

FINANCIAL SUPERVISORY COMMISSION



Cook Islands

PRUDENTIAL STATEMENT

No. 01-2004

BANK LICENSING – REQUIREMENTS, POLICIES AND PROCEDURES

1. Preamble

This Prudential Statement is issued by the Financial Supervisory Commission (FSC) pursuant to Part II of the Banking Act 2003 (Act) on “Licensing of Banking Business”. It applies both to proposals to establish new banks and to existing banks that have licences (under 5 of the Act) that expire on 1 June 2004. The purpose of this Prudential Statement is to (i) provide for the standardization of written applications and minimum information requirements for the licensing of a bank, including a branch or subsidiary of a foreign bank/financial institution; and (ii) promote transparency in licensing requirements not only within the Cook Islands but in the international financial community as well.

Bank licensing is the first step towards effective banking supervision because it determines the quality of banks participating in the market. In deciding whether to grant a licence, the FSC reviews the application under four general headings.

- **Owners and prospective managers** (Are they “fit and proper” persons for their respective roles?),
- **Business plan** (Is it realistic and viable, and incorporate adequate capitalization for the banks size and the nature of its proposed business?),
- **Location** (Will management and records be physically present in the Cook Islands?),

- **Systems and controls** (Are they adequate to ensure that it will carry on business in a prudent manner and comply with the requirements of the Financial Transactions Reporting Act 2003?).

Once a bank is licensed, ongoing supervision is directed towards ensuring that the above criteria continue to be met.

The FSC's policies and procedures outlined in this Statement are based on internationally accepted standards for the licensing and prudential supervision of banks. The same standards apply for both domestic and international banks. Thus, the requirements in this Statement are applicable to all parties undertaking banking business in or from the Cook Islands regardless of the nature and size of their operations.

This Prudential Statement shall be applied in conjunction with Part II of the Banking Act 2003.

Licence to Conduct Banking Business

The Act provides that no person shall carry on banking business in or from the Cook Islands unless the person is licensed under the Act. Under Section 2(1) of the Act, "banking business" is defined as:

- “(a) The business of receiving funds through the acceptance of money deposits payable on demand or after a fixed period or after notice, or any similar operation through 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 for the account and the risk of the person doing such business; and
- (b) Any other activity prescribed by regulation as constituting customary banking practice that a bank engaged in activities described in paragraph (a) may additionally be authorised to do;”

An existing licensee that the FSC considers is not carrying on "banking business" will not be issued with a banking licence. Should any existing bank not be relicensed, it will not be permitted to use the word "bank" in its name, description or title unless it applies for and is granted specific approval by the FSC under Section 52 of the Act.

Application Forms and Fees

In order to obtain a licence, applicants must complete and submit the following forms and supporting schedules and documentation:

- Licence Application (FSCForm BKL-1) - to be completed by the organizers/ promoters of the applicant bank.

- Personal Affidavit (FSCForm BKL-2) - to be completed by each individual who is or will be a significant shareholder, associate, director and/or officer of applicant bank.
- Corporate Declaration (FSCForm BKL-3) - to be completed by each person, other than individuals, who is or will be a significant shareholder/associate.
- Confidential Financial Statement (FSCForm BKL-4) - to be completed by each person who is or will be a significant shareholder and/or associate of applicant bank, except where significant shareholders of an existing licensee have limited liability or where the applicant bank is an existing foreign licensee with a home country supervisor.

General Instructions are included in the Licence Application form and more specific instructions and notes in each section. The FSC may require the submission of additional information and documents should they be considered necessary.

The prescribed application fee and licence fee must be paid when an application is filed.

In accordance with Section 6(10) of the Act, every application to the FSC for a restricted or an international licence shall be made through a trustee company.

Filing of Applications

- a) Both new applicants and existing licensees (under Section 5 of the Act) are required to file their applications in accordance with this Prudential Statement. The FSC will not accept an application other than in the prescribed form. Applicants should ensure that pertinent requirements are complete before an application is filed.
- b) Applications from existing (Section 5 of the Act) licensees lacking specific documents that need to be obtained from government agencies, such as police clearances¹ etc., will be accepted by the FSC provided there is evidence to support that a written request for such document has been made at least a month before the filing of the application. An application, however, will be considered complete only when all required documents are received by the FSC.
- c) A general checklist of all documents for each prescribed form should accompany an application. All required forms and documents must be properly indexed following the sequence of the checklist.
- d) It should be noted that an existing licensee under Section 5 of the Act must apply for a new licence at least 3 months before the 1 June 2004 expiry date of its licence or not later than 1 March 2004.

¹ In the case of trusts, the names of infant beneficiaries are needed for record purposes only. Police checks will not be necessary. However, information may be required on the "controlling minds".

- e) In terms of the Act, the FSC is required to either issue or refuse a licence within 3 months of receiving an application and all subsequent documentation and information requested.

Criteria for the Issue of a Licence

The FSC must determine whether an applicant satisfies the criteria for the issue of a licence under Section 8 of the Act and with Section 23 on physical presence. To this end, information provided by applicants will be evaluated, confirmed and investigated as may be necessary.

Full details must be provided with respect to the beneficial owners and persons controlling “mind and management” of an applicant bank. For the FSC, a critical element of the evaluation will be to ensure that no significant shareholder, associate, director, officer or manager is a disqualified person under the provisions of Section 2(4) of the Act and that all are fit and proper persons for their respective roles.

