



MONTSERRAT

CHAPTER 11.03

BANKING ACT and Subsidiary Legislation

Revised Edition

showing the law as at 1 January 2013

This is a revised edition of the law, prepared by the Law Revision Commissioner under the authority of the Revised Edition of the Laws Act.

This edition contains a consolidation of the following laws—

	Page
BANKING ACT	3
Act 2 of 2005 .. in force 1 May 2005 (S.R.O. 77/2005) Amended by Act 9 of 2011 .. in force 27 September 2011 (S.R.O. 40/2011)	
BANKING (FEES AND FORMS) REGULATIONS – Section 34	61
S.R.O. 72/1980 .. in force 1 January 1981 Amended by S.R.O.s 32/1981, 21/1985, 30/1985, 32/1985 and 1/1989 Amended by Act 9 of 2011 .. in force 27 September 2011 (S.R.O. 40/2011)	
BANKING (CREDIT INSTITUTIONS CAPITAL REQUIREMENT) ORDER – Section 34	65
S.R.O. 26/1994 .. in force 22 June 1994	
BANKING (CAPITAL ADEQUACY AND CAPITAL RATIOS) REGULATIONS – Section 34	67
S.R.O. 50/2006 .. in force 19 December 2006	
BANKING (DISCLOSURES IN STATEMENT OF ACCOUNTS) REGULATIONS – Section 34	93
S.R.O. 30/1994 .. in force 12 July 1994	
BANKING (ABANDONED PROPERTY) REGULATIONS – Section 34	97
S.R.O. 23/2008 .. in force 23 July 2008	

Copying/unauthorised distribution strictly prohibited.

Printed under Authority by

The Regional Law Revision Centre Inc.

www.lawrevision.ai



MONTSERRAT

CHAPTER 11.03

BANKING ACT and Subsidiary Legislation

Revised Edition

showing the law as at 1 January 2013

This is a revised edition of the law, prepared by the Law Revision Commissioner under the authority of the Revised Edition of the Laws Act.

This edition contains a consolidation of the following laws—

	Page
BANKING ACT	3
Act 2 of 2005 .. in force 1 May 2005 (S.R.O. 77/2005) Amended by Act 9 of 2011 .. in force 27 September 2011 (S.R.O. 40/2011)	
BANKING (FEES AND FORMS) REGULATIONS – Section 34	61
S.R.O. 72/1980 .. in force 1 January 1981 Amended by S.R.O.s 32/1981, 21/1985, 30/1985, 32/1985 and 1/1989 Amended by Act 9 of 2011 .. in force 27 September 2011 (S.R.O. 40/2011)	
BANKING (CREDIT INSTITUTIONS CAPITAL REQUIREMENT) ORDER – Section 34	65
S.R.O. 26/1994 .. in force 22 June 1994	
BANKING (CAPITAL ADEQUACY AND CAPITAL RATIOS) REGULATIONS – Section 34	67
S.R.O. 50/2006 .. in force 19 December 2006	
BANKING (DISCLOSURES IN STATEMENT OF ACCOUNTS) REGULATIONS – Section 34	93
S.R.O. 30/1994 .. in force 12 July 1994	
BANKING (ABANDONED PROPERTY) REGULATIONS – Section 34	97
S.R.O. 23/2008 .. in force 23 July 2008	

Copying/unauthorised distribution strictly prohibited.

Printed under Authority by

The Regional Law Revision Centre Inc.

www.lawrevision.ai

CHAPTER 11.03
BANKING ACT
ARRANGEMENT OF SECTIONS

SECTION

1. Short title
2. Interpretation

PART 1

LICENCES

3. Requirement for licence
4. Examination of books of person carrying on banking business without a licence
5. Application for licence
6. Restricted words, names, and practices
7. Display of licence certificate
8. Authorisation of location and approval of new business premises
9. Voting
10. Actions of fundamental change requiring approval
11. Revocation of licence and declaration of discontinuance of service
12. Licence fees and penalty for default

PART 2

FINANCIAL REQUIREMENT AND LIMITATIONS

13. Minimum paid-up or assigned capital
14. Maintenance of Reserve Fund
15. Adequacy of Capital
16. Restriction on certain activities of licensed financial institutions and affiliates
17. Maintenance of specified assets
18. Credit Institution, Class of Credit Institution and Financial Group

PART 3

AUDIT, INFORMATION AND EXAMINATION

19. Annual audit, report and publication of financial statements and results
20. Central Bank examination
21. Disclosure and access to books and records by Central Bank examiner for examination
22. Central Bank's powers and measures for preventing adverse consequences
23. Submission of returns and production of information as required by the Central Bank
24. Extension of period for providing information
25. Restriction on advertising likely to mislead the public

PART 4

MISCELLANEOUS

26. Minimum criteria for determining whether a person is fit and proper
27. Removal and disqualification of Director
28. Declaration and registration of related interest and conflict of interests by Director
29. Responsibility for deceiving statements and obstruction of audit or authorised examination
30. Management's duty of compliance with the requirements of the laws
31. Liability of directors, managers, officers and partners
32. Secrecy of information
33. Working days of financial institutions
34. Regulations
35. Compounding of offences
36. Prudential guidelines

PART 5

RECEIVERSHIP, LIQUIDATION AND REORGANISATION

37. Voluntary liquidation
38. Cessation of business operations
39. Notice to depositors of voluntary liquidation
40. Rights of depositors and creditors in voluntary liquidation
41. Distribution of assets
42. Insufficiency of assets in discharge of obligations in voluntary liquidation
43. Appointment of receiver
44. Notice of appointment of receiver

45. Financial institution may institute proceedings to have receiver's appointment lifted
46. Period of obligation to commence compulsory liquidation or reorganisation proceedings
47. Compulsory liquidation, reorganisation proceedings
48. Powers of the High Court
49. Powers of receiver, official liquidator
50. Term extensions, attachment and transfer of assets to be void
51. Execution against assets of a financial institution
52. Reorganisation proceedings
53. Reorganisation provisions
54. Petition for modification or revision of reorganisation
55. Preferential and other claims
56. Unclaimed funds
57. Shareholders' rights on remaining assets
58. Safe deposits and unclaimed property
59. Receiver's audited accounts, striking the name of the institution and conclusion of liquidation

PART 6

ABANDONED PROPERTY

60. Abandoned property
61. Report, publication and disposal of abandoned property
62. Sale and handling of proceeds of abandoned property
63. Claims on abandoned property
64. Penalties

PART 7

TRANSFER OF BANKING BUSINESS

65. Banking Business Vesting Order
66. Supplementary provision as to transfers
67. Transfers to be subject to stamp duty

PART 8

GENERAL

68. Non-application of Landholding Control Act
 69. Repeal and Saving
- SCHEDULE 1: Documents and Other Information Required in order to obtain a Licence under Section 5(1)

- SCHEDULE 2: Business of a Financial Nature
- SCHEDULE 3: Offences in respect of which Liability to Conviction
may be Discharged by Payment of a Fixed Penalty
- SCHEDULE 4: Notice of Opportunity to Discharge Liability

CHAPTER 11.03

BANKING ACT

(Acts 2 of 2005 and 9 of 2011)

AN ACT TO PROVIDE FOR THE REGULATION OF THE DOMESTIC COMMERCIAL BANKING BUSINESS SPECIFICALLY AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

Commencement

[1 May 2005]

Short title

1. This Act may be cited as the Banking Act.

Interpretation

2. In this Act —

“**affiliate**”, in relation to a financial institution (“**F**”), means—

(a) a company which is or has at any relevant time been—

(i) a holding company or subsidiary of F;

(ii) a subsidiary of a holding company of F; or

(iii) a holding company of a holding company or a subsidiary of a subsidiary of F; or

(b) any company over which F has control;

(c) any company over which F and any person associated with F has control;

(d) any company which has common ownership with F;

(e) any company which has the same beneficial owner and share;

(f) common management and interlinked businesses with F;

and “**affiliation**” shall be construed accordingly.

“**Agreement**” means the Agreement establishing the Eastern Caribbean Central Bank made on 5 July, 1983, the text of which is set out in the Schedule to the Eastern Caribbean Central Bank Agreement Act 1983 (No. 2 of 1983);

“**assigned capital**” means the net assets derived from the funds of a foreign financial institution that such an institution is required to keep during the term of its licence in Montserrat in accordance with the Regulations that the Governor after the Minister has consulted with the Central Bank may prescribe;

“auditor” means an external auditor that is—

- (a) a person who is a member of a professional body of accountants which the Governor has specified by Order published in the *Gazette*; or
- (b) any other person approved by the Minister, acting on the recommendation of the Central Bank;

“bank” means any financial institution whose operations include the acceptance of deposits subject to the transfer by the depositor by cheque;

“banking business” means—

- (a) the business of receiving funds through—
 - (i) the acceptance of monetary deposits which are repayable on demand or after notice or any similar operation;
 - (ii) the sale or placement of bonds, certificates, notes or other securities and the use of such funds, either in whole or in part, for loans or investment; and
- (b) includes any other activity recognised by the Central Bank as banking practice and which a financial institution may additionally be authorised to do;

“board” means the board of directors or other body responsible for the management of a financial institution;

“borrower group” means—

- (a) a family group comprising an individual and that individual’s spouse, parent, child, brother or sister where each member of the group is substantially dependent upon the same income sources;
- (b) a company in which the family group indicated in paragraph (a) has control;
- (c) a group of companies which is under a common control;
- (d) a group of persons in which the credit worthiness, ability to generate funds or the future viability of each, depends on one or other member of the group;
- (e) a group of persons in which one member has power directly or indirectly to control the other members;
- (f) any other group of persons as may be determined by the Central Bank;

“business of a financial nature” means the collection of funds in the form of deposits, shares, loans, premiums, and the investment of such funds in loans, shares and other securities and includes the types of businesses set out in Schedule 2 but does not include banking business;

“**Central Bank**” means the Eastern Caribbean Central Bank established under Article 3 of the Agreement;

“**connected**” or “**related**” means where the interest of two or more persons or groups of persons are so interrelated that they should be considered as a single unit or borrower group;

“**control**” means the ability of a person to secure, through voting rights or power in a licensed financial institution or other company or by an agreement or other powers conferred by the bye-laws, articles of association or other document regulating the operations of the licensed financial institution or other company, that the business and affairs of the licensed financial institution or other company are conducted in accordance with the wishes of that person;

“**Council**” means the Monetary Council established under Article 7 of the Agreement;

“**credit institution**” means any financial institution other than a bank whose business is that of money lending or the granting of credit facilities;

“**director**” includes any person occupying the position of director of a company by whatever name called and includes a person in accordance with whose directions or instructions the directors of a company are accustomed to act;

“**exposure**” includes advances, credit facilities, guarantees, repurchase agreements, swap agreements, and equity investments;

“**financial group**” means in relation to a financial institution, that financial institution and any affiliate thereof which conducts banking business or business of a financial nature;

“**financial institution**” includes any person doing banking business and all offices and branches of a financial institution in Montserrat shall be deemed to be one financial institution;

“**foreign financial institution**” means a financial institution formed under the laws of a country other than Montserrat which carries on banking business in Montserrat;

“**Governor**” means the Governor acting on the advice of Cabinet; (*Amended by Act 9 of 2011*)

“**holding company**” means a body corporate that controls a body corporate;

“**international financial institutions**” refers to the International Monetary Fund, the International Bank for Reconstruction and Development, the International Development Bank, and the International Finance Corporation;

“**licensed financial institution**” means a financial institution licensed under the provisions of this Act;

“**local financial institution**” means a financial institution formed under the laws of Montserrat;

“**Minister**” means the Minister responsible for Finance;

“**Participating Governments**” has the meaning assigned to it in the Agreement;

“**person**” includes a public body, company, partnership, trust, association or body of persons whether corporate or unincorporate;

“**place of business**” means any office including a mobile office of a financial institution, in Montserrat;

“**principal place of business**” means, in relation to—

(a) a local financial institution its principal office in Montserrat, and

(b) a foreign financial institution the office designated in its licence;

“**significant shareholder**” means a person who either alone or with an affiliate or related or connected person, is entitled to exercise or control 20% or more of the voting rights at any general meeting of the licensed financial institution or another company of which the licensed financial institution is a subsidiary;

“**subsidiary**” means a body corporate that is controlled by another body corporate;

“**unsecured**”, in relation to advances or credit facilities, means—

(a) advances or credit facilities granted without security; or

(b) in the case of advances or credit facilities against security, any part of such advances or credit facilities which at any given time exceeds the market value of the assets comprising the security given, or which exceeds the valuation approved by the Central Bank whenever it deems that no market value exists for those assets.

PART 1

LICENCES

Requirement for licence

3. (1) A person shall not carry on banking business or hold himself out as carrying on banking business in Montserrat without a licence granted by the Governor.

(2) A financial institution which, at the commencement of this Act, holds a valid licence to carry on banking business in Montserrat shall be deemed to have been granted a licence under section 5.

(3) Notwithstanding the provisions of subsection (2), the Governor shall, within such period of the commencement of this Act, as the Governor, after the Minister has consulted with the Central Bank, may determine, issue to a financial institution a new licence certificate under this Act.

(4) Any person intending to carry on banking business in Montserrat shall, before commencing such business, apply for a licence under the provisions of section 5.

(5) Any person who contravenes the provisions of subsection (1) commits an offence and is liable on summary conviction—

- (a) in the case of a financial institution, to a fine of \$500,000, and in the case of a continuing offence, to a further penalty of \$5,000 for each day on which the offence is continued after conviction thereof;
- (b) in the case of a director or a manager, to a fine of \$250,000 or to imprisonment for a term of three years or to both such fine and imprisonment; and in the case of a continuing offence, to a further penalty of \$2,500 for each day on which the offence is continued after conviction thereof.

Examination of books of person carrying on banking business without a licence

4. (1) If the Central Bank has reasonable cause to suspect that—

- (a) any person is carrying on banking business without a licence granted under this Act; and
- (b) evidence of contravention of section 3(1) is to be found on any premises in Montserrat,

and the Central Bank after consultation with the Minister lay information on oath to a Magistrate, it shall be lawful for such Magistrate, by warrant signed by the Magistrate, to authorise an officer or officers of the Central Bank named in such warrant to enter and search such premises with a police officer and seize any books, accounts, records and other documents, cheques and securities (in this subsection referred to as “**the relevant documents**”) and any cash as may be found on the premises; relating to the conduct of banking business, to ascertain whether the person is carrying on banking business without a licence.

(2) Any such warrant may authorise—

- (a) the Central Bank to detain the relevant documents for a period not exceeding thirty days;
- (b) the officer or officers to make copies of the relevant documents; and
- (c) the Central Bank to retain copies of the relevant documents.

(3) It shall be lawful for any officer or officers, in whose name a warrant has been granted pursuant to subsection (1), in the case of resistance, to break open any door, and to force and remove any other impediment or obstruction to such entry, search or seizure.

(4) A person refusing to make available for examination any books, accounts and records having been requested to do so by the Central Bank commits an offence and is liable on summary conviction to a fine of \$5,000 or imprisonment for a term of six months or to both such fine and imprisonment.

(5) Without prejudice to section 3(5), where a person is found under subsection (1) to be conducting banking business without a licence, the Minister may on the recommendation of the Central Bank appoint a receiver for the person under section 43(f).

(6) A person holding funds which the person has obtained by doing banking business without being in possession of a licence granted under this Act shall repay such funds in accordance with the directions of the Central Bank.

(7) The Minister may request the Central Bank to undertake the actions under subsection (1) where the Minister has reasonable cause to suspect that the conditions in subsection (1)(a) and (b) exist.

Application for licence

5. (1) In order to obtain a licence as a financial institution, a person shall apply in writing to the Governor and submit the documents and other information as specified in Schedule 1.

