration Limited
WT Consultancy Limited
Zuma Holdings Inc

Wilcox and Co (Guernsey) Limited
Eagle Secretaries Limited
Eagle Trustees Limited
Eagle Trustee Services Limited
Wilcox and Co (Nominees) Limited

Willis Management (Guernsey) Limited

Willow Trust Limited
Carandale Limited
Enchante Limited
Peregrine Management Limited
Peregrine Nominees No.1. Limited
Peregrine Nominees No.2. Limited
Peregrine Trustees Limited
Rainbow Bridge Holdings Limited
Varberg Holdings Limited
Willow Corporate Services Limited
Willow Trustees Limited

Zenith Secretarial Services Limited
Zenith Trust Company Limited

List of applicants for a personal fiduciary licence at 31 December 2001

Allen, D C
Boerenbeker, R J L
Brocklebank, R J
Cantan, P H
Chandler, C P
Cole, Mrs B H
Collins, Ms M A
Cormack, R C
Couldridge, Mrs C A
Couldridge, S A
Cox, G A
de Carteret, S B
de Carteret, S M
De Garis, T G M
de Putron, R A
Dewe, N J
Donnelly, J T G
Evett, J G J
Evett, Mrs S M
Falle, Mrs P L E
Gibson, R T
Grange, A R
Grigg-Gibson, Mrs H L
Hall, A A
Hallam, J E
Hayes, J A
Henderson, T J
Hester, Mrs C C T
Kowenicki, R A
La Trobe-Bateman, C J
Lainé, S A
Le Maitre, D V
Leopard, A J
Lloyd, Ms J S
Misselbrook, D K
Mollett, C S
Nicolle, G J
Peters, Mrs S K
Radford, G N
Rountree, Mrs D L
Sandle, M J
Simpson, W P
Stokes, M C
Stokes, Mrs V J
Tonks, Mrs C
Tonks, P F L
Veillard, B E
Vian, Mrs B J
Vian, R D G
Whitford, R H
Williams, P J
Wyatt, D G

APPENDIX 5 THE INSURANCE BUSINESS (BAILIWICK OF GUERNSEY) LAWS, 1986 TO 1999

Domestic insurers registered at 31 December 2001

Allied Dunbar Assurance Plc
Allied Dunbar International Assurance Limited
Ancient Order of Foresters Friendly Society
Axa Insurance Plc
Britannic Assurance Plc
Britannic Unit Linked Assurance Limited
The British United Provident Association Limited
CGNU Life Assurance Limited
CGU Insurance Plc
CGU International Insurance Plc
Combined Insurance Company of America
Co-operative Insurance Society Limited
DBI Insurance Company Limited
Domestic & General Insurance Plc
Eagle Star Insurance Company Limited
Eagle Star Life Assurance Company Limited
The Equitable Life Assurance Society
Exeter Friendly Society Limited
Guardian Insurance Limited
The Guernsey Alliance Insurance Society
Guernsey Mutual Insurance Society
Home and Overseas Insurance Company Limited
Independent Order of Odd Fellows Manchester Unity Friendly Society
Insurance Corporation of the Channel Islands Limited
The Islands' Insurance Company Limited
La Fraternelle Mutual Fire Insurance Society
Lincoln National (Guernsey) Limited
Lloyds TSB Life Assurance Company Limited
NFU Mutual Insurance Company Limited
Pearl Assurance Plc
Pearl Assurance (Unit Funds) Limited
Police Mutual Assurance Society Limited
The Prudential Assurance Company Limited
Royal & Sun Alliance Insurance Plc
Royal Liver Assurance Limited
The Royal London Mutual Insurance Society Limited
Scottish Boiler & General Insurance Company Limited
Scottish General Insurance Company Limited
Western Provident Association Limited

Offshore insurers registered at 31 December 2001

A.A. Reinsurance Company (Guernsey) Limited
ABB Insurance Limited
Aberdeen International Limited
Abigroup Risk Management Services Limited
ABTA Insurance Company (Guernsey) Limited
ABTA Travel Agents Insurance Company Limited
Acacia Insurance (Guernsey) Limited
ACE PCC Insurance Limited
Aegis Insurance Company Limited
Affinity Partners Limited
Agrochem Insurance Company Limited
AGS Insurance Company Limited
Alliance & Leicester Mortgage Insurance (Guernsey) Limited
ALSTOM Power Insurance Limited
Amadis Insurance Company Limited
Amco Insurance Company Limited
American Phoenix Life & Reassurance Company, Guernsey Branch
Amersham International Insurance Services Limited
Amey Insurance Company PCC Limited
ANC Rental Corporation (Insurances) Limited
Arcadian Guernsey Limited
Archer Insurance Limited
Arisis Limited
Arjo Wiggins Appleton Insurance Limited
Ark Re Limited
Arla Insurance (Guernsey) Limited
Arnold Clark Insurance Limited
Arriva Insurance Limited
Ascot Underwriting Limited
Automotive Financial Insurances Limited
Automotive Services Insurance Limited
Aviation Baggage Claims Insurance Company Limited
Avon Reach Insurance Company Limited
Aztec Insurance Limited
Bailiwick Insurance PCC Limited
Baker Street Risk and Insurance (Guernsey) Limited
Banks's Brewery Insurance Limited
Bantam Insurance Company Limited
BBP (PCC) Insurance Limited
Bee Insurance Limited
Belaire Insurance Company Limited
Belgrave Insurance PCC Limited
Bellcap Insurance PCC Limited
Belvoir Insurance Company Limited
BIFA Mutual Insurance Company Limited
Black Lion Insurance Company Limited
BLG Insurance Limited
Blue Swift Legal Insurance Services Limited
B M (Insurance) Limited
Bonaventure Insurance Company Limited
Bouverie Insurance Limited
Brecon Insurance Company Limited
Britsafe Insurance Services (Guernsey) Limited
Broom Insurance Company Limited
Brownstone Insurance (Guernsey) Limited
B S Insurance Limited
Bulldog Insurance Company Limited
Burnaby Insurance (Guernsey) Limited
The Burnhill Insurance Company Limited
Butterfield Insurance (Guernsey) PCC Limited
Capita Group Insurance Company Limited
Capstan Insurance Company Limited
Carfax Insurance Limited
Carfax Personal Lines Insurance PCC Limited
Carmelite Insurance Limited
Castle Insurance Limited
The Catholic National Mutual Limited
Caversham Insurance Limited
CBS Insurance Limited
Cellulose Insurance Limited
Censure Insurance Company Limited
Channel Life PCC Limited