With respect to the latter, the FSC must be satisfied that persons concerned possess:

- 1) Honesty, integrity and a good reputation. (Supporting evidence, including references, must be provided and may be the subject to further enquiry by the FSC.)
- 2) Competence and capability. (Information must be provided for each individual including full details of their background, qualifications and experience. This must include sufficient information to enable a judgment to be reached on their competence and capacity to adequately perform their specific role.)

For major shareholders, the FSC will require evidence that the persons concerned have adequate funds available to meet the initial subscription (minimum \$2million in total but not less than 10% (ten percent) of projected risk weighed assets) and collectively have sufficient assets or access to capital to meet any additional capital projected to be required in the near term. Where it is not clear, the FSC may also seek evidence of the source of the capital being provided.

The FSC also requires applicants to submit a business plan, except for an existing licensee with a home country supervisor, in which case only pro forma financial statements and projections need to be completed. Appendix A sets out a sample business plan format including pro forma statements and projections. Before issuing a licence, the FSC must be satisfied that the plan is comprehensive, realistic and viable. The detailed information requirements for this are set out in Appendix B.

Details are also required of the applicant's proposed internal systems and controls. Manuals and written guidelines must be submitted covering such items as record keeping, accounting policies, public information disclosure policies, internal controls, policies and procedures to meet the requirements of the Financial Transactions Reporting Act 2003 and risk management policies and procedures. The latter must include policies and control procedures relating to credit, liquidity, foreign exchange as well as operational risks.

Commencing Business

If a bank does not commence business within 3 months of obtaining a licence or ceases to carry on business for a period exceeding 3 months, the FSC may revoke or suspend the bank's licence.

A condition of any licence issued to a new bank will be that they advise the FSC of their planned date to commence operations at least 30 days prior to that time. This is to enable the FSC to undertake an onsite inspection before or shortly after opening date of a new bank.

Ongoing Requirements

Applicants should note that virtually all of the requirements that are referred to above and which form the major part of the licence application process are ongoing and will be the subject of regular examination and review by the FSC. New directors, officers and significant shareholders therefore have to comply with applicable forms and documentary requirements and the criteria for a licence. Likewise, the criteria for the issue of a licence under Section 8 of the Act must be satisfied on an ongoing basis. A standard condition of all licences is that any significant change must be reported immediately and proposed changes of ownership, directors, management and external auditor require prior FSC approval. Failure to meet these conditions may lead to suspension or revocation of a bank's licence as well as, in some cases, prosecution

This Prudential Statement takes effect immediately.

FINANCIAL SUPERVISORY COMMISSION



Cook Islands

APPLICATION FOR A LICENCE TO CONDUCT BANKING BUSINESS

[FSCForm BKL-1]

(As required under Section 6 of the Banking Act 2003)

SUBMITTED FOR:

(Name of Applicant):

CONTACT PERSON:

(Name, position title & company, address, telephone and fax nos. and email address of person (s) to be contacted regarding this application):

GENERAL INSTRUCTIONS-Bank Licensing Forms
FSCForms BKL-1, 2, 3 and 4

This Application, including related forms, annexes, attachments and other supporting documents, must be completed by any person proposing to conduct /continue banking business in or from the Cook Islands.

Applicant shall refer to the name of the proposed or existing bank in connection with which the Application and other information or documents are being completed.

Terms used will have the same interpretation as in the Act. As needed the Form provides interpretation for other terms not included in the Act.

Payment of prescribed fees must accompany the application. The application fee is non-refundable. If the application is not approved, annual fees will be refunded.

All information included in the form, including documents and annexes thereto, must be complete and correct. Any information or document that is false or misleading in any material particular in connection with an application shall be considered as an offence as provided under Section 9 of the Act.

Submission of incomplete Forms and/or failure to pay prescribed fees will result in the rejection of the application.

Do not leave any item blank or unanswered. Indicate if Not Applicable (NA), No/None as may be appropriate. Print legibly in ink or type responses to the items listed in the forms, including all information included in documents and annexes.

Should the allotted response space be insufficient for the information needed to complete or answer a particular item in any of the required licensing forms, additional sheets may be added. The additional sheet (blank form attached as BKL-AS) must be keyed by number and letter to the appropriate form and item number indicating specific column titles, if any, for the response to be provided.

Other Documentation required under Part II of BKL-4 (Confirmation Inquiry Form) must be submitted and these form part of the Application.

Specific instructions on details of information and documents required are incorporated in each of the required Form.

For inquiries, you may contact the FSC Commissioner or Senior Supervisor at telephone no. (682) 20798. However, it should be emphasized that the completeness and correctness contained in the Form is the responsibility of the Applicant.

For existing banks, deadline for submission to the FSC of this completed Form is 1 March 2004. Completed application, together with supporting materials, should be sent to:

The Commissioner
Financial Supervisory Commission
PO Box 594 or Bermuda House
Rarotonga, Cook Islands.

