



FINANCIAL SUPERVISORY COMMISSION

OF THE

COOK ISLANDS

ANNUAL REPORT

2014-2015

REPORT ON ACTIVITIES

2014-15

The year ended 30 June 2015 was the twelfth year of operations of the Financial Supervisory Commission (FSC).

Despite the period covered being a challenging one due to the continuing world economic downturn and unforeseen budget expenses, the FSC has managed to keep its operational costs within budget. This has mainly been due to favourable exchange rates during the period for the US Dollar. The FSC has also been able to make the following returns to Government:-

- \$555,684 in respect of vested assets,
- \$65,000 Return of Excess to Crown, and
- \$278,787 FSDA Levy collected.

The figures totalled together show a final amount of FSC payments to the Crown during the financial year of \$899,471.

Other significant events occurring during the financial year were the granting of the Cook Islands first Captive Insurance licence to Ovation Risk Limited in May 2015 and application by Bank of South Pacific to take over the business operations of Westpac Banking Corporation within the jurisdiction.

Since July 2012 the Financial Intelligence Unit (FIU) has been part of the FSC. However, the FIU has retained its operational independence and powers under related legislation, such as the Financial Intelligence Unit Act 2015 ("FIU Act").

The Commission's work for the year is essentially set by the Statement of Corporate Intent that is provided to the Minister of Finance by 31 March of the preceding year. During the year the Commission was able to materially complete all the activities outlined in the Statement of Corporate Intent for 2014-15.

The Commission was able to fulfil its obligations under the prudential supervision programme that had been set for the year with all licensed institutions undergoing on-site inspections under legislation which the Commission has responsibility for implementing. Registrations and renewals of international entities are dealt with online so are processed in real time.

The Commission also undertook annual on-site inspections of each trustee company for compliance with Part 2 of the Financial Transaction Reporting Act 2004 ("FTRA"). The FSC's staff members who assist in these inspections and who are not part of the FIU, did so under delegated powers from the FIU.

The Commission has continued to work throughout 2014-15 on legislative reform. The Trustee Companies Act 2014 was enacted in November 2014 and the Financial Intelligence Unit Act was enacted in June 2015.

The Trustee Companies Act 2014 brought companies that undertake trustee company business in the Cook Islands under the same level of regulatory control applied to other financial institutions, such as banks and insurance operators. Previously trustee companies were only regulated for compliance under the FTRA for anti-money laundering and the countering of terrorist financing purposes. The new Act replaced the Trustee Companies Act 1981-82 and was designed to strengthen the Commission's regulatory oversight powers over Trustee Companies, to ensure international best practices and standards are met.

The new Trustee Act requires the Financial Supervisory Commission to licence all Cook Islands businesses entering into trustee company business and provides accompanying powers to allow for regulatory inspections of the business; application of procedures to ensure the fitness and propriety of significantly connected persons; regulatory intervention and enforcement powers.

The FIU Act replaced Part 4 of the FTRA and continued the establishment of the Financial Intelligence Unit (FIU) and laid out its current functions and powers. It maintained the FIU as an agency of the Crown, sitting within the Financial Supervisory Commission, but acting independently on operational matters. It continued the FIU's present functions exactly as they were, but provides for better provisions to enhance the Unit's powers to operate, and as a consequence provide for better regulatory control and the meeting of international standards.

The FIU Act more clearly and firmly sets out the placement of the FIU within the Financial Supervisory Commission and further establishes its independence from Government. The Financial Action Task Force has set international standards that require that FIUs operate as independently as possible from possible political interference. Hence the new Act provides that the FSC Board appoints the Head of FIU who must report to them and removes the Minister of Finance from that position. The new Bill also replaces the need for the Head of FIU to seek Cabinet approval before entering into an information exchange agreement with another agency in a foreign jurisdiction. Under the new Act the Head of FIU would only be able to do so with the approval of the FSC Board.

Another important aspect of the FIU Act is to better equip the FIU with powers to investigate and collect information pursuant to its functions. Sections within the new Act better provide for the obtaining of information and provide penalties for those who obstruct the information being provided. To mitigate the possibility of the FIU misusing its powers, the FIU Act also contains better safeguards for those who the FIU may be exercising its powers upon.

These new Acts are part of a number that the FSC has been working on to improve the Cook Islands anti-money laundering and the countering of terrorist financing and proliferation regime. The aim is to better meet relevant international standards in this area which were revised in 2012 and to respond to deficiencies noted in the last international evaluation of our regime, carried out by the Asia/Pacific Group on Money Laundering (APG) in 2009. Our next evaluation which will be carried out by the APG and the Group of International Financial Centre Supervisors (“GIFCS”) is scheduled to start sometime in late 2017, but will be much more focused than in previous evaluations on the efficiency of how our legislation and policies are executed. Hence the Cook Islands will need to have legislation in place well before the next evaluation as we will have to show a history of how it has operated.

During the period covered, drafting work on other pieces of legislation has been carried out to further strengthen the regulatory capacity of the Commission, thereby supporting and encouraging a strong and competitive financial services industry. Some are directly related to the work of the FIU.

A Currency Declaration Bill has been drafted and consulted upon to better improve the declaration of currency and the seizure, detention or forfeiture of undeclared currency when people enter or leave the Cook Islands. The Bill will allow the FIU to play a more central part in the process. This Bill is expected to go forward for enactment in the latter part of 2015. Another draft Bill worked upon is one to replace the Financial Transactions Reporting Act 2004. This new Bill will improve upon the current legislation to provide for the keeping of records and the reporting of certain financial transactions to the FIU, to help combat financial misconduct and the commission of serious offences.

The final draft Bill which was progressed upon in the period covered was the Superannuation Supervision Bill. The Bill is to provide for the prudent setting up and management of superannuation funds in the Cook Islands and provide for their regulatory supervision by the Commission. It will also bring the Cook Islands National Superannuation Fund under the regulatory responsibility of the FSC.

Whilst future enactment depends upon the availability of Parliamentary time, it is envisaged that all of these Bills will be passed by the end of 2015-16 or shortly thereafter.

