



**FINANCIAL SUPERVISORY COMMISSION**

**OF THE**

**COOK ISLANDS**

**ANNUAL REPORT**

**2022/2023**

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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.*

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**REPORT ON ACTIVITIES  
2022/2023**

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**1. Major Achievements**

The year ended 30 June 2023 marked the twentieth year of operations for the Financial Supervisory Commission (the Commission or FSC) which was established under the Financial Supervisory Commission Act 2003<sup>1</sup>.

The 2022/2023 year saw the winding down and the ending of the COVID-19 pandemic health measures for the Cook Islands and most of the World. The return of tourism to the Cook Islands has helped in the ongoing recovery of the economy however challenges still remain. Global events such as high inflation, ongoing war in Ukraine, reduced flight capacity have added to the challenges around recovery. These events have impacted the Cook Islands community in a number of ways, with significant cost increases and supply issues, declines in customers and spending, along with continuing problems with staffing and recruitment.

For the Commission 2022/2023 remained a year of significant activities, with a focus on embedding and the implementation of processes and systems developed in the prior years.

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<sup>1</sup> 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 2023 are highlighted below:

- Commenced the development of the new online registry, to be completed in 2023/2024;
- The implementation of targeted monitoring of our bank licensees credit and asset management systems to keep abreast of economy recovery following on from the end of the COVID-19 pandemic;
- The expansion of the online prudential filing system and submission portal for financial reporting to our non-bank licensees;
- Licensed Marsh Limited New Zealand as an External Insurance Manager, as well as Seeka Risk Management as a Captive Insurer and Deriv (CI) LLC and Explore Limited as a money changer and remittance provider;
- Moved the Commission's IT infrastructure from physical servers to the Cloud;
- FIU remains the first and only Pacific FIU jurisdiction with third party access to NZ FIU GoAML database through NZTCU.
- Operation Kotaa concluded in September 2022 and was the first case where FIU Cashbook Financial Analysis (Money Laundering Evidence) was presented as evidence in court. The primary offender is serving a term of seven years imprisonment and the two co-offenders are each serving a term of four years imprisonment.
- FIU appointed co-chair (2<sup>nd</sup>) of the Pacific Financial Intelligence Community (PFIC) November 2022.
- FIU is the lead country for PFIC project Virtual Assets Webinar series.
- Established direct Intelligence Network with US Federal Bureau of Investigations – USA Consulate Wellington.
- Deployment of AUSTRAC's TAIPAN Database System and the first Pacific FIU jurisdiction to migrate the database system to the cloud.

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.

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 nineteen statutory approvals being considered over 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 the new 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 2022 to 30 June 2023**

- (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 – Targeted monitoring and review of each banks asset management systems were undertaken as part of their respective onsite and ongoing offsite supervision.

- (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 – 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 – The Commission approved four new licences, revoked one licence condition and approved three 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 minimal down time for the online registry of international companies, trusts, partnerships and limited liability companies in 2022/2023. 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 work is ongoing. The Commission continues to progress 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 FIU continues to work with border agencies to ensure the Currency Declaration Act 2015/2016 is enforced. The FIU is looking to pick up border duties in 2023/2024.

- (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 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.

- (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 – 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 conduct activities to assess cybercrime threats as well as undertake preparation activities for other risk areas such as proliferation financing.

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

Actual Performance – This is an ongoing work in progress for both the FIU and FSC, along with the other key Crown agencies, to complete the 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 – The Commission continued to fully utilise all offers of training for supervision staff as specifically referred to later in this Annual Report.

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

Actual Performance – 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 – This was achieved. This annual report will be filed with the Minister on or before 30 September 2023. 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 the monitoring of recovery of customers whom had been on the COVID-19 loan deferral programme and any significant changes to the non-performing assets for each respective bank. 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 the respective bank's liquidity management systems.

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.

The other areas of focus for our licensed banks included the review of IT infrastructure and systems to mitigate cybersecurity risks as well as market and investment risk. We continue to be mindful of events within the regional and global banking system to understand any possible impact on our banking sector.



***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 the move to digital delivery of services, IT infrastructure and cybersecurity risks and the pricing of products, given the high rate of inflation globally.

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 2022/2023, 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 2022/2023 was 39, an increase of 4 (+11%) from the previous year.

***International Companies***

The number of International Companies for which registration and renewal fees were received in 2022/2023 was 416, a decrease of 95 (-19%) from the previous year.

### ***International Trusts***

The number of International Trusts for which registration and renewal fees were received in 2022/2023 was 2,049, a decrease of 38 (-2%) from the previous year.

### ***Limited Liability Companies***

The number of Limited Liability Companies for which registration and renewal fees were received in 2022/2023 was 481, an increase of 43 (+10%) 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 2022/2023 was 3, with no increase or decrease 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 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) 2022/2023 FIU Operational Activities**

*Financial Investigations and related Activities*

In July 2022 FIU supported other law enforcement agencies by delivering Border Currency Reporting training on obligations under the Currency Declaration Act (CDA) 2016, to the CI Customs Airport recruits. Other border cash initiatives included meeting with the Cook Islands Police Detector Dog Unit and New Zealand Ministry of Foreign Affairs & Trade (MFAT), and the Pacific Detector Dog Programme (PDDP) on agency collaboration and intelligence sharing for the movement of cash at the borders to New Zealand.

FIU also provided ‘Cashbook Analysis’ training to the CI Police Criminal Investigation Branch (CIB) Fraud unit.

FIU resumed their engagement with the Money Laundering Reporting Officers (MLRO) regarding operational and compliance issues. As part of the MLRO meetings, areas were identified for implementation. These included:

- Cash Transaction Reporting (CTR) threshold review project,
- Feedback guide manual project,
- Suspicious Activity Report (SAR) form review project,
- Formalize Public-Private Partnership (PPP) program.

