

---

# Contents

Contributors	vii
Preface	xiv
<i>Michael Bowe, Lino Briguglio and James W. Dean</i>	
Introduction	1
<i>Michael Bowe, Lino Briguglio and James W. Dean</i>	
1 Financial Services Location and Competition among Financial Centres in Europe	9
<i>Mervyn K. Lewis</i>	
2 Financial Deregulation and Offshore Banking: Lessons for Malta from Australasian/Asia-Pacific Experience	35
<i>Bruce Felmingham and James W. Dean</i>	
3 Labuan, Malta and Belize: Evolution of Three Small Offshore Banking Centres	53
<i>Eugene Sarver</i>	
4 Banking, Finance and Offshore Banking Activities in the Island of Mauritius	69
<i>Indur Ramphul</i>	
5 Mapping the Minefield: Theories of Island Offshore Finance Centres with Reference to Jersey	80
<i>Mark P. Hampton</i>	
6 Offshore Finance Activities in Vanuatu: an Empirical Study of Determinants and Growth	103
<i>T.K. Jayaraman</i>	

vi *Contents*

7	Analysing the Emergence of an Offshore Banking Centre: the Case of Bahrain <i>Brian Kettell</i>	134
8	Sovereignty, Security, and the Development of Offshore Financial Centres in the Pacific Islands <i>Anthony B. van Fossen</i>	155
9	Majoring in Finance: Implications and Key Issues <i>Stephen Carse</i>	171
10	The Impact of International Companies on the Economies of Small Islands: a Case Study of Bermuda <i>Brian Archer</i>	192
11	The Liberalization of Interest Rates in Malta: Policies and Strategic Options <i>Paul V. Azzopardi and Lino Briguglio</i>	209
12	The Money Supply Process in Two Small Island States: Malta and Cyprus, 1960–1993 <i>Joe Falzon</i>	225
13	International Banking and Securities Market Regulation: an Analysis of Recent Approaches <i>Michael Bowe and Maximilian J.B. Hall</i>	247
14	The Proposed Additional Capital Requirements for the Management of Banks' Interest Rate Risk <i>Paul Styger and Theo van Wyk</i>	271
15	The 'OECD Club Rule' in Bank Risk-based Capital Adequacy: Implications for Malta and Other Small States <i>Marcel Cassar</i>	282
	Name Index	291
	Subject Index	295

---

# Contributors

**Brian Archer** is a Professor in the Department of Management Studies, University of Surrey, England, where for seven years he was a Pro-Vice-Chancellor. Prior to joining Surrey in 1978 he was Director of the Institute of Economic Research in the University College of North Wales, Bangor. Over the past 25 years he has compiled over 50 input–output tables for regions and localities in the United Kingdom and for overseas countries. He specializes in tourism economics.

**Paul V. Azzopardi** graduated in Accountancy at the University of Malta in 1983. He became a member of the Malta Institute of Accountants in 1983 and a Certified Public Accountant in 1984. He studied investment and finance for two years at the University of British Columbia, Vancouver, Canada, where he obtained a first-class Master of Business Administration (MBA) degree. He worked at the Malta Development Corporation between 1979 and 1988 and acted as director of two companies with government shareholding. He lectured at the University of Malta in accountancy, finance and investments. In 1989 he set up his own financial and investment services firm. The group of companies includes Azzopardi Stockbrokers Ltd, Azzopardi Investment Management Ltd and Azzopardi Insurance Brokers Ltd.

**Michael Bowe** is Director of the Chartered Institute of Bankers Centre, Manchester School of Management, UMIST. He was formerly (1984–1993) Assistant Professor of Economics, Department of Economics, Simon Fraser University, Canada. His consulting experience is extensive. Clients include the World Bank, the Canadian International Development Agency, the Government of British Columbia, Union Bank of Finland Ltd, Den Danske

Bank, Interbank Ltd, Kansallis-Osake-Pankki, the Singapore Stock Exchange and the Finnish Options Market. He has published extensively on themes relating to banking and finance. His recent research publications include 'Has the market solved the debt crisis?', *Princeton Essays in International Finance*, 1997; 'Debt-equity swaps and the enforcement of sovereign loan contracts' with James Dean, *Journal of International Development*, 1996; 'The costs of arbitrage and futures market trading activity', *International Journal of the Economics of Business*, 1994; and 'Debt-equity swaps: investment incentive effects and secondary market prices' with James Dean, *Oxford Economic Papers*, 1993. He is the author of *Eurobonds* (Dow Jones Irwin, Homewood, Illinois, 1989; 2nd edition forthcoming, spring 1997).

