



ANGUILLA FINANCIAL SERVICES COMMISSION

CAPITAL ADEQUACY GUIDELINE FOR COMPANY MANAGERS, TRUST COMPANIES AND MONEY TRANSFER BUSINESSES

(Issued under Section 48 of the Financial Services Commission Act 2003)

Introduction

1. These guidelines provide directions to Company Managers, Trust Companies and Money Transfer Businesses on allowable assets for use in computing the licensee's capital requirement in accordance with the provisions of the relevant pieces of legislation. The objective of these guidelines is to ensure that the licensee's capital is consistent with the requirements of the relevant legislation, is sufficient to meet the legal requirement even under adverse conditions, and is well diversified and adequately liquid.
2. The Commission recognises that the longer a receivable remains outstanding of its agreed repayment terms, the greater the likelihood that it would not be collectable. Accordingly, these guidelines provide provisioning standards for evaluating assets which are outside of their agreed repayment terms.

Assessment of Capital Adequacy

3. Net assets of a licensee should at all times be equal to or greater than the minimum paid up capital required under the relevant legislation under which the entity is licensed. Net assets are equal to fix and current assets net of provisions and long term and current liabilities. The following minimum guidelines should be followed in computing the capital adequacy at any given time.
 - 3.1 The items used in this calculation should only include assets generated or used in the ordinary course of business. Intangible assets and assets that are highly subjective in value and with a limited market should be excluded.
 - 3.2 All trade receivables and other third party receivable balances should be evaluated for their collectability and the following provisions for doubtful debts should be made:

Doubtful Debt Provision

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

- 3.3 A specific provision should be made for likely losses which are quantifiable.
- 3.4 All related party receivable balances, including loans and advances, should be excluded from the assets used in determining the licensee's capital adequacy.
- 3.5 A licensee should not pay any dividend or distribute funds to principals or related parties that would result in the licensee not satisfying the minimum capital requirement, or to a continuation of the licensee's non-compliance with the minimum capital requirement of the relevant legislation.

Financial Services Commission