(2) In considering an application for a licence the Governor shall, request the Central Bank to conduct such investigation as it may deem necessary to ascertain—

- (a) the validity of the documents submitted in accordance with Schedule 1;
- (b) the financial condition and history of the applicant;
- (c) the character of the business of the applicant;
- (d) whether the proposed directors and persons who are to constitute the management of the financial institution are fit and proper in accordance with the criteria under section 26;
- (e) the adequacy of the capital structure;
- (f) the earning prospects of the applicant;
- (g) the convenience and needs of the community to be served by the granting of the licence;
- (h) the suitability of the significant shareholders;
- (i) the transparency of the ownership structure;

- (j) the source of initial capital; and
 - (k) whether the proposed legal and managerial structures will hinder effective supervision of the financial institution.
- (3) A foreign financial institution that intends to open a branch or an affiliate within Montserrat must in addition to submitting the documents and other information required under subsection (1), submit with its application—
- (a) a certificate showing that the home banking supervisor of the jurisdiction in which it was incorporated, formed or organised has no objection to its application for a licence to do business in Montserrat; and
 - (b) evidence satisfactory to the Central Bank that it is subject to a comprehensive supervision on a consolidated basis by the appropriate authorities in its home country.
- (4) Within a reasonable time of its receipt of the application for a licence the Central Bank shall make its recommendations to the Minister.
- (5) Within thirty days of the receipt of the recommendations of the Central Bank the Minister shall forward the application to the Governor who shall either grant the licence and may place any restrictions as the Governor deems to be prudent in respect of the licence or, if the Governor is of the opinion that it would be undesirable in the public interest to grant the licence, he may refuse to grant the licence and need not give any reason for so refusing but shall inform the applicant that he has refused to grant the licence.
- (6) A financial institution shall not be granted a licence under this section unless it fulfills the capital requirements specified in section 13.
- (7) The Governor, after the Minister has consulted with the Central Bank, may by order published in the *Gazette* amend the Schedules.

Restricted words, names, and practices

6. (1) No financial institution shall be granted or continue to hold a licence under a name which so closely resembles the name of an existing financial institution in the territories of the Participating Governments or elsewhere as would be likely, in the opinion of the Governor, after consultation with the Central Bank, to mislead the public.

(2) Except with the written consent of the Governor after consultation with the Central Bank, no person other than a licensed financial institution shall use the words “**bank**”, “**financial institution**”, “**savings**” and “**loan**”, or any of their derivatives or any mutations thereof in any language, or any other word indicating the carrying on of banking business, in the name, description or title under which such person is carrying on business in Montserrat; or make any representation to such effect in any other manner whatsoever for the purpose of indicating that such person is carrying on banking business in Montserrat:

Provided that, nothing shall prohibit an association of institutions licensed under this Act formed for the pursuit of common interests from using the words “**bank**”, “**financial institution**”, “**savings**”, or “**loan**” or any of their mutations or derivatives in any language as a part of its name or description of its activities.

(3) No person other than a licensed financial institution shall, except with the written consent of the Governor after consultation with the Central Bank—

- (a) make or continue to make representations in any billhead, letter, letterhead, circular, paper, notice, advertisement or in any other manner whatsoever that such person is carrying on banking business;
- (b) in any manner whatsoever solicit or receive deposits from the public, or any employee of that person.

(4) Any person who contravenes the provisions of this section commits an offence and is liable on summary conviction to a fine of \$250,000 or to imprisonment for a term of five years or to both such fine and imprisonment; and in the case of a continuing offence to a further penalty of \$2,000 for each day on which the offence is continued after conviction thereof.

Display of licence certificate

7. A copy of the certificate of any licence granted under this Act shall be displayed and kept displayed in a conspicuous place in the public part of any place of business of the licensed financial institution.

Authorisation of location and approval of new business premises

8. (1) Any licence granted under this Act shall authorise the licensed financial institution to carry on banking business in Montserrat at the place of business designated in the licence and at such other place as the Minister may after consultation with the Central Bank, in writing authorise.

(2) No financial institution shall open a new place of business or change the location of an existing place of business in Montserrat without the prior approval of the Governor after the Minister has consulted with the Central Bank.

(3) No financial institution shall close an existing place of business in Montserrat without having given ninety days prior notification to the Minister and the Central Bank.

(4) No local financial institution shall open a place of business elsewhere than in Montserrat without the prior approval of the Minister after consultation with the Central Bank.

(5) No local financial institution shall close a place of business outside of Montserrat without having given twenty-one days prior notification to the Minister and the Central Bank.

(6) The Governor, acting on the recommendation of the Central Bank, may direct the closing of a branch of a local financial institution operating outside of the territories of the Participating Governments or impose limitations on the activities of such a financial institution if the Central Bank determines that the supervision by the host country supervisor is not adequate relative to the risks that the branch presents to the viability or soundness of the local financial institution.

(7) (a) No financial institution may establish or change the location of an electronic banking system in a place other than at a place of business approved under subsection (2), without having given thirty days prior notification to the Minister and the Central Bank.

(b) Where a financial institution operating under a valid licence has, at the commencement of this Act, established an electronic banking system in a place other than a place of business such financial institution shall notify the Central Bank of the location of all such electronic banking systems within sixty days of the date of commencement of this Act.

(8) Any person who contravenes the provisions of this section commits an offence and is liable on summary conviction to a fine of \$250,000 or to imprisonment for a term of five years or to both such fine and imprisonment; and in the case of a continuing offence to a further penalty of \$2,000 for each day on which the offence is continued after conviction thereof.

Voting

9. (1) Subject to subsection (7), except with the approval of the Central Bank, no person shall hold or acquire either directly or indirectly—

(a) such of the paid-up capital of a local financial institution which would confer upon such person more than 20% of the total voting rights of all the members at a general meeting of the local financial institution; or

(b) in the case of a local financial institution not having a share capital, more than 20% of the total voting rights of all the members entitled to vote at a general meeting of the local financial institution.

(2) Where the Central Bank determines that the interests of a group of two or more members of a local financial institution are connected or related, the total holdings of those members shall be combined and deemed to be the holdings of a single member.

(3) A local financial institution must submit a report quarterly to the Central Bank on the names and addresses of any person who owns 5% or more of the total voting rights of the local financial institution and where such a person is a nominee, the name and address of any beneficial owner for whom such a person holds the shares or other ownership interests.

(4) In the event that the Central Bank, determines that the provisions of subsection (1) have been violated, the Central Bank may issue an order under section 22 requiring the divestment of so much of the offending interest as is necessary to secure compliance with the provisions of subsection (1).

(5) A director of a local financial institution who knows or ought reasonably to know of a transfer made in violation of subsection (1) and who fails to disclose it to the Central Bank commits an offence and is liable on summary conviction to a fine of \$2,000 or to imprisonment for a term of three months.

(6) Any person who knowingly acquires an interest in violation of subsection (1) commits an offence and is liable on summary conviction to a fine of \$5,000 or to imprisonment for a term of six months.

(7) Subsection (1) shall not apply to the Government or to any person who at the commencement of this Act has acquired more than 20% of the total voting rights of all the members of the local financial institution, but no such person shall without the consent of the Central Bank, acquire any additional shares which shall have the effect of increasing that person's percentage of the voting rights.

Actions of fundamental change requiring approval

10. (1) Unless the approval of the Minister acting upon the recommendation of the Central Bank is first obtained no financial institution shall—

- (a) transfer the whole or any substantial part of its assets or liabilities in Montserrat other than in the ordinary course of its business;
- (b) effect a reduction of its paid-up or, as the case may be, assigned capital established under section 13;
- (c) alter its name as set out in its licence;
- (d) enter into a merger or consolidation within Montserrat; and
- (e) in the case of a local financial institution, amend the instrument or charter under which it is formed in Montserrat.

(2) Every foreign financial institution shall notify the Minister and the Central Bank of any amendment to the instrument or charter under which it is formed, within sixty days of such amendment.

(3) In recommending any proposed action under subsection (1), the Central Bank shall be guided by the criteria specified in section 5(2).

Revocation of licence and declaration of discontinuance of service

11. (1) The Governor acting upon the recommendation of the Central Bank, may revoke any licence to carry on banking business in Montserrat if the licensed financial institution—

- (a) fails to commence operations within a period of twelve months following the granting of the licence;
- (b) fails to comply with the conditions of its licence or the measures required by the Central Bank in accordance with section 22;
- (c) is in breach of any of the provisions of this Act which is applicable thereto;
- (d) ceases to carry on banking business in Montserrat;
- (e) is conducting its affairs in a manner detrimental to the national interest or to the interest of its depositors;
- (f) fails to maintain sufficient capital or liquidity to meet its liabilities;
- (g) has not fulfilled or is unlikely to fulfill the minimum criteria for licensing under this Act; or
- (h) merges or amalgamates with another company or institution and the licence is no longer required.

(2) Before revoking any licence under subsection (1), the Governor shall give the financial institution concerned notice in writing of his intention to do so, specifying therein the grounds upon which he proposes to make the revocation and shall require the financial institution to submit to him within a specified period being not less than thirty days, a written statement of objections to the making of the revocation and thereafter, the Governor shall advise the financial institution of his decision.

(3) Where the decision referred to in subsection (2) is to revoke the licence, the notice shall include a statement of the reasons for the decision.

(4) Notice under subsection (2) shall be served at the last known address of the financial institution or shall be published in the *Gazette* or in any local newspaper.

(5) If any financial institution is aggrieved by any decision made under subsection (1), that financial institution may appeal to the High Court within fourteen days of such decision.

(6) Where a licence to carry on banking business in Montserrat has been revoked, the Minister shall, as soon as possible thereafter cause a notice of the revocation to be published in the *Gazette* and a newspaper circulating in Montserrat and cause such other steps to be taken as he deems necessary to inform the public of such revocation.

Licence fees and penalty for default

12. (1) Every financial institution shall pay such annual licence fee as the Governor, may by Order published in the *Gazette*, prescribe.

(2) The Governor, after the Minister has consulted with the Central Bank, may prescribe different licence fees in respect of different classes or

categories of financial institution and such fees shall apply uniformly to such classes or categories.

(3) All licence fees paid under this Act shall be payable to the Government and form part of the Consolidated Fund.

(4) A person who fails to comply with any requirement of this section and where such person is a company, the company and every director, manager, secretary or other officer of the company who knowingly authorises or permits the default commits an offence and is liable on summary conviction to a fine of \$10,000 and in the case of a continuing offence to a further penalty of \$100 for each day on which the offence is continued after conviction thereof.

PART 2

FINANCIAL REQUIREMENT AND LIMITATIONS

Minimum paid-up or assigned capital

13. (1) Every licensed financial institution shall maintain in Montserrat unimpaired, paid-up or, as the case may be, assigned capital at least equal to the minimum amounts specified in accordance with the following requirements—

- (a) if operating as a bank, the minimum required capital shall be not less than \$5,000,000;
- (b) if operating as a credit or other financial institution, the minimum required capital shall be not less than \$1,000,000.

(2) The Governor after the Minister has consulted with the Central Bank may, from time to time—

- (a) by written notice to the main office of each licensed credit or financial institution in Montserrat; or
- (b) by notice in a newspaper of general circulation in Montserrat or in the *Gazette*;

increase or vary the minimum amounts of required capital specified in subsection (1) in respect of all or any appropriate class of financial or credit institution.

(3) Any financial institution which contravenes subsection (1) commits an offence and is liable on summary conviction to a fine of \$50,000.

Maintenance of Reserve Fund

14. (1) Subject to this section every licensed financial institution shall maintain a reserve fund and shall, out of its net profits of each year transfer to that fund a sum equal to not less than 20% of such profits whenever the

amount of the reserve fund is less than a 100% of the paid-up or, or as the case may be, assigned capital of the financial institution.

(2) No financial institution shall declare credit or pay any dividend or make any other transfer from profits whenever such declaration, credit, payment or transfer would result in an impairment of the capital required under section 13.

(3) Notwithstanding the provisions of subsection (1), the Governor, acting upon recommendation by the Central Bank may, on application made by a foreign financial institution, exempt such an institution from the requirements of this section.

Adequacy of Capital

15. (1) A licensed financial institution shall not at anytime have a capital adequacy ratio of less than such percentage, and calculated in such manner, as the Central Bank may determine, in respect of all or any appropriate class of financial institution.

(2) Any ratio required under subsection (1) shall be calculated on a consolidated and a solo basis for every licensed financial institution within a financial group.

(3) Where there is a deficiency in the prescribed capital adequacy ratio, the Central Bank shall require the licensed financial institution to present a plan that is satisfactory to the Central Bank to reconstitute its capital adequacy ratio within thirty days or such longer period as may be determined by the Central Bank.

(4) Where the financial institution—

(a) fails to present a satisfactory plan pursuant to subsection (3);
or

(b) fails to implement a plan presented pursuant to
subsection (3),

the Central Bank shall take such remedial action as it deems necessary and in accordance with section 22.

Restriction on certain activities of licensed financial institutions and affiliates

16. (1) A financial institution shall not directly or indirectly, except with the approval of and subject to such terms and conditions as the Central Bank, may determine—

(a) incur exposures to any person, any member of a borrower group or to any borrower group so that the total value of the exposures respect of such person, member or borrower group, is at any time more than 25% of the aggregate amount of the financial institution's unimpaired capital and reserves: Provided that, the limitation upon the foregoing transactions

Copying/unauthorised distribution strictly prohibited.

shall not apply in respect thereof if such transactions represent loans to a Participating Government, or to the boards, agencies, or local government bodies of a Participating Government which are guaranteed by the Participating Government;

- (b) grant any advance against the security of its own shares, the shares of its affiliates, or the shares of a company to whom the advance is being granted;
- (c) grant or permit to be outstanding to its officers and employees unsecured advances which in aggregate amount for any one officer or employee exceeds the annual remuneration of such officer or employee;
- (d) engage in trade, except insofar as may be temporarily necessary in the conduct of its business or in the course of the satisfaction of debts due to it;
- (e) acquire or continue in the acquisition of any ownership interest in any financial, commercial, agricultural, industrial or other undertaking except such interest as a financial institution may acquire for the satisfaction of debts due to it which shall, be disposed of as soon as possible thereafter, but this paragraph shall not prevent the purchase and sale of shares or stocks for trust account or upon the order and for the account of a customer without recourse; but a financial institution may—
 - (i) hold shares in any company set up for the purpose of promoting the development of a money market or securities market or of improving the financial mechanism for the financing of economic development in Montserrat;
 - (ii) hold shares in another company the aggregate value of which does not at any time exceed 10% of the sum of the unimpaired capital and reserves of that financial institution, and where there is no established market value for such shares the value of such shares shall be established on the basis of a valuation approved by the Central Bank; but the total amount of a financial institution's holdings under this paragraph may not exceed 60% of the sum of the unimpaired capital and reserves of the financial institution;
- (f) purchase, acquire or lease real or immovable property except as may be necessary for the purpose of conducting its business as a financial institution including provision for future expansion and housing its officers and employees;

Provided that—

- (i) in respect of any real or immovable property held or leased by it prior to the commencement of this Act for purposes other than those referred to herein, it shall be allowed a period of three years in which to comply with this paragraph; and
 - (ii) it may secure a debt on any property immovable or movable and in default of repayment may acquire such property for resale as soon as possible thereafter, but not later than five years thereafter.
- (2) (a) Where the total value of exposures granted under subsection (1)(a) is at any time more than 15% of the aggregate amount of the financial institution's unimpaired capital and reserves the transaction shall be secured by collateral, fully covered by insurance, having an ascertainable market value or otherwise having such a value as collateral found in good faith by an officer of such financial institution, of at least 20 percent more than the amount of the obligations secured thereby.
- (b) The aggregate of exposures in excess of 10% incurred by a financial institution shall not exceed 400% of its unimpaired capital and reserves, or such other percentage as the Governor on the recommendation of the Central Bank may by Order prescribe.
- (c) The amount of exposures permitted under subsection (1)(a) may be varied or suspended from time to time by the Central Bank.
- (3) Any financial institution which contravenes the provisions of subsections (1)(a), (e), and (f), or subsection (2) commits an offence and is liable on summary conviction to a fine of \$10,000 for each contravention.
- (4) A financial institution shall not directly or indirectly grant or permit to be outstanding unsecured advances unless such advances have been approved by its board and the Central Bank has been provided with prior notification thereof to—
- (a) the members of its board whether such advances are obtained by them jointly or severally;
 - (b) any person in which it or any one or more of its directors have any interest as a director, partner, manager, agent, member or otherwise;
 - (c) any person who owns, controls or has the power to vote more than 10% of any class of voting securities of the financial institution;
 - (d) any person serving as an auditor under section 19 or conducting an examination under section 20;

Copying/unauthorised distribution strictly prohibited.

(e) any person, whose relationship to another financial institution in which a correspondent account is maintained, is within any of the categories described in paragraphs (a) to (d);

(5) The total of all unsecured advances made to any person within any of the categories described in subsection (4)(a) to (d) shall not exceed 5% of the sum of the paid-up or, as the case may be, assigned capital and reserves of the financial institution.

