



FINANCIAL SUPERVISORY COMMISSION
OF THE
COOK ISLANDS

ANNUAL REPORT

2023/2024

TABLE OF CONTENTS

1. Major Achievements 2023/2024.....	3
2. Performance Targets for the year from 1 July 2023 to 30 June 2024.....	4
3. Supervisory Activities.....	8
a) Banking.....	8
b) Insurance.....	8
c) Captive Insurance.....	9
d) Money Changing and Remittance Businesses.....	9
e) Trustee Company Business.....	9
4. Registrar's Office.....	9
5. Financial Intelligence Unit.....	10
a) 2023/2024 FIU Activities.....	11
b) Compliance Work.....	12
c) Intelligence Activities.....	13
d) Investigations.....	16
e) FIU Training & Development.....	17
6. Financial Performance.....	18
7. The Board.....	19
8. The Management Team.....	19
9. Staffing.....	20
10. Professional Training & Development.....	20
11. Other Matters.....	21

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 2023/2024

1. Major Achievements

The 2023/2024 year saw the return of tourism to near pre-COVID levels. The economic environment has been dominated by continued inflation affecting the prices of goods and services as well as supply issues, and the continuous problems with staffing and recruitment.

For the Commission 2023/2024 remained a year of significant activity, with a focus of embedding and implementation of supervisory processes and systems developed in the prior years.

The development of the new online registry was a major focus for Commission staff, with the new registry going live in July 2024. In addition, the FIU worked with AUSTRAC, their Australian counterparts to put in place the TAIPAN database system which will enhance FIU's capacity to undertake both strategic and operational analysis of financial transactions.

The major achievements for the FSC and FIU for the year to 30 June 2024 are highlighted below:

- The development of the new online registry which was completed in July 2024;
- The implementation of the online prudential filing system and submission portal for financial reporting to our non-bank licensees;

- Licensing of ten captive insurance companies throughout 2023/2024
- Licensing of one new Managed Trustee company in October 2023
- Moved the Commission's IT infrastructure from physical servers to the Cloud
- The development of a bespoke TAIPAN database handover to FIU for full control in November 2023
- Parallel investigations with other law enforcement agencies resulted in first Money Laundering conviction case in August 2023
- 2nd Pacific Financial Intelligence Community (PFIC) Plenary hosted in Rarotonga, Cook Islands in November 2023

This year supervisory activities were focused on conducting a comprehensive onsite review for all high risk licensees, followed by targeted onsite visits and primarily offsite monitoring for low risk licensees.

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 23 statutory approvals being considered over 12 monthly meetings and 2 special meetings being held.

Registrations, renewals and administration of international entities continued to be filed online and processed in real time with minimal downtime for the registry while the team focused on the development of the new online registry system. Despite a forecasted decline in registry numbers, an unexpected increase in registrations is a positive sign of continued confidence in the international financial sector.

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 2023 to 30 June 2024

(1) To conduct annual onsite examinations for banks, insurers, money changing and remittance businesses and biennial onsite examinations for trustee companies, captive insurers and insurance intermediaries licensed to carry out business in the Cook Islands on a risk basis.

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.

(2) To undertake comprehensive offsite monitoring and reviews of all data supplied by licensees on a regular basis.

Actual Performance - This was achieved as offsite reviews were undertaken on most financial institutions and the prudential filing system has assisted with undertaking offsite monitoring.

(3) To ensure the majority of licensed financial institutions are complying with their respective regulatory rules and have sound business practices

Actual Performance - This was achieved. As part of its supervisory activities, the Commission have 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) To undertake remedial action for non-compliance as well as enforcement action for major non-compliance by licensed financial institutions

Actual Performance - Fortunately there have been no issues of major compliance in any licensed financial institutions and the Commission has undertaken clear and time mandated remedial action plans where required.

(5) To administer new applications for the licence of a financial institution on a timely basis with all applications being determined within the prescribed timeframe upon receipt of the completed application.

Actual Performance - This was achieved through the approval of eleven new licences and two 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.

(6) To continue to benchmark, where relevant, our regulatory framework against international standards to ensure appropriate enhancements are identified and implemented in a timely manner.

Actual Performance - This was achieved with the support from technical assistance providers such as the Pacific Technical Assistance Centre (PFTAC-IMF) and APGML we have ongoing projects to review and where appropriate make changes to our prudential regulatory framework and AML/CFT compliance framework.

(7) To have available to the wider public, information and avenues on everyday financial products, services and issues applicable here in the Cook Islands.

Actual Performance – This work is ongoing with the Commission working with the Asian Development Bank (ADB) to develop financial consumer protection guidelines for all licensed financial institutions. The guidelines are intended to be published in 2024/2025.

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

Actual Performance – This was achieved with minimal down time of the online registry of international companies, trusts, partnerships and limited liability companies in 2023/2024. The manual registration and renewal of foundations was completed on the same day as delivery of the prescribed forms to the Registrar. Notably, the FSC continues to oversee material funds which vest with the Registrar under the International Companies Act 1981/82.

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

Actual Performance – This work is ongoing. The Commission continues to progress its legislative work programme, with a focus on regulation improvement projects such as the review of the Financial Transactions Reporting Act 2017 against the revised FATF methodology, the review of virtual asset regulations and making recommendations around the revision of the Commission's fees and penalties. The Commission also made submissions to the Parliamentary Select Committee on the Tainted Cryptocurrency Recovery Bill highlighting some concerns it had with it.

(10) To enhance and upgrade the Commission's IT systems to ensure they are fit for purpose and provide a range of tools necessary to enable the Commission to meet its objectives.

Actual Performance – This was achieved as a primary focus for the Commission and FIU was the enhancement of both the online registry, the FIU database and the Commission's internal IT systems, having moved both the server and document management system to the cloud.

(11) To maintain a structured programme for upskilling all staff of the Commission throughout the year and make use of technical training provided by the Pacific Financial Technical Assistance Centre, the International Monetary Fund, the Financial Stability Institute, the Egmont Group of FIUs, and other technical assistance programmes including short term training with the Reserve Bank of New Zealand, New Zealand Police, AUSTRAC and other appropriate regulators.

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.

(12) To continue to promote regular analysis of AML/CFT risk within the Cook Islands.

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

(13) 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.

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

Actual Performance - This was achieved. With the assistance of the supervisory division of the Commission, the FIU has completed the AML/CFT compliance reviews of all relevant licensed financial institutions. The FIU is progressing its work plan for the designated non-financial businesses and professions. The FIU continues to maintain regular dialogue with key compliance and MLRO personnel providing support and advice.