FIU hosted the MLRO meeting and invited special guest speakers from AUSTRAC and FINTEL Alliance to speak about Australia’s Public-Private Partnership (PPP) program and experience. FINTEL Alliance have agreed to provide further assistance to strengthen the Cook Islands PPP program. FIU also facilitated the attendance of the Criminal Investigation Branch of the Cook Islands Police to attend an MLRO meeting to provide feedback for ‘Operation Kotaa’.

Throughout 2022/2023 cybersecurity and scams were topical. FIU contributed to the National ICT Policy, participated in the Pacific Cyber Security Operational Network Cyber Upskill Program (PaCSON CUP) and the Australian Cyber Security Centre (ACSC) initiative to increase cyber literacy and create a more cyber resilient community. FIU also delivered an intelligence briefing to Police regarding a cyber-enabled fraud.

In March 2023 FIU delivered an intelligence briefing to the Prime Minister (PM) and Chief of Staff regarding a scam investigation targeting vulnerable Cook Islanders and using the PM’s status to legitimize the scheme. FIU developed a joint media release regarding the scam involving the Prime Minister and FIU delivered an intelligence briefing to the MLROs for update and feedback.

The FIU has also engaged with external law enforcement agencies throughout 2022/2023. In early 2023 FIU hosted three FIU officers from the Solomon Islands’

(SIFIU) for a two-week attachment as part of the Peer-to-Peer Mentoring and Capacity Building (PPMCB) Program sponsored by UNDP.

The FIU hosted the United States Internal Revenue Service – Criminal Investigations (US IRS-CI) Division Regional Attache’ to meet with CINIT members and discuss operational/strategic and training needs and as a result of the engagement, US IRS-CI agreed to provide assistance through FIU. Later in December 2022, FIU met with the United States Department of Justice’s Federal Bureau of Investigations (US DOJ-FBI) Legal attache’ and discussed agency cooperation, training opportunities and information and intelligence sharing.

FIU also met with NZSIS Manager Pacific Liaison Division and incoming NZSIS Liaison Officer for the Cook Islands and discussed intelligence gathering and possible training opportunities and in June 2023, FIU met with French Director General for External Security (DGSE) to discuss potential agency cooperation and assistance.

#### *Combined Law Agency Group (CLAG)*

FIU continue to engage regularly with CLAG. Former Head of FIU, Ministry of Foreign Affairs & Immigration (MFAI) and FIU were engaged to review and update the existing CLAG MOU as a Group.

#### *Cook Islands National Intelligence Taskforce (CINIT)*

FIU continue to engage regularly with CINIT as well as the New Zealand Transnational Crime Unit (NZ TCU) on intelligence related to transnational organized crime activity in the Pacific region. Since the re-opening of borders, the focus continues to be organized crime groups resuming illegal activity in the Pacific region. Activities have included

- In partnership with Police, former Head of FIU, MFAI and FIU were engaged to review and update the existing CINIT MOU as a Group.
- Financial Profiling / Dissemination - Operation Kotahi embedded in FIU operations for the benefit of CINIT members to trace assets. Six (6) financial intelligence reports disseminated to CINIT.

#### *Anti-Corruption Committee (ACC)*

The Head of FIU attended the ACC meetings when they were called:

- September 2022 – Discuss the National Anti-Corruption Strategy (NACS).
- November 2022 – Finalization of the NACS and Action Plan.

#### *Pacific Financial Intelligence Community (PFIC)*

FIU are active PFIC members. The FIU attended the inaugural Plenary in Port Moresby, Papua New Guinea in November 2022. At the plenary, CIFIU was appointed as the new co-chair of PFIC for 2023 and AUSTRACs as the permanent co-chair.

The Head of FIU has attended all of the monthly Heads of PFIC virtual sessions. FIU have also participated in Tradecraft Tuesdays, analyst led sessions that are supported by

subject matter experts to share knowledge with across the member network. Other activities have included:

- August 2022, FIU participated in the PFIC Working Group research project on the risk and mitigation of mobile banking in the Pacific region led by NZ FIU.
- March 2023, FIU delivered PFIC update to Egmont's Asia and Pacific Regional Group.
- May 2023,
  - FIU was invited as PFIC co-chair to participate virtually in Australia Pacific Security College (APSC) – Transnational Crime Course in Fiji.
  - As the lead country for the PFIC Virtual Assets (VA) Webinar series project in partnership with AUSTRAC, Head of FIU delivered an opening statement and officially launched the delivery of the PFIC VA webinar series.
- June 2023, AUSTRAC TAIPAN Team deployed the AUSTRAC TAIPAN database system. Data ingestion and training is ongoing and will be reported in the next annual report 2023-2024.

#### *Asia-Pacific Group of Anti-money Laundering (APG)*

The Head of FIU is participating in the APG's Nauru Mutual Evaluation as an assessor for FIU/Law Enforcement.

The FIU has also participated by submitting information in the following initiatives:

- APG Typologies – Tax Crimes Project.
- FATF, the Egmont Group and INTERPOL project on ML/TF and Cyber – enabled Fraud questionnaire.
- FATF Survey on the implementation of Recommendation 15 Virtual Assets/Virtual Asset Service Providers (VA/VASPs).
- APG Data Analytics Survey and Information Request.
- FATF questionnaire on Crowdfunding for Terrorism Financing.

In May 2023 the FIU (in partnership with APG, New Zealand Government and Australian Government) hosted the APG Law Enforcement Agency for Financial Investigation, Money Laundering and Criminal Asset Confiscation. Attendance were participants from both the private and public sector as well as the seconded FIU officers from Solomon Islands FIU.

In May 2023 FIU delivered a presentation to APG Secretariat – CIFIU Evolution and Success Stories.