Performance Targets for the year 1 July 2014 - 30 June 2015 from the 2014-15 Statement of Corporate Intent.

(1) To conduct each year an on-site examination of all banks, insurers and money changing and remittance businesses licensed to carry out business in the Cook Islands.

Actual Performance – This was fully achieved.

(2) To undertake off-site reviews of all data supplied by banks and insurers on a quarterly basis.

Actual Performance – This was achieved.

(3) To administer new applications for the licence of a financial institution on a timely basis with all applications for new licenses being determined within three months of the receipt of the completed application.

Actual Performance – There were five applications for new licenses or approvals in the period covered which were processed, approved and the licenses or approvals issued within the statutory required time limit.

(4) To conduct in each year compliance reviews of all licensed financial institutions and designated non-financial businesses and professions in respect of the financial transactions reporting regime.

Actual Performance – This was fully achieved.

(5) To review each year the operations of trustee companies in relation to the Statement of Best Practice issued by the GIFCS and the new Trustee Companies Act.

Actual Performance – Since the Trustee Companies Bill 2014 was enacted trustee companies have been inspected off-site and on-site in a similar manner as the other types of businesses licensed by the Commission.

(6) To administer registration and renewal of registration of international companies, international trusts, international partnerships, limited liability companies and foundations efficiently and without delay.

Actual Performance – This was fully achieved.

(7) To keep under on-going review legislation administered by the Commission with a view to recommending amendments where the legislation needs to reflect changes in the global financial environment, including best international supervisory and regulatory practice.

Actual Performance – A number of pieces of legislation have been identified as requiring amendment or replacement to keep abreast of changing international standards and best practice. Drafts are awaiting enactment or being drafted and consulted upon as follows: -

- Currency Declaration Bill 2015
- Financial Transactions Reporting Bill 2015
- Superannuation Supervision Bill 2015

Two new Acts have been enacted as follows: -

- Trustee Companies Act 2014
- Financial Intelligence Unit Act 2015

The following Regulations were made by His Excellency the Queen's Representative in Executive Council: -

- Trustee Companies Regulations 2014
- Trustee Companies Amendment Regulations 2014

(8) To enhance the skills of supervisory staff, principally by use of technical training provided by the Pacific Financial Technical Assistance Centre, the International Monetary Fund, the Australian Prudential Regulation Authority and the Financial Stability Institute.

Actual Performance – The Commission has fully utilised offers of training for its supervision staff as identified for the year 2014-15 later in this report.

(9) To maintain a structured programme for up-skilling the staff of the Commission throughout the year.

Actual Performance – The Commission has continued to seek outside training for its entire staff as reported for the financial year 2014-15 later in this report.

(10) To report to the Minister of Finance on the legislation administered by the Commission by 30 June each year.

Actual Performance – Two pieces of legislation required reporting on during the period covered. They were the Trustee Companies Act 2014 and the Financial Intelligence Unit Act 2015 which were enacted by Parliament. Staff from the Commission provided briefings and assisted the Minister in presenting these Bills before Parliament for enactment.

(11) To undertake enforcement action where necessary to achieve the Commission's objectives.

Actual Performance – There was a requirement to exercise formal enforcement action during the period covered against one licence-holder. This action was not concluded during the period.

(12) To coordinate and conduct a bi-annual National Risk Assessment for the Cook Islands.

Actual Performance – The Head of FIU was involved in the coordination and drafting of a new National Risk Assessment for the Cook Islands in-line with the revised Financial Action Task Force's (FATF) Methodology for assessing compliance with their Recommendations on Combatting Money Laundering and the Financing of Terrorism & Proliferation. The revised Methodology was issued by FATF in February 2013. The National Risk Assessment is the first drafted by the FIU and key agencies of the

Coordinating Committee on Money Laundering and Terrorist Financing (AML/CFT Committee) in consultation with the private sector.

(13) To develop policies, procedures and guidelines in administering the Financial Transactions Reporting Bill and Currency Declaration Bill when enacted, and on an annual basis review those policies and guidelines in line with any changing circumstances or changes in legislation.

Actual Performance – Neither of these Bills were enacted in 2014-15. They are now expected to be passed in 2015-16. The Guidelines for the Currency Declaration Bill have been drafted.

(14) To effectively administer and enforce the Financial Intelligence Unit Bill, the Financial Transactions Reporting Bill and the Currency Declaration Bill when they are enacted.

Actual Performance – Only the FIU Act was enacted in late 2014-15 and has been enforced and administered. The other pieces of draft legislation are expected to be enacted in 2015-16.

(15) To discharge all other obligations on a timely and proper basis under the legislation which the Commission has responsibility to administer.

Actual Performance – This was fully achieved. There has been no criticism from the judicial or parliamentary sectors during the period covered.

Supervisory Activities

Banking

The Commission bases its supervisory approach for the banking industry on the Basel Core Principles for Banking Supervision. The Commission continues to update its supervisory approach, taking into account issuances from the Basel Committee on Banking Supervision and other international standard setting bodies such as the FATF. Banking supervision is performed using off-site examinations of reports provided by banks and on-site inspections. The Commission and FIU's staff also undertook an annual on-site inspection for each bank for compliance with Part 2 of the Financial Transactions Reporting Act 2004 (FTRA).

During the period covered one application was made to carry out Domestic and International Banking business under the Banking Act 2011, relating to the take-over of the banking operations of the Westpac Group in the Cook Islands by the Bank of South Pacific ("BSP").

The application was received by the Commission in March 2015 and decided upon by the FSC Board at a special meeting held in June 2015. The application was the subject of

intense investigation and vetting by the Commission which included a delegation visiting Papua New Guinea, where BSP are centrally based, to speak to BSP's past and present auditors, regulatory officials, PNG FIU officials, PNG Government Departments and members of the senior BSP management team.

The decision was made to grant the issue of the required licenses on formal sale agreement being reached between BSP and Westpac. The licenses were issued just after the end of the 2014-15 period covered by this report.

Insurance

The Commission's supervisory approach in relation to the insurance industry continues to be based upon the Insurance Core Principles, contained within the Insurance Core Principles, Standards, Guidance and Assessment Methodology, issued by the International Association of Insurance Supervisors in October 2011 and last updated in October 2013.

