

# FSC Newsletter

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## Best Market Practice

The following is a guide to the Commission's expectations with regard to the method of operation of licensees, or prospective licensees under the Financial Services Ordinance.

This guide is a summary of the best market practice which is required to be observed under Regulation 6 of the Financial Services (Conduct of Business) Regulations 1991 aimed at the achievement of the required standards without imposing unnecessary administrative burdens on the operation of the businesses.

The Commission, in licensing existing businesses in Gibraltar has taken account of the fact that licensees may have limited resources at their command and may therefore have difficulty in meeting Regulations which reflect the highest standards of best market practice. These notes have therefore been prepared to illustrate the standard of best market practice which the Commission believes is currently attainable by the licensee and which it regards as a minimum standard to be observed. The Commission will issue further newsletters from time to time which will describe improvements in standards which licensees will be expected to implement.

The notes have been classified under broad headings and there may be items within one section which may be relevant to other activities and as such should be read thoroughly. Particular attention should be paid to the final section 'Guidance Notes on Money Laundering.'

These notes are intended to be regarded as guide-lines which are not necessarily definitive.

## General Notes Regarding Licensable Activities

- **Insurance Brokers/Agents**

The main point of concern revealed during the inspection of this class of business is the fact that the relationship between the principals and their agents has not been agreed in writing. A common problem when attempting to clarify any differences in opinion, the lack of concrete terms of business, may result in a breakdown of an otherwise substantial business. Written agreements specifying the exact terms of business (including commission rates, settlement dates etc) should be exchanged with every company which a licensee represents in Gibraltar.

Care should be taken when conducting business with Non-EC insurers (including those based in the Isle of Man and Channel Islands) as these insurers require to be licensed under the Insurance Companies Ordinance before their products are marketed in Gibraltar. In the case of business written by the agent in Gibraltar (whether or not the principal is an EC insurer), the principal would require to have been issued with an insurance licence.

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The licensee should explain all the essential provisions of the cover offered by the policy, or policies, which he is recommending so as to ensure, as far as possible, that the prospective policy holder understands what he is buying and draw attention to any restrictions and exclusions applying to that policy.

### General Business

Most operators in Gibraltar are authorised by their principals to write general business policies and meet claims under those policies. It entails the involvement of the broker or agent in a number of man-hours to administer and the Commissioner expects the implementation of procedures to carry this out effectively.

It is expected that there be a centralised system of collection through which all payments are recorded. A prenumbered receipt should be issued for collection of premiums. It has been argued that in general business, the policy is the receipt and that this should suffice as evidence of payment of the premium. It is common to have the policy documents mailed to the insured or collected by him at a subsequent date. This will ensure that when a client returns to collect or queries the non-receipt of his policy document, his receipt should be the source from which it can be confirmed.

There should be adequate controls exercised to ensure the safe custody of unused receipt books as well a regular reconciliations by a senior member of staff to ensure that the collections of premiums has activated the necessary paperwork for the preparation of the policy.

Premiums should be banked into a designated bank account which could easily be identified by its designated name. This bank account must be treated as a Customer Money Account and as such the requirements under PART 5 of the Financial Services (Accounting and Financial) Regulations must be observed. It is recommended that separate Customer Money Accounts be designated for each of the insurance companies with which business is conducted. This will facilitate reconciliations between cash book and bank statement and bank statement with bordereaux.

The returns to insurance companies should be completed on a daily basis and where applicable the commissions payable should be calculated. Where the terms of business permit the licensee to do so, the commissions payable should be withdrawn from the customer money account at the same time as the return and net amount is paid to the principal and not before. Where the amount is paid gross to the principal who then issues the licensee with a cheque for the commissions, this should not be banked into the Customer Money Accounts.

The level of the retainer, necessary to meet claims which are settled by the agent/broker should be included in the agreement between agent and principal.

The bordereaux should be checked by a senior member of staff who must also ensure that the all collections have been listed on the correct return and that none have been omitted before forwarding these to the principal.

### Life Business

Most of the premiums collected are effected via standing order or direct debit in favour of the principal, a practice which is encouraged. There are many clients whose banks do not offer direct debit facilities or whose standing order charges may be prohibitive and who may wish to pay the licensee on a cash basis for forward transmission to the principal. There may also arise the situation where an annual premium is payable and the client may wish to pay monthly contributions towards that premium, the agent acting as a depository.

