



FINANCIAL SUPERVISORY COMMISSION

OF THE

COOK ISLANDS

ANNUAL REPORT

2021/2022

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The FSC's Vision is:

To be a financial regulator that is committed to excellence, integrity and supportive of growth and development of the Cook Islands financial services centre.

The FSC's Mission Statement is:

To oversee an effective and efficient prudential and investigative supervision regime applying risk-based, and intelligence-led, policies in line with internationally accepted best practice.

REPORT ON ACTIVITIES 2021/2022

1. Major Achievements

The year ended 30 June 2022 marked the nineteenth year of operations for the Financial Supervisory Commission (the Commission or FSC) which was established under the Financial Supervisory Commission Act 2003¹.

The 2021/2022 year was another period of prolonged disruption by the COVID-19 pandemic for the Cook Islands. While the travel bubble opened with New Zealand in May 2021, bringing relief to many in the business community, the border re-closed again in August 2021 due to the Delta outbreak in New Zealand, and remained closed until January 2022. Once the border re-opened the Cook Islands then had to contend with COVID-19 within the community which peaked over March – May 2022. In addition, global events such as the Russia-Ukraine War and high inflation has added to the challenges around recovery in 2022. These events have impacted the Cook Islands community in a number of ways, financially with business disruptions, declines in customers and spending, problems with staffing and recruitment, supply issues and significant cost increases.

Despite this, 2021/2022 remained a year of significant activity for the Commission, with the mode of operation adapting to the circumstances the Cook Islands found itself in.

¹ The Financial Intelligence Unit (FIU) merged with the FSC on 1 July 2012, however the FIU has retained its operational independence and powers; as per the Financial Intelligence Unit Act 2015.

The major achievements for the FSC and FIU for the year to 30 June 2022 are highlighted below:

- The phased winding down of the COVID-19 loan deferral programme and high frequency monitoring in place for our bank licensees while continuing to support banks in supporting customers in this transition;
- Completion and implementation of the online prudential filing system and submission portal for financial reporting by our bank licensees;
- Completion and passage of two new enactments The International Relationship Property Trust Act 2021 and the Pacific Catastrophe Risk Insurance Facility Act 2021;
- Licensed Lockton New Zealand as an Insurance Broker and External Insurance Manager, as well as Contact Energy Risk Ltd as a Captive Insurer;
- Commenced the procurement process (ADB procurement) for the development of the online registry;
- Maintaining operations of the Commission during the COVID-19 community outbreak through “working from home” arrangements and virtual onsite.
- Formalisation as a member of the Pacific Financial Intelligence Community (PFIC) of FIU countries in the Pacific Region.
- First Pacific FIU jurisdiction to negotiate and establish third party access via NZTCU to NZ FIU GoAML database.
- Established direct Intelligence Network with US Drug Enforcement Agency – USA Consulate Wellington.
- First case of 3 successive applications filed with the New Zealand High Court to extend freeze injunction for a further period of 6 months per application.

This year supervisory activities were focused on conducting a comprehensive onsite review for all high risk licensees, followed by targeted offsite and onsite visits for low risk licensees. Where possible the Commission undertook physical onsites, however in some circumstances hybrid or virtual onsites were also utilised.

The Commission fulfilled its obligations under the prudential supervision programme that had been set for the year with all licensed institutions undergoing onsite inspections under their respective legislation, of which the Commission is the administering agency.

The Board remained busy with eight statutory approvals being considered over and twelve monthly meetings being held.

Registrations, renewals and administration of international entities continued to be filed online and processed in real time, with the exception of Foundations which will continue to be administered in manual form until a replacement Online Registry is operational.

The Commission’s focus for the year is determined by the Statement of Corporate Intent that is provided to the Minister of Financial Supervisory Commission by 31 March of the preceding year.

2. Performance Targets for the year from 1 July 2021 to 30 June 2022

- (1) Continue to monitor the long term impact of the COVID-19 global pandemic on licensed financial institutions, and where necessary undertake relevant supervisory action.

Actual Performance - While the long term impact of the COVID-19 global pandemic remains an ongoing issue, the Commission achieved putting systems in place to ensure it can properly monitor and address issues as they may arise.

- (2) Undertake the prudential supervision, on a risk basis, of the following
 - (i) all banks holding banking licences to carry on banking business in the Cook Islands on a risk basis;
 - (ii) all insurers holding licences to conduct insurance business in the Cook Islands;
 - (iii) all insurance intermediaries licensed to conduct insurance business in the Cook Islands;
 - (iv) all money changing and remittance businesses licensed to conduct money changing and remittance business in the Cook Islands;
 - (v) all trustee companies licensed to conduct trustee business in the Cook Islands;
 - (vi) all captive insurance businesses licensed to conduct captive insurance business in the Cook Islands

Actual Performance – This was achieved. Our risk based supervision framework was applied at various levels of regulatory oversight for our licensed institutions. Onsite reviews were conducted on all banks, insurers, money changing and remittance business and trustee companies. Face to face meetings were held with the majority of captive insurers. Offsite reviews were undertaken on all licensed financial institutions.

- (3) Encourage and promote licensed financial institutions to carry out sound practices in relation to prudential matters;

Actual Performance – This was achieved. As part of its supervisory activities, the Commission has made a number of recommendations to licensed financial institutions aimed at improvement of governance, risk management systems and emerging issues such as IT infrastructure, cybercrime and climate change.

- (4) Consider and analyse, in a timely manner, all completed applications submitted to the Commission for a licence, registration or authorisation pursuant to any enactment the Commission administers;

Actual Performance – This was achieved. The Commission approved three new licences, revoked one licence and approved four authorisations. All applications were considered and approved within the prescribed timeframe. In addition, the Commission reviewed and approved seventeen changes to key person roles within various licensed financial institutions over the year.

- (5) Efficiently oversee the requirements for registration and renewal of registration of international companies, international trusts, international partnerships, limited liability companies, foundations and any new entities that may be added in future;

Actual Performance – This was achieved. There was limited down time for the online registry of international companies, trusts, partnerships and limited liability companies in 2021/2022. The manual registration and renewal of foundations was completed on the same day as delivery of the prescribed forms to the Registrar.

- (6) Proactively seek to make improvements to the regulatory framework and procedures which apply to licensed financial institutions;

Actual Performance – This was achieved. The Commission recommenced its legislative work programme, with a focus on regulation improvement projects such as the updating of guidelines under the Financial Transactions Reporting Act 2017, review of virtual asset regulations and making recommendations around the development of administrative penalties.

- (7) Investigate and prosecute matters under the Financial Intelligence Unit Act 2015, the Currency Declaration Act 2015/16 and the Financial Transactions Reporting Act 2017

Actual Performance - The FIU continues to both lead and assist on financial investigative work to support law enforcement agencies. It has actively participated in a number of joint task force operations.

- (8) Perform airport, airfreight or seaport duties for the purpose of enforcing the Currency Declaration Act 2015/16;

Actual Performance – The closure of borders in mid August 2021 until January 2022 and then the outbreak of COVID-19 in the Cook Islands community in the first half of 2022 impacted on FIU's operations at the airport and these were curtailed in most part, to be picked up again in 2022/2023.