APPLICATION FOR A _____ BANKING LICENCE ²
(Class of Licence)

(Name of Applicant)

Principal office address, telephone and fax nos., and email address in Cook Islands: ³

Name of Trustee Company (if applicable):

Name of Incorporators /Organizers (For new applicants only):

Details of incorporation (For domestic or international companies registered in Cook Islands):

Date of incorporation: _____

Country of incorporation: _____

Company registration no.: _____

Auditor:

For new applicants and existing licensees including local branch of a foreign licensee:
Name and address of appointed auditor: _____

For all existing bank licensees including local branch of a foreign licensee:
Date of auditor's appointment: _____

For existing international bank licensees:
Date Commission approved appointment of auditor: _____

Details of Capital ⁴

a. Type and number of authorized shares: _____

b. Type and number of paid in capital: _____

c. Paid in premium if any: _____

d. Par value per type of share: _____

Paid-Up Capital Profile: (As at date of application) _____

² State whether a domestic, international or restricted international banking licence is being applied for.

³ Refers to Section 23 and 27 of the Act. If none and unless application is for a restricted banking licence, provide explanation and plan for compliance including proposed description, manner of acquisition and costs of premises and equipment to be utilized.

⁴ Items 6 and 7 not applicable to foreign licensees but new applicants that are foreign banks must also complete this

SHAREHOLDING SUMMARY

Shareholders	Number of Shareholders	Percentage of Shares to Total
Private Companies		
Private Individuals		
Subtotal: Private sector shareholders		
Public sector and government companies/agencies		
Total ⁵	#	100.0 %

b. SIGNIFICANT SHAREHOLDERS ⁶

Name of Shareholders who own more than ten percent (10%) of the bank's shares	Number of Shares	Percentage of Shares to Total
List of other Shareholders and companies that effectively or indirectly own more than ten percent (10%) of the bank's shares, based on their control over bank shareholders		
Number of shares held by other shareholders owning ten percent (10%) or less of total paid-in		
Total	#	100.00%

8. Name and position title of proposed or existing directors and managers⁷ (Personal Affidavit i.e. Form BKL-2, must be submitted by each director or manager), except where applicant bank concerned is an existing foreign licensee.
9. Submit as Annex A, a certified copy of the First/Renewal Certificate of Incorporation.

⁵ Refers to number of shares constituting paid-in capital. Total for 7 a. and b. must be the same and used as basis for computing the percentage of shares to total.

⁶ Refers to persons with significant interests as defined under Section 2(2) of the Act.

⁷ Existing foreign bank licensees should only list local branch manager and senior officers under his/her immediate authority.

10. Submit as Annex B, a copy of the proposed or latest articles of incorporation.
11. Submit as Annex C, a copy of the proposed or latest bylaws.
12. Submit as Annex D, the proposed or present organizational and functional chart of bank showing each major operating unit. Include Board and managers' responsibilities as a footnote or in a separate sheet as well as the number of permanent or part-time staff assigned for each operating unit. For foreign licensees, this will refer only to the local branch operating in Cook Islands.
13. Submit as Annex E, as may be applicable, a group structure chart showing beneficial ownership of the group constituents and where the Applicant appears or will appear in the group. This chart must therefore show links with associates and significant corporate shareholders, among others. For existing foreign licensees, this will not be required.
14. Submit as Annex F (with sub-annexes as may be necessary) manuals or if not available, full details of the risk management, accounting and internal control systems, including operating policies⁸.
15. Submit as Annex G (with sub-annexes as may be necessary) a business plan that should in accordance with the formats prescribed in Prudential Statement No. 01-2004 (Appendix A and B). Existing foreign licensees need to submit only financial statements and three (3) years projections following sample format.
16. Submit as Annex H (with sub-annexes as may be necessary), documents to satisfy the provisions of Section 9(2) of the Act if applicant is a foreign bank/licensee or a wholly-owned subsidiary of a foreign bank.

DECLARATION *

We, the undersigned/organizers and/or members of the Board of Directors of the applicant bank, declare under penalty of perjury under the laws of the Cook Islands and any other sanction available under the *Banking Act 2003* and any amendments thereof, that the preceding application and the attached supporting documentation are true and correct to the best of our knowledge.

We further declare that to the best of our knowledge and belief there are no other facts or information relevant to this application of which the Financial Supervisory Commission should be aware, and we pledge to promptly inform the Financial Supervisory Commissioner

⁸ For all applicants and pertains only to whatever is applicable to the local branch of a foreign licensee.

of any changes material to this application which may arise while it is being considered by the Financial Supervisory Commission.

Signed this _____ day of _____, 20 ____

(Type Full Name and Title)

(Signature)

(Type Full Name and Title)

(Signature)

(Type Full Name and Title)

(Signature)

(Type Full Name and Title)

(Signature)

(Type Full Name and Title)

(Signature)

Subscribed and sworn to before me this _____ day of _____, 20 ____

(Seal)

(Signature over printed name of notary public)

* For existing foreign licensees, the financial manager in Cook Islands can sign the Declaration.

[Form BKL-AS]

ADDITIONAL SHEET NO. _____⁹

Reference Form and Item No. ¹⁰ _____

(Name of Applicant Bank)

⁹ This Additional Sheet form may be used if response space for a specific item in any Form to be completed is inadequate. For **each** Form, Additional Sheets used must be numbered chronologically. The Additional Sheet number must be cross- referenced in the response space of the Form and item number to which the Additional Sheet refers.