(6) Any financial institution which contravenes the provisions of subsection (4) or (5) commits an offence and is liable on summary conviction to a fine of \$10,000 for each contravention.

(7) Any advances, extensions or guarantees of credit made to any person under subsection (1)(a) or within any of the categories described in subsection (4) shall be made on substantially the same terms, including interest rates and collateral, as applicable, as those prevailing for comparable transactions with other persons.

(8) In determining whether any approval referred to in subsection (1)(e) should be granted, the Central Bank shall take into account whether—

(a) acquisition of the shares is likely to prejudice the—

(i) financial condition of the financial institution;

(ii) capitalisation of the financial institution;

(iii) interest of depositors of the financial institution; or

(b) the corporate affiliations and structure of the financial institution exposes the financial institution to undue risks or hinder its effective supervision.

(9) A financial institution shall maintain information systems to identify loans to connected or related parties and shall record the amount of such loans and monitor and report on such loans to the Central Bank at such times as the Central Bank shall specify.

(10) In applying subsection (1)(a) and subsection (4), if the Central Bank shall determine that the interests of two or more persons are connected or related, the total indebtedness of such persons shall be aggregated and deemed to be the indebtedness of a single person; and a financial institution shall not be deemed to have violated subsection (1)(a) or subsection (4) solely by reason of the fact that the aggregated indebtedness exceeds the limitation at the time of the determination, but the financial institution shall dispose of the indebtedness of such persons in the amount in excess of the limitation within such reasonable time as shall be determined by the Central Bank.

(11) Any financial institution to which subsection (1) and (4) are applicable that, prior to the commencement of this Act, entered into any transactions incompatible with subsection (1)(a), (b), (c), (d), or (e) or subsection (4) shall, within twelve months after the commencement of this

Act, or within such further period as the Central Bank may determine, submit a statement thereof to the Central Bank and shall, in respect of such transactions, take such action within such reasonable time as shall be determined by the Central Bank.

(12) (a) Unless the approval of the Governor acting on the recommendation of the Central Bank is first obtained no licensed financial institution shall be an affiliate of a company that does not conduct banking business or business of a financial nature.

(b) Where, at the commencement of this Act, a financial institution operating under a valid licence is an affiliate of a company that does not conduct banking business or business of a financial nature, no further affiliation may take place without the approval of the Governor acting on the recommendation of the Central Bank.

Maintenance of specified assets

17. (1) Every licensed financial institution may be required to maintain specified assets of an amount not less than that from time to time prescribed by the Governor after the Minister has obtained the advice of the Council by Order published in the *Gazette*.

(2) The amount of the specified assets prescribed under subsection (1) shall be expressed as a percentage of the aggregate demand, savings, and time deposits and other liabilities of the licensed financial institution to which the Order relates, and such percentage shall not be more than 40% unless the Council so approves.

(3) The Minister, after consultation with the Central Bank may approve a period during which surpluses and deficiencies in specified assets may be averaged.

(4) The Governor may, after consultation with the Central Bank may by Order provide that advances granted to a licensed financial institution by any other financial institution or by an overseas branch or office thereof may be excluded from the computation of the demand, savings and time deposits and other liabilities of the licensed financial institution.

(5) The Central Bank may determine the distribution of amounts required to be held between different classes of specified assets, and may also differentiate between classes of banks, credit institutions and other financial institutions.

(6) Every financial institution which is required to hold specified assets shall be afforded a reasonable time to comply with the Order.

(7) In this section “**specified assets**” consists of freely transferable assets free from any charge, lien or encumbrance whatsoever and includes—

- (a) notes and coins which are legal tender in Montserrat and such foreign notes and coins as the Central Bank may specify;
- (b) balances at the Central Bank;
- (c) net balances at financial institutions in Montserrat but where such balances are negative they will be subtracted from the specified assets;
- (d) treasury bills and other securities issued or guaranteed by a Participating Government and securities issued by a statutory corporation wholly owned by a Participating Government and approved by the Central Bank;
- (e) bills of exchange and promissory notes eligible for rediscount by the Central Bank and warehouse warrants or their equivalent securing possession of goods against which the Central Bank may grant advances, within the limits and in accordance with the evaluation fixed by the Central Bank;
- (f) net balances at financial institutions in such monetary areas as the Central Bank may approve and the Central Bank may provide for the treatment to be accorded the balance or any portion thereof in respect of the head office of a financial institution organised abroad, and where such balances are negative they will be subtracted from specified assets;
- (g) money at call in monetary areas approved by the Central Bank under paragraph (f), bills of exchange bearing at least two good signatures drawn on and payable at any place in the approved monetary areas, and treasury bills issued by the government of a country in any such approved monetary areas and maturing within 180 days.

(8) A financial institution contravenes this section if—

- (a) it fails to furnish promptly any information required by the Central Bank to satisfy itself that the financial institution is observing the requirements of this section; or
- (b) it allows its holdings of specified assets to be less than the amount which is fixed from time to time; or
- (c) during the period of any such deficiency of specified assets the financial institution grants or permits increases in its outstanding advances, whether by loans or overdrafts or investment portfolio other than investment in specified assets.

(9) Any financial institution that contravenes this section may be ordered by the Central Bank to pay a charge at an annual rate not exceeding twice the highest rate fixed at the time of such failure by the Central Bank pursuant to Article 32 of the Agreement for any of its operations on the amount of the deficiency for so long as the failure continues, and such charge shall be payable to the Central Bank on such date as may be fixed

by the Central Bank and may be recovered by deduction from any balance of the financial institution with the Central Bank.

Credit Institution, Class of Credit Institution and Financial Group

18. The Governor may, after the Minister has consulted with the Central Bank, by Order direct that any provision of this Act, which at the date of the commencement of this Act does not apply to a credit institution, class of credit institution or financial group, shall apply with such modifications, adaptations, qualifications and exceptions as may be specified in the Order to any credit institution, class of credit institution or financial group.

PART 3

AUDIT, INFORMATION AND EXAMINATION

Annual audit, report and publication of financial statements and results

19. (1) A financial institution shall appoint annually an auditor satisfactory to the Central Bank whose duties shall—

- (a) be to examine the books and records and to make a report on the annual financial statements and financial position, and in every such report the auditor shall state whether in the auditor's opinion the balance sheet and profit and loss account give a true and fair view of the state of affairs of the financial institution and of its results for the period then ended; and
- (b) include all or any of the following duties as may from time to time be imposed on the auditor by the licensed financial institution at the request of the Central Bank—
 - (i) to submit such additional information in relation to the audit of the financial institution as the Central Bank considers necessary;
 - (ii) to carry out any other examination or establish any procedure in any particular case;
 - (iii) to submit a report on any of the matters referred to in subparagraphs (i) and (ii);
 - (iv) to submit a report on the financial and accounting systems and risk management controls of the financial institution;
 - (v) to submit a report on whether prudent credit-granting and investment criteria, policies, practices and procedures are approved and reviewed by the management and board and communicated to all credit officers and whether

major credits and investments are decided at a high managerial level;

- (vi) to certify whether the systems of loan classification, provisioning and write-offs determined by the Central Bank are being adhered to; and
- (vii) to certify whether suitable measures to counter money laundering and to combat the financing of terrorism have been adopted by the licensed financial institution and are being implemented in accordance with the applicable laws.

(2) A financial institution shall remunerate the auditor in respect of the discharge by the auditor of all or any of the duties set out in subsection (1).

(3) If in the course of the performance of an auditor's duties an auditor is satisfied that—

- (a) there has been a serious breach of or non-compliance with the provisions of this Act or any, regulations, notice, order, guidelines or directions issued under the Act;
- (b) there is evidence that a criminal offence involving fraud or other dishonesty may have been committed;
- (c) losses have been incurred which reduce the paid-up or assigned capital, as the case may be, of the financial institution by 25% or more;
- (d) serious irregularities have occurred, including those that affect the interest of depositors; or
- (e) the claims of depositors covered by the assets cannot be confirmed;

the auditor shall immediately report the matter to the licensed financial institution and the Central Bank.

(4) The Central Bank may request copies of reports submitted to the board of a licensed financial institution by both its internal and external auditors.

(5) An auditor shall report to the Central Bank any matter it is required to report on any licensed financial institution to any investigative, regulatory or other institution, simultaneously with its report to that institution.

(6) The report of the auditor made in accordance with subsection (1) shall be presented with the report of the board and the financial statements of the financial institution at the annual meeting of shareholders of each local financial institution and shall be transmitted to the head office of each foreign financial institution. A copy of the financial statements and reports shall be sent to the Minister and the Central Bank within four months of the end of the financial year.

(7) A local financial institution shall within four months of the end of its financial year—

- (a) publish in the *Gazette* and in a local newspaper; and
- (b) exhibit in a conspicuous place in each of its offices,

a true and full yearly statement of its accounts and a consolidated balance sheet of all its operations in Montserrat and abroad as the case may be as certified by its auditor. Such statement shall be signed by the manager or by such other officer of the financial institution as may from time to time be authorised by the financial institution to sign such statement on behalf of the financial institution.

(8) A foreign financial institution shall within four months of the end of its financial year—

- (a) publish in the *Gazette* and in a local newspaper; and
- (b) exhibit in a conspicuous place in each of its offices,

a true and full yearly statement of its accounts of all its operations in Montserrat as certified by its auditor. Such statement shall be signed by the manager or by such other officer of the financial institution as may from time to time be authorised by the financial institution to sign such statement on behalf of the financial institution.

(9) A licensed financial institution which fails to comply with a request under subsection (1)(b) is guilty of an offence and is liable on summary conviction to fine of \$10,000 for each such failure.

(10) If any financial institution fails to comply with the requirements of subsections (6), (7) and (8) within four months of the end of its financial year, it shall be liable to a penalty of \$500 for every day of such default except when an extension to the period has been granted by the Central Bank pursuant to section 24.

(11) If a financial institution fails to appoint an auditor satisfactory to the Central Bank, the Central Bank may appoint an auditor for such financial institution. The remuneration of the auditor so appointed shall be determined by the Central Bank and paid by the financial institution.

(12) The Central Bank may appoint an auditor to conduct an independent audit of a financial institution, in accordance with the instructions of the Central Bank, and to report the findings or results thereof to the Central Bank.

(13) No auditor shall be liable for breach of any duty solely by reason of compliance with the provisions of subsections (1), (3) and (5) or any other request for information by the Central Bank.

(14) (a) No person having an interest in any financial institution otherwise than as a depositor and no director, manager, secretary, employee or agent of a financial institution shall be eligible for appointment as auditor for such financial institution.

- (b) Any person appointed as auditor who shall, after an appointment, acquire any interest in a financial institution otherwise than as a depositor, or become a director, manager, secretary, employee or agent of such financial institution shall immediately cease to be such auditor.

Central Bank examination

20. (1) The Central Bank, shall examine or cause an examination to be made of each licensed financial institution from time to time or whenever in its judgment such examination is necessary or expedient in order to determine that such financial institution is in a sound financial condition and that the requirements of this Act have been complied with in the conduct of its business.

(2) For the purpose of determining the condition of a financial institution and its compliance with this Act, the Central Bank may at any time examine or cause an examination to be made of any affiliate of the financial institution, in Montserrat or abroad or any of its overseas offices to the same extent that an examination may be made of the financial institution.

(3) The Central Bank may assess a financial institution for the reasonable expenses of conducting an examination under subsection (1) and (2).

(4) The Central Bank shall forward copies of balance sheets, statements and reports on the results of any examination to the Minister and the financial institution.

Disclosure and access to books and records by Central Bank examiner for examination

21. (1) A licensed financial institution shall produce for the inspection of any examiner appointed by the Central Bank at such time as the examiner specifies all books, minutes, accounts, cash, securities, documents and vouchers relating to its business and the business of its affiliates as requested by the examiner for the purpose of this Act.

(2) If any books, minutes, accounts, cash, securities, documents and vouchers are not provided or information is not supplied in accordance with subsection (1), the defaulting financial institution or affiliate, or both shall be guilty of an offence and shall be liable on summary conviction to a fine of \$50,000 and in the case of a continuing offence to a further penalty of \$1,000 for each day on which the offence is continued after conviction thereof.

(3) If any information supplied or item produced is false in any material particular, the financial institution or affiliate or both shall be guilty of an offence and shall be liable on summary conviction to a fine of \$50,000.

Central Bank's powers and measures for preventing adverse consequences

22. (1) If in the opinion of the Central Bank an examination authorised under section 20 shows that the financial institution concerned or any affiliate, director, officer, employee, or significant shareholder of the financial institution is—

- (a) engaging in unsafe or unsound practices in conducting the business of the institution;
- (b) violating any law, regulation or guideline issued by the Central Bank to which the institution or person is subject;

or the Central Bank has reasonable cause to believe that the practices or violations referred in paragraphs (a) and (b) are likely to occur, the Central Bank may take one or more of the following measures—

- (i) issue a written warning as is deemed necessary;
- (ii) conclude a written agreement with the financial institution providing for a program of remedial action;
- (iii) issue a cease and desist order that requires the financial institution, the affiliate and/or the person responsible for the management of the financial institution to cease and desist from the practice or violations specified in the order; or
- (iv) issue such directions as it deems necessary in relation to the persons comprising the management of the financial institution.

(2) Where in the opinion of the Central Bank any of the circumstances specified in subsection (1)(a) or (b) exists, the Central Bank may, after exhausting all the measures under subsection (1), recommend that the Governor—

- (a) restrict or vary any restriction of a licence; or
- (b) revoke the licence of the financial institution to do banking business pursuant to section 11.

(3) An agreement made under subsection (1)(ii) may include stipulations that require the financial institution to—

- (a) increase the paid-up share capital of an affiliate;
- (b) sell or otherwise dispose of an affiliate or part of its business;
- (c) make advances or grant credit facilities to an affiliate; or
- (d) make special provisions for any potential losses which in the opinion of the Central Bank, the affiliate is likely to incur where such affiliate has credit facilities with the financial institution.

(4) (a) A cease or desist order issued under subsection (1)(iii) may require that the financial institution take action to correct the condition resulting from any unsound practices or violation of any law.

(b) Any person served with a cease and desist order under subsection (1)(iii) may apply to the High Court for an order setting aside, varying, or suspending the operation of the cease and desist order.

(5) A licensed financial institution, its affiliate, or any director, officer, employee or significant shareholder of a licensed financial institution who fails to comply with any requirement or contravenes any prohibition imposed on the financial institution under this section commits an offence and is liable on summary conviction:

(a) in the case of the licensed financial institution or its affiliate, to a fine of \$100,000, and in the case of a continuing offence, to a further penalty of \$10,000 for each day on which the offence is continued after conviction thereof;

(b) in the case of any individual specified in this section, to a fine of \$50,000 and in the case of a continuing offence, to a further penalty of \$5,000 for each day on which the offence is continued after conviction thereof.

(6) Any order, warning, agreement, or direction issued by the Central Bank under subsection (1) shall be deemed to take effect from the date specified therein.

(7) (a) This subsection shall apply to an offence specified in Schedule 3.

(b) Where circumstances giving rise to a reasonable belief that a person has committed an offence to which this subsection applies exist, the Central Bank may give a notice in writing in the form prescribed in Schedule 4 offering that person the opportunity to discharge any liability to conviction of that offence by payment of a fixed penalty under this section.

(c) No person shall be liable to be convicted of the offence if the fixed penalty is paid in accordance with this section and the requirement in respect of which the offence was committed is complied with before the expiration of fifteen days following the date of the notice referred to in paragraph (b) or such longer period (if any) as may be specified in that notice or before the date on which proceedings are begun, whichever event last occurs.

(d) Where a person is given notice under this section in respect of an offence, proceedings shall not be taken against the person for that offence until the end of the fifteen days following the date of the notice or such longer period (if any) as may have been specified therein.