- (9) Investigate and review the performance by licensed financial institutions and designated non-financial businesses and professions of their obligations pursuant to AML/CFT compliance;

Actual Performance – This was achieved. With the assistance of the supervisory division of the Commission the FIU has completed AML/CFT compliance reviews of all relevant licensed financial institutions. The FIU is progressing its first planned compliance examination of Maritime Cook Islands, the Cook Islands shipping registry, and other designated non-financial businesses and professions. The FIU continues to maintain regular dialogue with key compliance and MLRO personnel providing support and advice.

- (10) Enhance the confiscation of the proceeds of crime, and assist with the implementation of an Asset Recovery strategy;

Actual Performance - The FIU continues to both lead and assist on financial investigative work to support law enforcement agencies. It has actively participated in a number of joint task force operations.

- (11) Assist in the management and mitigation of cybercrime and cyber enabled crime through the introduction of preventive measures, education, and where appropriate the investigation and prosecution of serious related criminal offences;

Actual Performance – This was achieved. The FIU continues to both lead and assist on work to support law enforcement agencies, private sector and the general public on cybercrime issues. It actively participates in a number of cybercrime forums and is progressing the upskilling of its staff through courses run by the Centre of Excellence in Information Technology.

- (12) Undertake a targeted review of specific high-risk threats and vulnerabilities as part of the national risk assessment of the Cook Islands;

Actual Performance – The FIU continues to monitor and review the threats trends and vulnerabilities in the Cook Islands.

- (13) Evaluate the effectiveness of the implementation of the recommendations identified in the 2018 Cook Islands Mutual Evaluation Report;

Actual Performance – This continues to be ongoing work in progress for both the FIU and FSC, along with the other key Crown agencies, to complete implementation of the recommendations of the September 2018 Mutual Evaluation Report with priority given to increasing capacity and resourcing around financial investigations.

- (14) Continue to provide opportunities for training and professional development for staff.

Actual Performance – This was achieved. The Commission continued to fully utilise all offers of training for supervision staff as specifically referred to later in this Annual Report, observing that a number of these were simply delivered virtually, rather than in person.

To efficiently attend to all other obligations under the legislation which the Commission has responsibility to administer.

Actual Performance – This was achieved. Notably the FSC continued to oversee material funds which vest with the Registrar under the International Companies Act 1981/82.

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

Actual Performance – Achieved. This annual report will be filed with the Minister on or before 30 September 2022. The Commission has actively administered the seventeen enactments it is the administering agency for including the:

- Banking Act 2011
- Captive Insurance Act 2013
- Currency Declaration Act 2015/2016
- Digital Registers Act 2011
- Financial Intelligence Unit Act 2015
- Financial Supervisory Commission Act 2003
- Financial Transactions Reporting Act 2017
- Foundations Act 2012
- Insurance Act 2008
- International Companies Act 1981-82
- International Partnerships Act 1984
- International Relationship Property Trusts Act 2021
- International Trusts Act 1984
- Limited Liability Companies Act 2008
- Money Changing and Remittance Businesses Act 2009
- Trustee Companies Act 2014
- Pacific Catastrophe Risk Insurance Facility Act 2021

3. Supervisory Activities

a) Banking

The winding down of the COVID-19 pandemic response measures and the shifting to monitoring the medium to long term impact were the key issues for banking in 2021/2022. The COVID-19 loan deferral programme and high frequency monitoring were phased out over the last quarter of 2021 and formally ended in March 2022. Changes were made to the Commission’s financial reporting templates to incorporate more details around problem loans. Supervisory activities included, the review of capital management and asset quality management systems for the retail banks. In general, banking supervision continues to be performed by undertaking quarterly offsite analysis of information provided by the four licensed banks, and an annual critique of the statutory accounts, external audit reports and onsite inspections.

The other areas of focus for our licensed banks included the review of IT infrastructure and systems to mitigate cybersecurity risks and liquidity management. Market and Investment risk was also a focus for supervisory activities.

b) Insurance

The Commission's supervisory approach in relation to the insurance industry continues to be based on the Insurance Core Principles, Standards, Guidance and Assessment Methodology, issued by the International Association of Insurance Supervisors.

The focus for insurance supervision activities were monitoring the impact of COVID-19 pandemic on our licensed insurer operations. With the move to digital delivery of services, IT infrastructure and cybersecurity risks were a key focus of our supervisory activities.

Supervision activities for licensed insurance intermediaries were consolidated and facilitated primarily through annual reporting of insurance returns.

The supervision of insurance licensees was enhanced by ongoing active participation in the Group of International Insurance Centre Supervisor's regular conference call training sessions.

c) Captive Insurance

The captive insurance sector, while small, continues to be actively growing. Supervision techniques for captives have moved to primarily offsite supervision however, in-country meetings (where possible due to border restrictions) were still held with the boards of the captives to raise and discuss any pertinent issues.

d) Money Changing & Remittance Businesses

The Commission undertook onsite inspections of the three licensed Money Changers during 2021/2022, the primary focus of these inspections being risk management systems and AML/CFT compliance programmes.

e) Trustee Company Business

The Commission undertook both onsite and offsite monitoring and adherence to the GIFCS Statement of Best Practice for Trust and Corporate Service Providers. Onsite inspections of all licensed trustee companies were completed in conjunction with the FIU and the primary focus of the onsites were the application of their AML/CFT compliance programme to high risk customers.

4. Registrar's Office

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

Foundations

The number of Foundations for which registration and renewal fees were received in 2021/2022 was 35, a decrease of 12 (-26%) from the previous year.

International Companies

The number of International Companies for which registration and renewal fees were received in 2021/2022 was 511, a decrease of 279 (-35%) from the previous year. Given the legislative changes made to the International Companies Act, in respect to Tax Exemptions, effective from December 2019 this decline in International Company registry numbers is unfortunately to be expected however, majority of the decline has happened and it is expected to be less changeable moving forward.

International Trusts

The number of International Trusts for which registration and renewal fees were received in 2021/2022 was 2,087, a decrease of 138 (-6%) from the previous year. This reflects a flow on effect of the decline in Companies as a majority of companies are connected to trusts.

Limited Liability Companies

The number of Limited Liability Companies for which registration and renewal fees were received in 2021/2022 was 438, an increase of 12 (+3%) from the previous year. This slight growth in Limited Liability Companies is also attributable to the changes centred around tax exemption removals in respect to International Companies.

International Partnerships

The number of International Partnerships for which registration and renewal fees were received in 2021/22 was 3, a decrease of 1 (-25%) from the previous year.

5. Financial Intelligence Unit

The Cook Islands Financial Intelligence Unit (FIU) main responsibilities are:

- Collect, analyse and disseminate financial information and intelligence on suspected money laundering (ML), terrorist financing (TF) or the financing of terrorist activities and other serious offences, to the appropriate authorities in the Cook Islands and internationally with approved organisations or countries;
- Investigation and prosecution of financial misconduct;
- Regulating and conducting compliance examinations of all registered reporting institutions in the Cook Islands as prescribed in the Financial Intelligence Unit Act 2015 (FIU Act);

- Support and provide assistance to local law enforcement agencies (LEA) such as the Cook Islands Police Service (CIPS) and Cook Islands Customs Service (CICS) with criminal investigations through the analysis and investigation of associated financial activity. This type of activity is called a parallel financial investigation. This also applies where the associated predicate offences occur outside the country. FIU assesses the appropriateness of instigating the investigation of money laundering offences; and
- Coordinate the implementation of the Cook Islands AML/CFT regime, through the National AML/CFT Coordinating Committee as mandated by Cabinet.