#### *Egmont Group of FIUs*

FIU actively engages with the Egmont Group of FIUs for operational and strategic activity. This included:

- World Bank Survey - National Political Exposed Persons List and supported by Egmont Technical Assistance and Training Working Group.
- Egmont Policy and Procedures Working Group Project Survey – Understanding better the FIU Boards completed and submitted.
- May 2023, Australia Money Laundering and Terrorist Financing National Risk Assessments – International FIU Survey.

The FIU is also the co-sponsor for Nauru’s application for membership to the Egmont Group.

**b) 2022/2023 Compliance Activities**

**T1:** The table reflects compliance activity undertaken for the period 2022/2023.

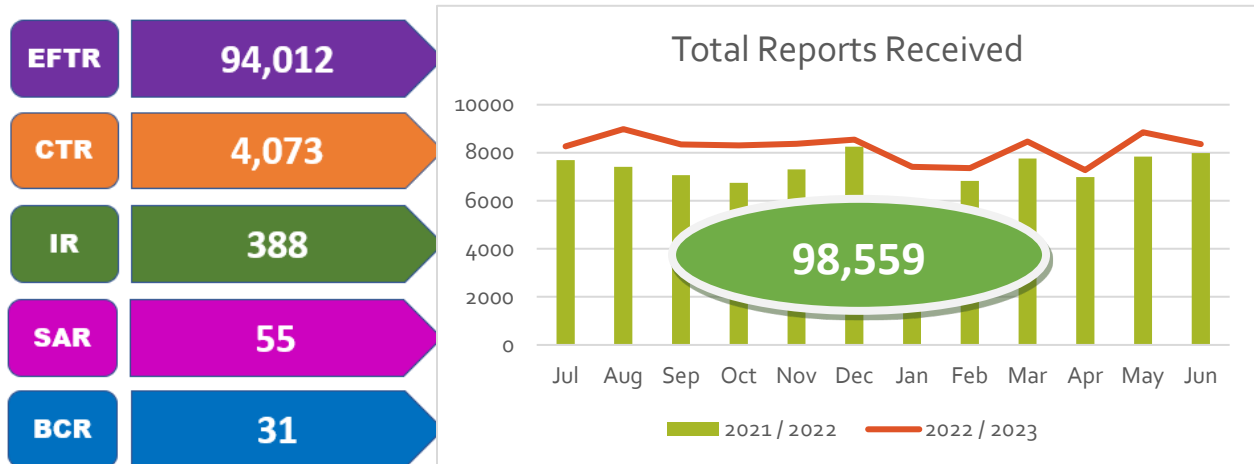
<b>Compliance Activity</b>	<b>2022/2023</b>
AML/CFT Supervision Onsite	14
AML/CFT Pacific Forum of Supervisors	3
AML/CFT Training	3
Desk-based Review	1
MLRO (PPP) Engagements	7
MLRO Approvals	3
SAR Quality Assessment	4
Non-Compliance Assessment	8
Advisory Bulletin	2

**T2:** The table shows the number of compliance interactions between the reporting institutions and the regulators for the reviewed period.

<b>Reporting Type</b>	<b>Institution</b>	<b>Number of Meetings</b>	<b>Type of Interaction</b>
Trust		7 onsite inspections	AML/CFT Supervision
Bank		4 onsite inspections 1 meeting 4 meeting	AML/CFT Supervision DNFBP Risk Methodology Compliance Review
Money Remitters		3 onsite inspections	AML/CFT Supervision
Superannuation		1 meeting	Compliance Framework

**c) Intelligence Activities**

**G1:** Graph illustrates the total number of reports collected by the CIFIU for the reviewed period.



**T3:** The table below the number of reports received by the FIU in 2021-2022 & 2022-2023 figures are included for comparative purposes

Type of Report	2021/2022	2022/2023	% increase /decrease
Electronic Funds Transfer Reports	84,200	94,012	+11.65%
Cash Transaction Reports	3,285	4,073	+23.99%
Intelligence Reports	289	388	+34.26%
Suspicious Activity Reports	46	55	+19.57%
Border Currency Reports	9	31	+244.44%
<b>TOTAL</b>	<b>87,829</b>	<b>98,559</b>	<b>+12.22</b>
<b>Monthly Average</b>	<b>7,319</b>	<b>8,213</b>	

CIFIU received 98,559 total number of reports with all types of reports showing an increase when compared to 2021/2022, the average monthly reports for 2022/2023 is 8,213. The most significant increase came from BCR numbers increasing by more than 200%, this is due to the reopening of border in 2022 after COVID-19.

**T4:** The table below shows the monthly EFTR reports for financial year 2022/23.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
<b>EFTR</b>	7884	8570	7943	7894	7980	8043	7026	7033	8131	6962	8522	8024	94012
<b>\$NZ</b>	115.1	122.8	101.6	125.4	78.7	101.5	112.1	93.5	98.9	99.1	183.3	141.7	1373.8
<b>Ave</b>	14898	14323	12794	15891	9866	12619	15949	13289	12164	14241	21509	17665	14576

**Note: \$NZ in Millions**

There were 94,012 EFTRs received for 2022/23 or an average 7,834 per month for this financial year. Total value for all **EFTR** transactions was \$NZ 1.4 billion, bringing an average transaction amount of NZ\$14,576 for 2022/23.

