



**Guidelines to satisfy the requirements of the International
Financial Services Commission (Capital Requirement)
Regulations, 2020 (the “Capital Requirement Regulations”)**

LA No. 1, 2020

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I. INTRODUCTION

The Capital Requirement Regulations are made by the International Financial Services Commission (the “Commission”) in exercise of the powers conferred upon it by section 28 of the International Financial Services Commission Act, Chapter 272 of the Substantive Laws of Belize, Revised Edition 2011 (the ‘IFSCA’), and all other powers thereunto.

The Commission’s functions under the IFSCA includes administering the Capital Requirement Regulations, determining whether an applicant/licensee satisfies the capital requirement in the amount set out in the Schedule of the Capital Requirement Regulations in respect of the service/activity for which a licence is being applied; and monitoring IFS Practitioners/Managing Agents compliance with the Capital Requirement Regulations.

II. DEFINITIONS

“**Investment grade credit rating**” means a rating acceptable to the Commission and shall be, namely, ¹Moody’s Investors Service, ²Standard and Poor’s, ³Fitch Ratings, or any other appropriate credit rating agency.

The below are investment grade credit ratings acceptable to the Commission:

a) In respect of a high credit quality:

- | | |
|------------------|--------------------|
| i. Aaa or AAA; | iv. Aa3 or AA-; or |
| ii. Aaa1 or AA+; | v. A1 or A+. |
| iii. Aa2 or AA; | |

b) In respect of a medium credit quality;

- | | |
|--------------------|---------------------|
| i. A2 or A; | iv. Baa2 or BBB; or |
| ii. A3 or A-; | v. Baa3 or BBB. |
| iii. Baa1 or BBB+; | |

c) In respect of any other investment grade credit rating, an equivalent high or medium credit quality.

“**Zone A**” country means:

a) Belize;

¹ <https://www.moodys.com/>

² https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352

³ <https://www.fitchratings.com/#insights>

- b) Any other country that is a full member of the Organization for Economic Cooperation and Development (OECD)⁴;
- c) Any other country that has concluded special lending arrangements with the ⁵International Monetary Fund (IMF) associated with the general arrangements to borrow; or
- d) Any other country, which the Commission determines to be acceptable for the purposes of a bank or financial institution in that other country qualified to hold the capital deposit of a company intending to or has been carrying on, transacting or providing international financial services.

“Recognised stock exchange” means NASDAQ, the New York Stock Exchange, the Toronto Stock Exchange, the Australian Securities Exchange, the Euronext Paris, the Tokyo Stock Exchange, the Deutsche Borse, the Hong Kong Stock Exchange, the Singapore Stock Exchange, the London Stock Exchange, the Taiwan Stock Exchange, the Bombay Stock Exchange, or any other stock exchange of equal standing as determined by the Commission.

III. PURPOSE

The Guidelines clarifies the scope of and, where necessary, provides an interpretation of the Capital Requirements Regulations. These Guidelines are not intended to be a substitute for legal advice. These Guidelines are reflected as at the date of release and it is the responsibility of the user to keep up to date with any amendments made to the legislation.

IV. APPLICABILITY

These Guidelines apply to-

- a) An applicant upon approval of a first-time licence in the name of a company/entity which will enable them to provide, carry-on or transact any of the services/activities set out in the Schedule of the Capital Requirement Regulations, 2020.
- b) An IFS Practitioner (that is a legal entity).
- c) A Managing Agent.

V. REGULATORY CAPITAL FRAMEWORK

Pursuant to Regulation 6 of the International Financial Services Commission (Licensing) Regulations, 2007, **no** licence shall be granted **unless** the applicant satisfies the Commission that it has fully paid-up and unimpaired capital (the ‘capital requirement’)

⁴ <https://www.oecd.org/about/members-and-partners/>

⁵ <https://www.imf.org/en/Countries>

in the amount specified for the licence being applied, and that such capital has been deposited in accordance with the Capital Requirement Regulations.

Licensees existing prior to 4th January 2020 that have met the capital requirement pursuant to the provisions of the International Financial Services Commission (Licensing) Regulations, 2007 (which was revoked by Statutory Instrument No. 1 of 2020), are deemed compliant with the Capital Requirement Regulations.

VI. PROCEDURES & SUPPORTING DOCUMENTATION TO SATISFY THE CAPITAL REQUIREMENT REGULATIONS

A. Approach to Satisfying the Capital Requirement

- i. Any licensee may satisfy the capital requirement by either of the following methods:

Method No. 1: Deposit its capital in a bank or licensed financial institution that is in a Zone A country.