During 2014-15 the Commission issued the following licences or approvals to conduct general insurance business: -

- December 2014 – an approval to act as an external insurer to Ace Insurance Limited.
- February 2015 – an External Insurance Managers' Licence to Willis Insurance New Zealand Limited.
- February 2015 – an approval to act as an Approved External Insurer to Federal Pacific Insurance Limited.
- March 2015 – an Insurance Agent Licence to Federal Pacific Cook Islands Limited.
- May 2015 – a Captive Insurer licence to Ovation Risk Limited.

All insurers or their intermediaries conducting insurance business in the Cook Islands have now been licensed in accordance with the requirements of the Insurance Act 2008. A programme of ongoing supervision through on-site inspection and off-site analysis was carried out on all licensed insurers in 2014-15.

Captive Insurance

In May 2015 the Commission issued the very first Captive Insurance licence in the Cook Islands. The licence was issued to Ovation Risk Limited as per section 7 of the Captive Insurance Act 2013 and allows them to carry-out Captive Insurance business for associated companies in the Group Ovation are part of.

Money Changing & Remittance Businesses

On 23 June 2010, the Board approved and granted a licence to Jetsave Cook Islands Limited to carry on money-changing and remittance business in the Cook Islands in

accordance with Sections 7 and 9 of the Money-changing and Remittance Businesses Act 2009. The Commission continued its programme of supervision for this entity in 2014-15 and will continue to do so in 2015-16.

Superannuation

As previously reported the Commission continued to develop enabling legislation to provide for the regulatory oversight of the superannuation industry in the Cook Islands by the Commission. The need for supervision can be considered in terms of safeguarding a country's superannuation system against risk and enhancing the overall efficiency of the financial system. Given the compulsory nature of superannuation contribution in this country, the ongoing regulatory oversight of the Cook Islands National Superannuation Fund by the Commission is seen as fundamental in providing a level of comfort to the investment of Cook Islanders in their retirement. It is anticipated that this legislation will be presented to Parliament in early 2016.

Trustee Company Business

The number of trustee companies licensed in the Cook Islands remained at six throughout the year; however HSBC formally announced their pending closure of operations in the Cook Islands in 2015/16. The Commission conducted on-site inspections of all trustee companies under Part 2 of the FTRA during the year. Trustee companies are encouraged to operate in accordance with the Statement of Best Practice issued by the Group of International Financial Centre Supervisors (GIFCS).

The Asia/Pacific Group on Money Laundering carried out an evaluation of the anti-money laundering and combating the financing of terrorism regime of the Cook Islands, based on the implementation of the Forty Recommendations and Nine Special Recommendations, of the Financial Action Task Force. Their report was published in July 2009, a copy of which can be downloaded from the FSC website. One of its findings was that improvements were needed to the legislation related to the regulation of Trustee Company business to keep abreast of evolving international standards. The Trustee Companies Act 2014 was enacted and now gives the Commission the full range of regulatory powers to supervise the Trustee Company sector to meet established international standards.

Registrar's Office

The Commission is responsible for maintaining the official registers for all Foundations, International Trusts, International Companies, Limited Liability Companies and International Partnerships registered in the Cook Islands.

On 12 December 2011 all registry services, in respect to both registration and renewal, of international entities commenced online. The year under review represents the third full year of operation of the Online Registry. This significant move from a paper-heavy manual system of entity registration and renewal to a technically advanced electronic

online registry system has brought huge enhancements to the Registrar's Office. Trustee Companies now conduct all key registry activity online and in real time. The integrity and security of the data captured on the Online Registry has been, and remains, a key focus of the new system. Overall the benefits have been wide ranging and will ensure the Cook Islands are not left behind in embracing technological advancement. Not only does this have the potential to attract new international business to the Cook Islands, with increased ease of doing business, but we now have enhanced compliance mechanisms to assist the Commission to ensure the Cook Islands remains a reputable offshore jurisdiction in which to do business.

During 2013-14 the Commission re-examined its procedures in dealing with assets vested with the Registrar after a company is dissolved, known in law as Bono Vacantia. This involved looking at how better to identify assets at the time they become vested; how to dispose of non-cash items; how better to maintain cash assets during the six year statutory period when ownership claims are permissible and; how to eventually pass any monies to the Crown when due. This involved the signing of a Memorandum of Understanding with the Ministry of Finance and Economic Management in 2014-15, for the exchange of information and funds relating to the operation of Bona Vacantia procedures, as required by virtue of the International Companies Act 1981-82. During the period 2014-15 \$555,684 was passed to the Crown as vested assets.

Foundations

The number of foundations for which registration and renewal fees were received in 2014-15 was 18, an increase of 13 from the previous year.

International Companies

The number of international companies for which registration and renewal fees were received in 2014-15 was 1,090, identical to the previous year.

International Trusts

The number of international trusts for which registration and renewal fees were received in 2014-15 was 2,505, a decrease of 115 from the previous year.

Limited Liability Companies

The number of limited liability companies for which registration and renewal fees were received in 2014-15 was 408, an increase of 25 from the previous year.

International Partnerships

The number of international partnerships for which renewal fees were received in 2014-15 was 3, a decrease of 3 from the previous year.

Financial Intelligence Unit

The FIU is responsible for collecting, analysing and disseminating financial information and intelligence on suspected money laundering, the financing of terrorist activities and other serious offences, to the appropriate authorities in the Cook Islands and internationally with approved organisations or countries. It is also tasked to regulate and conduct compliance examinations of all registered Reporting Institutions in the Cook Islands as stipulated by the FIU Act 2015. The FIU has also been mandated by Cabinet to coordinate the implementation of the Cook Islands anti-money laundering and countering the financing of terrorism (AML/CFT) regime, through the Coordinating Committee of Agencies and Ministries.

Internationally, the FIU is part of the Egmont Group of Financial Intelligence Units and the Association of Pacific Islands Financial Intelligence Units. Nationally it is part of the Anti-Corruption Committee, the Combined Law Agency Group and the Cook Islands National Intelligence Unit.