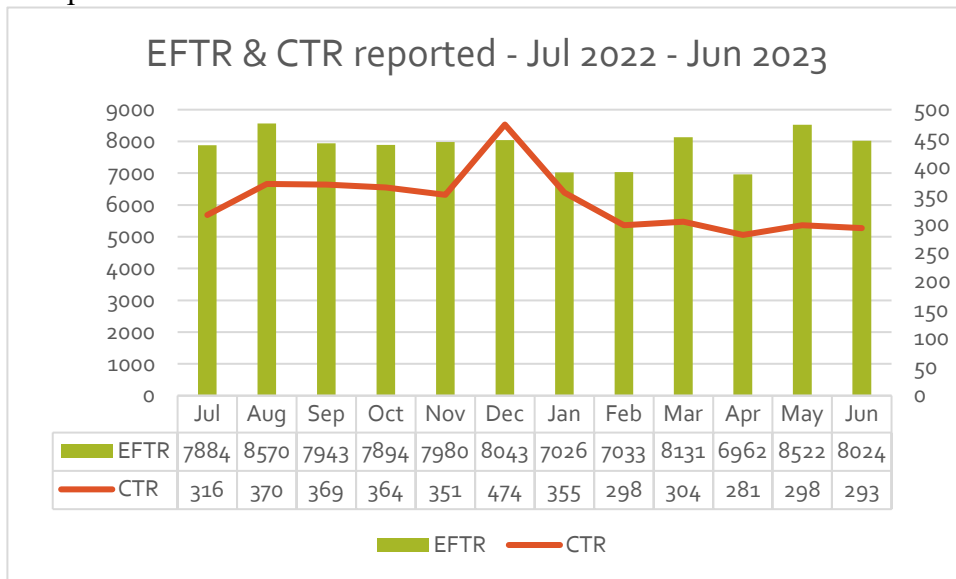
**T5:** The table below shows the monthly CTR reports for financial year 2022/23.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
<b>CTR</b>	316	370	369	364	351	474	355	298	304	281	298	293	4073
<b>\$NZ</b>	8.3	9.7	8.3	10.1	8.5	13.9	9.5	7.6	10.3	7.0	8.2	8.3	109.6
<b>Ave</b>	26111	26185	22393	27652	24260	29304	26826	25400	33805	24998	27556	28282	26900

**Note: \$NZ in Millions**

There were 4,073 **CTR** for 2022/23 compared to 3,285 in 2021/22 with a total of \$NZ 109.6 million, the average transaction amount for this financial year was \$NZ 26,900.

**G2:** Graph illustrates the total number of EFTR and CTR collected by the CIFIU for the reviewed period.



**T6:** Table show a comparative influx of Suspicious Activity Report (SAR) reporting for the two-year period.

	2021/2022	2022/2023
<b>Total Received</b>	<b>46</b>	<b>55</b>
Domestic	21	24
International	25	31
<b>Total Disseminated</b>	<b>27</b>	<b>27</b>
Domestic	5	8
International	22	19

FIU received 55 SARs in 2022/23, this reflects an increase of 19.5% compared to 2021/22. A total of 27 or 49% were mainly disseminated to international partners.



**Intelligence Reports (IR's)**

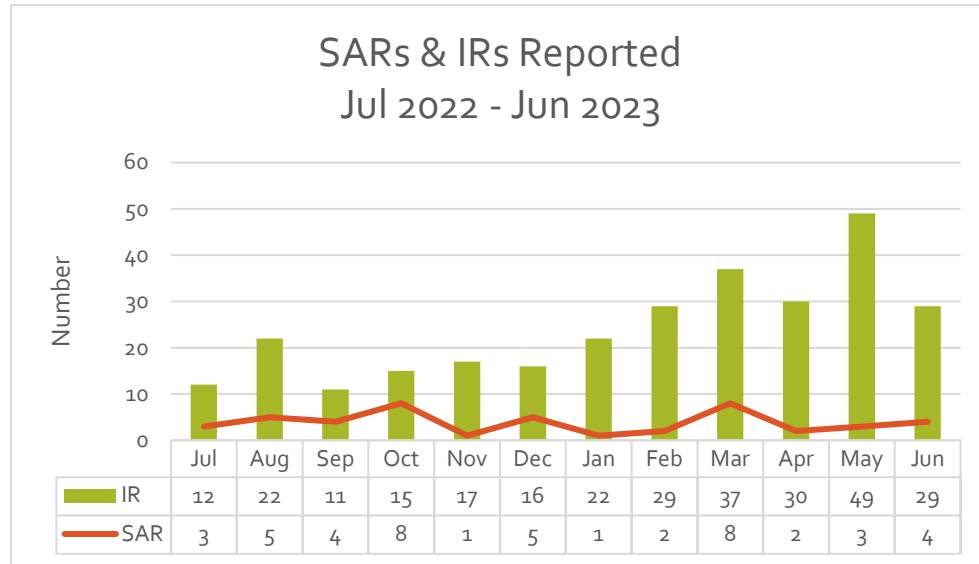
Intelligence reports relate to reports we receive and disseminate both domestically from/to other local law enforcement agencies, government departments as well as private citizens and from/to international law enforcement counterparts through different networks such as the Egmont Secured Network (ESW),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

**T7:** Table show a comparative influx of Intelligence Report (IR) for the two-year period.

	2021/2022	2022/2023
<b>Total Received</b>	<b>289</b>	<b>388</b>
Domestic	109	98
International	180	290
<b>Total Disseminated</b>	<b>27</b>	<b>44</b>
Domestic	5	35
International	22	9

There were 388 IRs for 2022/23, 290 of these were from overseas and 98 from in country. Majority of the reports came from overseas comprising 74.7% of the total IRs.

**G3:** Graph illustrates the total number of SARs and IRs collected by the CIFIU for the reviewed period.



**d) Investigations**

**T8:** The table show the outcome of investigation work conducted by FIU for the year under review:

<b>Activity</b>	<b>2021/2022</b>	<b>2022/2023</b>
Parallel Financial investigations	3*	2
Cases under ongoing investigation	0	2**
Investigation cases completed	7	0
Freeze Instructions - Issued	4	1
Freeze Instruction - Extension	3	0
Freeze Instruction - Revoked	3	1

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

\*\*To be reported in the 2023-2024 report.

Annual Report 2021-2022 reported three joint high-level financial misconduct investigations from the 2019 – 2020 fiscal year. In September 2022, two of the three prosecution cases were completed.