¹⁰ The Form and Item numbers to which an Additional Sheet refers must be specified eg BKL-1, Item xxxxx. **(COMPLETE THIS)** The format, if any, of the specific item to which an Additional Sheet is used should be followed for information/data to be provided.

FINANCIAL SUPERVISORY COMMISSION



Cook Islands

PERSONAL AFFIDAVIT

[FSCForm BKL-2]

**FOR INDIVIDUALS WHO ARE OR WILL BE
SIGNIFICANT SHAREHOLDERS/ DIRECTORS/ OFFICERS**

**(As Required under Sections 6 of the Banking Act 2003 and 6 - 7 of Prudential
Statement No. 01-2004)**

PERSONAL AFFIDAVIT

**For Individuals Who Are or Will be
Significant Shareholders / Directors / Officer / Manager¹¹**

¹¹ Form not applicable to existing foreign licensees.

(Name of Applicant Bank)

I. Name of Person Completing this Form:

(First Name)

(Middle Name)

(Last Name)

II. Present/Proposed Designation or Role : (Check whatever is applicable and for directors/officers or managers include brief description of duties and responsibilities)

Significant Shareholder: _____ Director: _____ Officer (Manager): _____

Duties and Responsibilities:

III. Present Home Address in: _____
Country of Residence

Present Citizenship: _____
Country of Citizenship

Since (indicate period): From Month _____ Year _____

13. Provide original copy of police¹³ clearance, which should be dated within 6 months prior to the filing date of this form.
14. Law Enforcement or Disciplinary Proceedings:
- a. Have you ever been in a position that required a fidelity bond? If any claims were made on the bond, give details?
 - b. Have you ever been refused a professional, occupational or vocational licence by any public or governmental licensing agency or regulatory authority, or has any such licence held by you ever been suspended or revoked? If so, give details.
 - c. Have you or any corporation, partnership, or other entity in which, at the time you were an officer, director, trustee, employee, significant shareholder, been named in any complaint, pleading, judgment, order, or decree filed in any court of law which cited violations or alleged violations of applicable laws? If so, give details.
 - d. Have you ever been an officer, director, trustee, employee, or significant shareholder of a financial institution, which became insolvent or was placed under supervision or in receivership, rehabilitation, liquidation or conservatorship while you occupied any such position or within one year thereafter? If so, give details.
 - e. Has the certificate of incorporation or authority or licence to do business as a financial institution of which you were an officer or director ever been suspended or revoked while you occupied any such position or within one year thereafter? If so, give details.
 - f. Have you ever been requested, advised, ordered or told by any governmental regulatory authority, board, commission or agency to: (a) Divest any stock ownership or other ownership interest you have in any financial institution? If so, give details. (b) Leave or resign as an officer, director, agent, employee, consultant or representative of any financial institution? If so, give details.
 - g. Are you a named party in any ongoing or pending legal or administrative hearing, proceeding or investigation including in your capacity as a manager, director, trustee, employee or significant shareholder? If so, give details.
5. Are you aware of any other facts or circumstances which could reasonably be considered relevant to the assessment of your being a fit and proper person referred to in Section 4(c)(d) and (e) of Prudential Statement No. 01-2004 and pertinent sections of the Banking Act?

CERTIFICATION

¹³ Please be guided by FSC clarification on procedures for filing/seeking police clearances. In the case of trusts, the names of infant beneficiaries are needed for record purposes only. Police checks will not be necessary. However, information may be required on the "controlling minds".

I CERTIFY that the above information is complete and correct to the best of my knowledge and belief and I undertake that, as long as I continue to be a significant shareholder, director or officer of applicant bank I will notify the Financial Supervisory Commission of any material change affecting the completeness of the Personal DECLARATION within fifteen (15) days from the occurrence of the changes.

I ALSO CERTIFY that I have read Section 2(4) of the Banking Act 2003 and do not have any of the listed disqualifications.

I ALSO HEREBY AUTHORISE the Financial Supervisory Commission to make such enquiries and seek such further information as it thinks appropriate in verifying the information given in this Personal AFFIDAVIT or in any other documents submitted as part of this application for the purposes of performing its due diligence and background checks. I also understand that the results of these checks may be disclosed to the applicant or person who signed the Application form.

Dated and signed this _____ day of _____, 20_____.

(Signature)

(Print or type full name)

Declared to before me this _____ day of _____, 20_____.

(Seal)

(Notary Public Signature)

(Print or type full name)

FINANCIAL SUPERVISORY COMMISSION



Cook Islands

CORPORATE DECLARATION SHEET

(FSCForm BKL- 3)

**FOR PERSONS, OTHER THAN INDIVIDUALS WHO ARE OR WILL
BE SIGNIFICANT SHAREHOLDERS AND/OR ASSOCIATES**

(As required under Section 6 of the Banking Act 2003)

CORPORATE DECLARATION SHEET¹⁴

¹⁴ Not applicable to existing foreign licensees.

**FOR PERSONS, OTHER THAN INDIVIDUALS WHO ARE OR WILL BE
SIGNIFICANT SHAREHOLDERS AND/OR ASSOCIATES**

(Name of Applicant Bank)

1. Name, principal office address and contact nos. of significant shareholder/associate in whose behalf this Form is being completed:

2. Type: (Check as applicable)

Company/Corporation _____ Partnership _____ Others-Specify: _____

3. Details of incorporation/registration:

a. Date of incorporation/registration: _____

b. Country of incorporation/registration: _____

c. Company registration no. _____

4. Principal line of business (Describe and if licensed as a financial institution, indicate name and address of supervising government agency, if any).