During the period covered the FIU did not sign any new Memorandum's of Understanding with their counterpart FIU's.

The Head of FIU, Bob Williams and the Commissioner, Paul Heckles, attended the annual meeting of the Asia Pacific Group on Money Laundering (APG) in Macau in July 2014 to discuss membership issues and the progress made by the Cook Islands in addressing the deficiencies identified during the mutual evaluation process.

Mr Williams also attended an Egmont Committee meeting held in Berlin in January 2014 and the Annual Meeting of the Egmont Group of FIUs held in Barbados in June 2015.

The visit to the EGMONT Committee meeting held in Berlin was to assist in the presentation of Tonga FIU's application for EGMONT membership.

Walter Henry attended the APG/FATF Joint Experts Meeting on Typologies in November 2014.

During the period covered Mr Williams was a member of the team of international experts which took part in the APG led inspection of Samoa assessing how their AML/CFT regime compared against international standards. His work included drafting parts of the resulting Mutual Evaluation Report relating to Samoa. The work required two visits to Samoa by Mr Williams.

The FIU has been working on a project to develop its database which records the various reports made to it by the financial industry. At the moment such reports are paper based and manually uploaded into the system. When developed, the new data system will enable financial institutions to submit their reports electronically, saving them both time and expense. Advantages for the FIU will be that: -

- the required reports will be received in a more timely manner;
- the new system will be far more searchable;
- it will be able to generate bespoke statistics;
- it will allow for the setting of default parameters.

The work has involved negotiations with the Australian FIU which developed the original data system, obtaining from them the original computer source codes and working on drafting new legal agreements for the systems use. Considerable technical assistance has also been received from the Fiji FIU who already has an enhanced version of the system in use. It is envisaged that the project will be completed in early 2015-16.

Mr Williams to further an investigation travelled to Brisbane, Australia to meet with the Australian Federal Police and the Asset Confiscation Task Force.

Suspicious Transaction Reports

Reporting institutions are required under section 11 of the FTRA to report any suspicious transaction to the FIU.

The FIU received 35 Suspicious Transaction Reports (STR) in 2014-15, and 5 were disseminated to the relevant law enforcement and regulatory authorities in the Cook Islands and 6 to FIUs in other jurisdictions.

Other Transaction Reports

Reporting institutions are required under section 10 of the FTRA to report to the FIU any cash transaction of \$10,000 and above including any electronic funds transfer of \$10,000 and over both in and out of the Cook Islands.

All travellers coming into the Cook Islands or going out of the Cook Islands are required under section 96 of the Proceeds of Crimes Act 2003 to declare if they are carrying cash or negotiable bearer instruments of \$10,000 or more (or its equivalent in foreign currency). A Customs Officer is required under section 97A of the Proceeds of Crime Amendment Act 2003 to report any movement across the border of the Cook Islands of any cash or negotiable bearer instrument over \$10,000 to the FIU.

The table below shows the number of transaction reports (other than STRs) received by the FIU in 2014-15.

Transaction Report	Total Number of Reports
Cash transaction report	2,422
Electronic funds transfer report	6,561
Border cash report	28

The FIU has continued to assist the Cook Islands Police with a number of their investigations, some of which have ended in successful prosecutions. A number of cases

are not yet finalised and are on-going. The FIU has also assisted a number of foreign authorities throughout the year, often through the auspices of Mutual Assistance requests routed through Crown Law.

Supervision Staff

Much of the supervisory capacity of the Commission continues to be directed towards enhancing the supervisory framework of the Commission. This is an on-going process which has been and will continue to be addressed on several fronts, including legislative review, development of regulatory standards, enhanced methodology and staff training.

The Commission throughout the period covered has sought training opportunities to particularly upgrade staff skills in conducting risk-based supervision. As the licence holder base is increasing in the Cook Islands and international standards increasingly call for risk-based supervision, the FSC continues to prepare for a future change of regulatory approach.

Financial Performance

The 2014-15 Financial Performance of the Commission exceeded budgeted figures. A positive net surplus, of \$53,809 more than that budgeted for, was achieved. Actual revenue for the year to 30 June 2015 was \$1,586,970 and expenditure totalled \$1,275,278 resulting in a net surplus of \$311,692. Given the global economic downturn, and the continually fluctuating USD, the Commission was pleased to exceed expected revenue levels, whilst containing expenditure near budgeted amounts.

Further detail in respect to the Commission's financial performance is provided in the attached audited Financial Statements, with both budget and prior period comparatives included.

An amount of \$65,000 was returned to the Crown in line with section 24(2) of the Financial Supervisory Commission Act 2003 (FSC Act).

Additionally, an amount of \$278,787 was returned to the Crown as surplus funds, pursuant to section 24(2) of the FSC Act. This amount represented the income derived from the additional fee imposed for registering, or renewing the registration of, an international trust. This is used to fund the operations of the Financial Services Development Authority.

An amount of \$555,684 was also passed to the Crown as vested assets pursuant to section 199(3) of the International Companies Act 1981-82.

The FSC Board

The Board of the Commission comprised 5 members as at 30 June 2015, being:

Raymond Newnham – Chairman
Fletcher Melvin
Geoff Stoddart
Madeilene Sword
Gaye Whitta

Heinz Matysik was a Board member for the early part of 2014-15. Fletcher Melvin took up the vacated position in January 2015.

Board member Raymond Newnham remained as Chairman, as appointed by the Minister of Finance in accordance with section 4(4) of the FSC Act.

During the year the FSC Board met on 14 occasions. The Board was able to deal with all matters before it on a timely basis.

The FSC Commissioner

The FSC Commissioner, Paul Heckles, is responsible for the day-to-day running of the Commission and reports directly to the FSC Board.

The Commissioner also acts as a Director of the Financial Services Development Authority (FSDA), as provided for by the Financial Services Development Authority Act 2009. The objective in establishing the FSDA is the encouragement, promotion and development of the Cook Islands financial services industry to achieve sustained growth, which is economically beneficial, socially responsible and reputable. The Commissioner continues to play a key role in ensuring an adequate level of regulatory oversight in the ongoing development of the financial services industry in the Cook Islands.