1. September 2022, the joint CI Police and FIU theft case involving \$240,000 was completed. The offender serving a term of 33 months imprisonment.
2. September 2022, Joint Operation Kotaa Court Trial. First court trial the FIU Cashbook Financial Analysis (Money Laundering Evidence) was presented by the FIU Senior Investigation Officer. The primary offender is serving a term of seven years imprisonment and the two co-offenders are each serving a term of four years imprisonment.
3. July 2023, Operation NES/ICI/ABC - CI Police theft/fraud case was scheduled for court trial by judge alone. FIU Cashbook Financial Analysis was presented by FIU Senior Investigation Officer. Case is before the court and the outcome will be reported in the next annual report 2023-2024.

**e) FIU Training and Development**

FIU staff members attended and completed a selected number of face-to-face trainings and virtual sessions that covered the following:

- PFIC (Tradecraft Tuesday) – topics include Organised criminal gang issues, payment text fields, PEPs associated with Mining, Transnational Narcotics, Mobile Money Threats in the Pacific, Contemporary Trend in Cyber Scams in Australia, FASU Strategic Analysis.
- PFIC - Virtual Assets Webinar Series
- APG
  - Countering Terrorist Financing webinar - an FIU perspective. December 2022 – Virtual

- AML/CFT Supervision of Offshore Entities and DNFBP. January/February 2023 – Virtual
- Financial Investigation, ML and Criminal Asset Confiscation. March 2023 - In-country
- AML/CFT Supervision of Remittance Provider. May 2023 - Virtual
- AUSTRAC
  - Pacific Financial Intelligence Analyst Course, August 2022 – Canberra, Australia – In Country
  - TAIPAN system analyst training – June 2023 – Virtual
- UNDP
  - “The role of Financial Intelligence Units (FIU)” as a key stakeholder in the successful investigation and prosecution of corruption. September 2022 – Virtual
  - National Digital Transformation Strategy workshop. February/March 2023 - In-country
  - Beneficial Ownership (R24 & R25). March 2023 - Virtual
- PILON Corruption Working Group Webinar on Mutual Assistance. October 2022 – Virtual
- NZ CERT Digital Forensics. November 2022 - In-country
- OECD Conducting Financial Investigations (Foundation) Virtual Programme. November/December 2022 – Virtual
- NZ SIS Cybersecurity Risk Assessment workshop. December 2022 – In-country
- OPM/APSC Regional Workshop on National Security Strategies. June 2023 - In-country
- PNNL Counterproliferation Financing in the Pacific Region. June 2023 – Suva, Fiji. – In country

## **6. Financial Performance**

The 2022/2023 Financial Performance of the Commission exceeded expectations although registry activity was down. This was mainly due to significant savings in expenses owing to changes in staffing and reduced expenditure on items such as FIU in-a-box and education and awareness costs.

Actual revenue for the year to 30 June 2023 was \$1,471,340 and expenditure totalled \$1,112,204 resulting in a net surplus of \$359,136. This net surplus figure represented an increase of \$231,874 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 \$240,000 was returned to the Crown as excess funds, pursuant to section 24(2) of the FSC Act 2003.

On 27<sup>th</sup> September 2023 the Cook Islands Audit Office (CIAO) issued an unqualified audit opinion on the FSC's 2022/2023 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 2023 comprised:

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

Fletcher Melvin resigned from the Board in October 2022 to take up a board appointment at Vodafone Cook Islands. He was replaced by Board Member Bim Tou, whom brings with him significant banking and public sector experience.

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. 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 2022/2023 this included:

- The Annual Association of Financial Supervisor's for Pacific Countries (AFSPC) in Nadi, Fiji, December 2022.

- the Annual Plenary Meeting for the Asia Pacific Group on Money Laundering and subsequent Technical Assistance Forum in Kuala Lumpur, Malaysia July 2022
- the Group of International Financial Center Supervisor’s winter and summer plenaries (Mauritius – Nov 22 and London – April 23);

## **9. Staffing**

As at 30 June 2023, the staff of the Commission comprised of the Commissioner, the Deputy Commissioner, the 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 seeking new staff with a focus on skills in information technology and project management 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 2022/2023. Opportunities for Commission staff have included:

- Corporate Registers Forum – Virtual Training -Electronic Compliance checklist– November 2022;
- IMF Virtual Seminar: “Scaling Up Private Climate Finance in Developing and Emerging Economies – November 2022
- IMF Institute Online Course – Banking Supervision – October 2022 – February 2023
- 2023-2024 IAIS Roadmap Information Session - GIICs – March 2023
- PFTAC Insurance Regulatory Reform Workshop – Nadi, Fiji, April 2023
- Pacific AML/CFT Supervisor’s Forum – Auckland, NZ – June 2023;

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 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

  
\_\_\_\_\_  
**Geoff Stoddart**  
**Chairman**

27-9-23  
\_\_\_\_\_  
**Date**



# **FINANCIAL SUPERVISORY COMMISSION**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2023**

# FINANCIAL SUPERVISORY COMMISSION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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# FINANCIAL SUPERVISORY COMMISSION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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### 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](mailto: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 2023.

A blue ink signature of Cheryl McCarthy.

Cheryl McCarthy  
**Commissioner**

27 September 2023

**Date**

A blue ink signature of Geoffrey Stoddart.

Geoffrey Stoddart  
**Chairman**

27 September 2023

**Date**



## Independent Auditor's Report

To the readers of the financial statements of the Financial Supervisory Commission for the year ended 30 June 2023.

### 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 2023 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:

- the statement of financial position as at 30 June 2023;
- the statement of financial performance, the statement of changes in equity and cash flow statement for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

My audit was completed on 27 September 2023. 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:

- the preparation and fair presentation of the financial statements in accordance with IPSAS;
- 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
- 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**

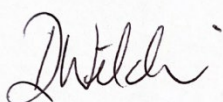
The Commissioner is responsible for the other information. The other information comprises the information included on pages 1 to 25 but does not include the annual financial statements of the Commission and my auditor's report thereon.