Cash/cheque collections should be recorded in much the same manner as for general business, together with the issue of a prenumbered receipt etc. These monies should be banked in Customer Money Account and compliance with the relevant Accounting and Financial regulations should be observed. A monthly reconciliation of the premiums collected and awaiting forwarding for each client in the Customer Money Accounts should be effected.

It is common for first premiums to be collected with the proposal form, usually in the form of a cheque. This should be discouraged as it has been found that most life offices would be happy with a signed direct debit form. No premiums should be collected in cash or cheque by salesmen as all collections should be centralised at the agent's or broker's place of business.

If a policy is being paid up by instalments, the licensee must ensure that evidence of cover is given to the client at the commencement of risk.

Salesmen must be issued with a letter of engagement in which the relationship between salesman and agent is clearly spelled out. Personal details of the salesman including his CV must be notified to the Commission prior to his appointment with a copy of his engagement letter. These persons are appointed representatives of the licensee and the Commission has an interest in ensuring that they possess the necessary experience and training to be able to market life assurance products.

Licensees should be aware in the case where a commission is payable on indemnity terms, of the 'claw-back' that will arise out of a cancelled policy. The situation may arise where a particularly large policy, which has subsequently been cancelled by the client, may have been sold and commissions paid both to the agency and the salesman. Normally the "claw-back" would be deducted out of future commissions to be paid to the agent but the agent may have no recourse to recover such a debt from the salesman who may have left his employment. In order to reduce the burden of a potential cash flow problem a provision of some 5% of total commissions should be retained against future liabilities. In the case of salesmen a 'sinking fund' arrangement whereby the agent sets a minimum balance which he will retain against such occurrences should be established. All commissions payable to the salesman are then paid into the account until his minimum balance is attained. Any commissions payable to him over and above this balance may then be paid direct to the salesman. Any refunds of commissions may then be deducted off the next month's commission or from this fund which would then need to be topped up.

In determining the sinking fund the agent should consider the past performance of the salesman, say over the preceding year, and he should set a 5% level of the commissions received. New salesmen's level must be balanced with the agents expectations and targets **but it must not be set at such a high level that would encourage him to hard-sell policies in order to overcome the retainer.**

The above emphasises the requirements for a formal letter of engagement which would set out these arrangements and would, as a side effect, attract bona-fide salesman who are committed to a professional level of service to enter into this line of business.

- **Company Managers**

There are various interpretations that have been given to the definition in the Financial Services Ordinance as to what constitutes company managerial services.

The provision of shareholders and/or directors as well as the exercise of control over all or part of the assets of a company are considered to be services of a company managerial nature. The use of Gibraltar incorporated companies for a myriad of

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purposes has been, in the past, cause of adverse comment in the media. It is intended that such publicity will be countered by tightening up the control procedures of the company managers.

A company manager must be seen to have sufficient knowledge of a company which it manages as if it were his own. For this reason, the Commission expects that before any activities are undertaken for a client company the manager must establish the exact nature of the proposed purpose of the company and that of its beneficial owners. Full details relating to the beneficial owners must be sought and maintained on record (including copies of the passport where possible) as must be an accurate record of all assets owned by the company. It is not considered sufficient that an introduction by an overseas lawyer, accountant or other professional constitutes adequate vetting of clients unless the licensee has specific knowledge that his overseas correspondent vets new clients in an acceptable manner.

### **Powers Of Attorney**

There has been some unauthorised use made of powers of attorney by beneficial owners of companies which has adversely affected the company manager because of the use made by his companies as corporate directors. The issue of powers of attorney is discouraged although it is realised that there are occasions where their use is appropriate.

Licensees are recommended to issue only specific powers of attorney with a time limit on their validity. For example, the purchase of property under such powers should not also carry the automatic right to sell it at some undefined future date. The restriction by time has the added bonus of requiring the beneficial owner to instruct the company manager to have the power of attorney renewed by the corporate directors. This also gives the manager an opportunity to charge his fees which clients sometimes tend to overlook.

### **Bank Accounts**

Where a client might require that company bank accounts be operated by him personally statements, or duplicate statements should be addressed to, opened and reconciled by the company manager. The purpose of this is to ensure that neither the account nor the company is being used for any sinister purposes as it should be fairly easy to spot any transactions which are abnormal in relation to the anticipated activities of the company.

Beneficial owners should not, generally, be signatories to their companies' accounts in cases where the directors are being provided by the company manager. This may leave the directors liable for any misdoings by the owners which may fail to be redressed by their directors.