5. Ownership Profile (List shareholders owning 10% or more of Paid-up Capital, and summarize under "Others" the number and amount pertaining to shareholders owning less than 10%).

<u>Name</u>	<u>Contact Address</u>	<u>Amount</u> ¹⁵	<u>Paid-Up</u> <u>% of Total</u>
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Others – No. of

Shareholders _____

Total Paid-up Capital **100%**

6. Management Profile (List of directors and officers)

<u>Name and Address</u>	<u>Position/Designation</u>	<u>Tenure</u> <u>Month & Year</u>
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¹⁵ Indicate currency used here (i.e. US\$, AU\$, NZ\$, etc) _____.

7. Law Enforcement or Disciplinary Proceedings:

(a) Has your organization been named in any complaint, pleading, judgment, order, or decree filed in any court of law which cited violations or alleged violations of applicable laws? If so, give details.

(b) Has your certificate of incorporation, registration, authority, or license to do business ever been suspended or revoked? If so, give details.

(c) Has your organization ever been requested, advised, ordered or told by any governmental regulatory authority, board, commission or agency to divest any stock ownership or other ownership interest you have in another institution? If so, give details.

(d) Has your organization been involved as a named party in any ongoing or pending legal or administrative hearing, proceeding, or investigation? If so, give details.

8. Are there any other facts or circumstances which could reasonably be considered to have negative impact or effect on the reputation of your organization?

DECLARATION

I/We the undersigned, declare under penalty of perjury under the laws of the Cook Islands, the the preceding information being provided for (*State name of significant shareholder/associate* _____ as existing/proposed significant shareholder of associate of (*Name of applicant bank*) _____ are true and correct to the best of our knowledge and belief.

I/We further declare that to the best of my/our knowledge and belief, there are no other facts or information relevant to this application of which the Financial Supervisory Commission should be aware. I/We pledge to promptly inform the Financial Supervisory Commission of any changes material to this application which may arise while it is being considered by the Financial Supervisory Commission.

I/We also declare that I/we have read section 35(1) of the *Banking Act 2003* and will obtain prior written approval from the Financial Supervisory Commission before any disposition of my/our significant interest.

Signed this _____ day of _____, 20_____

(Print Full Name and Title)

(Signature)

(Print Full Name and Title)

(Signature)

Subscribed and sworn before me this _____ day of _____, 20_____

(Seal)

(Signature over printed name of notary public)

FINANCIAL SUPERVISORY COMMISSION



Cook Islands

CONFIDENTIAL FINANCIAL STATEMENT REPORT

FOR PERSONS WHO ARE OR WILL BE SIGNIFICANT SHAREHOLDERS AND ASSOCIATES

I. (FSCFORM BKL-4)

INSTRUCTIONS

1. A confidential financial statement report must be completed and filed by each person who are or will be a significant shareholder and/or associate of applicant bank. This does not apply to the Government of the Cook Islands or its agencies, existing foreign licensees or in cases where significant shareholders have limited liability.
2. A person has the same meaning as in Section 2 of the International Companies Act 1981-82.
3. A significant shareholder is a person who has or will be acquiring a significant interest in applicant bank as defined in Section 2(2) of Banking Act 2003 and, for purposes of this form, will also include any person who is the ultimate beneficial owner of any company which is or will be a significant shareholder of applicant bank or any of its associates.
4. Supporting schedules to the financial statement should be attached when necessary to itemize or clarify summarized data. Care should be taken to assure that the dates and total amounts shown on the supporting schedules correspond to those on the financial statement. Supporting schedules are included for real estate and related loans and for proprietary interest. The methods by which real estate market values are determined must be described. If investment securities are shown as an asset and if those securities represent twenty-five percent (25%) or more of an individual's net worth, financial and cash flow statement of the company for the last two (2) years must be provided, unless the company is publicly traded on a national exchange.
5. Complete the first part of the enclosed Confirmation Inquiry Form which authorizes any bank or financial institution in which significant person or associate may have an account to confirm balance(s) of account as of a certain date. If you have accounts at more than one institution, please complete the appropriate number of forms. After completing Part I of the Confirmation Inquiry Form, it should be submitted to the Financial Supervisory Commission along with the completed Confidential Financial Statement Report. Do not send the Confirmation Inquiry Form directly to the confirming institution(s). All persons who have ownership interest in the account, for example, husband and wife, must sign the Confirmation Inquiry Form. Otherwise, the confirming institution may return the form in blank to the Financial Supervisory Commission, which may result in a delay in processing. Please provide account and loan numbers on forms.
6. Any person other than an individual or natural person must submit its most recent audited financial statements as "Attachment A-BKL4" properly printed on the top right hand side of the cover page.
7. The Commission may require the submission of any other information, including appraisals, that it considers necessary to determine financial capability.