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 2023

In New Zealand Dollars	Notes	Budget 2023 \$	Actual 2023 \$	Actual 2022 \$
<b>Revenue</b>				
Trading Revenue	2	1,416,762	1,409,884	1,367,566
Other Revenue	2	66,300	61,457	45,813
<i>Total Revenue</i>		1,483,062	1,471,341	1,413,379
<b>Expenditure</b>				
Personnel Expenses	3	740,000	639,177	591,917
Audit Fees		3,000	3,000	2,500
Covid-19 Expenses		40,000	107	94,175
Depreciation and Amortisation Expenses	11,12	97,700	104,266	81,869
Other Expenses	4	475,100	365,656	328,134
<i>Total Expenditure</i>		1,355,800	1,112,206	1,098,595
<b>Operating Profit Before Other Gains and Losses (OBEGAL)</b>		<b>127,262</b>	<b>359,135</b>	<b>314,784</b>
<b>Other Gains/(Losses)</b>				
Other Gains from Disposal of Property Plant and Equipment		-	-	3,478
<i>Total Other Gains/(Losses)</i>		-	-	3,478
<b>Net Surplus</b>		<b>127,262</b>	<b>359,135</b>	<b>318,262</b>

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

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

# FINANCIAL SUPERVISORY COMMISSION

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

In New Zealand Dollars	Notes	Actual 2023 \$	Actual 2022 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Equivalents	5	88,104	68,274
Vested Assets Clearing Account		740	782
Trust Accounts	10	821,291	961,402
Reserve Accounts	6	620,000	510,000
Revenue in Transit		1,386	4,777
Prepayments		60,529	38,835
Debtors and Other Receivables	7	6,042	5,177
Accrued Interest		2,789	2,789
<i>Total Current Assets</i>		1,600,881	1,592,036
<b>Non-Current Assets</b>			
Property, Plant, and Equipment	11	62,626	61,942
Intangible Assets	12	150,251	101,256
Intangible Assets - Work In Progress		10,593	112,949
<i>Total Non-Current Assets</i>		223,470	276,147
<b>Total Assets</b>		<b>1,824,351</b>	<b>1,868,183</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Creditors and Other Payables	8	69,603	99,920
Employee Entitlements	9	35,521	28,059
Trust Liabilities	10	821,291	961,402
<i>Total Current Liabilities</i>		926,415	1,089,381
<b>Total Liabilities</b>		<b>926,415</b>	<b>1,089,381</b>
<b>Net Assets</b>		<b>897,936</b>	<b>778,801</b>
<b>Equity</b>			
Contributed Capital		750,400	750,400
Accumulated Surplus / (Deficit)		147,536	28,401
<b>Total Equity</b>	13	<b>897,936</b>	<b>778,801</b>

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 2023

In New Zealand Dollars	Notes	Budget 2023 \$	Actual 2023 \$	Actual 2022 \$
Balance as at 1 July		710,539	778,801	710,539
Total Net Surplus for the year		127,262	359,135	318,262
Return of Excess to the Crown		(125,000)	(240,000)	(250,000)
<b>Balance as at 30 June</b>	<b>13</b>	<b>712,801</b>	<b>897,936</b>	<b>778,801</b>

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 2023

In New Zealand Dollars	Actual 2023 \$	Actual 2022 \$
<b>Cash Flows from Operating Activities</b>		
Receipts from Licensees	1,412,410	1,361,512
Receipts from MFEM-Confiscated Asset Fund	45,534	27,323
Receipts from Interest	15,923	18,972
Payments to Employees	(709,081)	(665,454)
Payments to Suppliers	(343,366)	(333,770)
<b>Net Cash Flows from Operating Activities</b>	<b>421,420</b>	<b>408,583</b>
<b>Cash Flows from Investing Activities</b>		
Sale of Property Plant and Equipment	-	3,478
Purchase of Property, Plant, Equipment and Intangible Assets	(51,590)	(155,330)
<b>Net Cash Flows used in Investing Activities</b>	<b>(51,590)</b>	<b>(151,852)</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to the Crown	(240,000)	(250,000)
Cash transferred to Reserve Account	(110,000)	-
<b>Net Cash Flows used in Financing Activities</b>	<b>(350,000)</b>	<b>(250,000)</b>
<b>Net Increase in Cash and Equivalents</b>	<b>19,830</b>	<b>6,731</b>
Cash and Equivalents as at 1 July	68,274	61,543
<b>Cash and Equivalents as at 30 June</b>	<b>88,104</b>	<b>68,274</b>

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 2023

	Actual 2023 \$	Actual 2022 \$
In New Zealand Dollars		
<b>Reconciliation of Net Surplus / (Deficit) to Net Cash Flows from Operating Activities</b>		
<b>Reported Surplus</b>	359,135	318,262
<b>Add / (less) Non-cash items</b>		
Depreciation and Amortisation	104,266	81,869
(Gain) / Loss on Sale of Assets	-	3,478
<i>Total Non cash items</i>	463,401	396,653
<b>Add / (less) movements in Statement of Financial Position items</b>		
(Increase) / decrease in Debtors and Other Receivables	(865)	(1,277)
(Increase) / decrease in Prepayments	(21,694)	(12,473)
(Increase) / decrease in Accrued Interest	-	482
(Increase) / decrease in Revenue in Transit	3,391	(4,777)
(Increase) / decrease in Vested Assets Clearing Account	42	(500)
Increase / (decrease) in Accounts Payable	(24,507)	21,445
Increase / (decrease) in Credit Card Liability	3,188	16
Increase / (decrease) in Pay As You Earn (PAYE) Payable	743	486
Increase / (decrease) in Superannuation Payable	516	(81)
Increase / (decrease) in Value Added Tax (VAT) Payable	(4,867)	(949)
Increase / (decrease) in Revenue Received in Advance	(5,391)	-
Increase / (decrease) in Employee Entitlements	7,462	9,558
<i>Net movement in working capital items</i>	(41,982)	11,930
<b>Net Cash Flows from Operating activities</b>	<b>421,420</b>	<b>408,583</b>

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 2023

### 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 2023

### 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 2022/2023, as approved by the Board of Directors on 24 March 2022.