Method No. 2: A Parent Company Guarantee

- ii. Every application for a first-time licence that is a legal entity **must** accompany a formal request letter from the applicant's director, seeking the Commission's approval to meet the capital requirement either by Method No. 1 or Method No. 2.
- iii. Where the capital requirement is proposed to be met by Method No. 1, the letter referenced at sub para. A (ii) above, must state the name of the bank or licensed financial institution being selected, contact details and its address.

If Method No. 2 is proposed, the letter must provide full particulars of the name and location of the proposed parent entity.

B. Other Supporting Documentation/Information Requirements

Method No. 1:

- i. The applicant must secure a letter which shall be dated within three (3) months from the receipt of the application for a first-time licence, signed by an authorized representative, from the selected bank or licensed financial institution, addressed to the Commission, stating:
 - a) The date of establishment of the business relationship with the applicant, including confirmation that the applicant is in good standing; OR

- b) The date the applicant began the process of setting up an account for holding the capital funds.

Method No. 2:

The applicant should provide:

- i. A certificate of good standing (CGS) for the parent entity issued by the relevant corporate and company affairs registry in Belize or proof that it is listed on a recognised stock exchange. The date of the CGS must not exceed one (1) year from the date the application is received by the Commission.
- ii. Certified copy of the certificate of incorporation/registration of the parent company.
- iii. Audited financial statements of the parent company for the preceding three (3) years. Where audited financial statements are not available, the Commission may accept internally generated reports for the preceding three (3) years prepared by a licensed accounting professional.
- iv. A resolution of the Board of Directors that the parent company guarantees the capital of the applicant company. The resolution must show that the parent company guarantees it will prevent the licensee's capital from becoming deficient as a result of a loss on such an exposure (as confirmed by the legal opinion, addressed to the prospective licensee).
- v. A letter from the parent entity, undertaking the following:
 - a) that the parent company guarantee is legally enforceable in Belize;
 - b) that the parent company is not a Holding Company nor a Pure Equity Holding Company;
 - c) that the parent entity will remedy any breach, fulfil any obligation, or cover any penalty fee or other monetary cost of the licensee and if necessary, will assume the full amount of the capital exposure;
 - d) that the parent entity will **always** be a continuing source of financial strength for the licensee and can at any time assume the exposure itself without putting itself at risk of insolvency;
 - e) that the exposure, of the licensee, covered by a parent company guarantee should not exceed twenty five percent (25%) of the parent`s equity or less than the amount of capital requirement at any given time;

- f) that it will immediately inform the Commission without delay of any material changes to the information previously supplied;
- g) that the parent company guarantee must last for the duration of the period of licence; and is explicit, unconditional, irrevocable and a direct agreement;
- h) confirmation that the director or a senior officer overseeing all accounting functions of the parent entity will provide a copy of its yearly interim financial statements (in English) to the Commission annually.

C. Procedures to Produce Satisfactory Evidence of Capital Requirement

An applicant will have thirty (30) working days starting from the date on which the Commission grants approval of a first-time licence to satisfy the capital requirement by method No.1. The applicant must provide to the Commission evidence that the capital is held in the name of the applicant by way of the letter of undertaking.

The Commission may, on an exceptional basis, extend this deadline should the applicant make such a request and provide appropriate justification as to why the deadline was not met. The request for an extended deadline may attract a US\$500.00 administrative fine.

VII. CONTINUED ASSESSMENT OF COMPLIANCE WITH THE CAPITAL REQUIREMENT REGULATIONS

- i. The licensee must on an annual basis conduct its own assessment of the creditworthiness of the:
 - a. the country in which the bank or licensed financial institution holds its capital requirement; and
 - b. bank/licensed financial institution.
- ii. The Commission may during an onsite inspection and during the examination/assessment of an application for renewal of licence verify licensee's compliance with sub para. 1 above.

VIII. PROCEDURE AND DOCUMENTATION REQUIREMENTS TO MOVE THE CAPITAL REQUIREMENT TO ANOTHER ZONE A COUNTRY

A. Approach to Request for the Commission's Forbearance

Should a licensee request to move its capital requirement from a Zone A country to another Zone A country, inclusive of Belize, its request must be justifiable. This