CONFIDENTIAL FINANCIAL STATEMENT

OF

(Name of Significant Shareholder and/or Associate)

(Date of Financial Information) ¹⁶
(Report all Amounts in Thousands of New Zealand Dollars)

ASSETS		LIABILITIES	
Cash on Hand & in Banks (Schedule 1)	\$	Notes & Accounts Payable to Banks (Schedule 6)	\$
Government Securities		Rents & Interest Due	
Accounts, Loans & Notes Receivable (Schedule 2)		Real Estate Taxes Due (Schedule 4)	
Marketable Stocks (Shares) & Bonds (Schedule 3)		Liens on Real Estate (Schedule 4)	
Real Estate (Schedule 4)		Other Taxes Due	
Proprietary Interests (Schedule 5)		Other Liabilities ¹ (Itemize if over 10% of total assets)	
Other Assets ¹ (Itemize if over 10% of total assets)			
		TOTAL LIABILITIES	
		NET WORTH	
TOTAL ASSETS	\$	TOTAL LIABILITIES & NET WORTH	\$

A. GROSS ANNUAL INCOME		B. CONTINGENT LIABILITIES	
Salary & Pensions (for individuals only)	\$	As Endorser or Co-Maker	\$
Bonus & Commissions		On Leases or Contracts	
Dividends & Interest		Legal Claims	
Real Estate Income		Provision for Income Taxes	
Other Income (Itemize if over 10% of total assets)		Other Special Debts (Itemize if over 10% of total assets)	
TOTAL INCOME	\$	TOTAL CONTINGENT LIABILITIES	\$

¹ As at end of month immediately preceding date of application.

Assets valued at \$_____ have been pledged or hypothecated to secure notes or obligations aggregating \$_____.

I have additionally endorsed, guaranteed or am contingently liable for debts of others amounting to \$_____.

Schedule 1: Banking Relationships List all bank accounts

Name of Bank/Financial Institution	Address	Type of Account	Account Number	Account Balance
			C. Total	

Schedule 2: Accounts, Loans & Notes Receivable

D. Name and Address of Debtor	Date Originated	Description/Nature of Debt	Security Held	Maturity Date	Balance Due
				E. Total	

Schedule 3: Marketable Stocks (Shares) and Bonds. Include only those listed on recognized national exchanges.

Face Value Bonds No. Shares of Stock	Description Of Security	Registered in Name of	Cost	Income Received Last Year	If Pledged, State to Who	Present Market Value
					F. Total	

Schedule 4: Real Estate. The legal and equitable title to all real estate listed in this statement is solely in the name of the signed except as follows:

Description or Street Number	Dimensions or Acres	Improvements Consist Of	Outstanding Mortgages or Liens	Due Dates & Payment Amount	Unpaid Taxes	
					Year	Amount

Schedule 5: Proprietary Interests

Provide the following information regarding all business enterprises in which you hold a beneficial interest. The term "business enterprise" includes business trust, sole proprietorship or other business which shares are not listed on a securities exchange or otherwise regularly traded. Under the heading "Nature of Business and Percentage of Ownership," explain what the business enterprise does and percentage of your ownership of the business. Under "Nature of Business and Percentage of Ownership," explain what the business enterprise does and percentage of your ownership statement, including income and expense (profit and loss) and cash flow statements, for the last two years for each business interest in which you hold (25%) or more of your net worth.

Name and Address Of Business	Legal Form Of Business	Nature of Business and Percentage of Ownership

Schedule 6: Notes & Accounts Payable.

Name of Lender	Lender's Address	Due Dates & Payments	Security/Collateral

I. T

CERTIFICATION

I CERTIFY that the above information is complete and correct to the best of my knowledge and belief.

I ALSO AUTHORIZE the Financial Supervisory Commission to make such enquiries and seek such further information as it thinks appropriate in verifying the information given in this Confidential Financial Statement.

I ALSO UNDERSTAND that the results of enquiries and information derived therefrom may be disclosed to the applicant.

Dated and signed this _____ day of _____, 20__.

(Signature)

(Print or Type Full Name)

Declared to before me this _____ day of _____, 20__.

(Seal)

(Notary Public Signature)

(Print or Type Full Name)

II. CONFIRMATION INQUIRY ¹

III. (CONFIDENTIAL INFORMATION)

Government of Cook Islands
Financial Supervisory Commission
PO Box 594
Rarotonga, Cook Islands

Part I

(Date) _____

(Name of Confirming Bank/Institution)

(Mailing Address)

Gentlemen:

Please furnish directly to the Financial Supervisory Commission at the address indicated above, the following information with respect to all accounts, including any loan accounts, maintained by me at your institution. If the answer to any item is "none," please so state.

(Account Name/Print or Type)

(Authorized Signature)

Part II

1. At the close of business on ² _____, 20____, our records showed the following balance(s) in (state currency) _____ to the credit of the above named customer (include certificate(s) of deposit, money market certificate(s), stocks, bonds, etc.). In the event that we could readily ascertain whether there were any balances to the credit of the customer not designated in this request, the appropriate information is given below.

Account Name	Account Number	Account Balance

2. The customer was directly liable to us in respect of loans, acceptances, etc. at the close of business on that date in the total amount \$ _____ as follows:

Date of Loan	Due Date	Interest	Amount	Description of Liability, Collateral,
--------------	----------	----------	--------	---------------------------------------

		Rate	Paid to		Security, Loans, Endorsers, Etc.