- (e) Payment of a fixed penalty under this subsection shall be made to the Accountant General and in any proceedings a certificate that payment of a fixed penalty was or was not made to the Accountant General by a date specified in the certificate shall, if the certificate purports to be signed by the Accountant General, be admissible as evidence of the facts stated therein.
- (f) A notice under paragraph (b) shall—
 - (i) specify the offence alleged;
 - (ii) give such particulars of the offence as are necessary for giving reasonable information of the allegation; and
 - (iii) state the period (whether fifteen days or a longer period) during which, by virtue of paragraph (d) proceedings will not be taken for the offence.
- (g) the fixed penalty for the offences specified in Schedule 3 shall be the penalty specified therein in relation to such offences.
- (h) in any proceedings for an offence to which this subsection applies, no reference shall be made after the conviction of the accused to the giving of any notice under this section or to the payment or non-payment of a fixed penalty thereunder unless in the course of the proceedings or in some document which is before the court in connection with the proceedings, reference has been made by or on behalf of the accused to the giving of such a notice, or, as the case may be, to such payment.
- (i) in this subsection “**proceedings**” means any criminal proceedings in respect of the act or omission constituting the offence specified in the notice under paragraph (b) and “**convicted**” shall be construed in like manner.
- (j) the Governor may, by Order, make provision as to any matter incidental to the operation of this section, and in particular, any such order may—
 - (i) prescribe the nature of the information to be furnished to the Accountant General along with any payment;
 - (ii) prescribe the arrangements for the Accountant General to furnish to the Central Bank, information with regard to any payment pursuant to a notice under this section;
 - (iii) amend Schedule 3;
 - (iv) amend Schedule 4.

Submission of returns and production of information as required by the Central Bank

23. (1) Every financial institution shall furnish to the Central Bank at such time and in such manner as the Central Bank may prescribe, such information and data as the Bank may require for the proper discharge of its functions and responsibilities.

(2) Without limiting the generality of subsection (1) every financial institution shall, at the request of the Central Bank, in relation to that financial institution's operations in the territory of a Participating Government, submit to the Central Bank in such form as the Central Bank may from time to time approve—

- (a)* not later than fourteen days after the last day of the month to which it relates, a monthly statement of assets and liabilities at the end of each month;
- (b)* not later than fourteen days after the end of the quarter to which it relates, a quarterly return providing an analysis of customers' liabilities to the financial institution in respect of loans, advances and other assets of the financial institution at the end of each quarter;
- (c)* not later than fourteen days after the end of the quarter to which it relates, a quarterly return providing information on all exposures that equal to or are in excess of 10% of the unimpaired capital and reserves of the financial institution.
- (d)* within such period as the Central Bank may determine such other returns as may be required.

(3) All statements and returns submitted by a financial institution under subsection (2) hereof and any data or information submitted by a financial institution under subsection (1) or (2) hereof, shall be regarded by the Bank as secret:

Provided that—

- (a)* the Central Bank may provide international financial institutions, foreign banking supervisors and any other local or foreign authority responsible for the supervision or regulation of a financial institution, or for maintaining the integrity of the financial system with such statements, returns, data and information on a reciprocal basis and subject to an agreement for confidentiality and a Memorandum of Understanding; and
- (b)* the Central Bank may prepare and publish consolidated statements relating to the territories of the Participating Governments individually or collectively, aggregating the figures furnished in the returns.

(4) At the request of a Participating Government, the Bank shall arrange for that Government to be supplied with a copy of any statement or return furnished by a financial institution under subsection (2) in relation to its operation in the territory of that Government and all statements and returns so supplied shall be regarded by the Government as secret.

(5) The Central Bank may require a financial institution to disclose the basis for any of its charges and fees and such disclosure shall be made within such period and in such manner as the Central Bank may require.

(6) The Central Bank may require a financial institution to submit such further information and data relating to the matters described in subsection (2) or (5), and may from time to time call for any other information which it may require for the purposes of this Act from any financial institution about its operations and those of its affiliates in Montserrat or from a local financial institution about its operations and those of its affiliates abroad and such further information and data shall be submitted within such period and in such manner as the Central Bank may require.

(7) Any financial institution which contravenes subsection (2) or (6) commits an offence and shall be liable on summary conviction to a fine of \$5,000 for each contravention.

Extension of period for providing information

24. At the request of a financial institution, the Central Bank may extend, from time to time, any period within which such financial institution is, in accordance with the provisions of this Act, obliged to furnish any document or information.

Restriction on advertising likely to mislead the public

25. (1) No licensed financial institution shall engage in advertising practices which are likely to mislead the public concerning—

- (a) the relation of the financial institution to the Central Bank or any department or official of the Central Bank;
- (b) the interest rate paid on deposits or charged on credit;
- (c) the insured or guaranteed status of deposits or other liabilities of the financial institution;
- (d) the financial condition of the financial institution.

(2) The Governor, after the Minister has consulted with the Central Bank, may issue an Order to a financial institution as is necessary, to secure compliance with the provisions of subsection (1).

(3) Any financial institution which contravenes subsection (1) or an order issued under subsection (2), commits an offence and is liable on summary conviction to a fine of \$50,000 for each contravention.

PART 4

MISCELLANEOUS

Minimum criteria for determining whether a person is fit and proper

26. (1) Every person who is, or is likely to be a director, controlling shareholder, or manager of the licensed financial institution must be a fit and proper person to hold the particular position which he holds or is likely to hold.

(2) In determining whether a person is a fit and proper person to hold any particular position, regard shall be had to—

- (a)* that person's probity, competence and soundness of judgment for fulfilling the responsibilities of that position;
- (b)* the diligence with which that person is fulfilling or likely to fulfill the responsibilities of that position; and
- (c)* whether the interests of depositors or potential depositors of the licensed financial institution are, or are likely to be, in any way threatened by that person holding that position.

(3) Without prejudice to the generality of the foregoing provisions, regard may be had to the previous conduct and activities in business or financial matters of the person in question and, in particular, to any evidence that the person has—

- (a)* committed an offence involving fraud or other dishonesty or violence;
- (b)* contravened any provision made by or under an enactment designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of banking, insurance, investment or other financial services or the management of companies or against financial loss due to the conduct of a discharged or undischarged bankrupt;
- (c)* engaged in any business practices appearing to the board to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflect discredit on that person's method of conducting business;
- (d)* an employment record which leads the board to believe that the person carried out an act of impropriety in the handling of his employer's business; or

engaged in or been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgment.

Removal and disqualification of Director

27. (1) Any person who is a director, manager or other officer concerned with the management of a financial institution shall cease to hold office:

- (a) upon notification by the board of a finding by 2/3 of its members—
 - (i) of that person's permanent incapacity or serious neglect of, or misconduct in, office; or
 - (ii) that the person is not a fit and proper person in accordance with the criteria specified in section 26(3)(a) and (b);
- (b) if that person—
 - (i) is or was convicted of an offence under this Act;
 - (ii) has been declared bankrupt or is compounding with, or suspending payment to, that person's creditors; or
 - (iii) has been convicted in a court of law of any offence involving fraud, dishonesty, or violence.
- (2) Any person who—
 - (a) has been sentenced for an offence involving a term of imprisonment of or exceeding six months or in default of payment of a fine;
 - (b) has been a director or manager of a company which has been wound-up by a court or has been placed in receivership;
 - (c) has been a director or manager of, or directly or indirectly concerned in the management of a former licensed financial institution, the licence of which has been revoked, unless such revocation was due to—
 - (i) its amalgamation with another licensed financial institution or company; or
 - (ii) its voluntary winding up,

shall not, without the express approval of the Minister after consultation with the Central Bank, act or continue to act as a director or manager of, or be directly or indirectly concerned in any way in the management of any licensed financial institution.

(3) A person who contravenes subsection (1) or (2) commits an offence and is liable on summary conviction to a fine of \$10,000 or to imprisonment for a term of one year or to both such fine and imprisonment and in the case of a continuing offence to a further penalty of \$500 for each day on which the offence is continued after conviction thereof.

Declaration and registration of related interest and conflict of interest by Director

28. (1) Every director of a financial institution who is in any manner whatsoever, directly or indirectly interested in loans, advances, contracts or transactions from that financial institution shall as soon as possible declare the nature of his interest to the board or other body responsible for the management of that institution and shall cause such declaration to be circulated immediately to all of the members of the board.

(2) For the purpose of subsection (1) a declaration by a director of a financial institution to the effect that the director is to be regarded as interested in any loan, advance, contract or other transaction, which may, after the date of the notice, be made by the financial institution shall be deemed to be a sufficient declaration of interest in relation to any loan, advance, contract or other transaction so made if—

- (a)* it specifies the nature and extent of the interest of the director; and
- (b)* the interest of the director is not different in nature from, or greater in extent than, the nature and extent so specified in such notice at the time any advance is made.

(3) Every director of a financial institution who holds any office or possesses any property whereby, whether directly or indirectly, duties or interests might be created in conflict with his duties or interests as such director in Montserrat shall declare the fact, nature, character and extent of the conflict at the first meeting of the board held—

- (a)* after assuming office as a director of the financial institution; or
- (b)* if already a director, after the date of commencement in office or possession of the property.

(4) Every director of a financial institution who qualifies as an interested director under the provisions of this section shall cause to be brought up and read any declaration made under subsection (1) or (3) at the next meeting of the board after it is given, and shall cause to be recorded any declaration made under this section in the minutes of the meeting at which it was made or at which it was brought up or read.

(5) A director who contravenes subsection (1) or (3) commits an offence and is liable on summary conviction to a fine of \$10,000 or to imprisonment for a term of one year or to both such fine and imprisonment.

Responsibility for deceiving statements and obstruction of audit or authorised examination

29. Any director, manager, secretary, employee or agent of a financial institution who—

- (a)* with intent to deceive—

- (i) makes any false or misleading statement or entry;
 - (ii) omits any statement or entry that should be made in any book, account, report or statement of the financial institution; or
- (b) obstructs or endeavours to obstruct—
- (i) the proper performance by an auditor of his duties in accordance with the provisions of this Act; or
 - (ii) a lawful examination of the financial institution by a duly authorised examiner appointed by the Central Bank,

commits an offence and is liable on summary conviction to a fine of \$15,000 or to imprisonment for a term of two years or to both such fine and imprisonment.

Management's duty of compliance with the requirements of the laws

30. Any director, manager, secretary or other officer concerned in the management of financial institution who—

- (a) fails to take all reasonable steps to secure compliance by the financial institution with the requirements of this Act; or
- (b) is implicated in an offence committed under section 25;

commits an offence and is liable on summary conviction to a fine of \$15,000 or to imprisonment for a term of two years or to both such fine and imprisonment.

Liability of directors, managers, officers and partners

31. (1) Where an offence under this Act has been committed by a body of persons which is—

- (a) a body corporate, society or other body of persons, every person who at the time of the commission of the offence was a director, manager, secretary or other officer of the body corporate, society or other body of persons as well as that body corporate, society or other body of persons commits the offence;
- (b) a partnership or firm, every partner of the partnership or firm as well as that partnership or firm commits the offence,

and shall be liable to be proceeded against and punished accordingly.

(2) No person referred to in subsection (1) shall be found guilty of an offence under that subsection where he proves, that—

- (a) the act constituting the offence took place without his knowledge or consent; or
- (b) he exercised all due diligence to prevent the commission of the offence.

Secrecy of Information

32. (1) No person who has acquired knowledge in his capacity as director, manager, secretary, officer, employee or agent of any financial institution or as its auditor or receiver or official liquidator or as director, officer, employee or agent of the Central Bank, shall disclose to any person or governmental authority the identity, assets, liabilities, transactions or other information in respect of a depositor or customer of a financial institution except—

- (a) with the written authorization of the depositor or customer or of his heirs or legal personal representatives; or
- (b) for the purpose of the performance of his duties within the scope of his employment in conformity with the provisions of this Act; or
- (c) when lawfully required to make disclosure by any court of competent jurisdiction within Montserrat; or
- (d) under the provisions of any law of Montserrat or agreement among the participating Governments.

(2) Except that nothing herein shall prevent—

- (i) a financial institution from providing to a person, upon a legitimate business request, a general credit rating, a summary of which will be provided to the depositor or customer upon request;
- (ii) the Central Bank from—
 - (a) sharing any information received or any report prepared by the Central Bank in the performance of its duties under this Act, with any local or foreign authority responsible for the supervision or regulation of a financial institution, or for maintaining the integrity of the financial system; or
 - (b) providing access, to any officer of a foreign authority responsible for the supervision or regulation of financial institutions in order to assess the safety and soundness of a foreign financial institution,

on a reciprocal basis, and subject to an agreement of confidentiality and a Memorandum of Understanding between the Central Bank and such authorities.

Working days of financial institutions

33. (1) All financial institutions in Montserrat shall remain open for business during such hours and on such days, except public holidays, as may be agreed to by the Minister after consultation with the Central Bank.

(2) Any obligation which can only be fulfilled at a financial institution which would fall due on any day or at any particular hour on which such financial institution is not open for business under subsection (1) shall be deemed to fall due on the first working day thereafter.

(3) The Minister after consultation with the Central Bank, may, by notice in the *Gazette*, declare any day on which no financial institution may be open for business, without regard to whether or not such day is or is not also a public holiday.

Regulations

34. The Governor, acting upon the recommendation of the Central Bank to the Minister may make such Regulations as may be required from time to time for giving effect to the provisions of this Act, and, without limiting the generality of the foregoing, may make Regulations respecting the—

- (a) reports or other information to be supplied by persons to whom licences have been granted and any other matter associated with their use;
- (b) records to be kept, returns and reports to be made to the Central Bank, the Governor, or the Minister by persons who are appointed as auditors under the Act;
- (c) character of the records to be kept by any financial institution and the form of the report and returns to be made by the financial institution and fixing the times when such reports and returns shall be made;
- (d) forms necessary for the administration of this Act;
- (e) penalties that may be imposed for violations of Orders and Regulations made under this Act and may also prescribe the penalties to be imposed on summary conviction, but no such penalty shall exceed a fine of \$10,000 or imprisonment of a term exceeding twelve months;
- (f) capital adequacy requirements and capital ratios to be maintained by a licensed financial institution.

Compounding of offences

35. (1) Subject to this section, the Governor after the Minister has consulted with the Central Bank may, if he is satisfied that any person has committed an offence under the Act, or under any Order or Regulation made under this Act, compound such offence, by accepting from the person a sum of money of \$5,000.

(2) The power conferred by subsection (1) shall only be exercised where the person admits that he has committed the offence and agrees in writing to the offence being dealt with under this section.

(3) If any proceedings are brought against any person for an offence under this Act or under any Order or Regulation made under this Act, it shall be a defence if the person proves that the offence with which that person is charged has been compounded under this section.

(4) Any sum of money received under this section shall be dealt with as if the sum of money were a fine imposed by a court.

Prudential guidelines

36. The Central Bank may issue prudential guidelines and related orders in administering the provisions of this Act to a financial institution and its affiliate, and without limiting the generality of the foregoing, may issue guidelines respecting—

- (a) policies, practices and procedures for evaluating—
 - (i) the quality of assets;
 - (ii) the adequacy of loan loss provisions; and
 - (iii) loan loss reserves;
- (b) a system of loan classification, provisioning and write-offs;
- (c) the method of valuation of collateral;
- (d) rules for non-accrual of income on non-performing or impaired assets;
- (e) the suspension and reversal of accrued interest;
- (f) policies, procedures and systems for identifying, monitoring and controlling country risk, transfer risk, market risk, liquidity risk, interest rate risk, operational risk; and such other risks as the Central Bank shall specify;
- (g) liquidity requirements and ratios;
- (h) treatment of assets and investments;
- (i) treatment of loans and other credit facilities;
- (j) related party transactions;
- (k) corporate governance;
- (l) auditors;
- (m) disclosure; and
- (n) anti-money laundering and combating the financing of terrorism matters.

PART 5

RECEIVERSHIP, LIQUIDATION AND REORGANISATION

Voluntary liquidation

37. A voluntary liquidation of a financial institution shall be subject to authorisation by the Minister upon the recommendation of the Central Bank and the Central Bank shall so recommend when—

- (a) the financial institution is solvent and has sufficient liquid assets to repay its depositors and other creditors without delay; and
- (b) the liquidation has been properly approved by the members or shareholders of the financial institution.

Cessation of business operations

38. When it has received the authorisation of the Minister the financial institution shall—

- (a) immediately cease to carry on business, retaining only the powers necessary to effect an orderly liquidation;
- (b) repay its depositors and other creditors; and
- (c) wind up all operations undertaken prior to the receipt of the authorisation.

Notice to depositors of voluntary liquidation

39. (1) Within thirty days from the receipt of authorisation referred to in section 37 a notice of voluntary liquidation, setting out such information as the Governor, upon the recommendation of the Central Bank may determine, shall be sent by mail to all depositors, other creditors and persons otherwise entitled to the funds or property held by the financial institution as a trustee, lessor of a safe deposit box or bailee.