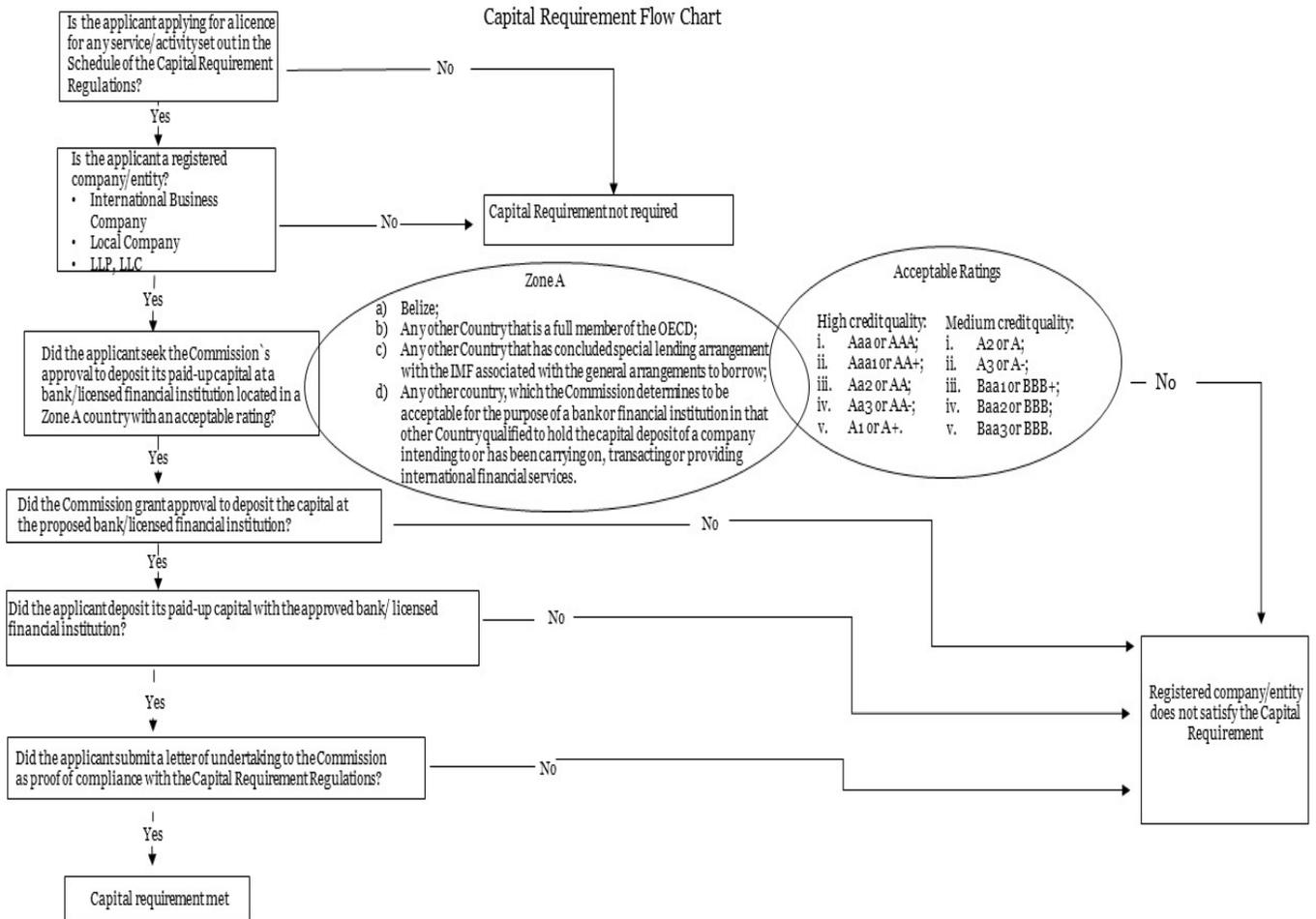
request must be sent *via* a formal request from the licensee's director (that is not nominee), seeking the Commission's approval to deposit the capital requirement in another Zone A country; and that country must be specified in the request. This request must be submitted *via* email to complianceandinspections@ifsc.gov.bz. The subject of the email should be "[Name of Licensee] – Request to move capital requirement".