### **Corporate Directorships**

Licensees should be aware that the Commission considers that all directors of companies assume the legal and other responsibilities associated with directorships and it does not recognise the concept of a director who is only a "nominee." The Commission expects licensees to confine the use of corporate directorships to those companies which have only minimal direct dealings with third parties. For example, the use of corporate directors is currently acceptable for an investment or property holding company in the beneficial ownership of an individual client or his family. The use of corporate directors for a trading company, or a company providing services to the public is not considered appropriate.

## Yacht Holding Companies

This type of investment holding company, because of the mobility of the assets and the nature of the activities which can be conducted through this medium, calls for additional precautions and careful monitoring by company managers. Powers of attorney which are general and not limited by time could therefore leave the company manager with substantial problems. The suggested solution for beneficial owners who wish to operate their own yachts or ships is that of a charter agreement with the beneficial owners which would still maintain the confidentiality of the beneficial ownership if the client so desires.

### Management Agreements

The relationship between the client and the manager and their respective responsibilities must be laid out in a written agreement between them. The agreement should incorporate any special requirements requested by the client. A fee schedule should also be incorporated in this agreement.

- **Trust Companies**

The current attitude of the Commission in relation to the consideration of Trust Company licences is to endeavour to be as responsive as possible by reviewing each application on its own merits. There are a substantial number of existing Trust Companies in Gibraltar with varying degrees of capitalisation, financial resources and expertise: sometimes ownership is in private hands, sometimes corporate.

Regulations made under the Financial Services Ordinance apply in general terms to Trust Companies. The Commission is looking for a combination of factors which, when examined collectively, will constitute the basis for a trust company to ensure operation to a satisfactory standard. Since the factors vary from case to case, no one licensee can be regarded as the basis for a precedent. The total amount of funds under trusteeship would have a bearing on the following two points.

### Capitalisation

Dependant on other factors, the Commission would not consider licensing a trust company with a paid up share capital of less than £50,000.

An alternative to this, which would be given consideration, is an initial lower figure of capital with an undertaking to build up the capital to the required level out of profits over a period of approximately three years, this intervening period being covered by a substantial guarantee from the shareholders.

### Professional Indemnity Insurance

The Commission would expect to see a minimum cover of £500,000 but would prefer to see cover of £1M or above. This requirement may be waived in the case of licensees wholly owned by established financial institutions.

### Investment Management Of Assets

The Commission expects that all investment management on behalf of the trusts are effected under the guide-lines issued below relevant to investment business. Where such expertise is not available within the licensee's operation, independent Investment Advisers/Managers must be employed.

Many trusts in Gibraltar comprise trusts holding only shares in an underlying investment company. The investments being effected through this company. Trust companies who manage trust assets, either directly or through the underlying company, must ensure that an investment managers licence has been obtained.

## Documentation

The original trust deed together with the letter of wishes (if any) should be kept in a safe place. Copies of the trust deed and a copy of the letter of wishes should be made so as to minimise damage to or loss of the original documents.

## Accounts

Where assets, other than shares in an underlying company, are concerned, trust accounts should be prepared annually (audited if so required) and made available as appropriate to beneficiaries and/or settlors for their information. Where a company is interposed, accounts should be prepared for the company. Investments should be valued at regular intervals as agreed with the client and a valuation report should accompany the accounts.

## Asset Protection Trusts

Recent changes in legislation have made possible the setting up of asset protection trusts or family protection settlements. The objective of the legislation is, broadly speaking, to protect trust assets against substantial claims by third parties, provided that the settlor was financially solvent at the time a settlement was made by him

For this reason the trustee should ensure that he has obtained as much information, be it personal, financial or general about the settlor so as to determine with exactitude his solvency and financial standing. It should be explained to the settlor that such rigorous forms of enquiry are being made in the client's best interests.

- **Investment Advisers**

A number of investment advisers licences have already been issued where the main activity of the licensee is related to specific investments. For example, an insurance broker will be licensed because he recommends life assurance products. The Conduct of Business Regulations require under Regulation 14 that the licensee does not hold itself out as acting in an independent and impartial manner if it is not. Where a relationship exists between the adviser and principal in the transaction being advised upon, the client must be made aware that the advice being given is based upon a limited range of products and that such a product may not be the best available for that client.