(15) To effectively administer and enforce the Financial Intelligence Unit Act 2015, and the Currency Declaration Act 2015/16.

Actual Performance - The FIU continues to both work with border agencies to ensure the Currency Declaration Act 2015/2016 is enforced.

(16) To continue to coordinate the implementation of recommendations arising from the Cook Islands 2018 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.

(17) To report to Minister on its activities and the legislation administered by the Commission by 30 September each year and to efficiently attend to all other obligations under the legislation which the Commission has responsibility to administer.

Actual Performance - Achieved. This annual report will be filed with the Minister on or before 30 September 2024. 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 focus of supervisory activities for the banking sector has been on the loan portfolio performance and management by the respective banks. This was done through a combination of targeted onsite reviews and offsite monitoring. Given the high inflationary environment globally, additional focus was also placed on respective bank's liquidity management systems.

Another key focus of our licensed banks included the review of internal systems and policies to mitigate cybersecurity risks. We continue to be mindful of events within the regional and global banking system to understand any possible impact on our banking sector.

For other matters, 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. Joint onsites with FIU are undertaken to cover AML/CFT compliance reviews for all banks.

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 reviewing cybersecurity systems, customer servicing for both underwriting and claims processing. Business strategy and development was also a particular focus for this year.

Supervision activities for licensed insurance intermediaries were 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 and attendance of training for insurance by the Pacific Technical Assistance Centre (PFTAC-IMF)

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 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 and Remittance businesses during 2023/2024, the primary focus of these inspections being implementation of risk profiling requirements and compliance with the FTRA 2017.

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. Targeted onsite inspections of 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 and cybersecurity systems.

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 2023/2024 was 39, the exact same numbers from the previous year.

The number of International Companies for which registration and renewal fees were received in 2023/2024 was 430, an increase of 14 (3%) from the previous year.

International Trusts

The number of International Trusts for which registration and renewal fees were received in 2023/2024 was 2,096, an increase of 47 (2%) from the previous year.

Limited Liability Companies

The number of Limited Liability Companies for which registration and renewal fees were received in 2023/2024 was 568, an increase of 87 (18%) from the previous year. This slight growth in Limited Liability Companies is likely 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 2023/2024 was 3, the exact same numbers from the previous year.

5. Financial Intelligence Unit

The Cook Islands Financial Intelligence Unit's (FIU) vision is to be a leader in providing timely and high-quality financial intelligence in the global fight against money laundering and the financing of terrorist activities and threats to the economy of the Cook Islands, while ensuring the protections of the information it holds.

In support of the vision, FIU strive to be a leader in the prevention of money laundering and terrorist financing activities and thus contribute to a safe and stable financial and economic environment for the people.

FIU embraces its mission through compliance examinations, information collection, analysis and the dissemination of information on suspected money laundering, the financing of terrorism activities and other serious crimes to relevant domestic and international law enforcement authorities.

FIU continue to be a part of the global groups through Egmont Group of FIUs, the Pacific Financial Intelligence Community (PFIC), and Asia/Pacific Group on Money Laundering (APG). Nationally, the FIU is part of the Anti-Corruption Committee (ACC), the Combined Law Agency Group (CLAG), and the Cook Islands National Intelligence Taskforce (CINIT).

(a) 2023/2024 FIU Activities

Cook Islands National Intelligence Taskforce (CINIT)

The Cook Islands Government hosted the 52nd Pacific Islands Forum from the 6 to 10 November 2023. To ensure security and safety of all dignitaries to the forum, the CINIT was assigned to collaborate with New Zealand Transnational Crimes Unit (NZTCU) to undertake a high-level PIFLM52 Threat Assessment. Senior Intelligence Officer, Dennis Heather was identified to lead the threat assignment and was seconded to the Joint Intelligence Group (JIG).

In October 2023, a revised Terms of Reference for CINIT was endorsed and signed by members. FIU and CINIT continue to engage regularly with NZTCU on intelligence related to transnational organized crime activities in the Pacific region.

Pacific Financial Intelligence Community (PFIC)

The 2nd Annual Pacific Financial Intelligence Community (PFIC) Plenary convened in Rarotonga, Cook Islands on the 15 to 17 November 2023. Mr Walter Henry, Head of FIU was re-appointed as Co-Chairman of PFIC and elected Co-Chairman for the first Taipan User Group initiative to provide support and assistance to members who have and will deploy Taipan Database.

PFIC virtual programs are ongoing and scheduled regularly including the Tradecraft Tuesday sessions. Topics included:

- Virtual Assets and Financial Crimes – AFP, July 2023.
- Politically Exposed Persons Project - July 2023.
- Red-Flag Indicators of Money Laundering – July 2023.
- Crypto Crime Threats/Financial Crime Using Virtual Assets - July 2023.
- Project Anton, PPP to combat the Laundering of the Proceeds of Illegal Wildlife Trade - March 2024.
- Countering Transnational Organised Crime through Pacific FIU and Transnational Crime Unit Cooperation - March 2024.
- Joint Intelligence Group, Safety and Security of the 52nd Pacific Islands Forum Leaders Meeting - March 2024.
- Non-Conviction Based Asset Forfeiture, NCB Model Law Project - March 2024.
- Collaboration of FIUs and National Customs authorities to detect and disrupt crime at the Border - June 2024.
- Child Sexual Exploitation webinar series - June-July 2024.

TAIPAN Database Project

A bespoke FIU database has been a pivotal subject in the 2022/2023 PFIC forum. In June 2023 FIU completed installation of its Taipan server. The Handover Ceremony from AUSTRAC to Cook Islands FIU of the sophisticated Taipan was launched in Rarotonga, in November 2023. SharePoint uploads for all EFTRs and CTR data ingestion were successful. In June 2024 FIU contracted two technology consultant students from Carnegie Mellon University to enhance the Taipan database utilization (Dashboard) and implement direct data uploading from reporting institutions to SharePoint.

UNDP Peer to Peer AML/CFT Intelligence Management Mentoring

In January 2024, the Board of Directors of the Financial Supervisory Commission (FSC) Cook Islands endorsed a peer-to-peer knowledge exchange on AML/CFT intelligence cases and enhancing intelligence management frameworks. Three participants from Republic of Marshall Islands (RMI) and Kiribati participated in a week-long attachment with FIU from 11 to 15 March 2024.

The UNDP initiative was carried-on to New Zealand from 18 to 22 March 2024 which two members from the Cook Islands (FIU and Police) alongside RMI and Kiribati attended a week-long attachment with New Zealand authorities.