(2) The notice shall be posted conspicuously on the premises of each office and branch of the financial institution and shall be given such publication as the Minister, upon the recommendation of the Central Bank, shall direct.

(3) The Minister, upon the recommendation of the Central Bank, may exempt the mailing of such notice to specified persons upon a showing of cause therefor by the financial institution.

Rights of depositors and creditors in voluntary liquidation

40. (1) The authorisation to go into voluntary liquidation shall not prejudice the rights of a depositor or other creditor to payment in full of his claim nor the right of an owner of funds or other property held by the financial institution to the return thereof.

(2) All lawful claims shall be paid promptly and all funds and other property held by the financial institution shall be returned to their owners within such maximum period as the Minister, upon the recommendation of the Central Bank, shall by Order prescribe.

Distribution of assets

41. (1) When the Governor after the Minister has consulted with the Central Bank, is satisfied that the financial institution has discharged all the obligations referred to in section 40, it shall be struck from the list of licensed financial institutions and the remainder of its assets shall be distributed among its shareholders in proportion to their respective rights, but no such distribution shall be made before—

- (a) all claims of depositors and other creditors have been paid or, in the case of a disputed claim, before the financial institution has turned over to the Central Bank as agent for the Minister, sufficient funds to meet any liability that may be determined by a court of competent jurisdiction;
- (b) any funds payable to a depositor or other creditor who has not claimed them have been turned over to the Central Bank, as agent for the Minister;
- (c) any other funds and property held by the financial institution that could not be returned to the owners thereof in accordance with the provisions of section 40 have been transferred to the Central Bank as agent for the Minister, together with the inventories pertaining thereto.

(2) Any funds or property not claimed within a period of fifteen years following a transfer to the Central Bank, as agent for the Minister, shall be presumed to be abandoned property for purposes of section 60.

Insufficiency of assets in discharge of obligations in voluntary liquidation

42. If the assets of a financial institution, whose voluntary liquidation has been authorised will not be sufficient for the full discharge of all its obligations or completion of the liquidation is unduly delayed, the Minister after consultation with the Central Bank, may cause the commencement of proceedings leading to its compulsory liquidation or reorganisation in conformity with the procedures set out below.

Appointment of receiver

43. The Governor, acting upon the recommendation of the Central Bank may appoint a receiver for any financial institution—

- (a) whose capital is impaired or whose condition is otherwise unsound;

- (b) whose business is being conducted in an unlawful or imprudent manner;
- (c) when the continuation of its activities is detrimental to the interests of its depositors;
- (d) that refuses to submit its accounting records and its operations for examination as provided for in section 20 or has otherwise obstructed such examination;
- (e) whose licence has been revoked in accordance with section 11 or section 22(2); or
- (f) that is carrying on banking business without a licence.

Notice of appointment of receiver

44. When appointing a receiver, the Governor shall post on the premises of the financial institution a notice announcing the appointment and the time when such appointment shall be deemed to take effect. This time shall not be earlier than the posting of the notice. A copy of the notice shall be transmitted to the Registrar of the High Court.

Financial Institution may institute proceedings to have Receiver's appointment lifted

45. Within a period of ten days after the date on which the Governor has appointed a receiver, the financial institution may institute proceedings in the High Court to have this appointment revoked.

Period of obligation to commence compulsory liquidation or reorganisation

46. (1) Within a period of sixty days counting from the date of the appointment of the receiver, the Governor after the Minister has consulted with the Central Bank, shall be obliged to commence proceedings leading to—

- (a) compulsory liquidation in accordance with section 47; or
- (b) reorganisation, in accordance with section 52,

of a financial institution for which the Governor has appointed a receiver.

(2) In the event that proceedings under subsection (1) are not commenced within that period, and the Governor has not sooner elected to terminate his appointment, the appointment of the receiver shall immediately terminate.

Compulsory liquidation, reorganisation proceedings

47. (1) The Governor after the Minister has consulted with the Central Bank, may, by petition, apply to the High Court to order the compulsory

liquidation or reorganisation of the financial institution for which a receiver has been appointed under section 43.

(2) Upon an application under subsection (1), the High Court may make an order requiring the financial institution and any person having an interest in the financial institution or claim against it to show cause, at a time and place specified in the order which must not be less than thirty days after the date of the order, why the financial institution should not be liquidated and dissolved.

(3) A copy of an order made under subsection (2) must be—

- (a) published in the *Gazette* and in a newspaper published or distributed in Montserrat as directed in the order at least twice before the time appointed for the hearing; and
- (b) served upon each person named in the order.

(4) Publication and service of an order under this section shall be effected by the financial institution or by such other person and in such manner as the High Court may order.

Powers of the High Court

48. (1) The High Court may make any order it thinks fit, including an order—

- (a) for the compulsory liquidation of the financial institution;
- (b) refusing the compulsory liquidation and terminating the appointment of the receiver; and
- (c) for the reorganisation of the financial institution.

(2) Where the High Court orders either the compulsory liquidation or the re-organisation of the financial institution, it shall upon delivering its decision simultaneously order the appointment of the receiver to be terminated and appoint an Official Liquidator who will be responsible to the High Court to direct the compulsory liquidation, or as the case may be, the re-organisation of the financial institution.

(3) As soon as possible after his appointment, the Official Liquidator shall make an inventory of the assets of the financial institution and transmit a copy thereof to the Registrar of the High Court.

Powers of receiver, official liquidator

49. (1) After his appointment by the Governor, the receiver and, subsequent to his appointment by the High Court, the Official Liquidator shall be vested with the full and exclusive power of management and control of that financial institution in Montserrat, including the power to—

- (a) continue or discontinue its operations;
- (b) stop or limit the payment of its obligations;

- (c) employ any necessary staff and to terminate their employment;
- (d) execute any instrument in the name of the financial institution;
- (e) initiate, defend and conduct in its name any action or proceeding to which the financial institution may be party;
- (f) restore the financial institution to its board; and
- (g) reorganise or liquidate the financial institution in accordance with the provisions of this Act.

(2) The actions of the receiver or, as the case may be, the Official Liquidator shall be promptly notified to the Central Bank.

Term extensions, attachment and transfer of assets to be void

50. When the Governor has appointed a receiver for a financial institution in accordance with section 43 and thereafter when the Official Liquidator has been appointed by the High Court—

- (a) any term, statutory, contractual or otherwise, on the expiration of which a claim or right to the financial institution would expire or be extinguished shall be extended by six months from the date of the appointment of the receiver;
- (b) any attachment or lien except a lien registered prior to the appointment of the receiver for the financial institution shall be vacated and no attachment or lien except a lien created by the receiver or the Official Liquidator in the application of the provisions of this Part shall attach to any of the property or assets of the financial institution so long as such possession continues;
- (c) any transfer of an asset of the financial institution made after or in contemplation of its insolvency or the appointment of the receiver with intent to effect a preference shall be void.

Execution against assets of an official institution

51. No execution shall be returned against the assets of a financial institution for which a receiver or an Official Liquidator has been appointed except an execution effected pursuant to a judgment rendered prior to the date of the appointment of the receiver or Official Liquidator for an amount of \$1,000.

Reorganisation proceedings

52. (1) If the High Court decides to reorganise the financial institution, whether pursuant to a request by the Governor after he has consulted with the Central Bank, or by virtue of its authority under section 47(1), the

Official Liquidator shall, after granting a hearing to all interested parties, send a copy of the reorganisation plan to all depositors and other creditors who will not receive full payment of their claims under the reorganisation plan.

(2) The copy of the re-organisation plan shall be accompanied by a notice stating that if the re-organisation plan is not refused in writing within a period of thirty days—

- (a) by persons holding at least 1/3 of the aggregate amount of deposit and other liabilities in Montserrat;
- (b) if the subject of the plan is a local financial institution, by members of the financial institution owning at least 1/3 of its issued capital; or
- (c) if within the same period of thirty days the High Court does not order a stay of proceedings,

the Official Liquidator will proceed to carry out the reorganisation plan.

(3) The Official Liquidator may, subject to confirmation by the High Court to be obtained before the commencement of the thirty-day period, effect service of the reorganisation plan and the notice shall be published in the *Gazette*.

Reorganisation provisions

53. The application of any reorganisation plan under the provisions of this Act is subject to the following conditions—

- (a) the reorganisation plan shall be equitable to all classes of depositors, other creditors and shareholders;
- (b) the reorganisation plan shall provide for bringing in new funds so as to establish adequate ratios between—
 - (i) capital and deposits; and
 - (ii) liquid assets and deposits; and
- (c) the reorganisation plan shall provide for the removal of any director, manager, secretary, officer or employee responsible for the circumstances which led to the appointment of a receiver for the financial institution and subsequently of an Official Liquidator in accordance with sections 43 and 48(2), respectively.

Petition for modification or revision of reorganisation

54. When in the course of reorganisation it appears that circumstances render the plan inequitable or its execution undesirable, the Official Liquidator may apply to the High Court by petition to:

- (a) modify the plan; or

- (b) order the compulsory liquidation of the financial institution in accordance with the provisions of section 48.

Preferential and other claims

55. (1) Notwithstanding any law to the contrary in a compulsory liquidation of a financial institution, the following claims shall have priority against the general assets of the financial institution as follows—

- (a) necessary and reasonable expenses incurred by the receiver and subsequently by the Official Liquidator;
- (b) wages and salaries of officers and employees of the financial institution in liquidation for the six-month period preceding the appointment of the receiver for the financial institution;
- (c) national insurance contributions for officers and employees due but not paid;
- (d) balances of \$300 and less in saving and time deposits;
- (e) other deposits;
- (f) taxes, rates and deposits owed to Montserrat and local authorities concerned;
- (g) fees and assessments due to the Central Bank.

(2) After payment of all other claims filed, with interest at a rate to be fixed by the Official Liquidator with the approval of the High Court, any remaining claims which were not filed within the prescribed time shall be paid.

(3) If the amount available for any class is insufficient to provide payment in full, the said amount shall be distributed *pro rata* among the members of the class.

Unclaimed funds

56. Unclaimed funds remaining after the final distribution made by the Official Liquidator which are not subject to other provisions of this Act shall be deposited by the Official Liquidator in the Central Bank for fifteen years, unless claimed by the owner before the expiration of that period, and on the expiration of that period the funds remaining unclaimed shall be presumed to be abandoned property for the purposes of section 60.

Shareholders' rights on remaining assets

57. Any assets remaining after all claims have been paid shall be distributed among all the shareholders in proportion to their participation.

Safe deposits and unclaimed property

58. Any safe deposit boxes the contents of which have not been withdrawn before a date specified by the Official Liquidator shall be

opened by the Official Liquidator and their contents and any unclaimed property held by the financial institution as bailee, together with inventories pertaining thereto, shall be deposited by the Official Liquidator in the Central Bank there to be kept for fifteen years, unless claimed by the owner before the expiration of that period. On the expiration of that time all funds and property not claimed shall be presumed to be abandoned for purposes of section 60.

Receiver's audited accounts, striking the name of the institution and conclusion of liquidation

59. (1) When all assets have been distributed in accordance with the provisions of this Act, the Official Liquidator shall render an audited account to the High Court.

(2) Upon approval of this account by the High Court, the name of the financial institution shall be struck from the list of financial institutions in Montserrat, the Registrar of the High Court shall be notified and the Official Liquidator shall be relieved of any liability in connection with the liquidation. The liquidation and dissolution of the financial institution shall then be declared by the High Court and the Registrar of the High Court shall proceed to terminate the judicial existence of the financial institution.

PART 6

ABANDONED PROPERTY

Abandoned Property

60. (1) Subject to subsection (2) the items in paragraphs (a), (b), (c) and (d) which are held or owing by a financial institution shall be presumed to be abandoned—

- (a) any general deposit (demand, savings or matured time deposit) made in Montserrat with a financial institution, together with any interest or dividend, but excluding any lawful charges thereon;
- (b) any funds paid in Montserrat toward the purchase of shares or other interests in a financial institution, together with any interest or dividend, but excluding any lawful charges thereon;
- (c) any sum payable on cheques certified in Montserrat or on written instruments issued in Montserrat on which a financial institution is directly liable;
- (d) any contents of a safe deposit box on which the lease or rental has expired and concerning which notice of the intention of the financial institution to deliver the contents thereof into the custody of the Central Bank has been sent by

registered letter to the last known address of the lessee and to which the lessee has failed to respond within one year.

(2) The items enumerated in subsection (1)(a), (b) and (c) shall not be presumed to be abandoned if the owner has, within fifteen years of the date of deposit, payment of funds or issuance of instruments, as the case may be—

- (a) increased or decreased the amount of the deposit or funds or presented the passbook or other record for the crediting of interest or dividends in respect of the items enumerated in subsection (1)(a) or (b);
- (b) corresponded in writing with the financial institution concerning the items; or
- (c) otherwise indicated an interest in the items as evidenced by a memorandum concerning them written by a financial institution.

Report, publication and disposal of abandoned property

61. (1) Every financial institution holding any of the items enumerated in section 60 shall within ninety days after the end of its financial year report such holdings to the Central Bank, and thereafter pay or deliver to the Central Bank all property presumed to be abandoned listed in the report in accordance with the Regulations which the Governor, acting on the recommendation of the Central Bank shall make. Upon paying or delivering such property into the custody of the Central Bank a financial institution shall be relieved of all liability to the extent of the value of the property for any claim in respect thereof.

(2) Except with the approval of the Governor, acting on the recommendation of the Central Bank, on such terms and conditions as he may prescribe, no reduction in the amount of interest or dividends payable and no charges in excess of those made in respect of comparable active accounts shall be made by a financial institution either during the period of inactivity of the items set out in section 60(1) or at the time payment and delivery of them under subsection (1) is required.

(3) Within thirty days after the end of its financial year but before the filing of the report to the Central Bank required by subsection (1), a financial institution shall publish in the *Gazette*, the name of the owner and particulars concerning the property and shall mail a notice to the owner at his last known address containing particulars concerning the property.

Sale and handling of proceeds of abandoned property

62. (1) A financial institution may sell at public sale all property other than money presumed to be abandoned after the expiration of sixty days from the later date of publication or mailing required by section 61(3) following such advertisement of the sale as the Governor acting on the recommendation of the Central Bank, may determine.

(2) Any purchaser shall receive title to the property free from all claims of the owner or prior holder and from all persons claiming through or under him.

(3) A financial institution shall deposit with the Central Bank the proceeds of the sale of property in accordance with subsection (1) less all reasonable costs incurred by it in connection with the sale, mailing of notices, and service as it may deem appropriate to assure the prompt payment of claims which may subsequently be made and approved by the Minister, acting on the recommendation of the Central Bank.

(4) Any property remaining unsold shall be delivered to the Central Bank and shall be disposed of by the Central Bank in such manner as the Minister may prescribe.

Claims on abandoned property

63. (1) Any person claiming an interest in any property which has been paid or delivered into the custody of the Central Bank or in the proceeds from the sale thereof may file a claim thereto with the Central Bank, and after an appropriate hearing, the decision of which shall be communicated to the claimant and made a public record, the Central Bank may deliver up the property or make payment.

(2) Any person aggrieved by a decision of the Central Bank may commence an action in the High Court to establish his claim within thirty days following the decision of the Central Bank.

Penalties

64. Any financial institution which willfully fails to file the report or to pay or deliver property presumed to be abandoned into the custody of the Central Bank in accordance with section 61(1), 62(3) or 62(4) commits an offence, and it and each of its directors is liable on summary conviction to a fine of \$1000 or to imprisonment for a term of three months or to both such fine and imprisonment.

PART 7

TRANSFER OF BANKING BUSINESS

Banking Business Vesting Order

65. (1) Where an agreement has been entered into for the acquisition by a financial institution (herein referred to as the “**transferee financial institution**”) of the undertaking of another financial institution, whether or not a financial institution to which the provisions of this Act apply (herein referred to as the “**transferor financial institution**”) the transferor financial institution may, for the purpose of effecting the transfer to, and the vesting in, the transferee financial institution of the undertaking, make a

written application to the Governor, notice of which shall be published in the *Gazette* in any case where the Governor so directs.

(2) Upon the making of an application under subsection (1), the Governor shall request the Central Bank to investigate and report on the application including in particular the circumstances leading to the proposed transfer, the ability of the transferee to discharge its obligations under the transfer and the effect, which the transfer is likely to have on the banking services available to the public.