In fulfilling this role the Commissioner may be called upon to represent the Commission in international fora to present on the regulatory environment in the Cook Islands.

The Commissioner took part in the following international events during 2014-15:-

- Along with the Head of FIU he attended the Annual Meeting of the Asia Pacific Group on Money laundering (“APG”) held in Macau in July 2014.
- The Commissioner attended the APG/FATF run Mutual Evaluation Report Assessor training course held in Seoul, South Korea in August 2014.
- He attended the SEACAM Cyber Convention held in Kuala Lumpur, Malaysia in August 2014.
- The Commissioner attended the APG/FATF Joint Experts’ Meeting on Money Laundering and Terrorist Financing Typologies held in Bangkok, Thailand in November 2014.
- The Pacific Financial Technical Assistance Centre (“PFTAC”) Steering Group Meeting held in Rarotonga in March 2015.
- The Commissioner attended the annual meeting of the Group of International Financial Centre Supervisors (GIFCS) and the biannual International Conference

of Banking Supervisors, both held consecutively in Tianjin, China in September 2014.

- In March 2015 he was part of a delegation from the Cook Islands who visited the Bank of China's office in Auckland, New Zealand. The delegation was led by the Minister of Finance and also consisted of the Financial Secretary, the FSDA CEO and members of the financial sector.
- He also attended the Group of International Insurance Centre Supervisors ("GIICS") insurance regulatory training seminar held in Hong Kong in April 2015.

During the period covered Mr Heckles was a member of the team of international experts which took part in the APG/GIFCS led inspection of Vanuatu assessing how their AML/CFT regime compared against international standards. His work included drafting parts of the resulting Mutual Evaluation Report relating to Vanuatu and visiting the jurisdiction to meet officials.

Personnel

As at 30 June 2015, the staff of the Commission comprised the Commissioner, the Deputy Commissioner; the Head of FIU; the Registrar of International and Foreign Companies and nine other staff.

The Commission completed a review of its HR procedures during the financial year 2014-15 using an external consultant. The HR Policy Staff Manual was revised and rewritten to meet modern day needs and legislation. A bespoke annual reporting system for staff was devised and implemented incorporating amongst other things, a better method to capture staff training and development needs.

The Commission was well served by its staff during the year and the Board thanks them for their continuing contribution.

Training & Development

In June 2014 Margaret Tangimetua attended an ANZ Supervisory College in Sydney, Australia, hosted by the Australian Prudential Regulation Authority ("APRA").

Amanda Tuatai was a participant in the Small Countries Financial Management Programme held in the Isle of Man and Oxford, England in July 2014. The aim of the Programme is to improve the capacity of small countries to respond to international standards and regulations.

In March 2015 the Deputy Commissioner, Louise Wittwer, and two of the supervisory staff attended regulatory insurance supervision training in Sydney, Australia.

Also in March 2015 Margaret Tangimetua took part in a Reserve Bank of Fiji led ANZ/Hub Operational Risk on-site inspection in Suva.

The Deputy Commissioner attended the Technical Meeting of the Group of International Financial Centre Supervisors in London in April 2015. Immediately afterwards she met with officials from the Financial Conduct Authority in respect to supervision of insurance companies and the Commonwealth Secretariat regarding funding opportunities.

In May 2015 the Commission hosted on behalf of the Toronto Centre, an international conference dealing with risk-based regulatory supervision, which eight Commission staff attended. Afterwards the presenters from the Toronto Centre stayed on in Rarotonga and provided seven days of further supervisory training to Commission staff.

In the end of May and into June 2015, Emilie Pierce took part in an assisted onsite inspection of Tower Insurance in Suva, Fiji.

The technical training and support provided by the IMF, PFTAC, APRA and the APEC FRTI is invaluable to the Commission and is greatly appreciated. The Commission will continue to seek relevant training opportunities to enhance the development of all staff. Commission staff members have also been encouraged to make use of on-line training provided by the Financial Stability Institute, a programme to which the Commission subscribes.

Other Matters

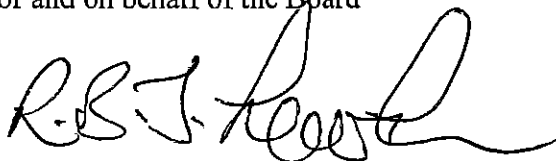
On the 22 January 2015 an Industry Forum was organised by the FSDA and attended by the Minister for Finance. Members of the FSC Board, the Commissioner, Deputy Commissioner, Head of FIU and other Commission staff also participated.

During 2014-15 Commission staff worked on the beginning of a comprehensive risk management plan, incorporating disaster recovery plans, which will aid recovery of key services if necessary. This will be progressed in 2015-16 as the Commission is aware of the increasing cyclone risks due to the effects of global warming.

A project was also begun to find a new searchable IT document filing system which would better archive and retrieve relevant documents for the Commission's staff.

No written policy directions were raised by the Minister of Finance during the period covered by this report.

For and on behalf of the Board



Raymond Newnham
Chairman
25 September 2015



FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015



FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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FINANCIAL SUPERVISORY COMMISSION

DIRECTORY

Minister

The Honourable Mark Brown

Members of the Board

Raymond Newnham (Chairman)

Fletcher Melvin

Gaye Whitta

Geoffrey Stoddart

Madeilene Sword

Commissioner

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Cook Islands Audit Office

Bankers

Australia and New Zealand Banking Group Limited (ANZ)

Capital Security Bank Limited (CSB)

Solicitors

Crown Law Office

Tim Arnold





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Cook Islands**

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FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of the Commission's financial statements and the judgments made in the process of producing those statements for the purposes of Section 26 of the Financial Supervisory Commission Act 2003.

We have the responsibility of establishing and maintaining, and we have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements fairly reflect the financial position and operations of the Financial Supervisory Commission for the year ended 30 June 2015.

Paul Heckles
Commissioner

31 August 2015

Raymond Newnham
Chairman

31 August 2015





AUDIT REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE FINANCIAL SUPERVISORY COMMISSION FOR THE YEAR ENDED 30 JUNE 2015

We have audited the financial statements on pages 7 to 11. The financial statements provide information about the past financial performance of the Financial Supervisory Commission and its financial position as at 30 June 2015. This information is stated in accordance with the accounting policies set out on pages 12 to 15.