APPENDIX 5 CONTINUED

Channel Shipowners Marine Indemnity Association
Chepstow Insurance Limited
CHG Insurance Limited
C.I. Credit Insurance Limited
City & Provincial Insurance (PCC) Limited
City and Commercial Insurance Company Limited
City Insurers Limited
Clarges Insurance Limited
Clerical Medical Investment Group Limited
Clydesdale Insurance Services Limited
CMP Insurance Limited
Coborn Insurance Company Limited
Colins Limited
Colonnade Reinsurance Limited
Congressional Reinsurance Company (PCC) Limited
Connaught Insurance Company Limited
Continental Indemnity Limited
Continental Life (International) Limited
Continuum Insurance Company PCC Limited
Contrex Insurance Limited
Converium PCC Limited
Cornhill Insurance (Guernsey) Limited
Countrywide Insurance Company Limited
Cowick Insurance Services Limited
Credit Life Assurance Society Limited
Cronors Insurance Limited
Crystal Insurance Company Limited
Curzon Insurance Limited
Deburn Indemnity Limited
The Delphic Insurance Company Limited
Delta Insurance Limited
Derwent Insurance Limited
DLG Insurance Limited
Dove Insurance Company Limited
Drummonds Insurance PCC Limited
Eachairn Insurance Limited
Eastwood Insurance Company Limited
ECS Reinsurance Limited
Elecrent Insurance Limited
Electricity Producers Insurance Company Limited
Elementis Insurance Guernsey Limited
Environmental Insurance (Guernsey) Limited
Euclidian Insurance PCC Limited
European Credit and Guarantee Insurance PCC Limited
European Life (Channel Islands) Limited
European Reinsurance (Guernsey) Limited
Exel Insurance Limited
Fairfax Insurances Limited
Fairway Insurance Limited
Fanum Reinsurance Limited
Farmers Re Limited
Farringdon Insurance Company Limited
Felcourt Insurance Company Limited
Felcourt Insurance Company (Overseas) Limited
Field Insurance Limited
Finistere Life Assurance Company Limited
First Century Insurance Limited
The First Saxon Insurance Company Limited
Flightform Insurance Limited
Foundation Reinsurance (PCC) Limited
The 41 Insurance Company Limited
Franchisees Reinsurance & Insurance Enterprise Services Limited
Friars Street Insurance Limited
Friends' Provident Life and Pensions Limited
Fruitcover Limited
Fulmar Finance & Insurance Limited
Fulwood Insurances Limited
Furnival Insurance Company Limited
Gamond Insurance Company Limited
Garlan Insurance Limited
GCF Insurance Limited
Geberit Reinsurance Limited
Geest (Guernsey) Limited
General Credit Insurers Limited
Generali International Limited
Generali Worldwide Insurance Company Limited
Glensure Insurance Company Limited
Global (Guernsey) Limited
Grafton Limited
Grampian Insurance (Guernsey) Limited
Grange Insurance Company Limited
Guardian Shield Insurance Limited
Haldan Indemnity Limited
Hannover Re (Guernsey) PCC Limited
Harbour Insurance PCC Limited
Harlequin Insurance PCC Limited
Hauteville Insurance Company Limited
HBOS Insurance (PCC) Guernsey Limited
Headrow Reinsurance Limited
Heritage Motor Vehicle Insurance Company Limited
Highland Reinsurance Limited
Hinton Insurance Limited
Hiscox Insurance Company (Guernsey) Limited
HJM Insurance Company Limited
Holdright Insurance Company Limited
Hollard International Insurance (PCC) Limited
Home Finance Guarantors (Insurance) Limited
HSBC Insurance (Guernsey) Limited
HSBC Insurance SPC Limited, Guernsey Branch
Iberia Reinsurance Limited
IM Insurance Company Limited
The Independents' Advantage Insurance Company Limited
Inreska Limited
Inter-European Insurance Company Limited
International Aviation Syndicate
International Insurance & Guarantee Company Limited
International Marine Syndicate
International Movers Mutual Insurance Company Limited
International Personal Accident Syndicate
Ispat International Insurance Company Limited
Jancap Insurance PCC Limited
JCB Insurance Company Limited
JLP Insurance Limited
Jupiter Insurance Limited

KF Insurance Services Limited
Kingsmill Insurance Company Limited
Kirkstone Insurance Limited
Kopinsure Limited
Korin Insurance Limited
La Coupe Insurance PCC Limited
Lawgram Insurance Limited
Leeside Services (Guernsey) Limited
Les Minquiers Limited
Life Association of Guernsey Limited
Lignin Insurance Company Limited
Lilley Insurance (Guernsey) Limited
LINPAC Insurance Company Limited
Lloyds TSB Bank Insurance Company Limited
Lochside Insurance Limited
Lombard International PCC Limited
London Power Insurance Limited
London Transport Insurance (Guernsey) Limited
Lothbury Insurance Company Limited
M3 Capital Assurance PCC Limited
Mainstay Insurance Limited
Mainstay Limited
Mallory Insurance Services PCC Limited
Mannequin Life PCC Limited
Marconi Insurance Limited
Markfield Insurance Company Limited
Maxfort Insurance Limited
The May Insurance Company Limited
MDDUS Insurance Limited
MDU Insurance Limited
The Meadows Indemnity Company Limited
Messenger Insurance PCC Limited
Metso Captive Insurance Limited
Meyer International Insurance Limited
MHACE Insurance Company Limited
Michaelangelo Insurance Limited
Mid-Pacific Reinsurance Company Limited
Millennium Life Assurance Company Limited
Mill Stream Insurance Limited
Minories Insurance Company Limited
Momentum Group Limited, Guernsey Branch
Moorfields Insurance Company (Guernsey) Limited
Morse Insurance Company Limited
Mountgrave Insurance Limited
M S Insurance Limited
Mutual Indemnity (Bermuda) Limited, Guernsey Branch
National Express Guernsey Limited
National Grid Insurance Limited
N B Insurance Guernsey Limited
Neste Insurance Limited
Newport Re Limited
New World Insurance Company Limited
Nightingale Insurance Limited
Nisshin Insurance Guernsey PCC Limited
Nordben Life & Pension Insurance Company Limited
Northern Foods Insurance Limited
Northern Rock Mortgage Indemnity Company Limited
Northside Insurance Company Limited
Norwich Union Life & Pensions Limited
Nova Insurance Limited
O.C.S. Insurance (Guernsey) Limited
Octavian Insurance Company Limited
Old Mutual International (Guernsey) Limited
Old Mutual Life Assurance Company (South Africa) Limited, Guernsey Branch
Orchid Insurance Limited
Ortac Aviation Syndicate
Osiris Marine and General Insurance Company Limited
The Patriot Insurance Company Limited
Peninsula Insurance Limited
Penningtons Insurance Limited
Pentagram International Insurance Company Limited
Peterborough Indemnity Insurance Limited
Peter Cox Insurance Company Limited
P.I. Insurance Company Limited
Pilkington Insurance Limited
Pi Underwriting Limited
Polygon Insurance Company Limited
Portland Insurance Company Limited
Porton Underwriting Limited
Portway Insurance PCC Limited
PostCap Guernsey Limited
Powerhouse Insurance (Guernsey) Limited
Praetorian Insurance Company Limited
Premium Life International Limited
Premium Securities (Bermuda) SAC Limited – Guernsey Branch
Princess Management and Insurance Limited
Prometheus Insurance Company Limited
Prospect Underwriting Limited
Protector Insurance Limited
Provident International Credit Guarantee Company Limited
Provident Reinsurance Limited
QinetiQ Insurance Limited
Queen Street Mutual Company Limited
Railtrack Insurance Limited
Rank Insurance Limited
R B Insurance Limited
Redland Insurance Limited
Reigndei Limited
Remus Limited
Renishaw Finance and Insurance (Guernsey) Limited
RIL Insurance Limited
Risk Underwriting (Guernsey) Limited
The Rock Company Limited
Romulus Limited
Royal Heritage Life Assurance Limited
Royal Life Insurance Limited
Rutherford Indemnity Limited
Rutland Insurance Limited
Saambou International Insurance PCC Limited
Samson Insurance Company Limited
Sandringham Insurance Limited
Sarnia Insurance Company Limited
Saxon Insurance Company Limited
SB Insurance Limited