(3) On receipt of the report from the Central Bank, the Governor may, if he thinks fit, make a Banking Business Vesting Order transferring to and vesting in the transferee financial institution the undertaking, as from the date specified therein, and on the making of such an order, all such existing property, rights, liabilities and obligations as are intended by the agreement to be transferred and vested shall, by virtue of this Act, and without further assurance be transferred to, and shall vest in, the transferee financial institution to the intent that such financial institution shall succeed to the whole or such part of the undertaking of the transferor financial institution as is contemplated by the agreement.

(4) No transfer or vesting effected by a Banking Business Vesting Order shall—

- (a) operate as a breach of covenant or condition against alienation;
- (b) give rise to a forfeiture; or
- (c) invalidate or discharge a contract or security.

(5) Notwithstanding anything contained in any enactment to the contrary, a Banking Business Vesting Order may in the discretion of the Minister for the purposes of corporation tax, contain provisions respecting—

- (a) the carry forward; and
- (b) the set off,

by the transferee financial institution of such of the losses of the transferor financial institution as may be specified in the Order as if the undertaking of the transferor financial institution had not been permanently discontinued on the date specified in the Order and a new banking business had been then set up and commenced by the transferee financial institution.

Supplementary provision as to transfers

66. (1) Without prejudice to the generality of section 65, the effect of a Banking Business Vesting Order as regards the banking business thereby transferred is that on and from the date of transfer—

- (a) every existing contract to which the transferor financial institution was a party, whether in writing or not, has effect as if—

- (i) the transferee financial institution had been a party thereto instead of the transferor financial institution;
 - (ii) for any reference (however worded and whether expressed or implied) to the transferor financial institution there were substituted as respects anything falling to be done on or after the date of the transfer, a reference to the transferee financial institution; and
 - (iii) any reference (however worded and whether expressed or implied) to the directors or to any director, officer, clerk or servant of the transferor financial institution were, as respect anything falling to be done on or after the date of transfer, a reference (as the case may require) to the directors of the transferee financial institution may appoint, or in default of appointment, to the director, officer, clerk or servant of the transferee financial institution who corresponds as ready as may be to the first mentioned director, officer, clerk or servant;
- (b) any account between the transferor financial institution and a customer shall become an account between the transferee financial institution and that customer;
- (c) any existing instruction, direction, mandate, power of attorney or consent given to the transferor financial institution shall have effect as if given to the transferee financial institution;
- (d) any negotiable instrument or order for payment of money which is expressed to be drawn on, or given to, or accepted or endorsed by the transferor financial institution, or payable at any of its places of business, shall have effect as if it had been drawn on, or given to or accepted or endorsed by the transferee financial institution, or payable at the same place of business of the transferee financial institution;
- (e) any security transferred to the transferee financial institution by a Banking Business Vesting Order that immediately before the date of the transfer was held by the transferor financial institution as security for the payment or discharge of any debt or liability or obligation (whether present or future, actual or contingent) shall be held by, and be available to, the transferee financial institution as security for the payment or discharge of such debt or liability or obligation; and any such security which extends to future advances or liabilities shall, from the date of the transfer, be held by, and be available to, the transferee financial institution as security for future advances by, and future liabilities to, the transferee financial institution, in the same manner and in all respects as future advances by, or liabilities

to, the transferor financial institution were secured thereby immediately before the date of the transfer;

- (f) any judgment or award obtained by or against the transferor financial institution and not fully satisfied before the date of the transfer shall be enforceable by or against the transferee financial institution;
- (g) unless the agreement by the parties to the transfer provides to the contrary, any officer, clerk, or servant employed by the transferor financial institution immediately before the date of the transfer shall become an officer, clerk or servant, as the case may be, of the transferee financial institution on terms and conditions no less favourable than those on which he was so employed immediately before the date of the transfer, and such employment with the transferor, and transferee financial institution respectively shall be deemed, for all purposes, to be a single continuing employment, save that no director, secretary or auditor of the transferor financial institution shall by virtue only of a Banking Business Vesting Order become a director, secretary or auditor, as the case may be, of the transferee financial institution.

(2) The provisions of subsections (1)(a)(ii) and (1)(a)(iii) shall apply to—

- (a) any statutory provision;
- (b) any provision of any existing contract to which the transferor financial institution was not a party; and
- (c) any provision of any other existing document (not being a contract but including in particular a will),

as they apply in relation to a contract to which subsection (1)(a) applies.

(3) Any property or rights transferred to, and vested in, the transferee financial institution which immediately before the date of the transfer were held by the transferor financial institution, whether alone or jointly with any other person—

- (a) as trustee or custodian trustee of any trust, deed, settlement, covenant, agreement or will, and whether originally so appointed or not, and whether appointed under hand or seal or by order of any court;
- (b) as executor of the will of a deceased person;
- (c) as administrator of the estate of a deceased person;
- (d) as judicial trustee appointed by order of any court; or
- (e) in any other fiduciary capacity whatsoever,

shall, from the date of the transfer, be held by the transferee financial institution whether alone or jointly with such other person, in the same

capacity upon the trusts, and with, and subject to, the powers, provisions, liabilities and obligations, applicable thereto respectively.

Transfers to be subject to stamp duty

67. The transfer of, and vesting in, the transferee financial institution of an undertaking by a Banking Business Vesting Order shall, unless exempted (either generally or in some particular case) by the Banking Business Vesting Order, be subject to the provisions of the Stamp Act as if the Banking Business Vesting Order was, in each of the cases in which the duty is imposed on the several instruments specified in the Schedule to the Act, an instrument between party and party within the contemplation of the Act.

PART 8

GENERAL

Non-application of Landholding Control Act

68. The provisions of the Landholding Control Act do not apply to financial institutions licensed under this Act.

Repeal and Savings

69. (1) The Banking Act 1991 is hereby repealed.

(2) Notwithstanding subsection (1)—

- (a)* any regulation, notice or other subsidiary legislation made pursuant to the Banking Act 1991, shall, if in force at the commencement of this Act, continue in force until replaced by any regulation, order, notice or other subsidiary legislation made under this Act; and
- (b)* any act, decision or other matter carried out pursuant to the Banking Act 1991 shall be deemed to have been carried out under this Act.

SCHEDULE 1

(Section 5(1))

**DOCUMENTS AND OTHER INFORMATION REQUIRED
IN ORDER TO OBTAIN A LICENCE UNDER SECTION 5(1)**

In order to obtain a licence as a financial institution, a person shall submit the following—

- (a) authenticated copies of the instrument under which the applicant is organised;
 - (b) a statement of the address of its head office, the name and address of every member of its board of directors;
 - (c) a statement of the name, address, qualification and experience of its chief executive officer;
 - (d) such financial data as the Minister may require;
 - (e) full particulars of the business in which the applicant proposes to do business;
 - (f) the locations of the principal and other places of business where the applicant proposes to do business;
 - (g) an operating plan and documented internal controls system;
 - (h) such other information as the Minister may require.
-

SCHEDULE 2*(Section 2)***BUSINESS OF A FINANCIAL NATURE**

Business of a financial nature includes the following types of business:

<i>Class</i>	<i>Activities</i>
1. Finance House or Finance Company	Hire purchase and installment credit.
2. Credit Unions	Provision of basic savings (share accounts) for members and making loans to members.
3. Merchant Bank	Floating and underwriting, stocks, shares, and bonds Loans syndication Dealing in gold Providing consultancy and investment management services and corporate advisory services Acceptance credit Project Development Lease financing Foreign exchange dealing Inter-bank financing.
4. Mortgage Institutions	Mortgage lending.
5. Trust Company	Managing Trust Funds Performing duties of trustees, executor or administrator and attorney Administration of Pension Funds Mortgage lending.
6. Unit Trust	Providing facilities for the participation by persons as beneficiaries under a trust or other scheme, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatever.

- | | | |
|-----|----------------------|---|
| 7. | Credit card business | Issuing payment, credit or charge cards and in co-operation with others including other financial institutions, operating a payment, credit or charge card plan. |
| 8. | Financial Services | Providing financial services relating to future and contingent liabilities in relation to foreign exchange and commodities. |
| 9. | Securities business | Carrying on, within the meaning of the Securities Act, the business of securities exchange, clearing agency, securities depository, securities registry, underwriting, broker-dealer, limited service broker, custodian, an investment adviser, or a management company or trustee or custodian of a collective investment scheme. |
| 10. | Insurance business | Carrying on the business of receiving proposals for or the issuing of policies of any class of insurance, or the collection or receipt of premiums on policies and the making of payments due under such policies, re-insurance, insurance underwriting, insurance brokerage, the issuing and carrying out of contracts to pay annuities, the effecting and carrying out of tontines. |
-

SCHEDULE 3*(Section 22(7))***OFFENCES IN RESPECT OF WHICH LIABILITY TO CONVICTION MAY
BE DISCHARGED BY PAYMENT OF A FIXED PENALTY**

	<i>Offence</i>	<i>Section</i>	<i>Fixed Penalty</i>
1.	Failure to maintain minimum capital requirement	13(3)	\$10,000
2.	Breach of large exposure limits	16(3)	\$2,000 <i>for each exposure beyond limit</i>
3.	Granting unsecured credit facilities without prior notification to the Central Bank and approval of the board	16(6)	\$2,000 <i>for each contravention</i>
4.	Failure of financial institution to instruct external auditor to carry out additional duties at the request of the Central Bank	19(9)	\$2,000 <i>for each failure</i>
5.	Failure to present auditors report to annual shareholders meeting, Minister, and the Central Bank	19(10)	\$500
6.	Failure to make returns under section 23 or making returns after the prescribed date	23(7)	\$1,000 <i>for each contravention</i>

SCHEDULE 4

(Section 22(7))

NOTICE OF OPPORTUNITY TO DISCHARGE LIABILITY

The Eastern Caribbean Central Bank has reason to believe that [*name of bank*] has committed an offence under section _____ of the Banking Act having [*particulars of offence*]; and hereby gives the [*name of bank*] the opportunity to discharge liability for this offence by payment of the sum of [*insert fixed penalty listed in Schedule 3 in words and figures*] to the Accountant General on or before the _____ day of _____, 20____ and before that date no proceedings in respect of this offence will be taken.

GOVERNOR
EASTERN CARIBBEAN CENTRAL BANK

BANKING (FEES AND FORMS) REGULATIONS-SECTION 34

(S.R.O.s 72/1980, 32/1981, 21/1985,
30/1985, 32/1985 and 1/1989 and Act 9 of 2011)*

Commencement

[1 January 1981]

Short title

1. These Regulations may be cited as the Banking (Fees and Forms) Regulations.

Application for banking licence

2. Every application for a banking licence shall be made in writing addressed to the Minister of Finance and shall contain the following—

- (a) the memorandum and articles of association or other document under which the company is constituted;
- (b) evidence that a certificate signed by the Minister of Finance to the effect that a decision in principle has been made to grant an “A” or “B” licence (specifying which) under the Banking Act has been granted and duly paid for;
- (c) evidence that the company has been duly incorporated or registered in Montserrat;
- (d) an affidavit sworn by some person interested in the formation of the company to the effect that the circumstances set out in the application for a certificate under paragraph (a) remain true, or setting out and explaining any variation in those circumstances.

(Modified to comply with Companies Act 1998)

Fees for grant of licence

3. Every company that is granted a licence under the provisions of the Banking Act shall upon the granting thereof pay to the Government of Montserrat one of the following fees—

For an “A” Licence	–	\$25,000
For a “B” Licence	–	\$10,000.

Annual fees for continuation of licence

4. Every company that has been granted a licence under the provisions of the Banking Act shall on or before the anniversary of the date on which such licence was granted, for each year or part of a year during which such licence subsists beyond the

* Made under the *repealed* Banking Act 1978, but continued in force under the Banking Act by the operation of section 19 of the Interpretation and General Clause Act now section 72(g) of the Interpretation Act.

first year after the grant of such licence, pay to the Government of Montserrat one of the following fees—

In respect of an “A” licence	–	\$25,000
In respect of a “B” licence	–	\$20,000.

Fees payable by “B” banks authorised to engage in trust business

5. Every Bank to which a “B” licence has been granted, shall, if authorised to engage in Trust Business, pay a fee of \$5,000 in addition to any other fee payable under the Banking Act. (*Inserted by S.R.O. 30/1985*)

Fee payable on change of beneficial ownership

6. Where there is a change in the beneficial ownership of a Bank to which a “B” Licence has been issued since the registration of such Bank, being a change which has—

- (a) resulted in the change of ownership of the share capital by more than 25%; and
- (b) taken place after three months of the Registration of such Bank,

the fees payable for the transfer of such beneficial ownership shall be \$5,000.

(*Inserted by S.R.O. 1/1989*)

Form of licence

7. A licence when granted by the Governor acting on the advice of Cabinet shall be in the relevant form set out in the Schedule hereto. (*Amended by Act 9 of 2011*)

SCHEDULE

Form of “A” Licence

MONTSERRAT

BANKING ACT

CATEGORY “A” LICENCE

Licence is hereby granted under the Banking Act, to.....
of to carry on in Montserrat banking business
as defined by section 2 of the Banking Act.

This licence shall have effect from the day of, 20.....,
until revoked.

- Conditions: –
- 1.
 - 2.
 - 3.

Given under my hand this day of, 20..... .

.....
Minister.

Form of “B” Licence
MONTSERRAT
BANKING ACT
CATEGORY “B” LICENCE

Licence is hereby granted under the Banking Act, to
ofto carry on off-shore banking business as
defined by section 2 of the Banking Act, that is to say banking business conducted
exclusively in currencies other than Eastern Caribbean dollars.

This licence shall have effect from the day of, 20,
until revoked.

- Conditions: –
- 1.
 - 2.
 - 3.

Given under my hand this day of, 20.....

.....
Minister.

**BANKING (CREDIT INSTITUTIONS
CAPITAL REQUIREMENT) ORDER – SECTION 34**

(S.R.O. 26/1994)

Commencement

[22 June 1994]

Short title

1. This Order may be cited as the Banking (Credit Institutions Capital Requirement) Order.

Minimum capital

2. Every credit institution other than a Bank shall maintain in Montserrat unimpaired, paid-up, or as the case may be assigned capital or not less than \$1,000,000.

Exemption

3. This Order shall not apply to any undertaking, institution or society set out in the Schedule below.

SCHEDULE

(Order 3)

EXEMPTED INSTITUTIONS

- 1) Any institution registered under the Co-operative Society Act;
 - 2) Any society registered under the Building Societies Act;
 - 3) Any society registered under the Friendly Societies Act;
 - 4) Any insurance company registered under the Insurance Act;
 - 5) Any co-operative arrangement for savings among individuals.
-

**BANKING (CAPITAL ADEQUACY AND
CAPITAL RATIOS) REGULATIONS**
ARRANGEMENT OF REGULATIONS

PART 1

PRELIMINARY

REGULATION

1. Short title and Application
2. Interpretation

PART 2

REQUIREMENTS FOR CERTAIN CAPITAL COMPONENTS

3. Capital Adequacy Requirement
4. Preference Shares
5. Fixed assets revaluation reserves
6. Subordinated Debt

PART 3

CAPITAL ADEQUACY RATIO

7. Capital adequacy ratio

Impairment of capital adequacy

8. Declaration and payment of dividends and other transfers
9. Sanctions

SCHEDULE

BANKING (CAPITAL ADEQUACY AND CAPITAL RATIOS) REGULATIONS

– SECTION 34

(S.R.O. 50/2006)

Commencement

[19 December 2006]

PART 1

PRELIMINARY

Short title and Application

1. (1) These Regulations may be cited as the Banking (Capital Adequacy and Capital Ratios) Regulations.

(2) These Regulations apply to all financial institutions licensed under the Banking Act.

Interpretation

2. In these Regulations, unless the context otherwise requires—

“Act” means the Banking Act;

“**capital adequacy**” refers to maintenance of the aggregate of the minimum paid-up capital stipulated in section 13 of the Act, and adherence to the capital adequacy requirements prescribed in Part 3 of these Regulations;

“**financial asset**” means any asset that is—

- cash;
- an equity instrument of another enterprise;
- a contractual right to receive cash or another financial asset from another enterprise;
- a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable;

“**financial institution**” refers to an institution licensed under the Banking Act;

“**financial liability**” refers to a contractual obligation to—

- deliver cash or another financial asset to another enterprise;
- exchange financial instruments with another enterprise under conditions that are potentially unfavourable;

“**fixed assets revaluation reserve**” means the increase in book value of a fixed asset based on an independent and professional appraisal as to the market value of such an asset;

“**Manual of Instructions**” means the current Manual of ECCB Banking Schedules and Instructions;

Copying/unauthorised distribution strictly prohibited.