A decision to recommend the purchase and/or sale of any type of investment MUST be adequately recorded and the basis for the decision must be supplemented by the information from which it was derived. In the case of oral communications by clients, eg telephone conversations, the conversation should be recorded or a contemporaneous note made of the conversation and kept in the client's file. Copies of all written instructions by clients for a transaction should also be retained and cross referenced with other information sources that will record the reasoning behind such decisions.

Where decisions are being made on investments of a volatile nature, eg stocks & shares, options, futures or units in a Unit Trust, the Commission would expect the adviser to have either direct on-line access to the relevant market information systems or through a recognised intermediary, be able to obtain such information on demand.

The qualifications and/or experience of those persons who will be giving such investment advice will be reviewed by the Commission to ensure that they are relative to the type of investments on which advice will be given.

In giving such advice the interests of the client must override those of the investment adviser.

- **Investment Brokers**

This licence activity is granted to those licensees who act on clients instructions for the purchase or sale of investments. Consequently, all actions of the licensee are governed by action of its client. The licensee must therefore maintain copies of all the

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instructions received, whether oral or written, and verification of the identity of a new client should take place before a transaction is effected for him.

The licensee should immediately after a transaction is effected, make available for the client a contract note containing full details of the transaction which was undertaken.

A written agreement must be executed which details the basis under which the broker will act for the client and should also contain the methods of verification and authorisation of the transactions to be effected.

- **Collective Investment Scheme Operators**

The Commission's regulatory responsibility extends to the activities of managers in managing collective investment schemes as well as selling and marketing activities.

Most fund managers carry out their own investment management. The securities of authorised collective investment schemes are held by or to the order of a trustee or custodian. The manager must maintain accounting records which are used to prepare the fund valuation and unit or share prices. It is important that the records of the trustee or custodian are reconciled with the managers accounting records.

The Collective Investment Scheme Regulations are extensive in scope and all Managers, Trustees, Custodians, sales agents and brokers dealing with collective investment schemes must familiarise themselves with them. There are specific regulatory requirements for UCITS funds.

The Regulations conform to recognised international best practice and as such there is very little scope for liberal interpretation.

Subsidiary Regulations issued from time to time deal with the operation of specialist investment schemes such as "pooled" arrangements, real property funds, futures and commodity funds and broker funds.

The following notes are applicable to both unit trust and open-ended investment companies.

### **Customer Monies**

Regulations recognise the need to protect assets by ensuring that the manager cannot exercise control over the cash and securities held in the scheme. The only exception may be where the assets are held by an authorised banking institution associated with the manager.

The only circumstances in which a manager can handle customer assets is where a share exchange scheme is operated or where he holds unit certificates as a nominee in relation to regular savings plans.

As regards customer money, the guiding principle is that such money should be banked forthwith upon receipt. However, where a manager has discharged his obligation to a client by allocating units, the money ceases to be customer money. Provided those units are allocated at the next valuation point after receiving the instruction and that valuation point falls on or before the close of the next business day following receipt, this money need not be paid into a customer money bank account. However, it remains customer money until allocation and it should therefore be safeguarded.

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As with customer assets, money held in trust by the trustee should be recorded in the scheme accounting records and valuation.

### Best Execution

There are essentially two elements to best execution - dealing and documentary evidence. The dealer should be able to demonstrate that best execution was achieved on a "best efforts" basis. Compliance monitoring will check that adequate documentary evidence exists to demonstrate that the dealer has achieved best execution. The following matters should be taken into account in making decisions :-

Price: (Availability of SEAQ, Topic, Datastream, Reuter screens to compare prices)  
Obtaining prices from several brokers may be appropriate particularly when screen prices may be unreliable.

Charges: Brokers sometimes offer ;  
research,  
'bulk' discounts, or  
softing arrangements.

### Churning

Churning is to be avoided. A scheme should not, unless there are special reasons, be turned over more than twice per annum (ie the aggregate of purchases and sales exceeding 400% of the value of the fund). A gilt fund may, however, be turned over at a much greater frequency where the manager seeks arbitrage opportunities.

### Queuing

Queuing of transactions should be controlled. Allocations may be simple pro-rata but some managers may also take into account the make-up of each portfolio, its investment objectives and its liquidity.

### Register

In addition to unit and securities transactions, managers frequently maintain the register of participants in a scheme. The responsibility for the register falls to the trustee. The trustee controls units in circulation in response to creation and cancellation instructions from the manager. Controls instituted should ensure that all deal slips are recorded and serially numbered.