Technical Assistance in Shipping Registry

FIU continues to develop compliance outreach program for Maritime Cook Islands. In 2019, FIU requested technical assistance in compliance auditing related to implementing targeted financial sanction on proliferation (FATF R7). In March 2024, FIU reconvened with subject matter experts from the US Sandia National Laboratories (SNL). A joint hosting of an inaugural workshop on 'Ship Registry Sanctions Risk Management Workshop' with SNL and funded by the US Department of State was hosted in Rarotonga, Cook Islands from 4 to 5 September 2024.

Engagement with International Counterparts

- Financial Intelligence Consultative Group (FICG) is Asias' version of PFIC. HOFIU and Co-Chair of PFIC were invited to the endorsement of both groups' reciprocal participation, cooperation, and collaboration agreement in September 2023. PFIC co-chairs continue to support regular updates to FICG throughout 2023/2024.
- The collaboration between the US Law Enforcement Authorities and the Cook Islands FIU network is well established.

Other key engagements for FIU in 2023/2024 included:

- In July 2023, a new CLAG MOU was signed by members.
- In January 2024, CIFIU and FIU Timor-Leste initiated a Memorandum of Understanding (MOU).
- The 'Tainted Cryptocurrency Recovery Bill 2023' consultation with key stakeholders commencing with the Prime Ministers' Office in October 2023.
- Cook Islands National Security Policy (NSP) on Monitoring and Evaluation consultation with FIU in September 2023.
- Cook Islands Protective Security Policy Framework (CIPSPF) launched in March 2024.

b) Compliance Work

The below reflects Compliance Activity undertaken for the period 2023/2024.

Activity Conducted	2023-2024
Enforcement Actions	1
Compliance Quality Standards.....	20
AML/CFT Supervision Inspections.....	11
AML/CFT Pacific Forum for Supervisors.....	1
MLRO (PPP) Forum.....	4

Compliance Quality Standard are non-compliance reporting on regulated reports and information required pursuant to the Financial Transaction Reporting Act 2017

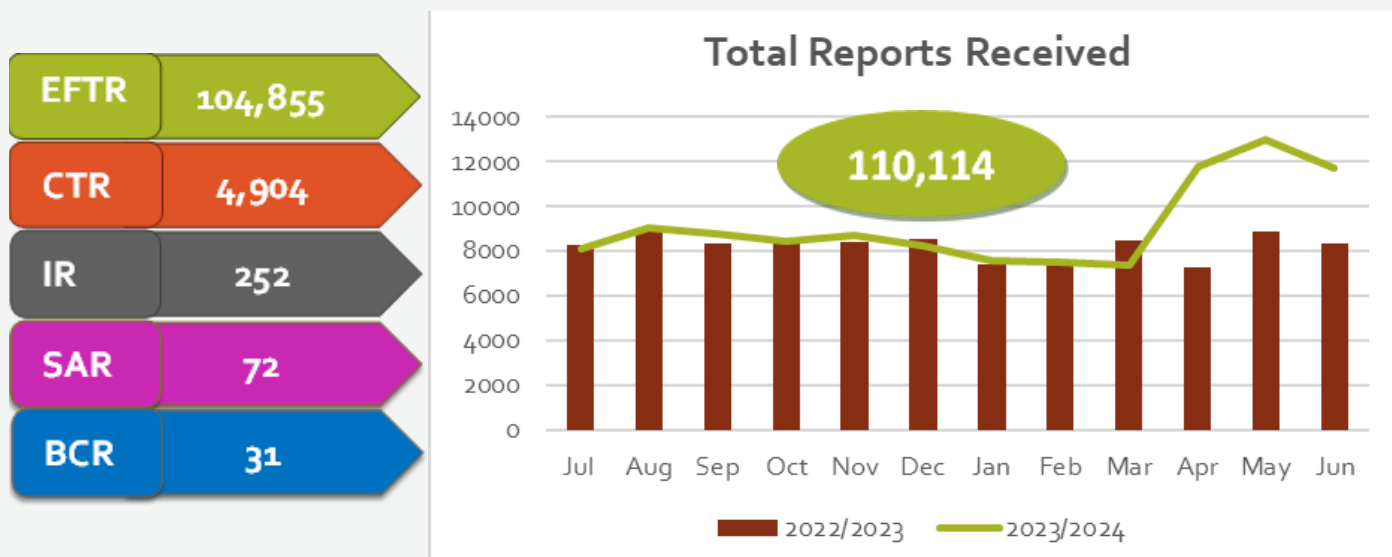
FIU issued a first Warning Letter to a Financial Institution for a breach to the FTRA 2017 section 47 dated 14 August 2023.

FIU was invited to share professional knowledge based on a regulatory perspective of synergies between flagged-vessel registry and the Financial Intelligence Unit. The 'Registry Information Sharing Compact (RISC)' training in Malta was jointly organized by Sandia National Laboratories, USA and the Government of Malta in March 2024.

FIU was invited to share from a country's perspective an "AML/CFT approach on Beneficial Ownership for Tackling Illicit Financial Flows" in the Philippines. The event was co-hosted by ADB and Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) in July 2024.

c) Intelligence Activities

Below illustrates the total number of reports collected by the FIU for the period 2023/2024.



The below shows comparative reporting of all reports received by the FIU in 2022/2023 and 2023/2024.

Type of Report	2022/2023	2023/2024	% increase/decrease
Electronic Funds Transfer Reports	94,012	104,855	+11.53%
Cash Transaction Reports	4,073	4,905	+20.42%
Intelligence Reports	388	252	-53.96%
Suspicious Activity Reports	55	72	+30.90%
Border Currency Reports	31	31	0%
TOTAL	98,559	110,114	+11.72%
Monthly Average	8,213	10,135	

A total of 110,114 reports were submitted to FIU. All reports collated show a marginal increase compared to 2022/2023. There was a decrease in Intelligence Reports of 54%. The reviewed period has a monthly average of 10,135 report.

The table below shows the quarterly EFTR reports for financial year 2023/2024.