Printed under Authority by

The Regional Law Revision Centre Inc.

www.lawrevision.ai

“**person**” means an individual or legal person including an association or any group of persons acting in common, whether or not incorporated;

“**Schedule**” refers to the Capital Adequacy Computation Schedule;

“**specific provision for loan losses**” means loan loss reserves held against identified losses or potential losses and which cannot be utilised to satisfy general losses which subsequently materialise;

“**subordinated debt**” means debt having a claim against the issuer’s assets that is lower ranking or junior to other obligations, and is paid after claims to holders of senior claims are satisfied;

“**substantial equity investment**” is one in which a licensed financial institution owns at least 20% of an another entity’s equity;

“**Tier I Capital**” refers to unimpaired capital and reserves that is computed in accordance with relevant criteria established in the Schedule;

“**Tier II Capital**” refers to capital computed in accordance with relevant criteria established in the Schedule.

“**total regulatory capital**” refers to capital which is approved for regulatory purposes and computed in accordance with the Schedule;

PART 2

REQUIREMENTS FOR CERTAIN CAPITAL COMPONENTS

Capital Adequacy Requirement

3. (1) Every licensed financial institution shall maintain adequate capital in accordance with the following—

(a) the provisions of section 15 of the Banking Acts of Antigua and Barbuda, Dominica, Grenada, Montserrat and St Kitts and Nevis; section 14 of the Banking Act of Anguilla and section 13 of the Banking Acts of St Lucia and St Vincent and the Grenadines;

(b) The Schedule;

(c) Capital ratios as provided for under Regulation 7.

(2) (a) Every foreign licensed financial institution shall within one month of the end of its financial year, submit to the Central Bank an undertaking in writing in the form set out in the Letter of Comfort, that an amount—

(i) equivalent to its net assets; or

(ii) which supplements the amount required to be equivalent to its net assets,

which is not less than 5% of its deposit liabilities or such other liabilities as may be determined by the Central Bank, has been attributed or pledged as assigned capital.

- (b) The amount of assigned capital shall be specified in a schedule to the Letter of Comfort and shall be calculated on the financial institution's deposit liabilities as at the financial year end.

Preference Shares

4. Perpetual cumulative preference shares, long-term preference shares and mandatory convertible debt instruments must satisfy the following criteria to be eligible for inclusion in Tier II Capital—

- (a) they must be unsecured, subordinated and fully paid;
- (b) they must not be redeemable at the discretion of the holder;
- (c) they must be available to absorb losses;
- (d) service obligations attached to the instruments must be deferrable.

Fixed assets revaluation reserves

5. (1) Fixed assets must be valued on a basis satisfactory to the Central Bank.
- (2) Revaluation of premises shall only be carried out by independent and certified valuers.
- (3) A financial institution must fully disclose and report in its balance sheet or notes to the audited accounts details of the reserves arising from revaluation of fixed assets.
- (4) A financial institution must disclose the basis used to revalue its assets and the effective date of revaluation.
- (5) Revaluation reserves on fixed assets may be included in Tier II Capital in accordance with the Schedule.

Subordinated Debt

6. (1) Approved subordinated debt may be included in Tier II capital if it satisfies the following requirements—
- (a) it is unsecured;
- (b) it has an original fixed term to maturity of over five years;
- (c) it may be redeemed before maturity only at the option of the licensed financial institution and with the prior approval of the Minister in consultation with the Central Bank; and
- (d) it satisfies such further conditions prescribed by the Central Bank.
- (2) In addition to the requirements of sub-regulation (1), approved subordinated debt may be included in Tier II capital during the last five years before maturity if a cumulative discount or amortisation factor of 20% per annum is applied to reflect the diminishing value of the subordinated debt as a continuing source of strength.

PART 3

CAPITAL ADEQUACY RATIO

Capital adequacy ratio

7. (1) A licensed financial institution shall assign all assets recorded on the balance sheet of as well as off-balance sheet exposures to broad risk categories in accordance with the Schedule.

(2) A licensed financial institution shall maintain a minimum ratio between its total regulatory capital (the numerator) and the aggregate of its risk weighted on-balance sheet assets and risk weighted off-balance sheet assets less approved deductions, of not less than 8%, calculated on a consolidated and solo basis.

(3) A licensed financial institution shall calculate its capital adequacy ratio in accordance with the criteria prescribed in the Schedule.

(4) The Central Bank may require a licensed financial institution to increase its capital adequacy ratio above the amount specified in regulation 7(2).

(5) A licensed financial institution shall maintain adequate systems and procedures, satisfactory to the Central Bank, to facilitate computation of the capital adequacy ratio.

(6) In determining the adequacy of the systems and procedures, the Central Bank may have regard to international standards of best practice, the risk profile of a licensed financial institution and the resources of the licensed financial institution.

(7) A licensed financial institution shall provide the Central Bank with computations of its capital adequacy ratio in such form and frequency as the Central Bank may determine.

(8) (a) A licensed financial institution whose capital adequacy ratio falls below the minimum required amount shall employ one or a combination of the following strategies in order to achieve compliance within three months of the reduction in the capital adequacy ratio—

(i) change the risk profile of its assets by converting high risk assets to lower risk assets;

(ii) increase its total regulatory capital;

(iii) apply any other strategy approved by the Central Bank.

(b) Nothing in this regulation shall be interpreted to exempt a licensed financial institution from the requirements imposed by the Central Bank under section 15(3) and (4) of the Act.

Impairment of capital adequacy

Declaration and payment of dividend and other transfers

8. (1) A licensed financial institution shall not declare, credit or pay any dividend on its shares or make any other transfer from profits where such declaration, credit, payment or other transfer would impair its capital adequacy.

(2) Pursuant to sub-regulation (1) a financial institution shall not take any of the actions specified therein unless and until—

- (i) all its capitalised expenses (including preliminary expenses, organisation expenses, share selling commission/brokerage, amount of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off;
- (ii) all bad and doubtful debts and other classified assets have been fully and duly provided for, as required by guidelines issued by the Central Bank under section 36 of the Act; and
- (iii) the financial institution has complied with the requirements of section 14(1) of the Act.

(3) A licensed financial institution may declare, credit or pay any dividend on its shares or make any other transfer from retained earnings, due to losses in the current year, upon certification from an external auditor of the adequacy of capital.

(4) A licensed financial institution shall not pay any dividend from unrealized gains including gains arising from asset revaluations.

Sanctions

9. (1) Where the Central Bank has reasonable cause to believe that a licensed financial institution is in breach of the capital adequacy requirement prescribed by regulation 3, the Central Bank may suspend access by the financial institution to credit facilities of the Central Bank or direct the financial institution to—

- (a) inject additional capital in the institution;
- (b) refrain from declaring and/or paying dividends;
- (c) suspend the acceptance of new deposits;
- (d) suspend the acquisition of fixed assets;
- (e) suspend lending operations.

(2) Where in the opinion of the Central Bank a licensed financial institution is in violation of the capital adequacy requirement, the Central Bank may take any of the measures prescribed in section 22(1) of the Act.

(3) Where the Central Bank determines that a licensed financial institution's capital deficiency is severe enough to have resulted in impairment of capital and such capital impairment is assessed to be detrimental to the interests of depositors, the Central Bank may recommend to the Minister that the licence be revoked under section 22(2) of the Act.

SCHEDULE

CAPITAL ADEQUACY COMPUTATION SCHEDULE

Schedule 11a CAPITAL ADEQUACY COMPUTATION WORKSHEET On Balance Sheet Items All figures in EC\$000's					
Category	Assets		Value (V)	Weight (W)	Weighted Value (V x W) \$000's
Zero Weight	(a)	Cash	-	0	
	1	Local			
	2	Foreign			
	(b)	Due from Central Bank	-	0	
	1	Current Account			
	2	Fixed Deposits and Call Accounts			
	3	Other Claims			
	(c)	Performing securities issued or guaranteed by the territory's Government	-	0	
	1	Treasury Bills			
	2	Government Securities			
	3	Other Claims on Government			
	(d)	Performing claims on territory's government, statutory bodies and other public sector entities	-	0	
	1	Loans to Government			
	2	Loans to Statutory Bodies (Gov't Guaranteed)			
	3	Other (Government Guaranteed)			
	(e)	Performing claims on other CARICOM and approved Foreign Government 1	-	0	
	1	Deposits at CARICOM Central Banks			
	2	Other claims on CARICOM Central Banks			
	3	Securities issued by CARICOM Government			
	4	Other claims on			

		CARICOM Governments		
	5	Deposits at approved foreign central banks		
	6	Other claims on approved foreign central banks		
	7	Securities issued by approved foreign governments		
	8	Other claims on approved foreign governments		
	<i>(f)</i>	Fully Secured Claims (inclusive of credit)	-	0
	1	By Cash		
	2	By Government Securities		
		Sub-total of Zero Weight Category	-	
1Securities of Governments of countries listed in Appendix 1				

Schedule 11a						
CAPITAL ADEQUACY COMPUTATION WORKSHEET						
On Balance Sheet Items						
All figures in EC\$000's						
Risk Weight	Assets		Value (V)	Weight (w)	Weighted Value (V x W) \$000's	
2 0 % R i s k W e i g h t	(a)	Due from Banks		-	0.2	-
	1	Locally Incorporated				
	2	Incorporated in CARICOM Territories				
	3	Incorporated in approved foreign countries				
	(b)	Due from Financial Institutions (inclusive of Fixed Deposits)		-	0.2	-
	1	Locally Incorporated				
	2	Incorporated in CARICOM Territories				
	3	Incorporated in approved foreign countries				
	(c)	Other Claims and loans guaranteed by Financial Institutions		-	0.2	-
	1	Locally Incorporated				
	2	Incorporated in CARICOM Territories				
	3	Incorporated in approved foreign countries				
	4	Incorporated in other foreign countries with a residual maturity of up to one year				
	(d)	Claims on state owned enterprises not guaranteed by government		-	0.2	-
	1	Securities Issued				
	2	Loans				
	(e)	Non-performing claims on territory's government, statutory bodies and other public sector entities			0.2	-
	1	<i>Loans to Government</i>				

	2	<i>Loans to Statutory Bodies (Government Guaranteed)</i>			
	3	<i>Other (Government Guaranteed)</i>			
	4	<i>Securities Issued</i>			
	(f)	Non-performing claims on other CARICOM and approved Foreign Government	-	0.2	-
	1	<i>Securities Issued by CARICOM Governments</i>			
	2	<i>Other Claims on CARICOM Governments</i>			
	3	<i>Securities issued by approved foreign Governments</i>			
	4	<i>Other claims on approved foreign Governments</i>			
	(g)	Claims on or guaranteed by multilateral development banks or collateralized by securities issued by such banks		0.2	-
	(h)	Bankers' Acceptances		0.2	-
	(i)	Cash items in a process of collection		0.2	-
		Sub-Total of 20% Risk Weight			-
50%		Fully secured real estate residential mortgages	-	0.5	-
1 0 0 % R i s k	(a)	Loans and Advances	-	1.0	-
	1	Commercial			
	2	Personal			
	3	Other			
	(b)	Claims on loans guaranteed by financial institutions incorporated in other foreign countries with a residual maturity of over one year		1.0	-
	(c)	Claims on foreign governments	-	1.0	-
	1	Claims on other foreign central banks			

[Subsidiary]

W e i g h t		2	Claims on and obligations guaranteed by other foreign central Governments			
	<i>(d)</i>		Fixed assets	-	1.0	-
		1	Land and buildings			
		2	Plant and equipment			
		3	Other fixed assets			
	<i>(e)</i>		Investments	-	1.0	-
		1	Investments in financial institutions			
		2	Quoted shares/stocks			
		3	Other investments			
	<i>(f)</i>		Other Assets	-	1.0	-
			Sub-Total of 100% Risk Weight	-		
			TOTAL ON-BALANCE SHEET ITEMS	-		

Cover Sheet						
Schedule 11a – Worksheet II						
CAPITAL ADEQUACY COMPUTATION WORKSHEET						
Off Balance Sheet Items						
All figures in EC\$000's						
Risk Weight	Off-Balance Sheet Items		Value (V)	Conversion factor(c)	Weight (w)	Converted Weighted Value (V x Cs V) \$000's
20 % R i s k W e i g h t	(a)	Domestic and Foreign Entities	-			
		1	Bankers' Acceptance		1.00	
		2	Bills of collection		1.00	
		3	Unused loan funds		1.00	
		4	Unused portion of overdraft facilities		1.00	
		5	Unused portion of credit card facilities		1.00	
		6	Documentary credits (colleries by underlying shipments)		0.20	
		7	Documentary credits - Other		1.00	
		8	Unconditional formal standby letters of credit and other commitments with an original maturity of up to one year		1.00	
		9	Formal standby letters of credit and other commitments with a maturity of over one year		0.50	

[Subsidiary]

		10	Other standby letters of credit		1.00	
		11	Performance bonds, warranties and transactions related contingent items		0.50	
		12	Financial guarantees and items which substitute for loans and advances		1.00	
		13	Sale and repurchase agreements with recourse		1.00	
		14	Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdown		1.00	
		15	Other		1.00	
100%	(b)		Domestic, CARICOM and Approved foreign Public Sector Entities and Local governments (Guaranteed by central Government)	-		
Weight		1	Bankers' acceptances		1.00	
		2	Bills of collection		1.00	
		3	Unused loan funds		1.00	
		4	Unused portion of overdraft facilities		1.00	

	5	Unused portion of credit card facilities		1.00	
	6	Documentary credits (colleries by underlying shipments)		0.20	
	7	Documentary credits - Other		1.00	
	8	Unconditional formal standby letters of credit and other commitments with an original maturity of up to one year		1.00	
	9	Formal standby letters of credit and other commitments with a maturity of over one year		0.50	
	10	Other standby letters		1.00	
	11	Performance bonds, warranties and transactions related contingent items		0.50	
	12	Financial guarantees and items which substitute for loans and advances		1.00	
	13	Sale and repurchase agreements with recourse		1.00	

[Subsidiary]

		14	Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdown		1.00	
		15	Other		1.00	
		Sub-Total of 0% Risk Weight		-		

Cover Sheet						
Schedule 11a – Worksheet II cont'd						
CAPITAL ADEQUACY COMPUTATION WORKSHEET						
On Balance Sheet Items						
All figures in EC\$000's						
Risk Weight	Off-Balance Sheet Items		Value (V)	Conversion factor(c)	Weight (w)	Converted Weighted Value (V x Cs V) \$000's
20% R i s k W e i g h t	(c)	Domestic, CARICOM and Approved Foreign Financial Institutions and Public Sector Entities and Multilateral Development Banks	-			-
	1	Bankers' acceptances		1.00	0.20	-
	2	Bills of collection		1.00	0.20	-
	3	Unused loan funds		1.00	0.20	-
	4	Unused portion of overdraft facilities		1.00	0.20	-
	5	Unused portion of credit card facilities		1.00	0.20	-
	6	Documentary credits (colleries by underlying shipments)		0.20	0.20	-
	7	Documentary credits – Other		1.00	0.20	-

	8	Unconditional formal standby letters of credit and other commitments with an original maturity of up to one year		1.00	0.20	-
	9	Formal standby letters of credit and other commitments with a maturity of over one year		0.50	0.20	-
	10	Other standby letters		1.00	0.20	-
	11	Performance bonds, warranties and transactions related contingent items		0.50	0.20	-
	12	Financial guarantees and items which substitute for loans and advances		1.00	0.20	-
	13	Sale and repurchase agreements with recourse		1.00	0.20	-
	14	Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdown		1.00	0.20	-

		15	Loans managed on behalf of the Home Mortgage Bank		0.50	0.20	-
		16	Other		1.00	0.20	-
		Sub-Total of 20% Risk Weight		-			-
	(d)	Private Sector and Other Institutions		-			-
1 0 0 % R i s k W e i g h t		1	Bankers' acceptances		1.00	1.00	-
		2	Bills of collection		1.00	1.00	-
		3	Unused loan funds		1.00	1.00	-
		4	Unused portion of overdraft facilities		1.00	1.00	-
		5	Unused portion of credit card facilities		1.00	1.00	-
		6	Documentary credits (colleries by underlying shipments)		0.20	1.00	-
		7	Documentary credits – Other		1.00	1.00	-
		8	Unconditional formal standby letters of credit and other commitments with an original maturity of up to -one year		1.00	1.00	-