Internationally, the FIU is part of the Egmont Group of FIUs ~~and joined~~ the Pacific Financial Intelligence Community (PFIC). Nationally, FIU is part of the Anti-Corruption Committee (ACC), the Combined Law Agency Group (CLAG) and the Cook Islands National Intelligence Taskforce (CINIT).

a) 2021/2022 FIU Activities

FIU continue to engage regularly with CINIT² as well as the New Zealand Transnational Crime Unit (NZ TCU) on intelligence related to transnational organized crime activity in the Pacific region. For the period 2021-22, the focus was the re-opening of borders and travel movements of Outlaw Motorcycle Gangs (OMCG) in the Pacific region.

In August 2021, former Senior Intelligence Analyst/Acting Head of FIU Walter Henry was formally appointed as the Head of FIU. Dennis Heather was appointed Senior Intelligence Officer in April 2022.

In November 2021 FIU received a formal invitation to join PFIC. FIU actively engaged monthly with the PFIC members on Operational matters, Research, Technological Working Group and sharing country experiences on financial crime related case studies. In addition, the group introduced Tradecraft Tuesdays. Tradecraft Tuesdays is an analyst-led initiative to share knowledge across the Pacific region through short, practical sessions led by subject matter experts. This is a new and ongoing initiative of the PFIC and will be run on a regular basis. Topics have included:

- April – Cryptocurrency-based Money Laundering delivered by NSW Police
- May – Business Email Compromise Delivered by AUSTRAC
- June – Money Mules/Smurfing delivered by FIU

In January 2022, FIU met with ‘Get Safe Online Cook Islands’ in-country program director to discuss 2022 calendar year public awareness strategy to inform the community of the government agencies that provide support for cyber related activities which includes FIU, Police and OPM-ICT. This follows on from FIUs cyber

² Cook Island National Intelligence Taskforce

scams public awareness campaign it undertook in 2020/2021 and COVID-19 scams campaign in 2019/2020.

In February 2022, FIU recommenced its compliance outreach with Maritime Cook Islands (MCI) regarding FIUs plan to review its AML/CFT/PF policy and procedures manual for the 2022 calendar year. An compliance inspection is targeted for 2022/2023.

FIU engaged with NZ TCU in March 2022, regarding increasing support with CINIT members to focus on operational and capacity development for the Cook Islands such as intelligence training, National Assessment on Transnational Organized Crime (TNOC), information sharing safe guards and APAN. As a result NZ FIU has approved increased access to its information to FIU, the first jurisdiction within the Pacific region.

Other key engagements for FIU in 2021/2022 included:

- attending the joint information session by Ora Partners and the Financial Services Development Authority on “the digital transformation in the Cook Islands” as part of the preliminary scoping for the development of a bespoke FIU database
- meeting with United States (US) Authority Delegation to discuss international cooperation between the U.S and the Cook Islands to combat ML and cybercrime.
- engaging with the Cook Islands National Security Directorate to discuss national security risk and threats to assist in the drafting of a National Security Policy. As well as meeting with New Zealand Security Intelligence Service to formalise intelligence sharing and co-operation.
- consultation for the development of a National Anti-Corruption Strategy (NACS) as a member of the National Anti-Corruption Committee,
- the Head of FIU was appointed to the assessment team for the Nauru APGML Mutual Evaluation (ME) Assessment schedule first week of November 2022. This will take place through 2022 and 2023.

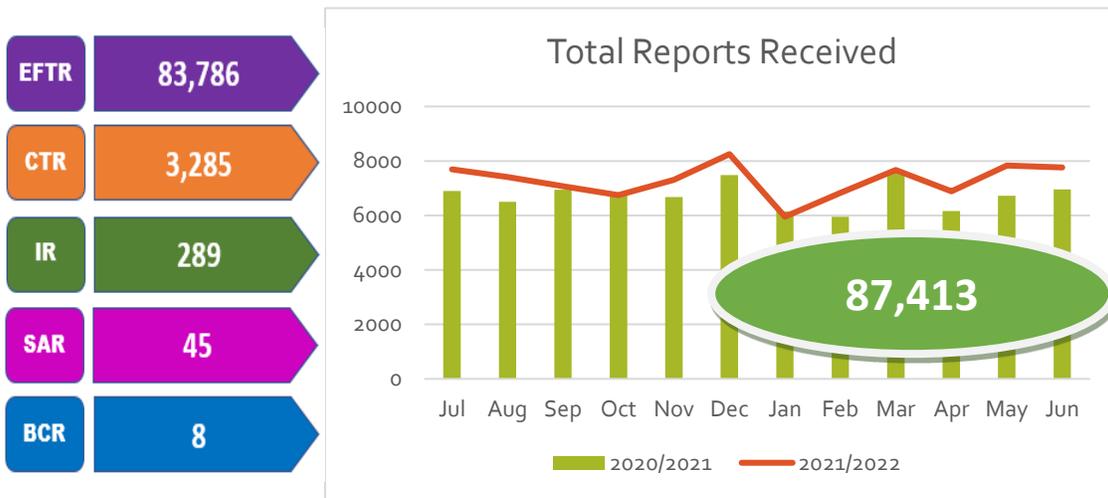
Throughout 2021/2022 FIU has undertaken outreach and consultations on the development for a bespoke FIU database, including with FIUs in the Pacific, and with both local and foreign IT expertise. This work remains ongoing for 2022/2023

b) Compliance Work

T1: The table reflects compliance activity undertaken for the period 2021-2022.

Activity Conducted	2021-2022
Desk-Based Review	1
SAR Quality Review	6
AML/CFT Supervision On-sites	17
AML/CFT Pacific Forum for Supervisors	4
Compliance – MLRO (PPP) session	1

c) Intelligence Activities



The table below shows the number of reports received by the FIU in 2021-2022 & 2020-2021 figures are included for comparative purposes.

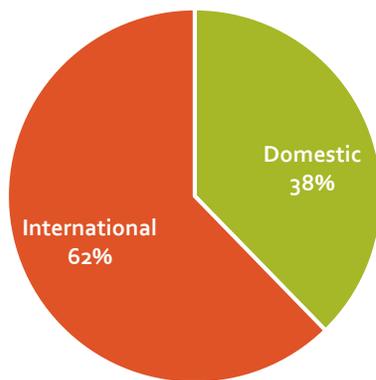
Type of Report	2020/2021	2021/2022	% increase/decrease
Suspicious Activity Reports	84	45	-46.43%
Cash Transaction Reports	2,999	3,285	+9.54%
Electronic Funds Transfer Reports	77,595	83,786	+7.98%
Border Currency Reports	1	8	+700%
Intelligence Reports	115	289	+151.30%
TOTAL	80,794	87,413	+8.19
Monthly Average	6,733	7,284	

Intelligence Reports (IR's)

Intelligence reports relate to reports we receive and disseminate both domestically from/to other local law enforcement agencies, government departments as well as private citizens and from/to international law enforcement counterparts through different networks such as the Egmont Secured Network (ESW), APAN, ARIN-AP, NZTCU, JIATF West and NZNDIB being the common agencies/networks.