	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	TOTAL
EFTR	24,618	24,051	21,344	34,842	104,855
\$NZ in Millions	221.4	285.2	285.3	844.5	1.7B
Average	39,184	35,529	40,130	75,487	47,583

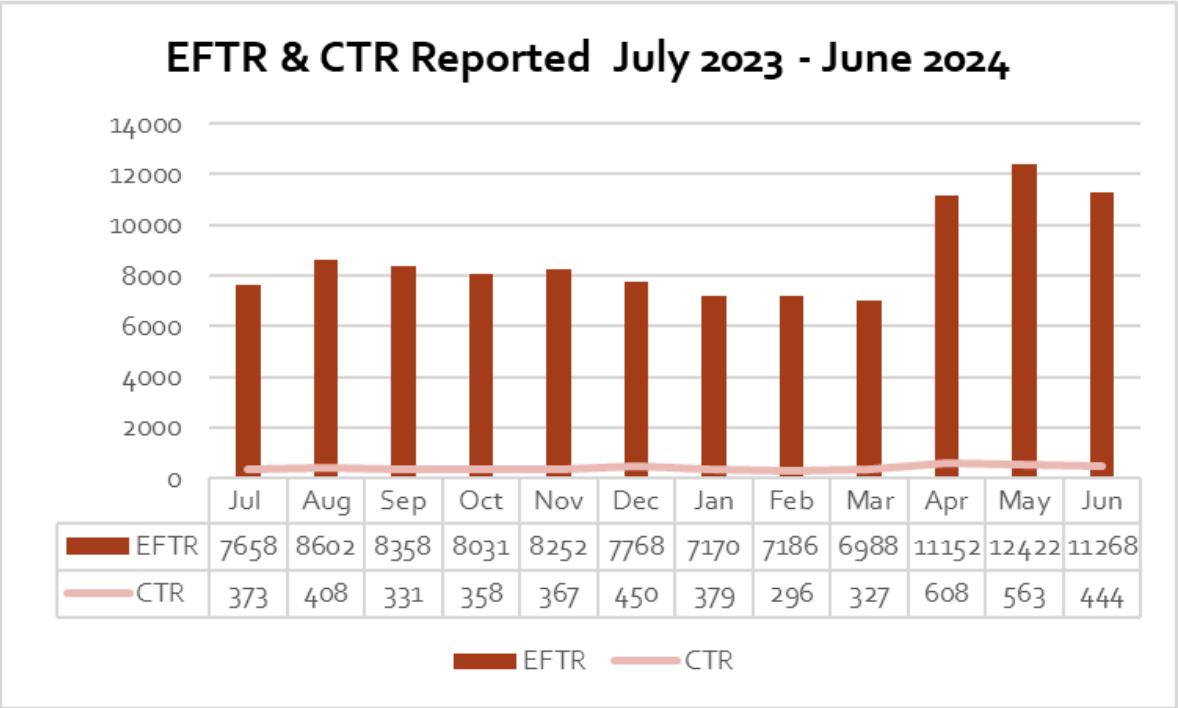
A total of 104,855 EFTRs were submitted to FIU. The total value for all EFTR was NZ\$1.7 billion, with a quarterly average transaction amount of NZ\$47,583.

The table below shows the quarterly CTR reports for financial year 2023/2024.

	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	TOTAL
CTR	1,112	1,175	1,002	1,615	4,904
\$NZ in Millions	31.2	36	30.2	38.9	136.3
Average	84,524	91,086	88,831	72,028	84,117

A total of 4,904 CTR were submitted to FIU. The total value for all CTR was NZ\$136.3 million. The average transaction amount was NZ\$84,117 per quarter.

The Graph below illustrates the monthly reporting of EFTR and CTR received by the FIU for the period 2023/2024.



The graph shows an increase in EFTR’s for April, May and June. CTR’s highest month was April, followed by May.

The below shows the Suspicious Activity Report (SAR) for the financial year 2023/2024 compared to 2022/2023.

	2022/2023	2023/2024
Total Received	55	72
Domestic	24	37
International	31	35
Total Disseminated	27	15
Domestic	8	5
International	19	10

FIU received a total of 72 SARs in 23/24, indicating a 30% increase compared to 22/23. A total of 15 Intelligence Disseminated Reports (IDRs) were generated with 10 reports being disseminated to international counterparts.

Intelligence Reports (IRs)

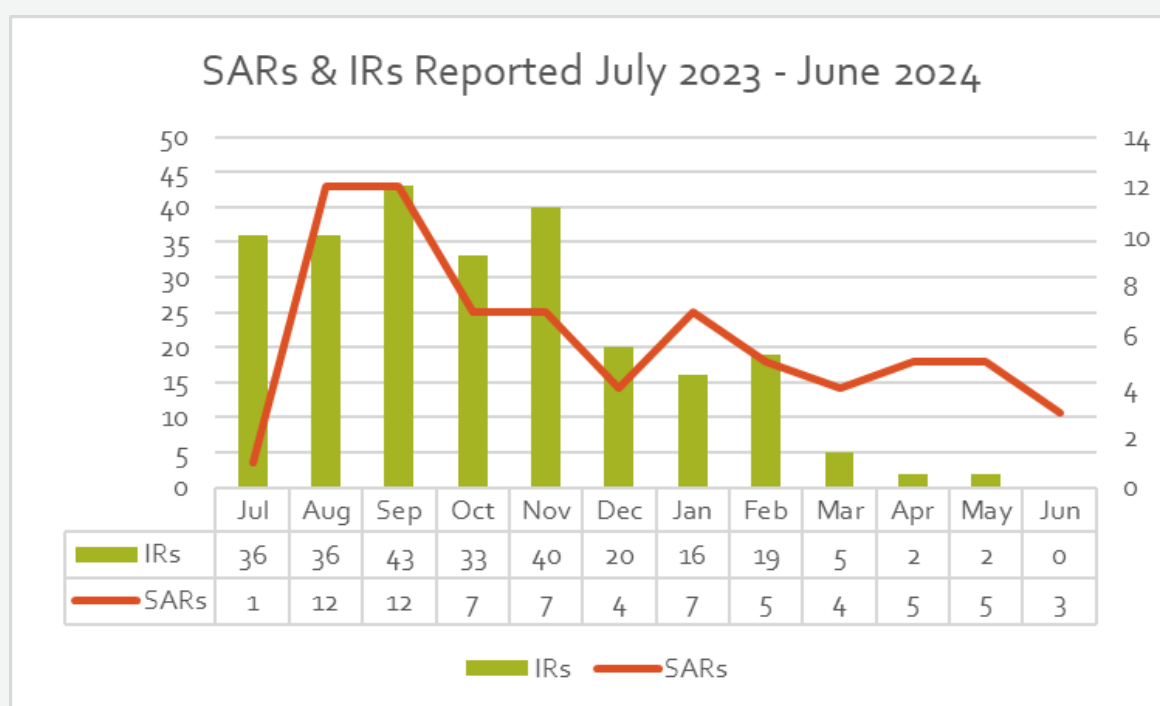
Intelligence Reports are reports received and disseminated by FIU from local Law enforcement agencies, government departments as well as private citizens. These reports are also generated from international law enforcement counterparts through different networks such as the Egmont Secured Network (ESW), APAN, ARIN-AP, NZTCU, JIATF West and NZNDIB being the common agencies/networks.