Responsibilities of the Financial Supervisory Commission

Section 28(2) of the Ministry of Finance and Economic Management Act 1995-96 requires the Financial Supervisory Commission to prepare financial statements in accordance with GAAP, as approved by the International Federation of Accountants as applicable to governments and their agencies, which fairly present the financial position, borrowings and commitments of the Financial Supervisory Commission as at 30 June 2015, and the results of its operations and cash flows for the year ended 30 June 2015.

Auditor's Responsibilities

Section 28(4) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Audit Office to audit the financial statements presented by the Financial Supervisory Commission. It is the responsibility of the Cook Islands Audit Office to express an independent opinion on the financial statements and report its opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Financial Supervisory Commission in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Financial Supervisory Commission's circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditor, we have no relationship with or interests in the Financial Supervisory Commission.



Unmodified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Financial Supervisory Commission:

- comply with International Public Sector Accounting Standards; and
- fairly present in all material respects, the financial position, borrowings and commitments of the Financial Supervisory Commission as at 30 June 2015 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 31 August 2015 and our unmodified opinion is expressed as at that date.



Allen Parker
Director of Audit
Cook Islands Audit Office
Rarotonga, Cook Islands



FINANCIAL SUPERVISORY COMMISSION

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015**

<i>In New Zealand Dollars</i>	Budget	Note	2015	2014
REVENUE	1,407,103	2	1,586,970	1,466,830
EXPENSES	1,149,220	3	1,275,278	1,154,326
NET SURPLUS	<u>\$257,883</u>		<u>\$311,692</u>	<u>\$312,504</u>

The accompanying notes form an integral part of these financial statements

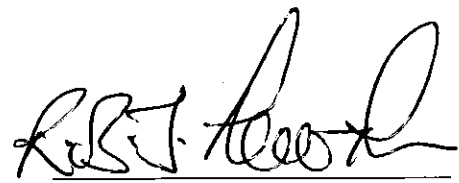


FINANCIAL SUPERVISORY COMMISSION

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

<i>In New Zealand Dollars</i>	Note	2015	2014
EQUITY		\$789,697	\$821,792
Represented by:			
CURRENT ASSETS			
Cash and Equivalents		54,559	67,224
Other Current Assets	4	29,825	41,104
Term Deposits		450,000	400,000
Trust Accounts	5	401,325	68,417
TOTAL CURRENT ASSETS		<u>\$935,709</u>	<u>\$576,745</u>
 PROPERTY, PLANT & EQUIPMENT	 6	 64,325	 103,296
 INTANGIBLE ASSETS	 7	 267,020	 274,355
 TOTAL ASSETS		 <u>\$1,267,054</u>	 <u>\$954,396</u>
 CURRENT LIABILITIES			
Accounts Payable		3,378	3,846
Related Party Payables	8	45,202	25,761
Sundry Creditors and Accruals	9	27,453	34,580
Trust Accounts	5	401,325	68,417
TOTAL CURRENT LIABILITIES		<u>\$477,358</u>	<u>\$132,604</u>
 TOTAL LIABILITIES		 <u>\$477,358</u>	 <u>\$132,604</u>
 NET ASSETS		 <u>\$789,697</u>	 <u>\$821,792</u>


Paul Heckles, Commissioner


Raymond Newnham, Chairman

31 August 2015

31 August 2015



FINANCIAL SUPERVISORY COMMISSION

**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

<i>In New Zealand Dollars</i>	Budget	2015	2014
EQUITY AS AT 1 JULY	821,791	821,791	811,823
Net surplus for the year	257,883	311,692	312,504
Distributions to the Crown	0	(65,000)	(28,325)
FSDA Levy to the Crown	(257,213)	(278,787)	(274,211)
EQUITY AS AT 30 JUNE	<u>\$822,461</u>	<u>\$789,697</u>	<u>\$821,791</u>

The accompanying notes form an integral part of these financial statements.



FINANCIAL SUPERVISORY COMMISSION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

<i>In New Zealand Dollars</i>	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Crown Appropriation	35,000	35,000
Fee Income	1,551,368	1,410,595
Interest	16,993	17,976
	1,603,361	1,463,571
Cash was applied to:		
Payments to employees and board members	843,627	824,366
Payments to suppliers	370,232	287,125
	1,213,859	1,111,491
Net cash flows from operating activities	\$389,502	\$352,080
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of property, plant & equipment	0	2,684
Cash was applied to:		
Purchase of property, plant & equipment	8,380	43,545
Net cash flows from investing activities	(\$8,380)	(\$40,861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was applied to:		
Distributions to the Crown	65,000	28,325
FSDA Levy to the Crown	278,787	274,211
Net cash flows from financing activities	(\$343,787)	(\$302,536)
Net Increase / (Decrease) in Cash Held	37,335	8,683
Opening Cash Balance	467,224	458,541
Closing Cash Balance	\$504,559	\$467,224



FINANCIAL SUPERVISORY COMMISSION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

<i>In New Zealand Dollars</i>	2015	2014
Closing Cash Comprises:		
Cash at Bank	54,559	67,224
Term Deposits	450,000	400,000
	<hr/>	<hr/>
	\$504,559	\$467,224
	<hr/>	<hr/>
 RECONCILIATION OF SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES		
 Net Surplus	 311,692	 312,504
Add / (less): Non-cash items		
Depreciation	38,971	37,102
Amortisation	15,715	15,715
Add / (less): Items classified as Investing		
(Gain)/Loss on sale of property, plant & equipment	0	1,880
	<hr/>	<hr/>
	54,686	54,697
Add / (less): Movements in working capital items		
(Increase) / decrease in other current assets	11,279	(14,579)
Increase / (decrease) in accounts payable	(468)	(318)
Increase / (decrease) in related party payables	19,441	(2,467)
Increase / (decrease) in sundry creditors & accruals	(7,128)	2,242
	<hr/>	<hr/>
	23,124	(15,122)
	<hr/>	<hr/>
 Net Cash Flows from Operating Activities	 \$389,502	 \$352,080
	<hr/>	<hr/>



FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1 STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

(i) Reporting Entity

These financial statements are for the Financial Supervisory Commission, which is considered to be an agency of the Crown. The Financial Supervisory Commission carries out services as mandated under the Financial Supervisory Commission Act 2003.