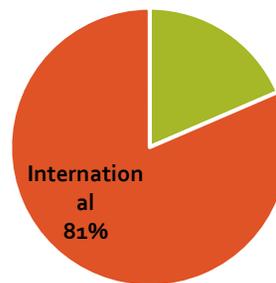
	2020/2021	2021/2022
Total Received	130	289
Domestic	76	109
International	54	180
Total Disseminated	102	27
Domestic	19	5
International	83	22

G5. IR's RECEIVED 2021/2022
(Percentage of International & Domestic)



■ Domestic ■ International

G6. IR's DISSEMINATED 2021/2022
(Percentage of International & Domestic)



■ Domestic ■ International

d) Investigations

The table show the outcome of investigation work conducted by FIU for the year under review:

Activity	2020/2021	2021/2022
Ongoing joint investigations	3	3*
Parallel financial investigations	6	3*
Cases under ongoing investigation	6	0
Investigation cases completed	4	7
Complaint investigated and referred to Police	2	0
Freeze Instructions	4	4
Freeze Instruction - Extension	0	3

*Ongoing/parallel investigations is a continuation from the previous fiscal year.

FIU receives complaints from both the public and private sector. Where the FIU Act 2015 allow the FIU to investigate, collect evidence and submit for prosecutorial action or warning. FIU continues to provide support to local law enforcement agencies.

e) **FIU Training and Development**

During the 2021/2022 period, FIU staff members were restricted to travel and elected to participate in a number of virtual training and professional development opportunities that covered the following:

- APG/Malaysia on Public Private Partnership, July 2021;
- Ora Partners/FSDA on The Digital Transformation in the Cook Islands, July 2021 - In-Country;
- AUSTRAC on Targeting Trade-Base Money Laundering, August 2021;
- UNODC on Transnational crime drug and non-traditional security challenges August 2021;
- IMF on Virtual Assets and Virtual Asset Service Providers, September 2021;
- APG on Data Analytic, October 2021;
- APG on Risk-Based Supervision of DNFBP, October 2021;
- APG on APG Typology, 8th – 10th November 2021;
- APG on AML/CFT Supervision Introduction Course, December 2021;
- APG on Implementation of the FATF Standards for VA/VASP, December 2021;
- FATF on Proliferation Financing Risk Assessment and Mitigation, December 2021;
- UNODC on Transnational Crime, Drug and Non-traditional Security Challenges, February 2022;
- UNDP on Parallel Financial Investigation & Asset Recovery, March 2022;
- UNDP on Evidence-Based National Risk Assessment, March 2022;
- APG on AML/CFT Supervision of Banks, March 2022;
- PFIC Tuesday Tradecrafts on Cryptocurrency-based Money Laundering- April 2022;
- APG on Risk-Based Supervision on DNFBPs, April 2022;
- FIU on Training for Vodafone Emoni Reporting Obligation, April 2022;
- APG on FATF Standards Training Course, April 2022;
- PFIC Tuesday Tradecrafts on Business Email Compromise, May 2022;
- CRDF Global on Countering State-sponsored Cyberthreat: A virtual training for Financial Institutions in the Pacific, May 2022;
- OECD Tax Academy on Investigative Techniques for the Effective Use of Banking Information (Specialty), May 2022;
- PFIC Working Group on Mobile Phone Banking in the Pacific, June 2022;
- NZTCU on NZ Outlaw Motorcycle Gangs, June 2022, held In-Country;
- NZTCU on Open-source intelligence, June 2022, held In-Country;
- Cyber Safety Pasifika on Combatting Tech Enabled Abuse, June 2022;

6. Financial Performance

The 2021/2022 Financial Performance of the Commission exceeded expectations although registry activity was down. This was all due to significant savings in expenses due to changes in staffing and reduced expenditure on items such as travel, FIU in-a-box and education and awareness costs.

Actual revenue for the year to 30 June 2022 was \$1,416,857 and expenditure totalled \$1,098,595 resulting in a net surplus of \$318,262. This net surplus figure represented an increase of \$158,495 on that budgeted for; primarily attributable to the favourable USD exchange movements and savings.

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 \$250,00 was returned to the Crown as excess funds, pursuant to section 24(2) of the FSC Act 2003.

On 21 September 2022 the Cook Islands Audit Office (CIAO) issued an unqualified audit opinion on the FSC's 2021/2022 statutory accounts. This was accompanied by CIAO's management letter that recognised and acknowledged the Commission's Management for their ability to maintain and monitor the strong internal control systems prevalent within the organisation. The management letter identified no areas for improvement within the Commission's financial systems.

7. The Board

The Board of the Commission as at 30 June 2022 comprised:

Geoff Stoddart, Chairman
Martha Henry
Fletcher Melvin
Tina Newport
Gaye Whitta

During the year, the FSC Board met on twelve occasions. The Board attended to all matters before it on a timely basis.

8. The Management Team

The Commissioner, Cheryl McCarthy is responsible for the day-to-day operation of the Commission and reports directly to the FSC Board. She is supported by the Deputy Commissioner, Margaret Tangimetua.

The Commissioner also plays a pivotal role in ensuring an appropriate level of regulatory oversight in the ongoing development of the financial services industry in the Cook Islands.

Both the Commissioner, and the Deputy Commissioner represent the Commission at international forums to ensure the regulatory environment in the Cook Islands keeps abreast of international developments.

Given border restrictions throughout a large portion of 2021, limited travel was undertaken with the Deputy Commissioner traveling to participate in the GIFCS evaluation for the Isle of Man. However virtual participation in all regular international forums was attended by the Commissioner or Deputy Commissioner; including:

- the Annual Plenary Meeting for the Asia Pacific Group on Money Laundering and subsequent Technical Assistance Forum in July 2021
- the Group of International Insurance Centre Supervisors annual meeting in July 2021;
- the Corporate Registers Forum Annual Meeting in November 2021;
- the APG Special Plenary in November 2021
- the Group of International Financial Center Supervisor’s summer plenary meeting in May 2022;

A new Head of FIU, Walter Henry, was appointed to the position in August 2021. The Head of FIU is responsible for the management and operations of the FIU.

9. Staffing

As at 30 June 2022, the staff of the Commission comprised of the Commissioner, the Deputy Commissioner, the Acting Head of FIU and six staff members. In addition, two casual staff are engaged to assist the Commission with ongoing work. The Commission established and recruited a junior supervisor position to assist the team with its ongoing development.

The Commission has been actively recruiting new staff with a focus on skills in information technology and finance and this recruitment remains ongoing.

The Commission was very well served by its staff during the year and the Board acknowledges their continuing contribution.

10. Professional Training & Development

All external professional training and staff development opportunities have in most part taken place virtually in 2021/2022. Opportunities for Commission staff have included:

- ANZ Supervisory College for Pacific Supervisors - August 2021;
- IMF Virtual Webinar on Virtual Assets and VA Service providers – September 2021;

- Corporate Registers Forum – Authentication and Identification of people of registers – September 2021;
- World Bank COVID-19 and Financial Stability: Guidance on Financial System Surveillance in the Pandemic – September 2021;
- Virtual Regional Workshop on Building Cyber Resilience and Capacity in Pacific Island countries – October 2021;
- Cambridge Centre for Alternative Finance – Roundtable for Scaling Digital Finance in APAC – October 2021
- IMF High Level Webinar on the Implications of Climate Risk for Financial Sector Supervision – November 2021;
- Corporate Registers Forum – Ease of Doing Business & The Role of Corporate Registries – November 2021
- PFTAC Annual Workshop on Financial Sector Supervision – April 2022
- IMF Institute Online Course – Cyber Risk Supervision – May to June 2022

The technical training and support provided by the APG, Austrac, RBNZ, NZ Police Pacific Financial Technical Assistance Centre (PFTAC) and IMF's Singapore Regional Training Institute (IMF-STI) is invaluable to the Commission.