### Unit Pricing

The regulations contain the rules relating to unit dealings and the calculation of unit prices. A separate bid and offer valuation has to be prepared. Bid and offer prices for securities should be used. All transactions effected before a valuation point should be included in the valuation.

It is important that a manager uses the most recently available prices. Some valuation services provide prices only every two hours. The valuation points should coincide with the available valuation times. If not, a manager should consider a change of valuation point or a change of service provider.

### Accumulation Units

Accumulation units are those where periodic income is transferred to capital rather than being distributed to participants. This results in two separate prices applying, one for income units and one for accumulation units (where a fund has both types of units). This type of accumulation units should be distinguished from quasi-accumulation units where distributions are used to purchase additional units for a participant. Where a quasi-accumulation unit exists, only one price need be calculated. Where income and

accumulation units exist, the price of one (usually the price of the accumulation unit) should be derived from the price of the other by applying a factor. This factor represent the aggregate of part distributions and the growth in those amounts. This factor should remain constant between distribution dates. The basis on which it is calculated should be recorded by the manager and is stipulated in the Regulations.

### Cash Balances

Cash balances may be held by the fund provided they exist to enable units to be redeemed or "for the efficient management of the scheme." There must be special reasons for holding cash balances which represent more than 10% of the fund value. Where cash exceeds 20% of the value, the level must have been approved by the trustee.

### Investment & Borrowing Powers

Breaches in investment and borrowing powers regulation may be inadvertent. The manager has up to six months to resolve these breaches if an earlier resolution is not in the interests of participants. Inadvertent breaches may arise from cancellations of units, market price movement or corporate actions (eg rights issues etc).

Borrowing takes two forms. Back to back loans may arise for hedging purposes. This means that if a fund wishes to invest in one market without undertaking currency exposure, it may do so by borrowing in one or more currencies, with repayment in the currency in which the fund is determined. Alternatively, borrowings may occur to meet short term cash flow needs, for example, to arrange settlements.

## General Notes Regarding Requirements Of Some Regulations.

- **Advertising**

All advertisements issued by licensees must contain the following information ;

- The reference number of the licensee
- That he is licensed to carry on such an activity
- The date of first issue

This includes "short form" or "image advertisements". There are extra requirements for "investment advertisements" with regards to information which must be included in addition to the above and comparisons between the advertised investment and its past performance or with other investment products.

The letter-head of the licensee is not considered to be an advertisement unless it carries, in addition to the logo, address, etc, some form of advertising of its products. The Commission would like to encourage the use of wording similar to "licensed by the Financial Services Commission to carry on....." in the letterhead of licensees as this would serve to project a positive image of Gibraltar's regulatory system elsewhere.

Licensees are not required to submit proposed advertisements or publicity materials for prior approval, but the Regulations require copies of all advertising or publicity materials to be lodged with the Commission.

Licensees are invited to discuss advertising or publicity material with the Commission prior to issue if they are in doubt as to compliance.

- **Accounting And Financial Regulations**

This area of regulation is amongst the easiest to comply with as most licensees would have put into place the majority of these systems as part of the normal accounting process. Particular attention must be paid to the reconciliation of customer money accounts and documents of title. The licensee must ensure that the reconciliation documents are maintained as part of the accounting records.

The appointment of auditors must be approved by the Commission and acknowledged by a formal letter of engagement which has the particular requirement of being signed by both parties. The use of locally practising auditors is recommended as this will enable them to effect the audit in a more complete manner. In any case no auditor or firm may be appointed without a licensee having verified that he is registered under the Auditors Registration Ordinance.

Annual accounts in the form required by these regulations must be submitted to the Commission together with the auditors report within four months of the end of the financial year to which they relate. The Commission regards compliance with this requirement as being a matter of some importance. Auditors have a duty to report annually to the Commissioner on certain matters specified in the Regulations, and at other times where they have knowledge of matters which they consider ought to be brought to the attention of the Commission.

## Money Laundering Guidelines

The phrase 'money laundering' covers all procedures to change the identity of illegally obtained money so that it appears to have originated from legitimate sources. Cash lends anonymity to many forms of criminal activity and is the normal medium of exchange in the world of drug trafficking. This gives rise to three common factors :

- drug dealers need to conceal the true ownership and origin of money,
- they need to control the money, and
- the need to change the form of money.