APPENDIX 5 CONTINUED

Scanport Insurance Limited
Scarcroft Insurance Limited
SCMT Insurance Company Limited
Scor Channel Limited
Scout Insurance (Guernsey) Limited
SDH Insurance Company Limited
Senator Insurance Limited
Serco Insurance Company Limited
Servicecover (Guernsey) Limited
SG Life Guernsey Limited
Shield Insurance Company (Guernsey) Limited
Sixt Insurance Services Limited
S L Insurance Limited
S.M. Insurance (Guernsey) Limited
Soteria Insurance Limited
Southern Electric Insurance Limited
Southon Insurance Company Limited
SPG Insurance Company Limited
Spread Eagle Insurance Company Limited
SRH Reinsurance Company Limited
St James's Insurance Limited
Stapleford Insurance Company Limited
Sunfish Insurance PCC Limited
Sure-ha International Limited
Tain Insurance Company Limited
Talisman Guernsey Limited
Target Insurance Company (Guernsey) Limited
Tayside Reinsurance Limited
TDG Insurance Limited
The Temple Insurance PCC Limited
Tempsford Insurance Company Limited
Terrace Insurances Limited
Terrace Insurances PCC Limited
Tesco Insurance Limited
Thame Insurance Company Limited
Thomas Miller Insurance PCC Limited
Thomson Travel Insurance Services Limited
Thorn Insurance Company Limited
TI Group Insurance Limited
Topsail Insurance Company Limited
Trans-European Insurance Limited
Travel Managers Insurance Company Limited
Two Oceans Reinsurance Company Limited
Unic Insurance Limited
United Business Media Insurance Company Limited
United Insurance Company PCC Limited
Universal Insurances PCC Limited
Valkaray Insurance Limited
Vodafone Insurance Company Limited
Voyager Insurance Company Limited
Vulcan Insurance PCC Limited
Watertight Insurance Limited
West House Insurance Limited
Whitehall Insurance Company Limited
White Horse Insurance Limited
White Rock Insurance Company PCC Limited
White Swan Insurance Company Limited
Windsor Limited
Wingspan Insurance (Guernsey) Limited
Winguard Insurance Company Limited
Winston Insurance Company Limited
Woodcroft Insurance Company Limited
World Traveller Insurance Limited
World-Wide Insurance PCC Limited
WPD Insurance Limited
Wright Group Insurance PCC Limited
W.S. Atkins Insurance (Guernsey) Limited
Yealme Insurance Limited
Yorksafe Insurance Company Limited

Insurance managers authorised at 31 December 2001

Unrestricted

AIG Insurance Management Services (Guernsey) Limited
Aon Insurance Managers (Guernsey) Limited
Assicurazioni Generali (Insurance Managers) Limited
Bacon & Woodrow Insurance Management (C.I.) Limited
Channel Islands Insurance Consultants Limited
Griffiths & Armour Captive Management Limited
Heath Lambert Insurance Management (Guernsey) Limited
HSBC Insurance Management (Guernsey) Limited
Insurance Corporation Service Company Limited
International Risk Management (Guernsey) Limited
Investec Bank (Channel Islands) Insurance Management Services Limited
JLT Risk Solutions (Guernsey) Limited
Langtry Insurance Services (Guernsey) Limited
Le Marchant Underwriting Management Limited
Marsh Management Services Guernsey Limited
Mutual Risk Management (Guernsey) Limited
Normandie Risk Management Limited
Optimum Risk Research (Channel Islands) Limited
Polygon Management Limited
Prism Insurance Management Limited
Risk Management Limited
Sartor Resources Limited
Sedgwick Management Services (Guernsey) Limited
Sinser (Guernsey) Limited
Thomas Miller Risk Management (Guernsey) Limited
Willis Management (Guernsey) Limited

Restricted

Anfre Underwriting Agency Limited, restricted to managing:-
  The International Marine Syndicate
Channel Life Management Consultants Limited, restricted to long-term insurance only
Orion Insurance Management Limited, restricted to managing:-
  Ancient Order of Foresters Friendly Society
  La Fraternelle Mutual Fire Insurance Society
Ortac Underwriting Agency Limited, restricted to managing:-
  Ortac Aviation Syndicate
Portman Welbeck Limited, restricted to managing:-
  Prospect Underwriting Limited
  Winston Insurance Company Limited
Zurich International Services (Guernsey) Limited

Intermediaries registered at 31 December 2001

A.J.R. Brokers
Alexander Forbes Channel Islands Limited
Anthony Le Blanc & Partners
Argus Insurance Brokers Limited
Argyll Investment Services Limited
Arrow Insurance Brokers (Guernsey) Limited
Arrow Insurance Brokers (Life & Pensions) Limited
Bachmann Insurance Brokers Limited
Birch Insurance Brokers Limited
B.P. Financial Services
Canivet Webber Financial Services Limited
Caratfin International Limited
Channel Financial Services (Guernsey) Limited
Channel Insurance Brokers Limited
The Channel Islands' Co-Operative Society Limited Trading as Offshore Leisure Limited
Channel Islands Executive Travel Limited Trading as Uniglobe Island Travel
Charlesworth International (Guernsey) Limited
CHIS Insurance Services Limited
Clarity Financial Limited
Clarke Middleton Associates Limited
Clegg Gifford (Islands) Limited
Collins Stewart (CI) Limited
De Beauvoir (C.I.) Financial Consultants Limited
De Beauvoir International Financial Consultants Limited
De La Rue and Jones Financial Services Limited
Doric Insurance Brokers Limited
FirstCity Insurance Brokers Limited
Garrington Financial Services (C.I.) Limited
Goldridge Stone Limited
Guernsey Financial Consultants Limited
Heath Lambert Insurance Brokers (Guernsey) Limited
Hepburns Life & Pensions Limited
HSBC Bank International Limited
HSBC Bank Plc
Island International Travel Limited
The Islands' Insurance Brokers Limited
The Islands' Insurance Company Limited
Lloyds TSB Independent Financial Advisers Limited
Lloyds TSB Insurance Services Limited
Lunn Poly Limited
Marsh Financial Services (Guernsey) Limited
Mercator Asset Management Limited
The Miller Insurance Group Limited
Natwest Offshore Limited
NetworkDirect Limited
Normandie Insurance Brokers Limited
Nova Financial Services Limited
Oracle Financial Services (Guernsey) Limited
Pentagon Insurance Brokers Limited
Principal Financial Limited
Rattner McKenzie Insurance Services Limited
R A Rossborough (Guernsey) Limited
Rossborough Financial Planning Limited
Rossborough Healthcare International Limited
Rossborough Insurance Brokers (Alderney) Limited
Ross-Gower Group Limited
Royal Bank of Canada (Channel Islands) Limited
The Royal Bank of Scotland International Limited
Safehaven International Limited
SG Hambros Bank & Trust (Guernsey) Limited
Southern Insurance Management Limited
Tippett Financial Services
Tower Finance Limited
Trafalgar Travel Limited
Trinity Court Agencies (C.I.) Limited
United Assurance Management Services Limited
Woodlock Financial Services

Temporary intermediaries registered at 31 December 2001

Anthony K Falcon Limited

APPENDIX 6 THE PROTECTION OF INVESTORS (BAILIWICK OF GUERNSEY) LAW, 1987

Designated trustees/custodians at 31 December 2001

Bank Hofmann (Guernsey) Limited
Bank of Bermuda (Guernsey) Limited
Bank of Butterfield International (Guernsey) Limited
Barings (Guernsey) Limited
Close Bank Guernsey Limited
Close International Custody Services Limited
Credit Suisse (Guernsey) Limited
HSBC Bank PLC
HSBC Republic Bank (Guernsey) Limited
Investec Bank (Channel Islands) Limited
Kleinwort Benson (Guernsey) Limited
Kleinwort Benson (Guernsey) Trustees Limited
RBSI Trustee Services (Guernsey) Limited
Royal Bank of Canada (Channel Islands) Limited
State Street Trustees (Guernsey) Limited