The Commission will continue to seek relevant training opportunities to enhance the development of all staff.

11. Other Matters

The Commission continued to liaise with industry, primarily via the Trustee Companies Association and the Banker's Association, to work collaboratively on various projects wherever possible.

In previous years the annual report had referred to a written policy directive, issued by the Minister of Finance which requested that the Commission commence the necessary legislative and administrative changes to return the Financial Intelligence Unit to a stand-alone Crown Agency. While this matter was tagged for progression in 2021/2022, the status quo remains and the Commission awaits further direction.

For and on behalf of the Board



Geoff Stoddart
Chairman
23 September 2021



FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORY

Minister

The Honourable Mac Mokoroa

Members of the Board

Geoffrey Stoddart (Chairman)

Christina Newport

Fletcher Melvin

Gaye Whitta

Martha Henry

Business Address

Ground Floor, Bermuda House

Avarua, Rarotonga

Cook Islands

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PO Box 594

Rarotonga

Cook Islands

Contact Details

Phone: (682) 20 798

Email: inquire@fsc.gov.ck

Auditors

Cook Islands Audit Office

Bankers

Australia and New Zealand Banking Group Limited (ANZ CI)

ANZ Bank New Zealand Limited (ANZ NZ)

Bank of the Cook Islands Limited (BCI)

Bank of South Pacific Limited (BSP)

Capital Security Bank Limited (CSB)

Solicitors

Crown Law Office

Tim Arnold



FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of the Commission's financial statements and the judgements 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 2022.

A blue ink signature of Cheryl McCarthy, consisting of a large, stylized 'C' followed by 'M' and 'C'.

Cheryl McCarthy
Commissioner

21 September 2022

Date

A blue ink signature of Geoffrey Stoddart, consisting of a stylized 'G' followed by 'S' and 'D'.

Geoffrey Stoddart
Chairman

21 September 2022

Date



Independent Auditor's Report

To the readers of the financial statements of the Financial Supervisory Commission for the year ended 30 June 2022.

Report on the audit of the financial statements

Unmodified Opinion

In my opinion, the accompanying financial statements of the Financial Supervisory Commission ("the Commission") on pages 7 to 25:

- i. present fairly in all material respects the Commission's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with generally accepted accounting practices as defined by the Ministry of Finance and Economic Management Act 1995-96 and International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- o the statement of financial position as at 30 June 2022;
- o the statement of financial performance, the statement of changes in equity, the statement of appropriations and cash flow statement for the year then ended; and
- o notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

My audit was completed on 21 September 2022. This is the date on which my opinion is expressed.

The basis for my opinion is explained below. I outline the responsibilities of the Commissioner and my responsibilities for the financial statements and audit of the Commission. I also comment on other information.

Basis for opinion

I carried out my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI), which incorporate ISSAI 130 Code of Ethics issued by the International Organization of Supreme Audit Institutions (INTOSAI Code of Ethics). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this report.

I have fulfilled my responsibilities in accordance with ISSAI. Other than in my capacity as auditor I have no relationship with, or interests in, the Commission. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Commissioner and the Board of Directors for the financial statements

The Commissioner on behalf of the Commission is responsible for:

- o the preparation and fair presentation of the financial statements in accordance with IPSAS;
- o implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- o assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements of the Commission as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions readers make based on the financial statements of the Commission.

As part of an audit in accordance with ISSAI, I exercise professional judgement and maintain professional skepticism throughout the audit. Also:

- I identify and assess the risks of material misstatement of the financial statements of the Commission, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control used by the Commissioner to prepare the financial statements of the Commission.
- I evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- I conclude on the appropriateness of using the going concern basis of accounting that has been used by the Commissioner to prepare the financial statements of the Commission, up to the date of my auditor's report, based on the audit evidence I have obtained.
- I evaluate the overall presentation, structure, and content of the financial statements of the Commission, including the disclosures, and whether the financial statements of the Commission represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioner, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I am responsible for expressing an independent opinion on the financial statements of the Commission and reporting that opinion to you based on my audit. My responsibility arises from the Public Expenditure Review Committee and Audit Act 1995-96.

Other Information

The Commissioner is responsible for the other information. The other information comprises the information included on pages 1 to 25 but does not include the annual financial statements of the Commission and my auditor's report thereon.

My opinion on the financial statements of the Commission does not cover the other information and I do not express any form of audit opinion or assurance conclusion on that information.

In connection with my audit of the financial statements of the Commission, my responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the financial statements of the Commission, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Independence

While carrying out this audit, my staff and I have complied with ISSAI 130 Code of Ethics issued by the International Organization of Supreme Audit Institutions (INTOSAI Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Acting Director of Audit
Rarotonga, Cook Islands



FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

In New Zealand Dollars	Notes	Budget 2022 \$	Actual 2022 \$	Actual 2021 \$
Revenue				
Trading Revenue	2	1,448,967	1,367,566	1,482,357
Other Revenue	2	15,000	45,813	14,000
<i>Total Revenue</i>		1,463,967	1,413,379	1,496,357
Expenditure				
Personnel Expenses	3	697,700	591,917	530,757
Audit Fees		3,000	2,500	2,500
Covid-19 Expenses		75,000	94,175	118,962
Depreciation and Amortisation Expenses	11,12	84,200	81,869	54,264
Other Expenses	4	444,300	328,134	303,697
<i>Total Expenditure</i>		1,304,200	1,098,595	1,010,179
Operating Profit Before Other Gains and Losses (OBEGAL)		159,767	314,784	486,178
Other Gains/(Losses)				
Other Gains from Disposal of Property Plant and Equipment		-	3,478	343
<i>Total Other Gains/(Losses)</i>		-	3,478	343
Net Surplus		159,767	318,262	486,522

Explanations of major variances against the budget are provided in Note 19.