There are three stages in money laundering during which there may be transactions made by the launderers that could alert a licensee to criminal activity -

<b>Placement</b>	The physical disposal of cash proceeds derived from criminal activities
<b>Layering</b>	Separating illicit proceeds from their source by creating layers of financial transactions designed to disguise the audit trail and provide anonymity.
<b>Integration</b>	The provision of apparent legitimacy to criminally derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be normal business funds.

The Commission is currently preparing detailed Guidance Notes to assist licensees to identify and control possible money laundering activities.

- **Regulatory Requirements**

The adoption of the standard principle of "know your customer" by the Basle Committee on Banking Regulations and Supervision in December 1988 by the banking community world-wide and in most major financial services centres (including

Gibraltar) has represented a step towards preventing the use of the financial systems for money laundering purposes.

The statement says that public confidence in financial institutions may be undermined through their association with criminals and sets out the following basic principles:

**CUSTOMER IDENTIFICATION** - When establishing a relationship by opening an account or providing any other service, including safe custody and safe deposit box facilities, reasonable effort should be taken to determine the true identity of the customer requesting the service.

**COMPLIANCE WITH LEGISLATION AND LAW ENFORCEMENT AGENCIES** - business should be conducted in conformity with high ethical standards and local laws and regulations pertaining to financial transactions. Institutions should co-operate fully with national law enforcement authorities to the extent permitted without breaching customer confidentiality.

**RECORD KEEPING AND SYSTEMS** - institutions should implement specific procedures for retaining internal records of transactions and establish an effective means of testing general compliance with the statement.

**STAFF TRAINING** - attention should be given to staff training and their on-going education in the institution's procedures to facilitate the recognition and reporting of money laundering in accordance with the statute books.

The various international initiatives being taken to combat drug trafficking and other serious crimes have concluded that financial services providers must establish procedures of internal control aimed at preventing and impeding their engaging in operations related to money laundering.

- **Procedures And Controls**

For sole traders and small firms, the procedure to guard against money laundering will probably require little addition to the "know your customer" regulation and record keeping mentioned in the regulations and in these guidance notes.

All licensees should, however, seek closer co-operation with the CID of the Police Force as well as with the Commission and should identify a single reference point within their organisation to which staff are instructed to report suspected money laundering transactions promptly.

Larger operators should request their auditors to verify the procedures and controls put into effect relating to money laundering activities.

- **Verification Of Identity "Know Your Customer"**

Before any financial services business is transacted with a client (or potential client) the licensee should carry out a "Fact Find" to establish the status of the client. It is recommended that to supplement the Fact Find the following information should be recorded as a minimum ;

- True names and/or names used (noted with documentary evidence)
- Correct current permanent address (including postal code)
- Date of Birth
- Nationality

Additional enquiries should be made in situations where payment is ;

- Offered in cash, including particularly foreign currency;

- Offered by way of share exchange where it is evident that the shares have been held for less than six months;
- By way of a third party cheque without any apparent connection with the prospective client;
- By cheque where there is a variation between the account holder, the signatory and the prospective client.

In such cases, the best positive identification should be obtained from documents, ideally bearing a photograph, issued by reputable sources. Where practicable, file copies should be maintained or the reference numbers of the relevant documents recorded.

The following documents in descending order or priority, are considered to be the most suitable ;

- Current valid "full" passport
- Armed forces identity card
- Signed known employer Identity Card bearing a photograph and signature
- Full Driving licence.

Copies of all documents associated with a transaction should be retained on file in the absence of the originals. Reference numbers associated with the transaction should also be noted.

All licensees are expected to observe the "know your customer" rules and where possible should endeavour to review existing accounts in order to satisfy themselves as to the "bona-fides" of clients. Licensees are reminded that it is not sufficient to rely on introductions by overseas professionals or associates, except in the case of financial institutions such as banks, insurance companies and trust companies dealing with other group offices, provided satisfactory arrangements have been agreed for vetting of clients to be carried out elsewhere in the organisation.

## Conclusion

This newsletter is the second of a number which will be issued as and when the Commission feels that there are matters of a general nature which are applicable to licensees and which we feel that should be incorporated in working practices.

The first newsletter dealt with the marketing of non-Gibraltar collective investment schemes and which was mailed to those licensees involved in such business.

Feedback on the contents of this newsletter would be welcomed as the Commission would like to take into account different points of view in order to arrive at an interpretation of practice which reflects the true 'best market practice' most appropriate to local conditions. Suggestions on other matters not covered by this newsletter and which could form the basis of a future newsletter would also be appreciated.

Please address your written comments to ;

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