Designated managers at 31 December 2001

Anson Fund Managers Limited
Bachmann Asset Management Limited
BISYS Fund Services (Guernsey) Limited
Bordeaux Services Limited
Butterfield Fund Administrators (Guernsey) Limited
Butterfield Fund Managers (Guernsey) Limited
Close Fund Services Limited
Credit Suisse Fund Administration Limited
Guernsey International Fund Managers Limited
Helvetia Fund Administration Limited
HSBC Fund Administration (Guernsey) Limited
HSBC Republic Management (Guernsey) Limited
International Administration (Guernsey) Limited
Investec Asset Management Guernsey Limited
Kleinwort Benson (Guernsey) Fund Services Limited
Lloyds TSB Fund Managers (Guernsey) Limited
Management International (Guernsey) Limited
Man Fund Management (Guernsey) Limited
Old Mutual Fund Managers (Guernsey) Limited
Redbridge Offshore Limited
Rothschild Asset Management (CI) Limited
Royal Bank of Canada Offshore Fund Managers Limited
Walbrook Fund Managers Limited

Principal managers at 31 December 2001

Aberdeen Guernsey Limited
Absolute Return Investment Managers Limited
Apollo Investment Management Limited
Appleton Funds Management (CI) Limited
Arab Bank Fund Managers (Guernsey) Limited
Ashcourt Asset Management Guernsey Limited
Ashmore Management Company Limited
Bank Hofmann Fund Management (Guernsey) Limited
Baring Asset Management (CI) Limited
Belinvest Management (Guernsey) Limited
BGL Reads Fund Management Limited
Brewin Dolphin Fund Managers (CI) Limited
Cardona Lloyd (Guernsey) Limited
Castle Management (Guernsey) Limited
Citadel Guernsey Limited
Clariden Investment Management (Guernsey) Limited
Close Asset Management Guernsey Limited
Collins Stewart Asset Management Limited
Collins Stewart Fund Management Limited
Compass Managers Limited
Concord Misr Investments (Guernsey) Limited
Consulta (Channel Islands) Limited
Copernicus Asset Management Limited
Credit Suisse Asset Management (Guernsey) Limited
Dantrust Management (Guernsey) Limited
Delphi Asset Management (Guernsey) Limited
Ely Place Fund Managers (Channel Islands) Limited
Elysian Investment Management Limited
Equinox Finance Management (Guernsey) Limited
European Credit Management (Guernsey) Limited
Fauchier General Partner Limited
FF & P Asset Management (Guernsey) Limited
Finans Management (Guernsey) Limited
FP Consult (Guernsey) Limited
FRM Investment Management Limited
FundInvest (Guernsey) Limited
Genesis Fund Managers Limited
GL Fund Management (Guernsey) Limited
GYS Investment Management Limited
Hanseatic Asset Management LBG
Harborview International Fund Management Limited
Hauteville Fund Managers (Guernsey) Limited
Hermitage Capital Management Limited
HRS Asset Management Limited
IBJ AMI (Guernsey) Limited
Intrinsic Asset Management (Guernsey) Limited
Investec Investment Management (Channel Islands) Limited
ITM Fund Managers Limited
Kanz Fund Management Services (Guernsey) Limited
KIC Fund Managers (Guernsey) Limited
KME Fund Managers Limited
Landsbanki Capital International Limited
Lazard Fund Managers (CI) Limited
Liontrust International (Guernsey) Limited
London & Oxford Fund Management Limited
Long-Invest Capital Limited
M3 Capital Management (Guernsey) Limited
M & G (Guernsey) Limited
Merchbanc Management (Guernsey) Limited
Merrill Lynch International Capital Management (Guernsey) Limited
Metallgesellschaft (Guernsey) Limited
Metro Global Fund Managers (Guernsey) Limited
Montier Asset Management Limited
Morley Fund Management (Channel Islands) Limited
MSG & Partners (CI) Limited
NBAD Fund Managers (Guernsey) Limited
Nemrod Management Limited
Oasis Global Management Company (Guernsey) Limited
Paragon Asset Management Limited
Partners Asset Management Limited
Platinum Fund Managers (Guernsey) Limited

Port Fund Managers (Guernsey) Limited
Private Fund Managers (Guernsey) Limited
Prospect Street International Fund Management Company Limited
Prudential Fund Managers (Guernsey) Limited
RG Management Limited
Sarasin Funds Management (Guernsey) Limited
Saudi American Fund Management (Guernsey) Limited
Schroder Investment Management (Guernsey) Limited
SC Invest Holding (Guernsey) Limited
Shamil Asset Management (Channel Islands) Limited
Sigma Asset Management (Guernsey) Limited
Sogeval Management Limited
Stamford Asset Management Limited
Strategic Management Limited
T.A.L. Asset Management (Guernsey) Limited
Trident Investment Management (Guernsey) Limited
Trinity International Management Limited
TSG Investment Management (Guernsey) Limited
UBK Asset Management (Guernsey) Limited
Unigestion (Guernsey) Limited
UTI International Limited
Wafra International Investment Management Limited
WestLB Guernsey Limited
Woolwich Asset Management Guernsey Limited

Other licensees at 31 December 2001

Abacus Fund Managers (Guernsey) Limited
ABN AMRO Development Capital (Guernsey) Limited
Absolute Alpha Investment Management (Americas) Limited
Access Capital Partners (Guernsey) Limited
Adam & Company International Limited
ADD Management Limited
ADD Partners (Guernsey) Limited
Adelphi Management Limited
Alchemy Partners G.P. (Guernsey) L.P.
Alchemy Partners (Guernsey) Limited
Alexander Forbes Channel Islands Limited
Allied Trust Company Limited
ALQ Limited
Ansbacher (Channel Islands) Limited – Guernsey Branch
Ansbacher Investment Management (C.I.) Limited
Anson Registrars Limited
Anson Secretaries Limited
Apax Europe IV GP Co. Limited
Apax Europe V GP Co. Limited
A.P. Financial Investment Services Limited
Appleton Asset Management (CI) Limited
Argyll Investment Services Limited
Ascari Financial Services Limited
Asset-Management.com (Guernsey) Limited
Asset Risk Consultants Limited
Athena Administration Limited
Atlantis Fund Management (Guernsey) Limited
Atrium Private Equity Fund Manager Limited
Baden-Württembergische Bank AG
Balchan Management Limited
Banca Monte dei Paschi (Channel Islands) Limited
Banco Santander Central Hispano (Guernsey) Limited
B & S Investments Limited
Bank Julius Baer & Co Limited - Guernsey Branch
Bank of Cyprus (Channel Islands) Limited
Bank of Montreal Trust Company (C.I.) Limited
Bank of N.T. Butterfield & Son (C.I.) Limited
Barclays Bank PLC
Barclays Global Investors Guernsey Limited
Barclays Private Bank & Trust Limited
Baring Asia Fund Managers II Limited
Baring Asia (GP) Limited
Baring European Fund Managers Limited
Baring Latin America Fund Managers Limited
Baring Latin America General Partner Limited
Baring Latin America Partners Limited
Baring Mexico (GP) Limited
Baring Mexico Managers Limited
Baring Private Equity Partners (Asia) Limited
Baring Private Equity Partners (Central Europe) Limited
Baring Private Equity Partners (Latin America) Limited
Baring Vostok Capital Partners Limited
Baring Vostok Fund Managers Limited
Barton Management Limted
BCCP (Guernsey) Limited
BCEA Advisers Limited
BCEE Advisers Limited
BCEF (GP) Limited
BCL Investments Limited
BCL Trust Company (Guernsey) Limited
Beta Corporate Services Limited
BFS Investments (Guernsey) Limited
BGL Reads Asset Management Limited
BNP Paribas Asset Management U.K. Limited
BNP Paribas Fauchier Partners Limited
BNP Paribas Guernsey Limited
BPEP Management Limited
Bracken Partners Investments Channel Islands Limited
BrainHeart General Partner Limited
Brewin Dolphin Securities Limited
BSI (Channel Islands) Limited
BS Partners Limited
Butterfield Management Services (Guernsey) Limited
Butterfield Trust (C.I.) Limited
Caldwell Associates Limited
Cannon Trust Company Limited
Capita IRG (CI) Limited
Capita Trust Company (CI) Limited
Carey Langlois Administration Support Services Limited
Carey Langlois Trust Company Limited
Castalia Partners Limited
CBI Finance Limited
CEP Investment Administration Limited
Channel Financial Services (Guernsey) Limited
CIE Management II Limited
CIS Unit Managers Limited
Clariden Bank (Guernsey) Limited
Clariden Trust (Guernsey) Limited