FINANCIAL SUPERVISORY COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

In New Zealand Dollars	Notes	Actual 2022 \$	Actual 2021 \$
Assets			
Current Assets			
Cash and Equivalents	5	68,274	61,543
Vested Assets Clearing Account		782	281
Trust Accounts	10	961,402	558,026
Reserve Accounts	6	510,000	510,000
Revenue in Transit		4,777	-
Prepayments		38,835	26,361
Debtors and Other Receivables	7	5,177	3,900
Accrued Interest		2,789	3,272
<i>Total Current Assets</i>		1,592,036	1,163,383
Non-Current Assets			
Property, Plant, and Equipment	11	61,942	38,084
Intangible Assets	12	101,256	164,602
Intangible Assets - Work In Progress		112,949	-
<i>Total Non-Current Assets</i>		276,147	202,685
Total Assets		1,868,183	1,366,069
Liabilities			
Current Liabilities			
Creditors and Other Payables	8	99,920	79,003
Employee Entitlements	9	28,059	18,501
Trust Liabilities	10	961,402	558,026
<i>Total Current Liabilities</i>		1,089,381	655,530
Total Liabilities		1,089,381	655,530
Net Assets		778,801	710,539
Equity			
Contributed Capital		750,400	750,400
Accumulated Surplus / (Deficit)		28,401	(39,861)
Total Equity	13	778,801	710,539

The accompanying notes should be read with these Financial Statements

FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

In New Zealand Dollars	Notes	Budget 2022 \$	Actual 2022 \$	Actual 2021 \$
Balance as at 1 July		710,539	710,539	624,018
Total Net Surplus for the year		159,767	318,262	486,522
Return of Excess to the Crown		(160,000)	(250,000)	(400,000)
Balance as at 30 June	13	710,306	778,801	710,539

FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

In New Zealand Dollars	Actual 2022 \$	Actual 2021 \$
Cash Flows from Operating Activities		
Receipts from Licensees	1,361,512	1,470,308
Receipts from MFEM-Confiscated Asset Fund	27,323	-
Receipts from Interest	18,973	14,639
Payments to Employees	(665,454)	(616,001)
Payments to Suppliers	(333,770)	(329,193)
Net Cash Flows from Operating Activities	408,583	539,754
Cash Flows from Investing Activities		
Sale of Property Plant and Equipment	3,478	343
Purchase of Property, Plant, Equipment and Intangible Assets	(155,330)	(118,126)
Net Cash Flows used in Investing Activities	(151,852)	(117,783)
Cash Flows from Financing Activities		
Distributions to the Crown	(250,000)	(400,000)
Net Cash Flows used in Financing Activities	(250,000)	(400,000)
Net Increase in Cash and Equivalents	6,732	21,971
Cash and Equivalents as at 1 July	61,543	39,572
Cash and Equivalents as at 30 June	68,274	61,543

The accompanying notes should be read with these Financial Statements

FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Actual 2022 \$	Actual 2021 \$
In New Zealand Dollars		
Reconciliation of Net Surplus / (Deficit) to Net Cash Flows from Operating Activities		
Reported Surplus	318,262	486,522
Add / (less) Non-cash items		
Depreciation and Amortisation	81,869	54,264
(Gain) / Loss on Sale of Assets	3,478	343
<i>Total Non cash items</i>	396,653	540,443
Add / (less) movements in Statement of Financial Position items		
(Increase) / decrease in Debtors and Other Receivables	(1,277)	(3,900)
(Increase) / decrease in Prepayments	(12,473)	(1,549)
(Increase) / decrease in Accrued Interest	482	639
(Increase) / decrease in Revenue in Transit	(4,777)	-
(Increase) / decrease in Vested Assets Clearing Account	(500)	(121)
Increase / (decrease) in Accounts Payable	21,445	14,371
Increase / (decrease) in Credit Card Liability	16	(1,134)
Increase / (decrease) in Pay As You Earn (PAYE) Payable	486	(1,396)
Increase / (decrease) in Superannuation Payable	(81)	1,567
Increase / (decrease) in Value Added Tax (VAT) Payable	(949)	699
Increase / (decrease) in Revenue Received in Advance	-	(8,149)
Increase / (decrease) in Employee Entitlements	9,558	(1,716)
<i>Net movement in working capital items</i>	11,930	(689)
Net Cash Flows from Operating activities	408,583	539,754

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 1: Statement of Accounting Policies

Reporting Entity

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

Statement of Compliance

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

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 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.

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Income Tax

The 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.

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 or overseas borrowings are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 1: Statement of Accounting Policies (continued)

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.

Statement of Cash Flows

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

Financing activities comprise capital injections by, or repayment of funds to the Crown, and movements in the Commission's reserve accounts.

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.

Budget Figures

The budget figures are derived from the Commission's Statement of Corporate Intent 2021/2022, as approved by the Board of Directors on 24 March 2021.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes in Accounting Policies

There have been no changes in accounting policies since the date of the last audited financial statements.

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 2: Revenue

Accounting Policy

Revenue under exchange transactions

The specific accounting policies for significant revenue items are explained below:

Revenue is measured at fair value of consideration received or receivable for the services provided in the ordinary course of business. Revenue is stated exclusive of Value Added Tax and is recognised when the service is provided.

Trading revenue

The Commission derives revenue from various fees charged relating to the provision of services to the international 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.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method

Breakdown of revenue

	Budget 2022 \$	Actual 2022 \$	Actual 2021 \$
Trading revenue			
Licensing fees	116,174	116,919	115,414
Registration fees	124,571	139,252	133,223
Renewal fees	1,134,622	1,008,211	1,128,096
Other fee income	73,600	103,183	105,625
Total trading revenue	1,448,967	1,367,566	1,482,357
Other revenue			
MFEM-Confiscated Asset Fund	-	27,323	-
Interest revenue	15,000	18,490	14,000
Total other revenue	15,000	45,813	14,000

Note 3: Personnel Expenses

Accounting Policy

Superannuation schemes

The Commission contributes to the Cook Islands National Superannuation Fund which is accounted for as a defined contribution scheme and is expensed in the surplus or deficit as incurred.

Breakdown of personnel expenses

	Budget 2022 \$	Actual 2022 \$	Actual 2021 \$
Salaries and wages	664,605	555,248	509,332
Defined contribution plan - employer contributions	33,095	27,111	23,140
Increase / (decrease) in employee entitlements	-	9,558	(1,716)
Total personnel expenses	697,700	591,917	530,757

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 4: Other Expenses

Breakdown of other expenses

	Budget 2022 \$	Actual 2022 \$	Actual 2021 \$
Board Fees	84,000	83,500	83,700
Computer Costs	32,000	12,523	9,839
Electricity	12,000	8,880	8,043
Lease Costs	36,000	36,000	36,000
Legal and Professional Fees	55,000	23,762	17,933
Online Prudential Expenses	22,500	20,972	5,168
Online Registry Expenses	65,000	70,076	67,869
Staff Training	5,000	764	1,042
Subscriptions	31,000	28,582	30,728
Travel	32,700	8,212	174
Other Operating Costs	69,100	34,863	43,201
Total other expenses	444,300	328,134	303,697

Note 5: Cash and Equivalents

Accounting Policy

Cash is considered to be cash balances on hand and current accounts in banks, net of bank overdrafts and trust accounts, with original maturities of three months or less.

Breakdown of cash and equivalents

	Actual 2022 \$	Actual 2021 \$
Cash at bank (ANZ CI)	66,590	59,788
Cash at bank (ANZ NZ)	1,584	1,655
Petty Cash	100	100
Total cash and equivalents	68,274	61,543

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 6: Reserve Accounts

Accounting Policy

As a precautionary measure the Commission holds Reserve Accounts to fund any necessary enforcement action, future capital expenditure, or any other unbudgeted costs. This is attributable to the Commission being a self funding Crown Agency.

Breakdown of reserve accounts

	Term	Interest Rate	Actual 2022 \$	Actual 2021 \$
Term Deposit (BCI)	6 months	3.10%	250,000	250,000
Term Deposit (BSP)	6 months	3.00%	260,000	260,000
Total reserve accounts			510,000	510,000

Note 7: Debtors and Other Receivables

Accounting Policy

Short-term receivables are recorded at the amount due, less any provisions for uncollectability.