The below shows a comparative reduction of Intelligence Report (IR) for the period 2022/2023 and 2023/2024

	2022/2023	2023/2024
Total Received	388	252
Domestic	98	42
International	290	210
Total Disseminated	44	26
Domestic	35	18
International	9	8

A total number of 252 IRs were received with a large volume of 210 reports coming from foreign counterparts for 23/24. A total of 26 reports were disseminated for the same period with a high of 18 reports being disseminated to local LEAs.

The below graph illustrates the monthly reporting of SARs and IRs received by the FIU for the period 2023/2024.



The graph shows that between the months of July to December, high volumes of SARs and IRs were reported. SARs with a high of 12 reports in August and September and IRs between 36 to 43 reports.

d) Investigations

The below shows the outcome of investigation work conducted by FIU for 2023/2024:

Activity	2022/2023	2023/2024
Parallel Financial investigations	2	2
Cases under ongoing investigations	2	1
Investigation cases completed	0	1
Freeze Instructions -Issued	1	1
Freeze Instructions - Extension	0	1
Freeze Instructions - Revoked	1	0
Mutual Legal Assistance Requests	0	1

Parallel Financial Investigation is a continuation from the previous fiscal year.
Cases under ongoing investigations is to be reported into this reviewed period 23/24.

Money Laundering Case

The Cook Islands High Court successfully convicted a first Money Laundering case in August 2023. The court judgement sentenced a former public servant to eighteen months' probation and nine months' community service. The partner of the offender was sentenced to two years and three months imprisonment for forgery and false pretense charges.

Corruption Case

A high-profile corruption case found three senior government officials guilty of using a document to obtain pecuniary advantage, conspiracy to defraud, forgery, and uttering a forged document in July 2023. The Judge of the Cook Islands High Court handed down prison sentences for all three offenders in March 2024. A husband and wife were sentenced to five years and eighteen months imprisonment respectively for the individuals. Two years' imprisonment was handed to the former Deputy Prime Minister.

FIU continues to receive complaints from both the public and private sectors. Where the FIU Act 2015 allows the unit to investigate, collect evidence and submit for prosecutorial action or warning. FIU consistently provides support to local law enforcement agencies.

e) FIU Training and Development

During the 2023/2024 review, FIU staff members were invited to participate in a number of face-to-face upskilling and professional development as well by virtual opportunities. The following list covered related topics pertaining to AML/CFT and Proliferation framework:

- Regional Anti-Corruption Conference, Nadi, July 2023.
- UNDOC, AML/CFT training on Financial Crime Investigations (Immediate Course) within the Framework of the Professional Development System, September 2023.
- ECOFEL, Global Asset Recovery Conference, Taiwan, November 2023
- APG/FATF, FATF Standards Training Course, Malaysia, November 2023.
- APG, Typologies and Capacity Building Workshop, November 2023.
- Internet Corporation for Assigned Names and Numbers (ICANN), Collaboration with Law Enforcement and Regulatory Bodies – ICANN's Role in Domain Names Abuse, virtually, January 2024.
- US-HSI, Introductory to Regional Attaché for Australia, NZ and Pacific, Special Agents virtual session in January 2024.
- UNODC, Pacific Programme Governance Committee Meeting, virtually, February 2024.
- US-HSI, Trade-Based Money Laundering presentation in February 2024.
- APG, Operation Committee meeting on VA/VASP Network, virtually, February 2024.

- Pacific Corporate Vehicles and Financial Products (CorFIN) and Strategic Writing Courses, Canberra, Australia, February/March 2024.
- US-HSI, Child Sexual Abuse & Exploitation virtual session in February 2024.
- SNL/Malta, Registry Information Sharing Compact, Malta, March 2024
- National Protective Security Policy Framework Workshop, Rarotonga, March 2024.
- ADB, Introduction to Correspondent Banking, virtually, March 2024.
- ADB, Anti-Bribery and Corruption, virtually, April 2024.
- Pacific Association of Supreme Audit Institutions (PASAI) Congress, Rarotonga, May 2024.
- APG, Grand Corruption, virtually, May 2024
- Foundational Intelligence Workshop, Rarotonga, May 2024.
- FICG, FICG Plenary – PFIC Focus Areas/Work Programs and Approach, Melbourne, May 2024.
- UNITAR, Leaders for Free and Open Indo-Pacific: Sea and Human Security Training for Asia and Pacific Island Countries, June 2024

6. Financial Performance

The 2023/2024 Financial Performance of the Commission exceeded budgeted expectations. This was due to an increase in revenue against budget attributable to the unexpected increase in registry activity and the favourable exchange rate. Also, there were savings in expenses due to vacancies not being filled and the changes in staffing.

Actual revenue for the year to 30 June 2024 was \$1,557,755 and expenditure totalled \$1,245,720 resulting in a net surplus of \$312,035. This net surplus figure represented an increase of \$308,699 on that budgeted for; primarily attributable to the increase in registry activity and the favourable USD exchange movements.

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 \$322,000 was returned to the Crown as excess funds, pursuant to section 24(2) of the FSC Act 2003.

On 26 September 2024 the Cook Islands Audit Office (CIAO) issued an unqualified audit opinion on the FSC's 2023/2024 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 2024 comprised:

Geoff Stoddart, Chairman
Martha Henry
Nooroa (Bim) Tou
Tina Newport
Gaye Whitta

During the year, the FSC Board met on fourteen 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.

The Head of FIU, Walter Henry is responsible for the management and operations of the FIU.

The management team are responsible for representing the Commission at international forums to ensure the regulatory environment in the Cook Islands keeps abreast of international developments.

For 2023/2024 this included:

- the Group of International Financial Center Supervisor's winter and summer plenaries (Basel – November 23, April 24);
- the Group of International Insurance Supervisor's Centre annual meeting (London June 2024)

In addition both the Commissioner and the Head of FIU have been participating as assessors (2023-2024) over the last year for the APG Mutual Evaluations of Marshall Islands and Nauru respectively. This has brought the total number of contributions by the Commission to APG evaluations over the last 10 years to 5 assessors which is material given the size of the Commission and the Cook Islands in comparison to other members.