APPENDIX 6 CONTINUED

Clarke Middleton Associates Limited
CLSA Guernsey Limited
Coller Investment Management Limited
Collins Stewart (CI) Limited
Colocar International Limited
Comgest Asset Management Limited
Coutts (Guernsey) Limited
CQS International Limited
Credit Suisse First Boston Guernsey Branch
Credit Suisse Guernsey Branch
Credit Suisse International Services Limited
CS CS Management Limited
CS SCF Management Limited
Cygnus Venture Partners (Guernsey) Limited
Cygnus Ventures II Managers Limited
D.A.H. Hambros Bank (Channel Islands) Limited
De Putron Fund Management (Guernsey) Limited
Deutsche Bank International Limited
Deutsche Bank Investments (Guernsey) Limited
Deutsche Investment Funds Limited
Dixcart Trust Corporation Limited
Dresdner RCM Global Investors (Guernsey) Limited
Duke Street Capital Management Services (Guernsey) Limited
Eagle Star Life Assurance Company Limited
EarlyBirdCapital Management Limited
EEP Managers Limited
EFG Private Bank (Channel Islands) Limited
EFG Private Bank S.A. (Guernsey Branch)
Electra European Fund (GP) Limited
Emerald Management Limited
Endeavour G.P. (Guernsey) Limited
e-Offshore Limited
EQT Northern Europe Limited
EQT Scandinavia Limited
Equity4Life Asset Management Guernsey Limited
ESD Managers Limited
EuroSmallCaps Management Services Limited
E-Vestment Capital (Guernsey) Limited
Executive Wealth Management Limited
Excel Capital Partners III General Partner Limited
Excel Capital Partners IV General Partner Limited
Exeter Investments (Guernsey) Limited
Fairway Fund Management (Guernsey) Limited
Fauchier Partners Asset Management Limited
Federal Trust Company Limited
Finch Management and Marketing Limited
First Arrow Global Fund Trustees Limited
First Arrow International Growth Fund Trustees Limited
First Arrow Managed Fund Trustees Limited
The First Cambridge Gateway General Partner Limited
FnP Fund Services Limited
Folio Investments Limited
Foord Asset Management (Guernsey) Limited
FRM International Limited
Franklin Templeton Investment Management Limited
Garrington Financial Services (C.I.) Limited
GCI Partners Limited
GCI II Partners Limited
Generali Portfolio Management Limited
Genesis Asset Managers Limited
GEP Fund Managers Limited
Gerrard International Limited
G K B (General Partner) Limited
Global Capital Management Limited
Global Life Science Ventures (GP) Limited
GLS (GP) Limited
GLSV Special Partner Limited
Go Equity General Partner Limited
Greenpark Capital Investment Management Limited
Greenpark International General Partner I Limited
Guinness Flight Trustees S.A.R.L.
HCF Guernsey Limited
Helix Management Limited
Heritage Trust Limited
HFT (Guernsey) Limited
HLSP Investment Management II Limited
HLSP Investment Management III Limited
HSBC Bank International Limited
HSBC Bank USA, Guernsey Branch
HSBC Investment Management (International) Limited
HSBC Republic Trust Company (Guernsey) Limited
HSM Investment Management Limited
iHilal (Guernsey) Limited
Indochina Asset Management Limited
Indosuez Administration Services Limited
Industrial Development & Investment Limited
ING Real Estate (Guernsey) Limited
ING RPFI Management Limited
INNKAP 3 General Partner Limited
Insinger Asset Management (Guernsey) Limited
Insinger de Beaufort (International) Limited
International Asset Monitor Limited
International Bottler Management Limited
International Private Equity Services Limited
Investec Asset Management Channel Islands Limited
Investor Capital Management Asia Limited
Investor Group G.P. Limited
I.P. Real Estate Asset Management (Guernsey) Limited
Julius Baer Trust Company (Channel Islands) Limited
KAPPA IT Ventures (GP) Limited
KAPPA IT Ventures Second (GP) Limited
KAPPA IT Ventures Special LP Limited
KBEMF II (Guernsey) Limited
Kleinwort Benson (Channel Islands) Investment Management Limited
Kleinwort Benson (Channel Islands) Limited, Guernsey Branch
LAF Sponsor Limited
Lake Services Limited
Larem Trustees Limited
L.C.F. Rothschild (C.I.) Limited
L.C.F. Rothschild Asset Management (C.I.) Limited
Legis Corporate Services Limited
Leopold Joseph & Sons (Guernsey) Limited
Lines Overseas Management (Guernsey) Limited
Lloyds TSB Bank (Guernsey) Limited

Lloyds TSB Independent Financial Advisers Limited
Lloyds TSB Offshore Private Banking (Guernsey) Limited
Longview Partners (Guernsey) Limited
Louvre Asset Management Limited
The Louvre Trust Company Limited
Manor Park (Guernsey) Limited
Marsh Financial Services (Guernsey) Limited
Marsh Management Services Guernsey Limited
MeesPierson (C.I.) Limited
MeesPierson Investment Management (C.I.) Limited
Mercator Asset Management Limited
Merlin Group Securities Limited
Merrill Lynch Investment Managers (Channel Islands) Limited - Guernsey Branch
Millennium Asset Management Limited
Milroy & Associates Limited
Minerva Fund Management (Guernsey) Limited
Moore Stephens
Morgan Stanley Investment Management Limited
MUST 4 General Partner (Guernsey) Limited
National Bank of Greece - Guernsey Branch
NatWest Offshore Limited
nCoTec General Partner Limited
Newton International Investment Management Limited
Newton Investment Management (Guernsey) Limited
Nexit Infocom 2000 Limited
Next Century Partners Limited
NM Rothschild & Sons (C.I.) Limited
Nordic Equity Management Limited
Nordic Mezzanine GP Limited
Nordic Venture Managers Limited
Nordic Venture Partners Limited
Nova Financial Services Limited
Orbis Management Limited
PAI Europe III General Partner Limited
Pantheon Ventures (Guernsey) Limited
Parkway Administration (Guernsey) Limited
Partners Group Private Equity Administration Limited
Partners Private Equity Management Limited
PCI III GP Limited
Pearl Management Limited
Pentagon Insurance Brokers Limited
Permira Europe II Managers L.P.
PESD Management Limited
Polytechnos (GP) Limited
Polytechnos (GP) II Limited
Praxis Asset Management Limited
Princess Management and Insurance Limited
Privilege Portfolio International Limited
Prospect Asset Management (Channel Islands) Limited
Prosperco Investment Management (Guernsey) Limited
Quilter & Co Limited
Rabobank Guernsey Limited
R & H Fund Services (Guernsey) Limited
RBSI Custody Bank Limited
Riverdale Asset Management Limited
Rossborough Financial Planning Limited
Rothschild Bank Switzerland (C.I.) Limited
Rothschild Corporate Fiduciary Services Limited
Rothschild Ventures (Guernsey) Limited
Royal Bank of Canada Investment Management (Guernsey) Limited
Royal London Asset Management C.I. Limited
Royal London Custody Services C.I. Limited
Ruffer (Channel Islands) Limited
Sabanci Bank (Guernsey) Limited
Saffery Champness Management International Limited
SAM Equity Partners Limited
SanPaolo IMI Capital Partners Limited
Sapphire Managers (Europe) Limited
ScanEast Managing Partner Limited
Schroders (C.I.) Limited
Schroder Executor & Trustee Company (C.I.) Limited
Schroder Venture Managers (Guernsey) Limited
Sciens Management Limited
Select Industries Management Company Limited
Seymour Pierce Modus IBI Limited
SG Hambros Bank & Trust (Guernsey) Limited
SG Hambros Trust Company (Guernsey) Limited
SGH V (GP) Limited
Singer & Friedlander Investment Management (Guernsey) Limited
Sixela Investments Limited
The Slovenian Fund Management Company (Guernsey) Limited
Special Situations Venture (GP) Limited
Special Situations Venture Managers (MLP) Limited
SP Investments (Guernsey) Limited
Standard Chartered Grindlays Management Company (Guernsey) Limited
Stenham Gestinor Asset Management Inc
Stenham Gestinor Trustees Limited
Suala Capital Fund Limited
Swan Capital Limited
Tarsus Advisers (Guernsey) Limited
Techtics Capital Management Limited
Thesis Asset Management International Limited
Thornhill Guernsey Limited
Threadneedle Portfolio Services Limited
3k Capital (GP) Limited
Transmanagement Limited
Trident Trust Company (Guernsey) Limited
Trust Management (Alderney) Limited
UBK Buyout Investments (Guernsey) Limited
The UBK European Property Company Limited
Voltaire Distribution Limited
Washington Financial (Guernsey) Limited
Wilfred T. Fry (C.I.) Limited
Zenith Secretarial Services Limited