3. The customer was contingently liable as endorser of notes discounted and/or guarantor at the close of business that date in the total amount of \$ _____ as follows:

Name of Maker	Date of Note	Due Date	Amount	Remarks

4. Other direct or contingent liabilities, open Letters of Credit, and relative collateral, were:

 (Date)

 (Confirming Institution)

 (Authorized Signature over printed name)

 (Authorized Signature over printed name)

 (Authorized Signature over printed name)

¹ Complete the first part of the enclosed Confirmation Inquiry Form which authorizes any bank or financial institution in which significant person or associate may have an account to confirm balance(s) of account as of a certain date. If you have accounts at more than one institution, please complete the appropriate number of forms. After completing Part I of the Confirmation Inquiry Form, it should be submitted to the Financial Supervisory Commission along with the completed Confidential Financial Statement Report. Do not send the Confirmation Inquiry Form directly to the confirming institution(s). All persons who have ownership interest in the account, for example, husband and wife, must sign the Confirmation Inquiry Form. Otherwise, the confirming institution may return the form in blank to the Financial Supervisory Commission, which may result in a delay in processing. Please provide account and loan numbers on forms.

² Date will be stated by the Financial Supervisory Commission when it forwards this Form.

APPENDIX A

SAMPLE BUSINESS PLAN FORMAT, INFORMATION REQUIREMENTS AND PRO FORMA STATEMENTS AND PROJECTIONS

I. Market Analysis

- A. **Market.** Identify the markets currently served and/or those proposed to be served by the bank, including any new or proposed branch or other office facilities and arrangements.
- B. **Characteristics.** Describe the target market demographics and economic characteristics. Include any anticipated changes in the market, factors influencing such changes, and possible effects on the bank.
- C. **Competition.** Identify and describe the competition (include all other financial services providers, i.e., banks, credit co-operative societies, micro-lenders, brokerage companies, insurance companies, etc.) located within the target markets of the applicant bank including any branches or other office facilities contemplated. Indicate arrangements and contracts in place for the capital market targets.

II. Business Strategy and Objectives

- A. **Market Area.** Identify the market areas from which the bank generates or expects to generate approximately fifty percent (50%) of its business.
- B. **Services.** List and briefly describe the services to be offered. Distinguish among depository services, financing, credit services, and other services. Specify any proposed new services.
- C. **Assumptions.** Describe the objectives and strategies for serving the identified target markets. List assumptions, including at a minimum: market growth rates, anticipated competition, interest rates, cost of funds, overhead, asset mix, return on assets, dividends, and capital ratios (leverage capital and risk-based).
- D. **Asset/Liability Management.** Explain the reasons for the proposed asset/liability mix and actions that will be taken to reduce funding and interest rate risks.

- E. **Annual Audit.** Explain what provisions have been made for independent, annual, external audit services.

III. Pro Forma Statements and Projections

- A. Detailed pro forma balance sheet and income and expense statements must be submitted showing assets, liabilities, capital, income, and expense projections for a minimum of three (3) years. The “current” column in the pro forma financial statements shall be applicable only to existing licensees and shall reflect balances as at closing date of the latest accounting year.
- B. At a minimum, the information shown in the following pro forma financial statements must be provided. Indicate when information required is not applicable, and explain why this is so or why there is no need for the information to be provided.

**Sample Pro Forma Statements
Balance Sheet Projections (Details)
(In thousands of NZ. Dollars)**

(Name of Applicant Bank)

	Year			
	Current	1	2	3
LOANS:				
Real Estate Loans.....	_____	_____	_____	_____
Commercial Loans.....	_____	_____	_____	_____
Installment Loans.....	_____	_____	_____	_____
Overdrafts.....	_____	_____	_____	_____
Other Loans (describe).....	_____	_____	_____	_____
Less: Provisions for Bad Loans.....	_____	_____	_____	_____
Net Loans	_____	_____	_____	_____
DEPOSITS:				
Demand & Checking.....	_____	_____	_____	_____
- Cook Islands Government.....	_____	_____	_____	_____
- Cook Islands Government-owned Corporations.....	_____	_____	_____	_____
- Individuals/Consumers.....	_____	_____	_____	_____
- Corporations/Businesses/Partnerships.....	_____	_____	_____	_____
- Other (describe).....	_____	_____	_____	_____
Total Savings Deposits (Passbook).....	_____	_____	_____	_____
Total Time/Certificates of Deposit.....	_____	_____	_____	_____
- Sub-total Short Term (up to 90 days).....	_____	_____	_____	_____
- Under \$100,000.....	_____	_____	_____	_____
- \$100,000 & Over.....	_____	_____	_____	_____
- Sub-total Medium Term (91 to 365 days)....	_____	_____	_____	_____
- Under \$100,000.....	_____	_____	_____	_____
- \$100,000 & Over.....	_____	_____	_____	_____
- Sub-total Long Term (Over 365 days).....	_____	_____	_____	_____
- Under \$100,000.....	_____	_____	_____	_____
- \$100,000 & Over.....	_____	_____	_____	_____
Total Deposits	_____	_____	_____	_____

**Sample Pro Forma Statements
Income and Expense Projections
(In thousands of NZ Dollars)**

(Name of Applicant Bank)