9. Staffing

As at 30 June 2024, the staff of the Commission comprised of the Commissioner, the Deputy Commissioner, the Head of FIU and 5 staff members. In addition, two casual staff are engaged to assist the Commission with ongoing work.

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 been either face to face or taken place virtually in 2023/2024. Opportunities for Commission staff have included:

- Group of International Insurance Centres Annual Plenary (London, July 2023)
- Association of Financial Supervisors of Pacific Countries Annual Meeting (Marshall Islands, September 2023)
- Financial Action Taskforce Academy – Webinars on Risk Assessment for Proliferation (Online, September 2023)
- Group of International Financial Centres Supervisors Winter Plenary (Basel, November 2023)
- Group of International Insurance Centres Pacific Regional Insurance Training, GIICs (Auckland, January 2024)
- Cook Islands Protective Security Policy Framework Workshop (Rarotonga, February 2024)
- World Bank and Pacific Island Forum Secretariat, High Level Banking Event (Sydney, March 2024)
- Asian Development Bank Webinar Series on AML/CFT Compliance for Correspondent Banking (Online, March-April, 2024)
- Group of International Financial Centres Supervisors Summer Plenary (Basel, April 2023)

The technical training and support provided by the APC, 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 this regard the Commission is currently a member of the "EU Response Committee" considering various taxation amendments as well as on the ad-hoc working group for banking reforms.

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

For and on behalf of the Board



Gaye Whitta
Acting Chairman
25 September 2024



FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

CONTENTS

Directory	3
Statement of Responsibility	4
Audit Report	5 - 6
Statement of Financial Performance	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10 - 11
Notes to the Financial Statements	12 - 25

FINANCIAL SUPERVISORY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

DIRECTORY

Minister

The Honourable Mr Vaine Mokoroa

Members of the Board

Geoffrey Stoddart (Chairman)

Christina Newport

Nooroa (Bim) Tou

Gaye Whitta

Martha Henry

Business Address

Ground Floor, Bermuda House

Avarua, Rarotonga

Cook Islands

Postal Address

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)

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 2024.

A blue ink signature of Cheryl McCarthy.

Cheryl McCarthy
Commissioner

25 September 2024

Date

A black ink signature of Gaye Whitta.

Gaye Whitta
Acting Chairman

25 September 2024

Date



Independent Auditor's Report

To the readers of the financial statements of the Financial Supervisory Commission for the year ended 30 June 2024.

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 2024 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.

I have audited the accompanying financial statements which comprise:

- o the statement of financial position as at 30 June 2024;
- o the statement of financial performance, the statement of changes in equity 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 25 September 2024. 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.



Desmond Wildin
Director of Audit
Rarotonga, Cook Islands



FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

In New Zealand Dollars	Notes	Budget 2024 \$	Actual 2024 \$	Actual 2023 \$
Revenue				
Trading Revenue	2	1,227,986	1,496,774	1,409,884
Other Revenue	2	63,300	60,981	61,457
<i>Total Revenue</i>		1,291,286	1,557,755	1,471,341
Expenditure				
Personnel Expenses	3	712,100	624,439	639,177
Audit Fees		3,000	3,500	3,000
Covid-19 Expenses		-	-	107
Depreciation and Amortisation Expenses	11,12	95,000	86,689	104,266
Other Expenses	4	477,850	531,093	365,656
<i>Total Expenditure</i>		1,287,950	1,245,720	1,112,206
Operating Profit Before Other Gains and Losses (OBEGAL)		3,336	312,035	359,135
Other Gains/(Losses)				
<i>Total Other Gains/(Losses)</i>		-	-	-
Net Surplus		3,336	312,035	359,135

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

FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

In New Zealand Dollars	Notes	Actual 2024 \$	Actual 2023 \$
Assets			
Current Assets			
Cash and Equivalents	5	139,684	88,104
Vested Assets Clearing Account		-	740
Trust Accounts	10	843,937	821,291
Reserve Accounts	6	610,000	620,000
Revenue in Transit		8,673	1,386
Prepayments		64,369	60,529
Debtors and Other Receivables	7	7,456	6,042
Accrued Interest		3,077	2,789
Total Current Assets		1,677,195	1,600,881
Non-Current Assets			
Property, Plant, and Equipment	11	46,981	62,626
Intangible Assets	12	98,876	150,251
Intangible Assets - Work In Progress		-	10,593
Total Non-Current Assets		145,857	223,470
Total Assets		1,823,052	1,824,351
Liabilities			
Current Liabilities			
Creditors and Other Payables	8	59,478	69,603
Employee Entitlements	9	31,665	35,521
Trust Liabilities	10	843,937	821,291
Total Current Liabilities		935,080	926,415
Total Liabilities		935,080	926,415
Net Assets		887,972	897,936
Equity			
Contributed Capital		750,400	750,400
Accumulated Surplus / (Deficit)		137,572	147,536
Total Equity	13	887,972	897,936

The accompanying notes should be read in conjunction with these Financial Statements.

FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

In New Zealand Dollars	Notes	Budget 2024 \$	Actual 2024 \$	Actual 2023 \$
Balance as at 1 July		897,936	897,936	778,801
Total Net Surplus for the year		3,336	312,035	359,135
Return of Excess to the Crown		(3,000)	(322,000)	(240,000)
Balance as at 30 June	13	898,272	887,972	897,936

The accompanying notes should be read in conjunction with these Financial Statements.

FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Actual 2024 \$	Actual 2023 \$
In New Zealand Dollars		
Cash Flows from Operating Activities		
Receipts from Licensees	1,487,786	1,412,410
Receipts from MFEM-Confiscated Asset Fund	43,311	45,534
Receipts from Interest	17,670	15,923
Payments to Employees	(711,296)	(709,081)
Payments to Suppliers	(464,817)	(343,366)
Net Cash Flows from Operating Activities	372,655	421,420
Cash Flows from Investing Activities		
Purchase of Property, Plant, Equipment and Intangible Assets	(9,075)	(51,590)
Net Cash Flows used in Investing Activities	(9,075)	(51,590)
Cash Flows from Financing Activities		
Distributions to the Crown	(322,000)	(240,000)
Cash transferred to Reserve Account	10,000	(110,000)
Net Cash Flows used in Financing Activities	(312,000)	(350,000)
Net Increase in Cash and Equivalents	51,580	19,830
Cash and Equivalents as at 1 July	88,104	68,274
Cash and Equivalents as at 30 June	139,684	88,104

The accompanying notes should be read in conjunction with these Financial Statements.

