

A FIRST-CLASS BANKING CENTRE

Vanuatu's banks have been largely unmoved by the global financial crisis.

Vanuatu offers an excellent choice of banking options and its banks retain high ratings despite the recent deterioration of the global banking sector. Australian banks Westpac and ANZ have a strong local presence while state-owned bank National Bank of Vanuatu (NBV) is becoming increasingly active in the commercial area.

Whilst Westpac's local operation is a branch of the Australian bank—and thus is covered by the Australian Government's bank deposit guarantee scheme—General Manager Shane Smith points out that Westpac Vanuatu operates on a stand-alone basis with its systems and records housed locally and products tailored to the local market. Westpac Vanuatu also has the added benefit of accessing the expertise available in the broader group on a needs basis.

In early 2008 France's Groupe Banque Populaire opened its doors in Port Vila, through its regional subsidiary Bred. The entry of a new player into the small local market during a period of economic buoyancy caused local credit growth to balloon by 42% last year and led to short-term liquidity issues.

NEXT PHASE IN RURAL BANKING

While Bred will add a second branch on the island of Santo in 2010, NBV is relocating its Port Vila head office to a brand-new building that it will lease from the Vanuatu National Provident Fund.

NBV Managing Director Bob Hughes is going to have a busy year. The bank is also rolling out a new banking system that will facilitate the next stage in the development of its acclaimed rural banking project.

NBV is the only Vanuatu bank with branches—21 in total—outside the main population centres of Port Vila and Luganville.

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LOCAL CONDITIONS REQUIRE LOCAL SOLUTIONS: A NATIONAL BANK OF VANUATU RURAL BANKER STARTS HIS ROUNDS.

Even so, a sizeable minority of the population lives beyond the reach even of this dispersed network, so NBV lending officers visit remote villages by motorbike. The next phase will introduce more technology into the process: 'our mobile agents will carry laptops in their backpacks, on which to download data and carry out cashless transactions,' says Hughes. ■

REINVENTING THE OFFSHORE FINANCE SECTOR

Vanuatu's Offshore Finance Centre predates its independence. It currently focuses on serving international companies incorporated under Vanuatu's 1992 International Companies Act.

While a significant amount of revenue is still earned from this sector, its contribution to GDP is falling as offshore finance centres around the world face ongoing pressure from the international community, particularly the OECD, which regards them as 'tax havens.'

'This is unfortunate in Vanuatu's case, as most of the money we attract is actually invested in the country,' says Lindsay Barrett of leading accounting and business advisory firm Barrett & Partners (formerly BDO Barrett & Partners). Service providers such as Barrett & Partners have been compensated for the drop in business by the strong recent growth in the local real estate sector.

One response has been to diversify the range of services offered, entering new markets such as Captive Insurance, which requires a level of transparency high enough not to incur the wrath of OECD countries.

'Vanuatu is the largest offshore captive domicile in the South Pacific region,' says George Andrews, Commissioner of the sector regulator, the Vanuatu Financial Services Commission (VFSC). 'The Protected Cell Company Act 2005, the Insurance Act 2005 and Insurance Regulations 2006 have created a major opportunity for captive and insurance-protected cell companies to be established. A significant feature of the legislation is the ability to provide flexible [solutions] for the captive insurance industry. The key this year is to improve our regulatory framework. We already have new Insurance and International Companies Acts. We are now working on new companies, insolvency and bankruptcy, and trustee acts, as well as drafting a new bill for foundations, offshore limited partnership and incorporated cell companies.'

With regulation for the insurance sector set to transfer to Vanuatu's Reserve Bank, the VFSC will then be able to focus on its core area of international companies, and is accordingly looking to expand its promotional activities, with Asia a key focus.

Further information

For more information on captive insurance in Vanuatu visit www.insurance.vu.