

No: 51/2019

Memorandum for Executive Council

SUBJECT

Financial Services (Amendment) Bill 2019

Memorandum by the Chairman of the Economic Development
Committee

ADVICE SOUGHT

1. **Executive Council is asked to consider and advise whether the Financial Services (Amendment) Bill 2019 (Annex A) should be printed, published and presented as Government business at the next formal meeting of the Legislative Council to be held in December 2019.**

**BACKGROUND &
CONSIDERATIONS**

2. At present the Financial Services Ordinance 2008 (“the Ordinance”) puts significant restrictions on non-domicile insurance companies being admitted by the Financial Services Regulatory Authority (FSRA) to provide insurance on St Helena. These restrictions include, under S.8 of the Ordinance, an obligation to have at least two individuals on St Helena who will effectively direct the business. Further, when a company is admitted to provide insurance there are a number of regulatory requirements that would not be enforceable or appropriate for a non-domicile company. These include control by the FSRA of admitted companies’ participation in a relevant business (S.13) and control of shareholders (S. 14). These are matters that a non-domicile insurance company would be regulated on in their own jurisdiction.
3. The difficulties with not being able to admit non-domicile insurance companies became apparent when St Helena Airport Limited (SHAL) needed to get particular essential insurance in October 2019. An international insurance company was initially unable to provide insurance to the Airport as they could not be admitted under the Ordinance. A solution was eventually found where the company provided the insurance on a non-admitted basis. However, there is no guarantee with insurance in the future that this will be the case. SHG, its state owned entities, other businesses on St Helena and individuals could as matters currently stand find themselves in a position where they are unable to obtain insurance or have to do so at a cost above the market rate.

4. The Financial Services (Amendment) Bill 2019 allows the FSRA to admit a non-domicile company by dispensing with the requirements of the Ordinance. They must do so by issuing a directive and the relevant company must hold a licence in the territory where it is registered. Further, the FSRA must be satisfied that the licencing, oversight and control in that territory is sufficient. These requirements will be in place to provide what are currently considered the most sufficient controls if non-domicile companies are admitted to provide insurance.

**FINANCIAL
IMPLICATIONS**

5. There are no negative financial implications foreseen in terms of amending the current legislation as proposed.

6. The Amendment, allowing non-domicile companies to potentially access St Helena's insurance market could lead to insurance costing less. This is not guaranteed and the financial implications of each insurance policy will need to be considered on a case by case basis.

**ECONOMIC
IMPLICATIONS**

7. Current insurance providers on-Island may have their business affected by having competition. However, a more competitive market can boost the economy.

**CONSISTENCY
WITH
INVESTMENT
POLICY
PRINCIPLES**

8. The proposed amendment could have a positive public and social impact if people are able to have access to different insurance service providers.

**PUBLIC / SOCIAL
IMPACT**

9. N/A

**ENVIRONMENTAL
IMPACT**

10. N/A

**PREVIOUS
CONSULTATION /
COMMITTEE
INPUT**

11. The Bill was approved by the Economic Development Committee at its meeting held on 7th November 2019.

**PUBLIC
REACTION**

12. Public reaction is likely to be positive as the changes will allow people access to potentially cheaper insurance in the future.

PUBLICITY

13. The draft Bill will be printed and published via the usual channels including on the SHG website before the next Formal Legislative Council on 6 December 2019.

14. ExCo's decision will be mentioned in the media briefing following the meeting.

SUPPORT TO STRATEGIC OBJECTIVES

15. N/A

LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

16. N/A

OPEN /CLOSED AGENDA ITEM

17. This paper is recommended for the Open Session.

LAH

14 November 2019

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