Licensed investment exchange at 31 December 2001

Channel Islands Stock Exchange, LBG

Authorised open-ended collective investment schemes at 31 December 2001

Class A schemes

Dresdner Private Banking Strategic Investment Fund Limited
The Elite Personal Portfolio Service
Five Arrows International Bond Funds Limited
Five Arrows International Reserves Limited
Investec Global Strategy Fund Limited
Investec International Accumulation Fund Limited
Lloyds TSB Money Fund Limited
The Old Mutual International Portfolio
Royal Bank of Canada Global Funds
Royal Bank of Canada International Currencies Fund Limited
Sarasin CI EquiSar Dollar Global Thematic Fund
Sarasin (CI) EquiSar Sterling Global Thematic Fund
Sarasin (CI) GlobalSar Dollar Balanced Fund
Sarasin (CI) GlobalSar Sterling Balanced Fund
Schroder India Fund
Schroder Offshore Cash Fund
Schroder Taiwan Fund

The Collective Investment Schemes Rules 1988 and the Collective Investment Schemes (Compensation of Investors) Rules 1988 apply to the above.

Class B schemes

AB Alternative Strategies Fund PCC Limited
AB International Fund Limited
Aberdeen PCC Limited
Absolute Alpha Accumulation Fund
Absolute Alpha Fund III PCC Limited
Absolute Alpha Fund PCC Limited
Absolute Alpha II Fund PCC Limited
Absolute Alpha Leaders Fund
Advisers Fund
AHL Global Investments Limited
Al-Awsat Fund
Al-Kharejiyah Global Strategy Fund Limited
Apollo Californian Fund Limited
Apollo European Fund Limited
Apollo Global Fund Limited
Apollo Hedge Fund Limited
Apollo Income Fund Limited
Apollo Japan Fund Limited
Apollo Tiger Fund Limited
Appleton Global Portfolio
Appleton International Portfolio Fund
The Arab Islamic Equity Fund PCC Limited
ARIS Fund PCC Limited
Ashcourt Select Portfolio Limited
Ashmore East European Local Currency Debt Portfolio
Ashmore Emerging Markets Liquid Investment Portfolio
Ashmore Local Currency Debt Portfolio
Ashmore Russian Debt Portfolio
Asset Holder PCC Limited
Asset Holder PCC No 2 Limited
Bank Hofmann Alternative Strategies
Bank Hofmann Bond Funds
Bank Hofmann - Dollarrent
Bank Hofmann - Emerging Market Rent
Bank Hofmann - Eurorent
Bank Hofmann Stock Funds
Bank Hofmann - Swissrent
Baring Chrysalis Fund Limited
Baring Peacock Fund Limited
Belinvest Fund
Belvedere Fund Limited
Brewin Dolphin Global Fund
The Capital Appreciation Trust Limited
Capricorn Fund PCC Limited
Cardinal Fund of Funds Limited
Cardona Lloyd Hedge Portfolio Limited
Central and Eastern European Fund Limited
CIBC Private Clients Fund Limited
Citadel Global Selection Limited
Clariden Global Investments Limited
Clariden International Investments PCC Limited
Clariden Investments Limited
Clariden Special Investments PCC Limited
The Collins Stewart PCC Limited
Collins Stewart No II Fund PCC Limited
Compass Offshore Hedging Strategies PCC Limited

Compass Offshore Special Situations PCC Limited
Consulta Alternative Strategy Fund Limited
Consulta Canadian Energy Fund Limited
Consulta Emerging Markets Debt Fund Limited
Consulta High Yield Fund Limited
Consulta International Limited
Consulta Smaller Companies Fund Limited
Consulta Technology Fund Limited
Credit Suisse Investment Management Global Performance Funds
Dantrust II Limited
The Dejima Fund Limited
Deloitte & Touche PCC No. 1 Limited
Delphi Global Limited
Dynamic Growth Fund
The Egyptian Growth Investment Company Limited
Ely Place Sovereign Growth Fund
Elysian Fund Limited
e-Offshore Fund PCC Limited
The European Growth Fund Limited
The Euro Spain Fund Limited
FF & P Alternative Strategy Income Limited
Finsbury London Town Residential Property Fund
Fitzwilliam Active Management PCC Limited
Fitzwilliam International PCC Limited
Five Arrows Global Opportunities Funds
Five Arrows International Investment Funds
Five Arrows International Managed Portfolio
Five Arrows International Portfolio
Foord Asset Management International Trust
Genesis Condor Fund Limited
GL Funds
GL Target Funds
Global Technology Growth Fund Limited
Guernsey Global Fund
Gulf Overseas Investment Fund Limited
Hansa Fund PCC Limited
Hauteville Global & Balanced Fund
Hemisphere Equity Fund (EUR) Limited
Hemisphere Equity Fund (USD) Limited
Hemisphere Defensive HF (USD) Limited
Hemisphere Defensive HF PCC Limited
The Hermitage Fund
Horizon Fund
HRS Holdings Limited
HSBC Republic Strategies Fund
IBJ-I Europe Fund
India Access Limited
The India I.T. Fund Limited
Intrinsic Portfolio Fund PCC Limited
Investec Premier Funds PCC Limited
Investec Professional Investment Funds PCC Limited
The ITM Selection Fund
Jaivco
Kanz Bank Islamic Investment Fund PCC Limited
KMEFIC World Real Estate Liquidity Fund
The Korea-Europe Fund Limited
Landsbanki PCC (Guernsey) Limited
Latin America Capital Partners Limited
Liontrust Guernsey Fund Limited
London & Oxford Value Fund
Long-Invest Fund PCC Limited
M & G Offshore Corporate Bond Fund Limited
M & G Offshore European Smaller Companies Fund
M & G Offshore Global Leaders Fund
M & G Offshore Global Technology Fund
M & G Offshore High Yield Corporate Bond Fund Limited
M & G Offshore Innovator Fund
M & G Offshore UK Growth Fund
M3 Capital Mutual Fund PCC Limited
Man Alternative Strategy Investments Limited
Man-Response Fund Limited
Man-Vector Diversified Limited
Man-Vector Global Investments Limited
Merchbanc International Funds
Merrill Lynch Series Trust known as "The India Fund"
Metro Global Private Fund Limited
Monument Growth Fund
Multi-Manager Investment Programmes PCC Limited
Mynah Investments Limited
NBAD Global Growth Fund PCC Limited
Nemrod Euro Limited
Nemrod Leveraged Holdings Limited
Nippon Growth Fund Limited
Oasis Global Investment Scheme Limited
Offshore Portfolios PCC Limited
Optimal Tracker Fund PCC Limited
Paragon Capital Appreciation Fund Limited
The Patrimony Fund Limited
Platinum Investment Fund
The Professional Investor Fund PCC Limited
Propect Street International Fund PCC Limited
Prospero Currency Fund Limited
Prudential Money Funds Limited
Prudential USD Bond Fund
Prudential World Value Fund
Raintree Global Fund Limited
Republic Portfolio Selection Fund
Republic Uni-Folio
RG World Fund Limited
Royal Bank of Canada ARC Fund Limited
Royal Bank of Canada Strategic Ratchet Fund
Russian Opportunities Fund Limited
SAM Arbitrage Holdings Limited
SAM Credit Holdings Limited
SAM Diversified Holdings PCC Limited
Saudi Arabia Investment Fund Limited
SC Trading Invest Limited
Schroder Eastern European Fund
Schroder Emerging Markets Fund
Schroder Institutional Developing Markets Fund
Schroder Latin American Fund Limited
Select Global Strategies Limited
Sogeval Fund Limited
Speer Capital Preservation Fund