B. Grant of Approval

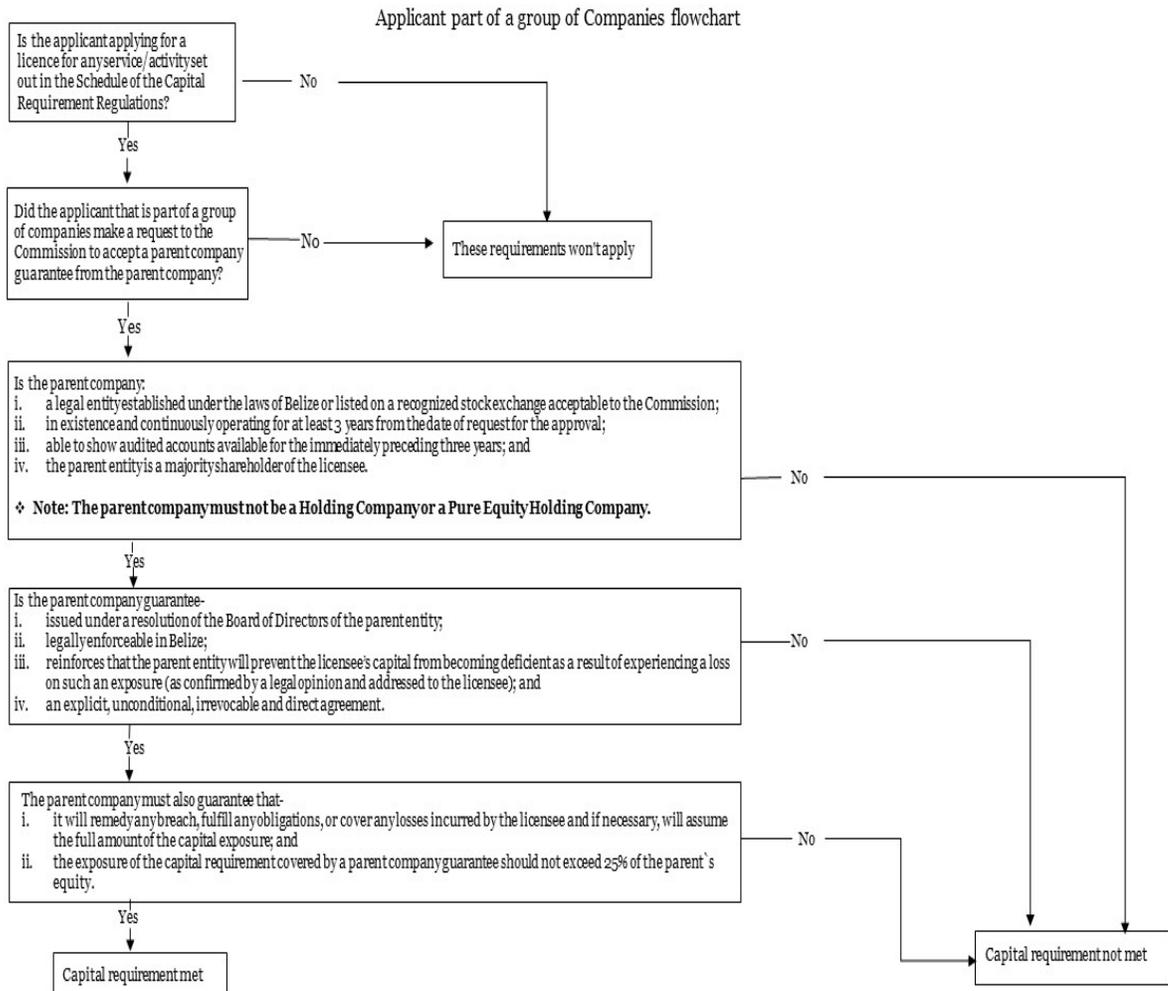
Once approval is granted by the Commission, the licensee will be given a maximum of thirty (30) working days, starting from the date the Commission grants the approval, within which the licensee must establish its fully paid-up and unimpaired capital in the other approved Zone A country.

The Commission may, on an exceptional basis, consider extending the deadline should the applicant make the request and provide appropriate justification as to why the established timeline was not met. The request for an extended deadline may attract a US\$500.00 administrative fine.

Appendix 1: Capital Requirement Flow Chart – Zone A country



Appendix 2: Capital Requirement Flow Chart – Parent Company Guarantee



Appendix 3: Letter of Undertaking

[BANK'S LETTERHEAD]

[Date]

Director General
International Financial Services Commission
6130 Iguana Avenue, Mountain View Area,
City of Belmopan
Belize, C.A.

Dear Director General,

RE: Letter of Undertaking - [Name of Licensee and Reference to USD Account Number]

This letter serves to confirm that [Name of Licensee] of registered address [state address] is a client of [name of bank/financial institution].

Our records indicate that [Name of licensee] has deposited the sum of \$[] in our bank/financial institution; and we have agreed that the amount of _____ is required to satisfy your licence's capital requirement for [State Licence Type(s)] as of _____ [Insert licence validity period being applied for].

We hereby undertake to hold the sum of [Insert sum] for the duration of the licence of [Name of Licensee] and shall not release the sum unless authorised, in writing, by the International Financial Services Commission of Belize. We further undertake to ensure that the sum is not removed, reduced or encumbered, unless authorized, in writing, by the International Financial Services Commission.

Should you require additional information, please feel free to contact the undersigned for further assistance.

Sincerely,

[Print Name and Post of Signatory]

NOTE: This letter must be provided in original form and on official bank's/licensed financial institution's letterhead. It must contain the bank/licensed financial institution's telephone number, facsimile and official email address.