[Subsidiary]

	9	Formal standby letters of credit and other commitments with a maturity of over one year		0.50	1.00	-
	10	Other standby letters		1.00	1.00	-
	11	Performance bonds, warranties and transactions related contingent items		0.50	1.00	-
	12	Financial guarantees and items which substitute for loans and advances		1.00	1.00	-
	13	Sale and repurchase agreements with recourse		1.00	1.00	-
	14	Forward asset purchases, forward deposits and partly paid shares and securities with certain drawdown		1.00	1.00	-
	15	Other		1.00	1.00	-
	Sub-Total of 100% Risk Weight		-			-
	Total off-Balance Sheet Items		-			-

Schedule 11b – Worksheet III CAPITAL COMPUTATION WORKSHEET			
		CAPITAL ITEMS	
		\$000's	
Tier I	(a)	Issued and fully paid-up ordinary share capital or common stock	
	(b)	Fully paid-up ordinary share capital surplus	
	(c)	Fully paid-up perpetual non-cumulative preference shares	
	(d)	Fully paid-up perpetual non-cumulative preference shares surplus	
	(e)	Statutory reserves	
	(f)	Capital reserves – excluding asset revaluations	
	(g)	General reserves – excluding reserves losses on assets	
	(h)	Loan loss reserve – appropriated from retained earnings	
	(i)	Retained earnings (accumulated losses) – audited	
	(j)	Other core capital items approved by the Central Bank	
		Tier I Capital before deductions	-
		Less deductions	-
		1 Current year losses	
		2 Bonus shares from capitalisation of unrealised asset revaluation reserves	
	3 Goodwill		
	4 Other intangibles		
	5 Other items approved by the Central Bank		
	Total Core Capital – Tier I	-	
Tier II	(a)	Fixed assets revaluation reserves (limited to 20% of Tier I capital)	
	(b)	General provisions and loss reserves (limited to 1.25% of total risk-weighted assets)	-
	(c)	Paid-up perpetual cumulative preference shares	
	(d)	Paid-up perpetual cumulative preference shares surplus	
	(e)	Bonus shares from capitalisation of unrealised fixed asset revaluation reserves and unrealised securities revaluation reserves (subject to limits in (a) and (g), respectively)	
	(f)	Unaudited undivided profits excluding unrealised gains on the revaluation of fixed assets and securities	

[Subsidiary]

	(g)	Reserves arising from the revaluation of securities (the surplus arising on revaluation shall be discounted by 55%)	
	(h)	Mandatory convertible debt instruments	
	(i)	Other hybrid capital instruments with combined characteristics of equity and debt	
	(j)	Subordinated term debt and limited life preference shares (limited to 50% of Tier I Capital)	
	(k)	Other capital items approved by the Central Bank	
Total Tier II Capital			-
Allowable Tier II Capital (the lesser of Tier I or Tier II Capital)			-
Total Capital before deductions (Tier I and allowable Tier II Capital)			-
<i>Less deductions</i>			-
	(a)	Substantial equity investments in non-consolidated subsidiaries	
	(b)	Other items approved by the Central Bank	
TOTAL REGULATORY (QUALIFYING) CAPITAL			-

CAPITAL COMPUTATION WORKSHEET		
Calculation of Risk-Based Capital Ratios		
		EC\$000
1	Total risk weighted on-balance sheet assets (Schedule 11-WS 1)	-
2	Less deductions as per Schedule 11(b)(i) & (ii)	-
3	Net risk weighted on-balance sheet assets (1-2)	-
4	Total risk weighted off-balance sheet assets (Schedule 11a-WS 1)	-
5	Total risk weighted assets (3+4)	-
6	Less specific accumulated provision for losses on assets	
7	Less general provisions and loss reserves disallowed in capital (Tier II Capital, Item b)	
8	Total adjusted risk weighted assets (5-6-7)	-
Capital Ratios		
	Tier I Capital to Total Adjusted Risk Weighted Assets (item 8)	0.0%
	Total Regulatory (Qualifying) Capital to Total Adjusted Risk Weighted Assets (item 8)	0.0%
	Tier I Capital to Deposits	-
	Single Largest Loan Facility to Tier 1 Capital	0.0%
	Single Largest Group Loan to Tier 1 Capital	0.0%
	Top 20 Largest Loan Groups to Tier 1 Capital	0.0%

APPENDIX 1**LIST OF CARICOM AND APPROVED FOREIGN COUNTRIES**

CARICOM COUNTRIES	APPROVED FOREIGN COUNTRIES¹
Anguilla	Australia
Antigua and Barbuda	Austria
Bahamas	Belgium
Barbados	Canada
Belize	Denmark
Dominica	Finland
Grenada	France
Guyana	Germany
Jamaica	Greece
Montserrat	Iceland
St Lucia	Ireland
St Kitts and Nevis	Italy
St Vincent and the Grenadines	Japan
Trinidad and Tobago	Luxembourg
	Netherlands
	New Zealand
	Norway
	Portugal
	Spain
	Sweden
	Switzerland
	United Kingdom
	United States

¹ Approved foreign Governments and Central Bank are the Governments and Central Banks of these territories.

APPENDIX 2
LETTER OF COMFORT

We [Bank A] are the direct parent company of [Bank B] (hereinafter referred to as our **Branch**) which is incorporated in and conduct banking business at, in

We have set aside, the amount specified in the Schedule to this letter, in respect of each of our Branch, which is equivalent to or supplements the amount which is required to be kept as assigned capital by our Branch during the term of the Banking Business Licence, in accordance with section 13 of the Banking Act of Montserrat and the Banking (Capital Adequacy and Capital Ratios) Regulations.

We will maintain the amount specified in the Schedule to this letter in respect of each of our Branch in accordance with the law.

Regardless of this, we confirm to you that we accept ultimate responsibility for the maintenance of the required amount of assigned capital by our Branch in any further way should this ever be required.

It is understood that the amount specified in the Schedule to this Letter of Comfort will be reviewed at the end of each financial year in consultation with the Eastern Caribbean Central Bank in light of the balance sheet of our Branch.

We will confirm annually any revision of the amount specified in the Schedule to this Letter of Comfort.

This Letter of Comfort applies to each of our Branch and is valid during the term of the respective Banking Business Licence.

Dated this day of....., 20.....

Authorised Office:.....

Witness:

Address:

Occupation:

**BANKING (DISCLOSURES IN STATEMENT OF
ACCOUNTS) REGULATIONS – SECTION 34**

(S.R.O. 30/1994)

Commencement

[12 July 1994]

Short title

1. These Regulations may be cited as the Banking (Disclosures in Statement of Accounts) Regulations.

Interpretation

2. In these Regulations—
“Act” means the Banking Act.

Disclosures to be made in statement of accounts

3. Every statement of accounts prepared by a financial institution under section 19 of the Act shall make in addition any other disclosures, the disclosures set out in the Schedule in relation to the Assets, Liabilities, Capital and Profit and Loss Account of the financial institution and shall include the additional information set out in Part 5 of the Schedule.

SCHEDULE

PART 1

ASSETS

- (1) Cash and short term funds (in detail).
- (2) Statutory reserves in accordance with the Act.
- (3) Loans and Advances.
- (4) Provision or reserve for loan loss.
- (5) Bad and doubtful loans written off in the past three financial years together with recoveries effected.
- (6) Investments categorized as—
 - (a) Government Securities;
 - (b) Quoted investments;
 - (c) Unquoted investments;
 - (d) Investments in associated companies.

- (7) Goodwill and/or formation of preliminary expenses treated as assets stating period over which these are to be written off against profits.
- (8) Fixed assets (to be shown separately from current assets).
- (9) For each item in the balance sheet, the corresponding amount shown in the last annual balance sheet.

PART 2

LIABILITIES

- (1) Total deposits by categories.
- (2) Current account and other borrowings.
- (3) Dividends.
- (4) Taxation.
- (5) Contingent liabilities stating the aggregate of losses incurred over the last three years.
- (6) Other liabilities.

PART 3

CAPITAL

- (1) Authorized, issued and paid-up or assigned capital, giving particulars of the categories of the share capital.
- (2) Capital issued and paid-up for consideration other than cash.
- (3) Arrears of fixed cumulative dividends on the bank shares (calls in arrears should also be shown).
- (4) Share premium.
- (5) Shares issued at discount (amounts to be shown).
- (6) Capital redemption reserve.
- (7) Capital reserves – stating the derivation.
- (8) Capital obligation, namely, debentures, capital notes, and other long-term borrowings by whatever name called.
- (9) Percentage maximum shareholding by any person or group of related persons.

PART 4

PROFIT AND LOSS ACCOUNT

1. Current operating earnings—
 - (a) Interest on Loans and Advances and Discounts;
 - (b) Amount of income from investments detailing the attractable category of investments;
 - (c) Exchange, commission and service charge;
 - (d) Other current operating earnings.
2. Current operating expenses—
 - (a) Interest on deposits—
 - (i) On Savings Accounts;
 - (ii) Other interest bearing deposits;
 - (b) Remuneration to employees;
 - (c) Directors emoluments and associated expenses;
 - (d) Amount of provision for depreciation, renewals and in value of fixed assets;
 - (e) Allowance for losses and bad debts;
 - (f) Management fees and Head Office expenses;
 - (g) Interest on debenture and other fixed loans;
 - (h) Discount on shares issued; and
 - (i) Other current operating expenses.
3. Net before taxes.
4. Income-tax on profits.
5. Net operating earnings.
6. Gross dividends on profits—
 - (a) Payable locally;
 - (b) Payable overseas.
7. Net retained profit or losses.

PART 5

ADDITIONAL INFORMATION

A list of affiliated companies such as—

- (a) holding company of the bank;

- (b) parent body of the bank (branches of foreign banks or wholly owned subsidiary);
 - (c) subsidiary companies; and
 - (d) any company or person holding more than one half in nominal value of equity share or stock.
-

BANKING (ABANDONED PROPERTY) REGULATIONS

ARRANGEMENT OF REGULATIONS

REGULATION

1. Short title
2. Definitions
3. Report on abandoned property
4. Publication of abandoned property
5. Notification of sale to the Central Bank
6. Advertisement of public sale
7. Delivery of abandoned property to the Central Bank
8. Unsold abandoned property
9. Deduction of Expenses
10. Settlement of Claims
11. Retention of Customer Records
12. Prohibited Items

SCHEDULE: Forms

BANKING (ABANDONED PROPERTY) REGULATIONS – SECTION 34

(S.R.O. 23/2008)

Commencement

[23 July 2008]

Short title

1. These Regulations may be cited as the Banking (Abandoned Property) Regulations.

Definitions

2. In these Regulations—

“**abandoned property**” means any property which is presumed to be abandoned under section 60 of the Act;

“**Act**” means the Banking Act.

Report on abandoned property

3. A licensed financial institution shall submit the report required by section 61(1) of the Act, in the form set out in the Schedule as Form A.

Publication of abandoned property

4. Subject to regulation 12, a licensed financial institution shall publish for two consecutive weeks, the particulars of abandoned property, excluding value, in at least two newspapers of general circulation in Montserrat.

Notification of sale to the Central Bank

5. A licensed financial institution shall at least one week prior to the public sale of any abandoned property under section 62, give notice of the sale to the Central Bank.

Advertisement of public sale

6. A licensed financial institution shall advertise for two consecutive weeks, the particulars of the public sale of any abandoned property, in the *Gazette* and in at least two newspapers of general circulation in Montserrat, prior to sale.

Delivery of abandoned property to the Central Bank

7. (1) A licensed financial institution shall, subject to regulations 8, 9 and 12, deliver to the Central Bank within sixty days of the date of submission of the report referred to in regulation 3, holdings of abandoned property as required by section 61(1) of the Act, along with a statement in the form set out in the Schedule as Form B.

(2) A licensed financial institution shall, subject to regulation 9, deposit with the Central Bank the proceeds of the public sale as required by section 62 of the Act

within thirty days of the date of the public sale, along with a statement in the form set out in the Schedule as Form C.

(3) On receipt of the holdings of abandoned property or the net proceeds of the sale of any property from a licensed financial institution, the Central Bank shall—

- (a) submit to the financial institution, an acknowledgement of abandoned property in the form set out in the Schedule as Form D; and
- (b) publish the particulars of the abandoned property on its website.

Unsold abandoned property

8. (1) Subject to regulation 12, a licensed financial institution shall—

- (a) retain and maintain any unsold abandoned property on behalf of the Central Bank for such period as shall be directed by the Central Bank; and
- (b) submit to the Central Bank a statement of unsold abandoned property in the form set out in the Schedule as Form E.

(2) Subject to subregulation (1), a licensed financial institution may dispose of unsold abandoned property as agent of the Central Bank in accordance with guidelines issued by the Central Bank.

Deduction of Expenses

9. (1) A licensed financial institution may deduct all reasonable expenses incurred by it in respect of—

- (a) the publication and mailing of notices of abandoned property required by section 61(3) of the Act; or
- (b) the sale of any abandoned property under section 62 of the Act,

and apportion the expenses equally among the holdings described in section 60 of the Act.

(2) Where the amount of a holding is insufficient to cover the expenses referred to in subregulation (1)(a) and (b), the licensed financial institution shall deplete the holding and apportion the remaining expenses equally among the other holdings.

Settlement of Claims

10. Any claims to abandoned property which—

- (a) is paid to the Central Bank pursuant to regulation 7; or
- (b) is held on behalf of the Central Bank pursuant to regulation 8,

shall be verified and settled by the licensed financial institution as agent of the Central Bank in accordance with guidelines issued by the Central Bank.

Retention of Customer Records

11. A licensed financial institution shall maintain—

- (a) all customer records in respect of abandoned property to facilitate the verification and settlement of claims under regulation 10;
- (b) a record of the disposal of any unsold abandoned property pursuant to regulation 8(2).

Prohibited Items

12. (1) A licensed financial institution shall not publish the particulars of any prohibited, controlled or otherwise illegal abandoned property.

(2) A licensed financial institution shall deliver abandoned property which is prohibited, controlled or otherwise illegal to the relevant authority in Montserrat immediately upon discovery.

SCHEDULE

FORM A

(Regulation 3)

Name of Licensed Financial Institution

Address of Licensed Financial Institution

REPORT ON ABANDONED PROPERTY

No.	Name(s)	Account number	Last known address	Date of last Correspondence/ transaction/ acknowledgement	Description of Property	Value EC\$	
						Gross	Net of authorised deductions

For the financial year ended [*date*]

Dated:

 Manager/Authorised Signatory

FORM B

(Regulation 7)

Name of Licensed Financial Institution

Address of Licensed Financial Institution

STATEMENT OF DELIVERY OF ABANDONED PROPERTY

No.	Name(s)	Account number	Last known address	Date of last Correspondence/ transaction/ acknowledgement	Description of Property	Value EC\$	
						Gross	Net of authorised deductions

For the financial year ended [date]

Dated:

Manager/Authorised Signatory

FORM C

(Regulation 7)

Name of Licensed Financial Institution

Address of Licensed Financial Institution

STATEMENT REGARDING PROCEEDS OF SALE OF ABANDONED PROPERTY

No.	Name(s)	Safety Deposit Box No.	Last known address	Date of last Correspondence/ transaction/ acknowledgement	Description of Property	Date of Public Sale	Value EC\$	
							Gross	Net of authorised deductions

For the financial year ended [date] / following public sale conducted [date] at [place]

Dated:

Manager/Authorised Signatory

FORM D
(*Regulation 7*)

Name of Licensed Financial Institution
Address of Licensed Financial Institution

ACKNOWLEDGEMENT OF DELIVERY OF ABANDONED PROPERTY

To: [*address to Manager of Financial Institution*]

The Eastern Caribbean Central Bank hereby acknowledges the receipt on the day
of..... of the property described in the attached statement.

Dated:

Authorised Signatory

[*Attach copy of statement submitted by financial institution*]

FORM E

(Regulation 8)

Name of Licensed Financial Institution.....

Address of Licensed Financial Institution

**STATEMENT OF UNSOLD ABANDONED PROPERTY
HELD ON BEHALF OF THE CENTRAL BANK**

No.	Name(s)	Safety Deposit Box No.	Last known address	Date of last Correspondence/ transaction/ acknowledgement	Description of Property	Value EC\$

For the financial year ended [*date*]

Dated:

Manager/Authorised Signatory