APPENDIX 7 CONTINUED

The Stafford Global Equity Fund
Stellar Funds PCC Limited
Strategic Multi Hedge Fund Limited
Supreme Growth Fund
Swiss Capital Funds PCC (Guernsey) Limited
Swiss Capital Non-Traditional Funds PCC Limited
T.A.L. Private Investment Funds
Taurus Emerging Fund Limited
Trans Fiduciaire Value Fund Limited
Trinity Global Equity Hedge Fund Limited
Troy Fund PCC Limited
TSG (GCI) Management Trust
Wafra European Small Cap Fund Limited
Wafra Global Fund Limited
Wafra Small Cap Fund Limited
Waxwing International Limited
Westbourne Growth Fund PCC Limited
Wilen Trust
Winterthur/Sarasin EPP Equisar Dollar Fund
Winterthur/Sarasin EPP Globalsar Dollar Fund
Woolwich Offshore Asset Plus Fund

The Collective Investment Schemes (Class B) Rules 1990 apply to the above.

Class Q schemes

The Cambridge Absolute Return Limited Partnership
European Credit Fund
Morley Alternative Investment Strategy Fund PCC Limited
NIF Holdings Fund PCC Limited
Oxford Fauchier Limited Partnership
The Sanwa Total Return Fund
Winterthur Short Term Reserve Funds

The Collective Investment Schemes (Qualifying Professional Investor Funds) (Class Q) Rules 1998 apply to the above.

APPENDIX 8 BALANCE SHEETS FOR THE BANKING SECTORS IN THE CROWN DEPENDENCIES 1997 TO 2001

Liabilities		**1997 £mns**	**1999 £mns**	**2001 £mns**
Deposit liabilities				
Banks/building societies registered in:	UK	3277	3578	3372
	CI/IOM	11325	17193	19495
Financial corporations registered in:	UK	3640	4050	2964
	CI/IOM	8130	10948	13574
Non-financial corporations registered in:	UK	3848	4354	5089
	CI/IOM	6588	8873	9012
Public sector registered in:	UK	19	441	8
	CI/IOM	248	388	425
Households & individual trusts registered in:	UK	17463	21151	24144
	CI/IOM	11778	13293	16486
Banks	ROW	25898	36579	20874
Other	ROW	68738	68972	115217
Total deposit liabilities		160952	189820	230660
Certificates of deposit issued		4103	11256	1745
Other liabilities		22305	16787	39807
Total liabilities		187360	217863	272212
Assets				
Loans, advances and market loans				
Banks/building societies registered in:	UK	72067	88450	108701
	CI/IOM	10421	15942	13872
Financial corporations registered in:	UK	1132	2121	989
	CI/IOM	995	1046	1769
Non-financial corporations registered in:	UK	987	1227	1132
	CI/IOM	1286	1524	1567
Public sector registered in:	UK	5	44	1
	CI/IOM	29	26	67
Households & individual trusts registered in:	UK	598	1212	1427
	CI/IOM	2103	2402	3219
Banks	ROW	55693	58733	80842
Other	ROW	6032	7747	8822
Certificates of deposit and other short-term paper issued/accepted by UK, Guernsey, Jersey or Isle of Man banks and building societies		6272	9307	8107
Investments and securities		11550	14190	27440
of which:	UK	1907	1381	2859
	ROW	9642	12809	24581
Other assets		18190	13892	14257
Total assets		187360	217863	272212

Sources: Bank of England, Guernsey Financial Services Commission, Isle of Man Treasury and Jersey Financial Services Commission

Banking

The Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision is a committee of banking supervisory authorities which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of the banking supervisory authorities and central banks of Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States of America. Its current chairman is Mr William J McDonough, president and chief executive officer of the Federal Reserve Bank of New York. The Basel Committee usually meets at the Bank for International Settlements in Basel, where its permanent Secretariat is located.

The Basel Committee is responsible for issuing guidelines on standards which the international community expects from banks and bank supervisors. The best known of these were probably the Basel Concordat in 1983 and the Basel Capital Accord of 1988. The Concordat set out demarcation lines for supervisors while the Capital Accord established how supervisors should measure the amount of capital needed to support a bank's risk. The Capital Accord introduced the concept of a minimum risk asset ratio of 8%. More recently, the Basel Committee has introduced Twenty-Five Core Principles of Effective Banking Supervision and an underlying methodology. It is in the course of producing a revised Capital Accord and has already issued substantial consultation papers.

The Basel Committee's work is much more extensive than this brief list might indicate. It has produced papers on a wide variety of subjects and has contributed very substantially to the improving of international standards of banking supervision.

The Offshore Group of Banking Supervisors

The Offshore Group of Banking Supervisors ("OGBS") was established in 1980 as a forum for supervisory co-operation between the banking supervisors in offshore financial centres. Current members of the Group are:- Aruba, Bahamas, Bahrain, Barbados, Bermuda, Cayman Islands, Cyprus, Gibraltar, Guernsey, Hong Kong, Isle of Man, Jersey, Labuan, Mauritius, the Netherlands Antilles, Panama, Singapore and Vanuatu.

The group meets annually. In years when the International Conference of Banking Supervisors is held, it meets at that conference's venue; in other years it meets at a location in one of the jurisdictions represented in the group.

Guernsey was a founding member of the OGBS. It is a useful forum where offshore centres can make their views known and compare experience with like minded centres. It also enables concerns to be passed to the Basel Committee. An example of this in practice is the working group made up of Basel Committee and OGBS members, which has produced papers on the supervision of cross-border banking and on customer due diligence requirements for banks. The Director of Banking is a member of this joint working group.

The Director of Fiduciary Services and Enforcement is a member of the international working group established under the auspices of the OGBS to set international standards for the regulation of trust and corporate service providers.

Insurance

The International Association of Insurance Fraud Agencies

Guernsey is a member of the International Association of Insurance Fraud Agencies ("IAIFA"). The IAIFA was formed in 1986 by the directors of insurance fraud agencies from the United States of America and Canada.

The IAIFA aims to co-ordinate the efforts, training and education of law enforcement agencies, government bodies and the insurance industry to prevent and combat insurance fraud worldwide more effectively. By working with regulators, other law enforcement agencies and companies, the IAIFA attempts to break down jurisdictional barriers. The association is also active in encouraging other enforcement agencies to share information to the mutual benefit of all who are involved in assuring a high level of integrity throughout the insurance industry.