	Year			
	Current	1	2	3
INTEREST INCOME:				
Interest/Fees on Loans & Overdrafts	_____	_____	_____	_____
Interest/Fees on Deposits Due from Fin. Inst.	_____	_____	_____	_____
Interest/Fees from Head Office/Own Branches/..	_____	_____	_____	_____
Associates	_____	_____	_____	_____
Interest/Dividends on Securities & Investments.	_____	_____	_____	_____
Other Interest Income ¹	_____	_____	_____	_____
Total Interest Income	_____	_____	_____	_____
INTEREST EXPENSE:				
Interest Paid on Deposits	_____	_____	_____	_____
Interest Paid on Deposits Due to Fin. Inst.	_____	_____	_____	_____
Interest Paid on Deposits Due to Head Office/ ...	_____	_____	_____	_____
Own branches/Associates.....	_____	_____	_____	_____
Other Interest Expense ¹	_____	_____	_____	_____
Total Interest Expense	_____	_____	_____	_____
Net Interest Income	_____	_____	_____	_____
Provisions for Bad Loans.....	_____	_____	_____	_____
NON-INTEREST INCOME				
Lending Related Fees & Commissions.....	_____	_____	_____	_____
Charges & Fees on Deposit Accounts.....	_____	_____	_____	_____
Exchange & Commissions.....	_____	_____	_____	_____
Total Non-Interest Income	_____	_____	_____	_____
NON-INTEREST EXPENSE:				
Salaries & Benefits – Directors & Officers	_____	_____	_____	_____
Salaries & Benefits – Employees.....	_____	_____	_____	_____
Fixed Asset Expense	_____	_____	_____	_____
Other Non-Interest Expense ¹	_____	_____	_____	_____
Total Non-Interest Expense	_____	_____	_____	_____
Less: Applicable Income Taxes.....	_____	_____	_____	_____
Net Operating Income (Loss)	_____	_____	_____	_____

¹Itemise/describe all accounts/amounts that total ten percent (10%) or more of the total amount reported on this line.

**Sample Pro Forma Statements
 Income and Expense Projections (Details)
 (In thousands of NZ Dollars)**

 (Name of applicant bank)

	Year			
	Current	1	2	3
CAPITAL FUNDS:				
Beginning Capital Funds	_____	_____	_____	_____
Organizational Expenses (if capitalized)	_____	_____	_____	_____
Net Operating Income (Loss)	_____	_____	_____	_____
Other Increases (Decreases) ¹	_____	_____	_____	_____
Less: Dividends	_____	_____	_____	_____
Ending Capital Funds	_____	_____	_____	_____

	Year			
	Current	1	2	3
PROVISIONS FOR BAD LOANS:				
Beginning Balance	_____	_____	_____	_____
Gross Loan Losses (write-offs)	_____	_____	_____	_____
Recoveries	_____	_____	_____	_____
Net Losses (Recoveries)	_____	_____	_____	_____
Other Increases (Decreases) ¹	_____	_____	_____	_____
Ending Provisions for Bad Loans	_____	_____	_____	_____

	Year			
	Current	1	2	3
MISCELLANEOUS				
Number of Officers	_____	_____	_____	_____
Number of Employees	_____	_____	_____	_____
Yield on Total Loans	_____	_____	_____	_____
Yield on Total Securities & Investments	_____	_____	_____	_____
Interest Income to Average Earning Assets	_____	_____	_____	_____
Interest Expense to Average Earning Assets	_____	_____	_____	_____
Average Earning Assets	_____	_____	_____	_____

¹ Describe all increase and decreases, and the corresponding amount for each item reported in this line.

APPENDIX B

BUSINESS PLAN AND INFORMATION REQUIREMENTS CHECK LIST

(Name of Applicant Bank)

I. Market Analysis:

- A. Definition of target market areas.
- B. 1. Supporting market research, such as area demographics and economics.
- 2. Identification of major factors affecting the selected market areas.
- 3. Analysis of selected market areas' needs.
- C. Identification and analysis of competition within selected market areas.

II. Business Strategy and Objectives:

- A. Targeted market areas can reasonably produce fifty percent (50%) of the business in light of the bank's resources and targeted customer base.
- B. Services to be provided are listed and adequately described.
- C. 1. Strategies are consistent with stated objectives.
- 2. Profitability expectations and assumptions are reasonable.
- 3. Pro forma statements are accurately prepared with major assumptions adequately disclosed, and are consistent with strategies to capture and support market share.
- 4. Strategic objectives, pro forma statements, and market plans are consistent.
- 5. Estimates of operating results are reasonable and supported.
- D. The asset/liability mix is adequately discussed. The bank has procedures to address funding and interest rate risks.
- E. External independent audit program will be provided for the first three (3) years of operations.

III. Pro Forma Statements:

- A. Detailed pro forma balance sheet and income and expense statement show projections for a minimum of three (3) years.
- B. For existing banks, current financial condition and results of operations for the previous accounting year. Any adverse conditions and/or major deviation from core banking business-fully explained.
- C.
 1. The information shown in the pro forma financial statement and projections must accompany a business plan.
 2. Additional data should be included, as necessary, to explain important elements of the planned asset and liability mix (for example, the loan and deposit schedules might be expanded). Average annual balances, rather than year-end estimates, should be used in preparing pro forma balance sheet projections.
 3. Assumptions used, and basis for these, as well as the manner by which projections were estimated for account balances in the pro forma statements (such as interest rate assumptions, loan yields, and cost of funds, etc.), have to be described in full.