A receivable is considered uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Breakdown of receivables and further information

	Actual 2022 \$	Actual 2021 \$
Receivables under non-exchange transactions		
Accounts Receivable (gross)	5,177	3,900
Less: Provision for doubtful debts	-	-
Accounts Receivables (net)	5,177	3,900
Total debtors and other receivables	5,177	3,900

Inter-ministry receivables included above to Crown Agencies

- -

The aging profile of accounts receivable at year end is detailed below:

	2022			2021		
	Gross	Provision	Net	Gross	Provision	Net
Not past due	5,177	-	5,177	3,900	-	3,900
Past due 0 - 30 days	-	-	-	-	-	-
Past due 31 - 60 days	-	-	-	-	-	-
Past due over 60 days	-	-	-	-	-	-
	5,177	-	5,177	3,900	-	3,900

All receivables greater than 30 days in age are considered to be past due.

The assessment for uncollectability is performed on an individual basis, based on past collection history and write offs. All above debtors have been assessed as collectable as all past debts have been collectible and none have been written off.

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 8: Creditors and Other Payables

Accounting Policy

Short-term payables are recorded at the amount payable.

Breakdown of payables and further information

	Actual 2022 \$	Actual 2021 \$
Payables under exchange transactions		
Accounts Payable	46,018	24,572
Credit Card Liability	152	136
Pay As You Earn (PAYE) Tax Payable	9,609	9,123
Cook Islands Superannuation Payable	4,676	4,757
Value Added Tax (VAT) Payable	17,639	18,588
Revenue Received in Advance	21,826	21,826
<i>Total payables under exchange transactions</i>	99,920	79,003
Total creditors and other payables	99,920	79,003
Inter-ministry payables included above to Crown Agencies	34,799	35,343

Note 9: Employee Entitlements

Accounting Policy

Employee benefits are due to be settled within 12 months after the end of the financial year in which the employee provides the related service and are based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and time off in lieu.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created constructive obligation and a reliable estimate of the obligation can be made.

Breakdown of employee entitlements

	Actual 2022 \$	Actual 2021 \$
Accrued salaries and wages	15,899	12,431
Annual leave	12,160	6,070
Total employee entitlements	28,059	18,501

FINANCIAL SUPERVISORY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

Note 10: Trust Accounts

Accounting Policy

The Commission holds funds in trust on behalf of the Trustee Company licensees, for payment of their registry activity, and on behalf of the Crown for assets vested in the Registrar. These are recorded at carrying value.

Breakdown of trust accounts and trust liabilities

	Actual 2022 \$	Actual 2021 \$
Trust assets		
New Zealand Dollar (NZD) Vested Assets Account (ANZ CI)	215,287	19,409
Australian Dollar (AUD) Vested Assets Account (ANZ CI)	635,063	438,476
New Zealand Dollar (NZD) Client Trust Account (CSB-WU)	10,000	10,000
New Zealand Dollar (NZD) Client Trust Account (CSB-VF)	10,000	10,000
United States Dollar (USD) Client Trust Account (CSB)	91,052	80,141
Total trust assets	961,402	558,026
Trust liabilities		
NZD Vested Assets Account on behalf of the Crown (ANZ CI)	215,287	19,409
AUD Vested Assets Account on behalf of the Crown (ANZ CI)	635,063	438,476
NZD Client Security Bond (CSB-WU)	10,000	10,000
NZD Client Security Bond (CSB-VF)	10,000	10,000
USD Client Imprest Account (CSB)	91,052	80,141
Total trust liabilities	961,402	558,026
Trust Account Reconciliation		
New Zealand Dollar (NZD) Vested Assets Account (ANZ CI)		
Opening Balance	19,409	-
Add: Assets vested in the Registrar received	4,121,661	8,322,065
Add: Interest received	1,379	148
Less: Payments to Crown Public Account	(3,808,035)	(8,263,815)
Less: Payments of Claims	(96,784)	(8,339)
Less: Payments of FSC Administration fees	(21,800)	(31,000)
Less: Other Charges	(501)	382
Less: Bank fees	(42)	(32)
Closing Balance	215,287	19,409
AUD Vested Assets Account on behalf of the Crown (ANZ CI)		
Opening Balance	438,476	-
Add: Assets vested in the Registrar received	2,331,678	8,299,394
Less: Payments to Crown Public Account	(1,118,797)	-
Less: Payments of Claims	(68,095)	(379,956)
Less: Transfer of funds to NZD Vested Asset Account	(947,956)	(7,467,076)
Less: Bank fees	(243)	(193)
Less: Foreign Exchange	-	(13,693)
Closing Balance	635,063	438,476

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 11: Property, Plant, and Equipment

Accounting Policy

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Additions

The cost of purchased property, plant, and 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.

Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at date of acquisition. An asset acquired below the \$5,000 threshold set by the Cook Islands Government Financial Policy and Procedures Manual is expensed.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the additional cost will flow to the Commission and that the cost of the item can be measured reliably.

The costs of day to day servicing of property, plant and equipment are expensed in surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the sales proceeds with the carrying amount of the asset.

Depreciation

Depreciation of property, plant, and equipment 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. Typically, the estimated useful lives are:

Computer Equipment	3 - 4 years	25 - 33%
Furniture and Fittings	10 years	10%
Motor Vehicles	5 years	20%
Plant Equipment	4 years	25%
Leasehold Improvements	10 years	10%

Impairment of property, plant and equipment

The Commission does not hold any cash generating assets. Assets are considered cash generating when their primary objective is to generate a commercial return.

Non-cash generating assets

Property, plant and equipment held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is the present value of an asset's remaining service potential. It is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

FINANCIAL SUPERVISORY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

Note 11: Property, Plant and Equipment (continued)

Breakdown of property, plant and equipment and further information

Movement for each class of property, plant and equipment are as follows:

	Computer Equipment \$	Furniture & Fittings \$	Motor Vehicles \$	Plant Equipment \$	Leasehold Improvements \$	Total \$
Cost						
Balance as at 1 July 2020	160,196	40,920	44,463	43,301	84,337	373,217
Additions	-	-	-	12,632	-	12,632
Disposals	46,053	7,330	-	24,660	-	78,043
Balance as at 30 June 2021	114,143	33,590	44,463	31,272	84,337	307,805
Accumulated depreciation and impairment losses						
Balance as at 1 July 2020	146,566	36,756	28,237	43,302	79,630	334,491
Depreciation	5,874	759	4,868	1,299	475	13,274
Accumulated depreciation on disposals	46,053	7,330	-	24,660	-	78,043
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2021	106,387	30,185	33,105	19,941	80,105	269,722
Carrying Amount						
As at 30 June 2021	7,757	3,404	11,358	11,332	4,232	38,084
Cost						
Balance as at 1 July 2021	114,143	33,590	44,463	31,272	84,337	307,805
Additions	8,968	-	24,339	9,074	-	42,381
Disposals	-	-	20,124	-	-	20,124
Balance as at 30 June 2022	123,111	33,590	48,679	40,346	84,337	330,062
Accumulated depreciation and impairment losses						
Balance as at 1 July 2021	106,387	30,185	33,105	19,941	80,105	269,723
Depreciation	6,197	759	6,896	4,195	475	18,522
Accumulated depreciation on disposals	-	-	20,124	-	-	20,124
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2022	112,584	30,944	19,878	24,136	80,580	268,121
Carrying Amount						
As at 30 June 2022	10,527	2,645	28,801	16,211	3,758	61,942

Capital commitments

There were no property, plant and equipment commitments at year end (2021: nil).