The International Association of Insurance Supervisors

The International Association of Insurance Supervisors ("IAIS") was formed in 1993 and comprises international regulatory officials representing over 100 countries. It is led by an Executive Committee and supported by a full-time Secretary General located at the Bank for International Settlements in Basel, Switzerland.

There are several committees within the IAIS:- Executive, Technical, Emerging Markets Issues, Budget and Conference Planning. There are also several subcommittees that report to the Technical Committee and/or the Emerging Markets Issues Committee in connection with:- accounting; investments; reinsurance; solvency; insurance laws, regulations, practices and standards; supervision of financial conglomerates; exchange of information; insurance fraud; derivatives; and education. The Executive Committee consists of supervisors from Mexico (chairman), Australia (vice-chairman), Canada, Chile, Germany, Guernsey, Japan, Poland, Portugal, Singapore, South Africa, the United Kingdom and the United States of America. There is also an Electronic Commerce/Internet Working Group and a Task Force on Enhanced Disclosure.

Under the IAIS By-laws, supervisors resolve to:-

(a) co-operate to ensure improved supervision of the insurance industry on a domestic as well as an international level, in order to maintain efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders; and

(b) to unite their efforts to develop practical standards that members may choose to apply.

The Offshore Group of Insurance Supervisors

The Offshore Group of Insurance Supervisors ("OGIS") was formed in 1993. It consists of full members and provisional members, as well as non-member observers (fourteen members and five observers) and its main objectives are:-

(a) to provide mechanisms and fora whereby insurance supervisors from jurisdictions concerned with cross-border insurance business may discuss areas of mutual interest and concern and formulate appropriate policies;

(b) to provide assistance and encouragement to appropriate non-member jurisdictions to establish regimes for the supervision of cross-border

insurance business at least to standards equivalent to those of OGIS;

(c) to represent the interests of OGIS at international insurance fora; and

(d) generally, to promote the proper supervision of cross-border insurance business.

The membership criteria of OGIS are:-

(a) agreement with the objects of OGIS concerned with cross-border insurance business;

(b) having legislation in place:-

(i) which enables the regulatory authority to supervise insurance business adequately; and

(ii) which permits the exchange of information with other regulatory authorities for the purposes of the prudential regulation of insurance business;

(c) effective enforcement of its insurance legislation and other relevant legislation;

(d) adequate resources (including properly qualified supervisory personnel) to regulate its cross-border insurance business effectively; and

(e) a clear commitment to the implementation of the 1996 anti-money laundering recommendations of the Financial Action Task Force on Money Laundering.

Investment

Enlarged Contact Group on the Supervision of Collective Investment Funds

The Enlarged Contact Group on the Supervision of Collective Investment Funds ("ECG") is an informal group of collective investment fund regulators established in 1970.

Membership was originally restricted to the regulatory authorities of the European Union Member States, but has now widened significantly to include, in addition to the fifteen European Union Member States, Guernsey and the other Crown Dependencies, Brazil, Canada, Hong Kong, Japan, Mexico, Norway, Switzerland and the United States of America.

The ECG holds annual meetings, chaired and organised by the host regulatory authority. These annual meetings include discussions on current regulatory topics, international regulatory co-operation, and recent developments in regulation in the member countries. During the year, members maintain contact on regulatory matters such as the exchange of information.

The ECG's annual meeting in 2002 will be held in Guernsey.

International Organization of Securities Commissions

The International Organization of Securities Commissions ("IOSCO") is an association of securities regulatory organisations created in 1983 and now comprising 162 members. The Commission was originally admitted as an Associate Member in 1991 and became a Full Member in 1997.

IOSCO now embraces almost all the world's securities and derivatives regulatory bodies and plays an increasingly important rôle in assisting members to achieve and maintain high regulatory standards in the interests of investors and the prevention of crime.

The main objectives of IOSCO's members are:-

(a) to co-operate together to promote high standards of regulation in order to maintain just, efficient and sound markets;

(b) to exchange information on their respective experiences in order to promote the development of domestic markets;

(c) to unite their efforts to establish standards and an effective surveillance of international securities transactions; and

(d) to provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offences.

IOSCO works with several other major international fora, such as the G-7 Financial Stability Forum, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors to ensure, in particular, close co-ordination with banking and insurance regulators. The work of IOSCO is directed by an Executive Committee supported by a permanent Secretariat. In turn, the Executive Committee has established two specialised working committees, the Technical Committee and the Emerging Markets Committee, to address the following functional areas:-

(a) disclosure and accounting;

(b) regulation of secondary markets;

(c) regulation of market intermediaries;

(d) enforcement and the exchange of information; and

(e) investment management.

There are also four Regional Standing Committees (Africa/Middle East, Asia-Pacific, European and Interamerican) which meet to discuss specific regional problems or considerations and a Self Regulatory Organisation consultative committee for self-regulatory organisations which are Affiliate Members of IOSCO. The Commission is a member of the European Committee.

All Full and Associate Members comprise the Presidents' Committee, which meets during the IOSCO annual conference and has all the powers necessary or convenient to achieve the purposes of IOSCO.

Economic Crime

The Financial Action Task Force on Money Laundering

The Financial Action Task Force on Money Laundering ("FATF") is an

inter-governmental body whose purpose is the development and promotion of policies to combat money laundering – the processing of criminal proceeds in order to disguise their illegal origin. These policies aim to prevent such proceeds from being utilised in future criminal activities and from affecting legitimate economic activities.

FATF currently consists of twenty-nine countries and two international organisations. The twenty-nine FATF member countries and governments are:- Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America. The two international organisations are the European Commission and the Gulf Co-operation Council. The OGBS is one of several bodies which is affiliated to FATF.

FATF originally drew up Recommendations in 1990. In 1996 the Forty Recommendations were revised to take into account the experience gained over the previous six years and to reflect changes in the global money-laundering environment. From time to time, the Forty Recommendations are extended by the issue of interpretative notes.

The Forty Recommendations set out a basic framework for anti-money laundering efforts and they are designed to be of universal application. They cover the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation.

In early 2000 FATF issued twenty-five criteria for defining non-co-operative countries or territories. These criteria are designed to ensure that international co-operation in the fight against money laundering is not impeded by detrimental rules and practices of financial centres. In addition, in the autumn of 2001 FATF issued eight special recommendations on terrorist financing. When combined with the Forty Recommendations, the special recommendations set out the basic framework to detect, prevent and suppress the financing of terrorism and terrorist acts.

The States are asked to decide:–

Whether, after consideration of the Report dated the 13th May, 2002, of the States Advisory and Finance Committee, they are of opinion:–

1. To note that Report;

2. To approve the accounts of the Guernsey Financial Services Commission for the year ended 31st December, 2001.

3. To appoint the firm of PricewaterhouseCoopers as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31st December 2002.

DE V. G. CAREY
Bailiff and President of the States

The Royal Court House,
Guernsey.
The 7th June, 2002.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 27TH DAY OF JUNE, 2002

(Meeting adjourned from the 26th June, 2002)

The States resolved as follows concerning Billet d'Etat No. XII
dated 7th June, 2002

STATES ADVISORY AND FINANCE COMMITTEE

ANNUAL REPORT OF THE GUERNSEY FINANCIAL SERVICES COMMISSION

After consideration of the Report dated the 13th May, 2002, of the States Advisory and Finance Committee:-

1. To note that Report

2. To approve the accounts of the Guernsey Financial Services Commission for the year ended 31st December, 2001.

3. To appoint the firm of PricewaterhouseCoopers as auditors of the accounts of the Guernsey Financial Services Commission for the year ending 31st December, 2002.

S. M. D. ROSS
HER MAJESTY'S DEPUTY GREFFIER