#### 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 2023

#### 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 2023 \$	Actual 2023 \$	Actual 2022 \$
<b>Trading Revenue</b>			
Licensing fees	116,086	122,268	116,919
Registration fees	142,695	135,179	139,252
Renewal fees	1,071,181	1,084,832	1,008,211
Other fee income	86,800	67,605	103,184
<b>Total Trading Revenue</b>	<b>1,416,762</b>	<b>1,409,884</b>	<b>1,367,566</b>
<b>Other Revenue</b>			
MFEM-Confiscated Asset Fund	48,300	45,534	27,323
Interest revenue	18,000	15,923	18,490
<b>Total Other Revenue</b>	<b>66,300</b>	<b>61,457</b>	<b>45,813</b>

#### 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 2023 \$	Actual 2023 \$	Actual 2022 \$
Salaries and wages	704,762	601,866	555,248
Defined contribution plan - employer contributions	35,238	29,850	27,111
Increase / (decrease) in employee entitlements	-	7,462	9,559
<b>Total Personnel Expenses</b>	<b>740,000</b>	<b>639,177</b>	<b>591,917</b>

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 2023

#### Note 4: Other Expenses

##### Breakdown of Other Expenses

	Budget 2023 \$	Actual 2023 \$	Actual 2022 \$
Board Fees	84,000	78,625	83,500
Computer Costs	32,000	14,363	12,523
Electricity	12,000	13,073	8,880
Lease Costs	39,600	36,000	36,000
Legal and Professional Fees	55,000	22,331	23,762
Online Prudential Expenses	22,500	22,637	20,972
Online Registry Expenses	69,000	69,180	70,076
Online Server	-	2,211	-
Staff Training	5,000	1,021	764
Subscriptions	31,000	32,264	28,582
Travel	53,200	38,988	8,212
Other Operating Costs	71,800	34,963	34,863
<b>Total Other Expenses</b>	<b>475,100</b>	<b>365,656</b>	<b>328,134</b>

#### 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 2023 \$	Actual 2022 \$
Cash at bank (ANZ CI)	86,460	66,590
Cash at bank (ANZ NZ)	1,544	1,584
Petty Cash	100	100
<b>Total Cash and Equivalents</b>	<b>88,104</b>	<b>68,274</b>

## FINANCIAL SUPERVISORY COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 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 2023 \$	Actual 2022 \$
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	2.50%	110,000	-
<b>Total Reserve Accounts</b>			<b>620,000</b>	<b>510,000</b>

#### 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 2023 \$	Actual 2022 \$
<b>Receivables under non-exchange transactions</b>		
Accounts Receivable (gross)	6,042	5,177
Less: Provision for doubtful debts	-	-
Accounts Receivables (net)	6,042	5,177
<b>Total Debtors and Other Receivables</b>	<b>6,042</b>	<b>5,177</b>

Inter-ministry receivables included above to Crown Agencies

- -

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

	2023			2022		
	Gross	Provision	Net	Gross	Provision	Net
Not past due	6,042	-	6,042	5,177	-	5,177
Past due 0 - 30 days	-	-	-	-	-	-
Past due 31 - 60 days	-	-	-	-	-	-
Past due over 60 days	-	-	-	-	-	-
	<b>6,042</b>	<b>-</b>	<b>6,042</b>	<b>5,177</b>	<b>-</b>	<b>5,177</b>

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 2023**

**Note 8: Creditors and Other Payables**

**Accounting Policy**

Short-term payables are recorded at the amount payable.

**Breakdown of Payables and further information**

	<b>Actual 2023 \$</b>	<b>Actual 2022 \$</b>
<b>Payables under exchange transactions</b>		
Accounts Payable	21,511	46,018
Credit Card Liability	3,341	152
Pay As You Earn (PAYE) Tax Payable	10,352	9,609
Cook Islands Superannuation Payable	5,192	4,676
Value Added Tax (VAT) Payable	12,772	17,639
Revenue Received in Advance	16,435	21,826
<i>Total Payables under exchange transactions</i>	69,603	99,920
<b>Total Creditors and Other Payables</b>	<b>69,603</b>	<b>99,920</b>
Inter-ministry payables included above to Crown Agencies	31,191	34,799

**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**

	<b>Actual 2023 \$</b>	<b>Actual 2022 \$</b>
Accrued salaries and wages	18,596	15,899
Annual leave	16,925	12,160
<b>Total Employee Entitlements</b>	<b>35,521</b>	<b>28,059</b>

**FINANCIAL SUPERVISORY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**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 2023	Actual 2022	
<b>Trust Assets</b>			
New Zealand Dollar (NZD) Vested Assets Account (ANZ CI)	41,909	215,287	
Australian Dollar (AUD) Vested Assets Account (ANZ CI)	648,358	635,063	
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	-	
United States Dollar (USD) Client Trust Account (CSB)	101,024	91,052	
<b>Total Trust Assets</b>	<b>821,291</b>	<b>961,402</b>	
<b>Trust Liabilities</b>			
NZD Vested Assets Account on behalf of the Crown (ANZ CI)	41,909	215,287	
AUD Vested Assets Account on behalf of the Crown (ANZ CI)	648,358	635,063	
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	-	
USD Client Imprest Account (CSB)	101,024	91,052	
<b>Total Trust Liabilities</b>	<b>821,291</b>	<b>961,402</b>	
<b>Trust Account Reconciliation</b>			
	Actual 2023 \$ (AUD)	Actual 2023 \$ (NZD)	Actual 2022 \$ (NZD)
<b>New Zealand Dollar (NZD) Vested Assets Account (ANZ CI)</b>			
Opening Balance		215,287	19,409
Vested Assets Received		-	3,136,260
Transfer from AUD Vested Asset Account		53,231	985,401
Interest Received		935	836
Payment of Claims		(202,944)	(96,784)
Payment to Crown		-	(3,808,035)
Payment of FSC Administrative Fees		(24,600)	(21,800)
<b>Closing Balance</b>		<b>41,909</b>	<b>215,287</b>
<b>AUD Vested Assets Account on behalf of the Crown (ANZ CI)</b>			
Opening Balance	586,798	635,063	438,476
Vested Assets Received	2,286,248	2,566,511	2,392,119
Payment of Claims	(155,115)	(167,873)	(70,988)
Payment to Crown	(2,057,626)	(2,309,860)	(1,170,045)
Transfer to NZD Vested Asset Account	(50,000)	(53,231)	(985,401)
Payment of Bank Fees	(200)	(216)	(253)
Foreign Exchange Movements	-	(22,036)	31,155
<b>Total Trust Liabilities</b>	<b>610,105</b>	<b>648,358</b>	<b>635,063</b>