FINANCIAL SUPERVISORY COMMISSION

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FOR THE YEAR ENDED 30 JUNE 2022**

Note 12: Intangible Assets

Accounting Policy		
Software acquisition		
Computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software.		
Staff training costs and costs associated with maintaining computer software are expensed when incurred. Costs associated with development and maintenance of the Commission's Intangible Assets are expensed when incurred.		
Amortisation		
The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases on the date that the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.		
The useful lives and associated amortisation rates have been estimated as follows:		
Acquired computer software	3-8 years	13-33%
Impairment of intangible assets		
Refer to the policy for impairment of property, plant and equipment in Note 11. The same approach applies to impairment of intangible assets.		

Breakdown of intangible assets and further information

Movement for each class of intangible assets are as follows:

	Software \$
Cost	
Balance as at 1 July 2020	419,321
Additions	121,984
Disposals	-
Balance as at 30 June 2021	541,305
Accumulated amortisation and impairment losses	
Balance as at 1 July 2020	335,713
Amortisation	40,990
Accumulated amortisation on disposals	-
Impairment losses	-
Balance as at 30 June 2021	376,703
Carrying Amount	
As at 30 June 2021	164,602
Cost	
Balance as at 1 July 2021	541,305
Additions	-
Disposals	-
Balance as at 30 June 2022	541,305
Accumulated amortisation and impairment losses	
Balance as at 1 July 2021	376,703
Amortisation	63,347
Accumulated amortisation on disposals	-
Impairment losses	-
Balance as at 30 June 2022	440,050
Carrying Amount	
As at 30 June 2022	101,256

Capital commitments

In June 2021 the Commission received approval for Asian Development Bank funding to upgrade its Online Registry. The tendering process is near completion as at 30 June 2022. Work on the project should commence in 2022/2023 financial year.

FINANCIAL SUPERVISORY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Note 13: Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- > contributed capital
- > accumulated surplus / (deficit)

Return of excess to the Crown

Return of excess funds to the Crown occurs in accordance with section 24(2) of the Financial Supervisory Commission Act 2003 when the Commission's Board considers that funds are in excess of the amount sufficient to enable the Commission to carry out its functions.

Breakdown of equity

	Actual 2022 \$	Actual 2021 \$
Opening Equity		
Balance as at 1 July	750,400	750,400
Capital Funding for the year	-	-
Balance as at 30 June	750,400	750,400
Accumulated Surplus / (Deficit)		
Balance as at 1 July	(39,861)	(126,382)
Surplus / (Deficit) for the year	318,262	486,522
Return of Excess to the Crown	(250,000)	(400,000)
Balance as at 30 June	28,401	(39,861)
Total Equity	778,801	710,539

Note 14: Related party transactions

The Financial Supervisory Commission is a wholly owned entity of the Crown, however, the Government protects it through its legislation from undue influence and significant control.

The Commission also enters into transactions with other Government Ministries, Crown Agencies and State Owned Enterprises on an arms-length basis.

The key management personnel are members of the senior management group.

Key management personnel compensation

	Actual 2022 \$	Actual 2021 \$
Remuneration	\$ 368,431	\$ 355,526
Full-time equivalent members	4	5

FINANCIAL SUPERVISORY COMMISSION
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Note 15: Financial Instruments

Accounting Policy

Financial assets

All financial assets are classified as Receivables. Receivables are measured at fair value plus transaction cost on initial measurement and subsequently at amortised cost. Interest income and interest expense is recognised in the surplus or deficit.

Financial liabilities

All financial liabilities are classified as Other Liabilities. Other liabilities are measured at fair values less transaction cost on initial measurement and subsequently at amortised cost. Interest income and interest expense is recognised in the surplus or deficit.

Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Actual 2022 \$	Actual 2021 \$
Receivables		
Cash and Equivalents	68,274	61,543
Vested Assets Clearing Account	782	281
Prepayments	38,835	26,361
Reserve Accounts	510,000	510,000
Debtors and Other Receivables	5,177	3,900
Accrued Interest	2,789	3,272
Revenue in transit	4,777	-
Trust Accounts	961,402	558,026
<i>Total receivables</i>	1,592,036	1,163,383
Other Liabilities		
Creditors and Other Payables	99,920	79,003
Employee Entitlements	28,059	18,501
Trust Liabilities	961,402	558,026
<i>Total other liabilities</i>	1,089,381	655,530

Financial Instrument risks

The Commission's activities expose it to a variety of financial instrument risks, including market risk, credit risk, foreign currency risk and liquidity risk.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency rates. 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.

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FOR THE YEAR ENDED 30 JUNE 2022

Note 15: Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. The Commission manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Market Risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Commission's income or value of its financial instruments. The Commission has no financial assets or liabilities that are affected by changes in market prices and therefore there is no market risk.

Credit Risk

In the normal course of business, the Financial Supervisory Commission incurs credit risk from trade debtors and transactions with financial institutions. The Commission has a credit policy, which is used to manage this risk. As part of this policy, limits on exposure with counter parties has been set and is monitored on a regular basis.

The Financial Supervisory 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 trade debtors dealt with.

Fair Values

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

Note 16: Financial Commitments

Operating Tenancy Lease commitments:

	Actual 2022 \$	Actual 2021 \$
Within one year	12,000	36,000
Within one to two years	69,000	9,000
	81,000	45,000

Online Prudential Filing Commitment (Parklane):

	Actual 2022 \$	Actual 2021 \$
Within one year	22,500	18,900
Within one to two years	-	-
	22,500	18,900

Amazon Web Service (Foster Moore)-Online Registry Commitment:

	Actual 2022 \$	Actual 2021 \$
Within one year	67,880	62,475
Within one to two years	-	-
	67,880	62,475

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Note 17: Contingencies

Accounting Policy

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

Contingent Liabilities

The Commission has no contingent liabilities as at balance date (2021: nil).

Contingent Assets

The Commission has no contingent assets as at balance date (2021: nil).

Note 18: Significant events after balance date

There are no significant events after balance date.

Note 19: Explanation of major variances against the budget

Explanation of major variances from 30 June 2022 budgeted figures are as follows:

Statement of Financial Performance

Trading Revenue

Actual trading revenue is lower than budgeted by \$81,401. This is solely attributable to the decline in registry activity. Total decline for the year is 418 entities compared to Budget. The decline is mainly due to the impact the European Union tax reforms are having on the industry.

Personnel Expense

Actual personnel expense was lower than budgeted by \$105,783 due to the Financial Intelligence Head position being filled in-house during the year and the promotion of junior employees leaving a vacant position as at balance date.

Other Expenses

Actual other expense is lower than budgeted by \$116,166. This is primarily due to staff not being able to travel due to Covid. Due to the Commission having vacant positions and employees working from home, savings were made across most expense line items. Expenses planned for Professional services, Financial Intelligence Unit in a box, Operation costs and Education & Awareness did not eventuate due to other pressing matters and unforeseen circumstances.