(ii) Statement of Compliance

These financial statements have been prepared in accordance with the Ministry of Finance and Economic Management Act 1995-96 and with the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB).

(iii) Measurement Base

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These financial statements have been prepared using the historical cost method to report results, cashflows and the financial position of the Financial Supervisory Commission. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest dollar.

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied:

(i) Revenue

The Financial Supervisory Commission derives revenue from various fees charged relating to the provision of services by the offshore financial services industry in the Cook Islands and by licensing financial institutions. Registration and renewal fee income is recognised on the date the registration or renewal is completed. The Commission also received Crown Appropriation of \$35,000 this financial year.

(ii) Expenses

Expenses are recognised when incurred and are reported in the financial period to which they relate.

Realised gains or losses arising from sales of assets or the early settlement of a liability are recognised in the Statement of Financial Performance in the period in which the transaction is concluded.



FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2015

SIGNIFICANT ACCOUNTING POLICIES

(iii) Depreciation & Amortisation

Depreciation of fixed assets and amortisation of intangible assets is provided for on a straight line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. The estimated useful lives are:

Fixed Assets

Furniture and fittings	10 years
Leasehold improvements	10 years
Motor vehicles	5 years
Office equipment	4 years

Intangible Assets

Software	3 - 20 years
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(iv) Foreign Aid

Aid monies received are recorded in the Statement of Financial Performance as they are utilised. Revenue is recognised at the same time the equivalent expense is incurred. Any unused aid money is held as an Aid Liability until such time as it is used and/or any applicable conditions attached to the funding are satisfied.

(v) Foreign Currencies

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

(vi) Property, Plant & Equipment

The cost of purchased property, plant & equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

(vii) Intangible Assets

Intangible assets are recorded at cost less accumulated amortisation. The cost of purchased intangibles such as software is the value of the consideration given to acquire the assets and the value of other directly attributable costs such as installation which have been incurred in bringing the assets to the location and condition necessary for their intended service.

(viii) Leased Assets

Operating lease payments, where the lessor retains substantially all the risks and rewards incidental to ownership, are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2015

SIGNIFICANT ACCOUNTING POLICIES

(ix) Taxation

The Financial Supervisory Commission, as an agency of the Crown, is exempt from the payment of income tax in terms of the Income Tax Act 1997. Accordingly, no charge for income tax has been provided for.

(x) Provision for Employee Entitlements

Annual leave and time off in lieu of overtime worked are recognised as they accrue to employees.

(xi) Financial Instruments

Financial instruments primarily consist of bank balances, receivables and payables. Gains and losses in relation to all financial instruments are recognised in the Statement of Financial Performance.

(xii) Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

(xiii) Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

(xiv) Statement of Cash Flows

Cash is considered to be cash balances on hand, current accounts in banks and term deposits, net of bank overdrafts.

Operating activities include cash received from all income sources of the Commission and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets, intangible assets and investments.

Financing activities comprise aid funding and capital injections by, or repayment of capital to, the Crown.



FINANCIAL SUPERVISORY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015**

SIGNIFICANT ACCOUNTING POLICIES

(xv) Value Added Tax (VAT)

All statements of account are exclusive of VAT. The Statement of Financial Position is exclusive of VAT except for payables and receivables which are stated VAT inclusive as these represent the total amount to be paid or collected by the Commission to or from third parties.

The amount of VAT owing to or from the Revenue Management Division at balance date, being the difference between Output VAT and Input VAT, is included in payables or receivables as appropriate.

(xvi) Superannuation Scheme

The Commission contributes to the National Superannuation Fund. This is classified as a Defined Contribution Scheme for the Commission. As such, the only impact on these financial statements is in the Statement of Financial Performance where payments into the scheme are recognised as an expense in the period they are due.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited Financial Statements.

	Budget	2015	2014
2. REVENUE			
<i>Fee Income</i>			
Crown Appropriation	35,000	35,000	35,000
Licensing fees	91,481	113,207	89,573
Registration fees	145,087	138,090	143,487
Renewal fees	1,058,035	1,186,037	1,105,643
Other fee income	60,000	97,947	71,892
	<u>\$1,389,603</u>	<u>\$1,570,281</u>	<u>\$1,445,595</u>
<i>Other Income</i>			
Interest	17,500	16,689	18,513
Miscellaneous refunds	0	0	2,722
	<u>\$17,500</u>	<u>\$16,689</u>	<u>\$21,235</u>
Revenue	<u>\$1,407,103</u>	<u>\$1,586,970</u>	<u>\$1,466,830</u>



FINANCIAL SUPERVISORY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015**

	Budget	2015	2014
3. EXPENSES			
Amortisation	15,720	15,715	15,715
Audit Fee	2,500	2,500	2,500
Bank Application Costs	0	76,815	0
Board Fees	84,000	84,000	84,000
Computer Costs	12,000	12,137	14,966
Conferences & Workshops	15,000	36,467	9,648
Depreciation	43,200	38,971	37,102
Electricity	17,400	13,692	15,073
Enforcement Action Costs	0	33,380	0
Lease Costs	30,000	30,000	30,000
Legal and Professional Fees	24,000	3,940	42,401
Online Registry Expenses	39,600	39,497	41,716
Personnel	737,600	745,600	739,854
Subscriptions	18,000	18,847	17,496
Travel	42,000	51,875	32,683
Other Operating Costs	68,200	71,842	71,172
	<hr/>	<hr/>	<hr/>
Expenses	\$1,149,220	\$1,275,278	\$1,154,326
	<hr/>	<hr/>	<hr/>
4. OTHER CURRENT ASSETS			
Accounts Receivable		2,128	3,219
Accrued Interest		2,734	3,038
Credit Card		4,730	0
Petty Cash		50	50
Prepayments		18,739	34,047
Tenancy Bond		750	750
Vested Assets Clearing Account		693	0
		<hr/>	<hr/>
		\$29,825	\$41,104
		<hr/>	<hr/>
5. TRUST ACCOUNTS			
Trust Assets			
ANZ NZD Vested Assets Account		288,457	0
CSB NZD Client Trust Account		10,030	10,029
CSB USD Client Trust Account		102,838	58,387
		<hr/>	<hr/>
		\$401,325	\$68,417
		<hr/>	<hr/>
Trust Liabilities			
NZD Vested Assets on behalf of Crown		288,457	0
NZD Client Security Bond		10,030	10,029
USD Client Imprest Accounts		102,838	58,387
		<hr/>	<hr/>
		\$401,325	\$68,417
		<hr/>	<hr/>