FINANCIAL SUPERVISORY COMMISSION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Actual 2024 \$	Actual 2023 \$
In New Zealand Dollars		
Reconciliation of Net Surplus / (Deficit) to Net Cash Flows from Operating Activities		
Reported Surplus	312,035	359,135
Add / (less) Non-cash items		
Depreciation and Amortisation	86,689	104,266
<i>Total Non cash items</i>	398,724	463,401
Add / (less) movements in Statement of Financial Position items		
(Increase) / decrease in Debtors and Other Receivables	(1,414)	(865)
(Increase) / decrease in Prepayments	(3,841)	(21,694)
(Increase) / decrease in Accrued Interest	(286)	-
(Increase) / decrease in Revenue in Transit	(7,287)	3,391
(Increase) / decrease in Vested Assets Clearing Account	740	42
Increase / (decrease) in Accounts Payable	(12,740)	(24,507)
Increase / (decrease) in Credit Card Liability	(255)	3,188
Increase / (decrease) in Pay As You Earn (PAYE) Payable	(293)	743
Increase / (decrease) in Superannuation Payable	(458)	516
Increase / (decrease) in Value Added Tax (VAT) Payable	3,621	(4,867)
Increase / (decrease) in Revenue Received in Advance	-	(5,391)
Increase / (decrease) in Employee Entitlements	(3,856)	7,462
<i>Net movement in working capital items</i>	(26,069)	(41,982)
Net Cash Flows from Operating activities	372,655	421,420

The accompanying notes should be read in conjunction with these Financial Statements.

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 2024

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 2023/2024, as approved by the Board of Directors on 21 March 2023.

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 2024

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. Revenue generated through the Online Registry is derived in USD.

Interest revenue

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

Breakdown of Revenue

	Budget 2024 \$	Actual 2024 \$	Actual 2023 \$
Trading Revenue			
Licensing fees	118,522	152,278	122,268
Registration fees	128,300	201,518	135,179
Renewal fees	931,164	1,094,431	1,084,832
Other fee income	50,000	48,548	67,605
Total Trading Revenue	1,227,986	1,496,774	1,409,884
Other Revenue			
MFEM-Confiscated Asset Fund	48,300	43,311	45,534
Interest revenue	15,000	17,670	15,923
Total Other Revenue	63,300	60,981	61,457

Note 3: Personnel Expenses

Accounting Policy

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 2024 \$	Actual 2024 \$	Actual 2023 \$
Salaries and wages	678,290	599,024	601,866
Defined contribution plan - employer contributions	33,810	29,271	29,850
Increase / (decrease) in employee entitlements	-	(3,856)	7,462
Total Personnel Expenses	712,100	624,439	639,177

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

Note 4: Other Expenses

Breakdown of Other Expenses

	Budget 2024 \$	Actual 2024 \$	Actual 2023 \$
Board Fees	82,250	82,250	78,625
Computer Costs	28,000	29,271	14,363
Electricity	11,000	14,727	13,073
Lease Costs	36,000	36,000	36,000
Legal and Professional Fees	50,000	65,331	22,331
Online Prudential Expenses	25,000	23,792	22,637
Online Registry Expenses	73,000	124,221	69,180
Online Server	13,000	15,201	2,211
Staff Training	5,000	-	1,021
Subscriptions	32,000	36,162	32,264
Travel	61,000	56,400	38,988
Other Operating Costs	61,600	47,738	34,963
Total Other Expenses	477,850	531,093	365,656

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 2024 \$	Actual 2023 \$
Cash at bank (ANZ CI)	138,060	86,460
Cash at bank (ANZ NZ)	1,524	1,544
Petty Cash	100	100
Total Cash and Equivalents	139,684	88,104

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 2024 \$	Actual 2023 \$
Term Deposit (BCI)	6 months	3.00%	250,000	250,000
Term Deposit (BSP)	6 months	3.00%	260,000	260,000
Term Deposit (ANZ)	1 month		-	110,000
Term Deposit (ANZ)	3 months	2.90%	100,000	-
Total Reserve Accounts			610,000	620,000

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 2024 \$	Actual 2023 \$
Receivables under non-exchange transactions		
Accounts Receivable (gross)	2,400	6,042
Less: Provision for doubtful debts	-	-
Accounts Receivables (net)	2,400	6,042
Sundry Receivables	5,056	-
Total Debtors and Other Receivables	7,456	6,042

Inter-ministry receivables included above to Crown Agencies

- -

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

	2024			2023		
	Gross	Provision	Net	Gross	Provision	Net
Not past due	2,400	-	2,400	6,042	-	6,042
Past due 0 - 30 days	-	-	-	-	-	-
Past due 31 - 60 days	-	-	-	-	-	-
Past due over 60 days	-	-	-	-	-	-
	2,400	-	2,400	6,042	-	6,042

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 2024

Note 8: Creditors and Other Payables

Accounting Policy

Short-term payables are recorded at the amount payable.

Breakdown of Payables and further information

	Actual 2024 \$	Actual 2023 \$
Payables under exchange transactions		
Accounts Payable	8,771	21,511
Credit Card Liability	3,086	3,341
Pay As You Earn (PAYE) Tax Payable	10,059	10,352
Cook Islands Superannuation Payable	4,734	5,192
Value Added Tax (VAT) Payable	16,393	12,772
Revenue Received in Advance	16,435	16,435
<i>Total Payables under exchange transactions</i>	59,478	69,603
Total Creditors and Other Payables	59,478	69,603
Inter-ministry payables included above to Crown Agencies	34,061	31,191

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 2024 \$	Actual 2023 \$
Accrued salaries and wages	17,162	18,596
Annual leave	14,503	16,925
Total Employee Entitlements	31,665	35,521

FINANCIAL SUPERVISORY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

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 2024	Actual 2023
Trust Assets		
New Zealand Dollar (NZD) Vested Assets Account (ANZ CI)	29,075	41,909
Australian Dollar (AUD) Vested Assets Account (ANZ CI)	713,490	648,358
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
New Zealand Dollar (NZD) Client Trust Account (CSB-Explore)	10,000	10,000
United States Dollar (USD) Client Trust Account (CSB)	71,372	101,024
Total Trust Assets	843,937	821,291
Trust Liabilities		
NZD Vested Assets Account on behalf of the Crown (ANZ CI)	29,075	41,909
AUD Vested Assets Account on behalf of the Crown (ANZ CI)	713,490	648,358
NZD Client Security Bond (CSB-WU)	10,000	10,000
NZD Client Security Bond (CSB-VF)	10,000	10,000
NZD Client Security Bond (CSB-Explore)	10,000	10,000
USD Client Imprest Account (CSB)	71,372	101,024
Total Trust Liabilities	843,937	821,291