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 2023

#### 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.

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 2023**

**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:

	<b>Computer Equipment \$</b>	<b>Furniture &amp; Fittings \$</b>	<b>Motor Vehicles \$</b>	<b>Plant Equipment \$</b>	<b>Leasehold Improvements \$</b>	<b>Total \$</b>
<b>Cost</b>						
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
<b>Accumulated depreciation and impairment losses</b>						
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
<b>Carrying Amount</b>						
<b>As at 30 June 2022</b>	<b>10,527</b>	<b>2,645</b>	<b>28,801</b>	<b>16,211</b>	<b>3,758</b>	<b>61,942</b>
<b>Cost</b>						
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
<b>Accumulated depreciation and impairment losses</b>						
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
<b>Carrying Amount</b>						
<b>As at 30 June 2023</b>	<b>19,116</b>	<b>1,886</b>	<b>19,066</b>	<b>19,276</b>	<b>3,283</b>	<b>62,626</b>

**Capital commitments**

There were no property, plant and equipment commitments at year end (2022: nil).

**FINANCIAL SUPERVISORY COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**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:

	<b>Software \$</b>
<b>Cost</b>	
Balance as at 1 July 2021	541,305
Additions	-
Disposals	-
Balance as at 30 June 2022	541,305
<b>Accumulated amortisation and impairment losses</b>	
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
<b>Carrying Amount</b>	
<b>As at 30 June 2022</b>	<b>101,256</b>
<b>Cost</b>	
Balance as at 1 July 2022	541,305
Additions	130,903
Disposals	-
Balance as at 30 June 2023	672,208
<b>Accumulated amortisation and impairment losses</b>	
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
<b>Carrying Amount</b>	
<b>As at 30 June 2023</b>	<b>150,251</b>

**Capital commitments**

In June 2021, the Commission received approval for Asian Development Bank funding to upgrade its Online Registry. The work is planned to be completed at the end of 2023. Also, work has commenced on the FIU database/TAIPAN system, this work 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 2023**

**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**

	<b>Actual 2023 \$</b>	<b>Actual 2022 \$</b>
<b>Opening Equity</b>		
Balance as at 1 July	750,400	750,400
Capital Funding for the year	-	-
Balance as at 30 June 2022	750,400	750,400
<b>Accumulated Surplus / (Deficit)</b>		
Balance as at 1 July	28,401	(39,861)
Surplus / (Deficit) for the year	359,135	318,262
Return of Excess to the Crown	(240,000)	(250,000)
Balance as at 30 June 2023	147,536	28,401
<b>Total Equity</b>	<b>897,936</b>	<b>778,801</b>

**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**

	<b>Actual 2023</b>	<b>Actual 2022</b>
Remuneration	\$ 388,826	\$ 368,431
Full-time equivalent members	4	4

**FINANCIAL SUPERVISORY COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**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:

	<b>Actual 2023 \$</b>	<b>Actual 2022 \$</b>
<b>Receivables</b>		
Cash and Equivalents	88,104	68,274
Vested Assets Clearing Account	740	782
Prepayments	60,529	38,835
Reserve Accounts	620,000	510,000
Debtors and Other Receivables	6,042	5,177
Accrued Interest	2,789	2,789
Revenue in transit	1,386	4,777
Trust Accounts	821,291	961,402
<i>Total receivables</i>	1,600,882	1,592,036
<b>Other Liabilities</b>		
Creditors and Other Payables	69,603	99,920
Employee Entitlements	35,521	28,059
Trust Liabilities	821,291	961,402
<i>Total other liabilities</i>	926,415	1,089,381

**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 2023**

**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:***

	<b>Actual 2023 \$</b>	<b>Actual 2022 \$</b>
Within one year	36,000	12,000
Within one to two years	72,000	69,000
	108,000	81,000

***Online Prudential Filing Commitment (Parklane):***

	<b>Actual 2023 \$</b>	<b>Actual 2022 \$</b>
Within one year	25,000	22,500
Within one to two years	-	-
	25,000	22,500

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

	<b>Actual 2023 \$</b>	<b>Actual 2022 \$</b>
Within one year	73,000	67,880
Within one to two years	-	-
	73,000	67,880

## FINANCIAL SUPERVISORY COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 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 (2022: nil).

##### **Contingent Assets**

The Commission has no contingent assets as at balance date (2022: 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 2023 budgeted figures are as follows:

Statement of Financial Performance

##### **Personnel Expense**

Actual personnel expense was lower than budgeted by \$100,823 due to two vacancies not being filled within the Commission during the year.

##### **Other Expenses**

Actual other expense is lower than budgeted by \$109,444. This is primarily due to funds in Covid-19 expenses, Professional services, FIU in a box, Operation costs and Education & Awareness, not being utilised due to other pressing matters and unforeseen circumstances.