FINANCIAL SUPERVISORY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015**

6. PROPERTY, PLANT & EQUIPMENT

<u>As at 30 June 2015</u>	Furniture & Fittings	Leasehold Improvements	Motor Vehicles	Office Equipment	Total
Opening Balance	3,437	28,773	16,099	54,987	103,296
Additions	0	0	0	0	0
Disposals	0	0	0	1,847	1,847
Accum Depn on Disposals	0	0	0	(1,847)	(1,847)
Depreciation	(372)	(4,721)	(4,025)	(29,853)	(38,971)
Closing Balance	\$3,065	\$24,052	\$12,074	\$25,134	\$64,325

Gross Carrying Amount	37,518	47,214	43,057	172,303	300,093
Accum Depreciation	(34,452)	(23,162)	(30,982)	(147,169)	(235,767)
Net Carrying Amount	\$3,065	\$24,052	\$12,074	\$25,134	\$64,325

<u>As at 30 June 2014</u>	Furniture & Fittings	Leasehold Improvements	Motor Vehicles	Office Equipment	Total
Opening Balance	0	29,215	4,650	67,552	101,417
Additions	3,716	4,198	20,124	15,508	43,546
Disposals	0	0	(14,218)	0	(14,218)
Accum Depn on Disposals	0	0	9,653	0	9,653
Depreciation	(279)	(4,640)	(4,110)	(28,073)	(37,102)
Closing Balance	\$3,437	\$28,773	\$16,099	\$54,987	\$103,296

Gross Carrying Amount	37,518	47,214	43,057	174,151	301,940
Accum Depreciation	(34,081)	(18,441)	(26,958)	(119,164)	(198,644)
Net Carrying Amount	\$3,437	\$28,773	\$16,099	\$54,987	\$103,296



FINANCIAL SUPERVISORY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015**

7. INTANGIBLE ASSETS

<u>As at 30 June 2015</u>	FSC Software	FIU Software	Total
Opening Balance	274,355	0	274,355
Additions	8,380	0	8,380
Disposals	0	0	0
Accum Amortisation on Disposals	0	0	0
Amortisation	(15,715)	0	(15,715)
Closing Balance	\$267,020	\$0	\$267,020
Gross Carrying Amount	322,677	0	322,677
Accum Amortisation	(55,657)	0	(55,657)
Net Carrying Amount	\$267,020	\$0	\$267,020

<u>As at 30 June 2014</u>	Online Registry Software	FIU Software	Total
Opening Balance	290,069	0	290,069
Additions	0	0	0
Disposals	0	32,325	32,325
Accum Amortisation on Disposals	0	(32,325)	(32,325)
Amortisation	(15,714)	0	(15,714)
Closing Balance	\$274,355	\$0	\$274,355
Gross Carrying Amount	314,297	0	314,297
Accum Amortisation	(39,942)	0	(39,942)
Net Carrying Amount	\$274,355	\$0	\$274,355



FINANCIAL SUPERVISORY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015**

8. RELATED PARTY PAYABLES **2015** **2014**

The Financial Supervisory Commission enters into transactions with Government ministries, Crown agencies and State Owned Enterprises on an arms length basis. The balances due to related parties as at 30 June follow:

Related Party Payables:

Cook Islands Audit Office	2,875	2,875
Revenue Management – PAYE	20,501	11,314
Revenue Management – VAT	21,826	11,572
	<u>\$45,202</u>	<u>\$25,761</u>

9. SUNDRY CREDITORS AND ACCRUALS

Accrual for Employee Entitlements	11,366	9,787
Accrual for Personnel Costs	0	24,793
Revenue Received in Advance	16,087	0
	<u>\$27,453</u>	<u>\$34,580</u>

10. FINANCIAL COMMITMENTS

Operating Tenancy Lease commitments:

Within one year	36,107	49,500
Within one to two years	34,500	34,500
	<u>\$70,607</u>	<u>\$84,000</u>

Online Registry commitments:

Within one year	10,450	22,800
Within one to two years	0	10,687
	<u>\$10,450</u>	<u>\$33,487</u>

There were no other financial commitments at balance date.



FINANCIAL SUPERVISORY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015

11. CONTINGENT LIABILITIES

There were no contingent liabilities as at balance date (2014: nil).

12. FINANCIAL INSTRUMENTS

a) Currency, Interest Rate and Credit Risks

i) Currency

The Financial Supervisory Commission is exposed to significant levels of currency risk as its registry fee revenue is denominated in United States dollars.

ii) Interest Rate

There is some exposure to interest rate risk due to the Commission's holdings of interest bearing term deposits.

iii) Concentrations of Credit Risk

In the normal course of business, the Financial Supervisory Commission incurs credit risk from transactions with financial institutions and debtors. The Commission has a credit policy which is used to manage this risk. As part of this policy, limits on exposures with counterparties have been set and are monitored on a regular basis. The Commission has no significant concentrations of credit risk. It does not require any collateral or security to support financial instruments due to the quality of financial institutions and debtors dealt with.

b) Fair Values

The estimated fair values of the financial assets and liabilities of the Financial Supervisory Commission are estimated as at their carrying values.

13. SEGMENT APPRAISAL

The Financial Supervisory Commission provides services within the Cook Islands.

14. SUBSEQUENT EVENTS

There were no subsequent events.