Trust Account Reconciliation

	Actual 2024 \$ (AUD)	Actual 2024 \$ (NZD)	Actual 2023 \$ (NZD)
New Zealand Dollar (NZD) Vested Assets Account (ANZ CI)			
Opening Balance		41,909	215,287
Vested Assets Received		740	-
Transfer from AUD Vested Asset Account		-	53,231
Interest Received		168	935
Payment of Bank Fees		(42)	-
Payment of Claims		-	(202,944)
Payment of FSC Administrative Fees		(13,700)	(24,600)
Closing Balance		29,075	41,909
AUD Vested Assets Account on behalf of the Crown (ANZ CI)			
Opening Balance	610,105	648,358	635,063
Vested Assets Received	325,138	346,666	2,566,511
Payment of Claims	(269,842)	(285,014)	(167,873)
Payment to Crown	-	-	(2,309,860)
Transfer to NZD Vested Asset Account	-	-	(53,231)
Payment of Bank Fees	-	-	(216)
Foreign Exchange Movements	-	3,480	(22,036)
Closing Balance	665,400	713,490	648,358

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 2024

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 2022	123,111	33,590	48,679	40,346	84,337	330,063
Additions	13,780	-	-	9,263	-	23,043
Disposals	-	-	-	-	-	-
Balance as at 30 June 2023	136,891	33,590	48,679	49,609	84,337	353,106
Accumulated depreciation and impairment losses						
Balance as at 1 July 2022	112,584	30,944	19,878	24,136	80,580	268,122
Depreciation	5,191	759	9,736	6,198	475	22,359
Accumulated depreciation on disposals	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2023	117,775	31,703	29,613	30,334	81,055	290,480
Carrying Amount						
As at 30 June 2023	19,116	1,886	19,066	19,276	3,283	62,626
Cost						
Balance as at 1 July 2023	136,891	33,590	48,679	49,609	84,337	353,106
Additions	3,123	-	-	3,865	-	6,988
Disposals	90,180	-	-	11,884	-	102,064
Balance as at 30 June 2024	49,833	33,590	48,679	41,590	84,337	258,030
Accumulated depreciation and impairment losses						
Balance as at 1 July 2023	117,775	31,703	29,613	30,334	81,055	290,480
Depreciation	7,143	480	6,490	8,046	475	22,634
Accumulated depreciation on disposals	90,180	-	-	11,884	-	102,064
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2024	34,737	32,184	36,103	26,496	81,529	211,049
Carrying Amount						
As at 30 June 2024	15,096	1,405	12,575	15,095	2,809	46,981

Capital commitments

There were no property, plant and equipment commitments at year end (2023: nil).

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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%
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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 2022	541,305
Additions	130,903
Disposals	-
Balance as at 30 June 2023	672,208
Accumulated amortisation and impairment losses	
Balance as at 1 July 2022	440,050
Amortisation	81,907
Accumulated amortisation on disposals	-
Impairment losses	-
Balance as at 30 June 2023	521,957
Carrying Amount	
As at 30 June 2023	150,251
Cost	
Balance as at 1 July 2023	672,208
Additions	12,679
Disposals	-
Accumulated amortisation and impairment losses	
Balance as at 1 July 2023	521,957
Amortisation	64,054
Accumulated amortisation on disposals	-
Impairment losses	-
Balance as at 30 June 2024	586,011
Carrying Amount	
As at 30 June 2024	98,876

Capital commitments

In June 2021, the Commission received approval for Asian Development Bank funding to upgrade its Online Registry. The work originally planned to be completed at the end of 2023 had been pushed out to end of July 2024. Also, work on the FIU database/TAIPAN system is ongoing. While both projects are funded, there could be costs involved should our current service providers encounter issues.

FINANCIAL SUPERVISORY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

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 2024 \$	Actual 2023 \$
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	147,536	28,401
Surplus / (Deficit) for the year	312,035	359,135
Return of Excess to the Crown	(322,000)	(240,000)
Balance as at 30 June	137,572	147,536
Total Equity	887,972	897,936

Note 14: Related party transactions

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 2024	Actual 2023
Remuneration	\$ 394,691	\$ 388,826
Full-time equivalent members	4	4

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 2024 \$	Actual 2023 \$
Receivables		
Cash and Equivalents	139,684	88,104
Vested Assets Clearing Account	-	740
Prepayments	64,369	60,529
Reserve Accounts	610,000	620,000
Debtors and Other Receivables	7,456	6,042
Accrued Interest	3,077	2,789
Revenue in transit	8,673	1,386
Trust Accounts	843,937	821,291
<i>Total receivables</i>	<i>1,677,196</i>	<i>1,600,882</i>
Other Liabilities		
Creditors and Other Payables	59,478	69,603
Employee Entitlements	31,665	35,521
Trust Liabilities	843,937	821,291
<i>Total other liabilities</i>	<i>935,080</i>	<i>926,415</i>

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.

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.

FINANCIAL SUPERVISORY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 15: Financial Instruments (continued)

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 2024 \$	Actual 2023 \$
Within one year	36,000	36,000
Within one to two years	72,000	72,000
	108,000	108,000

Online Prudential Filing Commitment (Parklane):

	Actual 2024 \$	Actual 2023 \$
Within one year	25,000	25,000
Within one to two years	-	-
	25,000	25,000

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

	Actual 2024 \$	Actual 2023 \$
Within one year	39,000	73,000
Within one to two years	-	-
	39,000	73,000

FINANCIAL SUPERVISORY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 (2023: nil).

Contingent Assets

The Commission has no contingent assets as at balance date (2023: nil).

Note 18: 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 2024 budgeted figures are as follows:

Statement of Financial Performance

Revenue

Actual revenue was more than budgeted by \$268,788 due to an increase in registry activity and the Commission benefiting from favourable exchange rates. The Commission based budget on an overall decrease in registry activity by minus 5% but registry increased over the budgeted figures by 11%. The budget was based on the continuous decline in registry activity due to the withholding tax implications on the industry. Also, budget was based on USD 0.68c when actual over the year averaged USD 0.62c.

Personnel Expense

Actual personnel expense was lower than budgeted by \$87,661 due to two vacancies not being filled within the Commission and a few changes in staff over the year.

Other Expenses

Actual other expense is more than budgeted by \$53,243. This is primarily due to the Online Registry Expense account. The cost to move the old online registry to the new online registry was not known at the time when the budget was approved. However, when it was known, funds were put in a reserve account to cover the unexpected costs.