**Lino Briguglio** is Professor of Economics at the University of Malta, Director of the Islands and Small States Institute of the Foundation for International Studies and Director of the University Centre on the Island of Gozo. He was awarded a PhD in Economics from the University of Exeter (UK) and a Special Diploma in Social Studies from the University of Oxford. He obtained his honours and master's degrees in Economics from the University of Malta. His main area of interest is islands and small states studies. He is the author of three books on the Maltese economy, and was also the editor of a special issue of *World Development* (Oxford: Pergamon Press, February 1993) on 'Islands and Small States' and of two volumes entitled *Sustainable Tourism in Islands and Small States* (London: Pinter, March 1996). He has also edited three volumes on issues related to tourism, history and culture on the island of Gozo. He is the editor of *Bank of Valletta Review*, published by the Bank of Valletta, and co-editor of *Insula – International Journal of Island Affairs*, published in collaboration with UNESCO. He also serves on the editorial board of a number of other journals. Professor Briguglio has published a large number of articles on islands and small states, one of which relates to the economic vulnerabilities of small islands states, in *World Development* (vol. 23, no. 9, 1995). Professor Briguglio has acted as consultant to several international organizations including UNCTAD and CARICOM. He has also represented the Maltese government in United Nations meetings dealing with island states affairs, including the UN Global Conference on the Sustainable Development of Small Island States.

**Stephen Carse** was born in Liverpool in 1953, living there until entering Cardiff University in Wales in 1971. He graduated with an upper second class honours degree in economics in 1974 and went on to gain a MSc in Economics. From 1975 to 1977 he was a Research Associate at Warwick University, working alongside Professors John Williamson, Geoffrey E. Wood and the late Fred Hirsch in a study of the relevance of exchange controls in the context of international financing procedures in UK commerce. He then moved to take up a lectureship post in economics at Leicester

Polytechnic (now De Monfort University) in England while maintaining research interests in foreign trade and industrial development. Past publications include *Financing Procedures in British Foreign Trade* (Cambridge University Press, 1980) co-authored with Geoffrey Wood and John Williamson. After a brief spell in business consultancy Mr Carse took up the post of Economic Adviser for the Isle of Man government in January 1989. His responsibilities include the provision of economic, socio-economic and financial advice affecting any issue of government policy, and the running of a division of the government Treasury concerned primarily with the collection and analysis of economic statistics.

**Marcel Cassar** holds an MBA from the University of Wales (in cooperation with Manchester Business School) and is a certified public accountant and auditor, having practised in the profession with Price Waterhouse in Malta and Italy. Since 1991 he has played an active and key role in the development of a business and regulatory framework for Malta as a centre for offshore and international banking activities. In that capacity he has represented Malta in the Offshore Group of Banking Supervisors, which meets under the auspices of the Basle Committee on Banking Supervision. Until the end of 1996, Mr Cassar was Head of Offshore Banking Supervision, Deputy Director of Investment Services and a member of the Executive Committee at the Malta Financial Services Centre. He is also a lecturer in banking studies and banking regulation at the University of Malta. His special area of interest, which was also the research theme for his MBA dissertation, is prudential supervision of state-owned banking firms.

**James W. Dean** is Professor of Economics at Simon Fraser University in Vancouver, British Columbia, Canada, and Kaiser Professor of International Business at Western Washington University in Bellingham, Washington, USA. From 1993 to 1996, he was Bank of Valetta Visiting Professor of International Banking at the University of Malta. He holds a BSc degree in Mathematics from Carleton University, and MA and PhD degrees in Economics from Harvard University. Professor Dean publishes in scholarly journals, books and the popular press on international finance, domestic and international banking, and macroeconomics. For the past several years, his research has focused on international sovereign debt and debt relief, and international capital flows. He consults on these and related issues for the Canadian International Development Agency, the World Bank and other agencies. Professor Dean has held appointments at many institutions worldwide, including Columbia University, New York University, the University of Toronto, the University of Paris I, the Institut d'Études Politiques (Paris), INSEAD (Fontainebleau), the Helsinki School of Economics, the University of Malta, the University of Cape Town, the University of Hong Kong, the

Institute of Southeast Asian Studies (Singapore) and the University of Manchester Institute of Science and Technology (UMIST).

**Joe Falzon** holds a PhD in economics from Northwestern University, Evanston, Illinois, where he was a Fellow of Rotary International. He has taught at Roosevelt University, Chicago (1982–84), Northwestern University (1985–86) and the University of Cincinnati (1986–87). Since 1988 he has been teaching at the University of Malta and has also served as a consultant to the government of Malta. He is the author of several papers and research projects on different economic issues and is currently Head of the Department of Banking and Finance at the University of Malta.

**Bruce Felmingham** is currently Reader in Economics at the University of Tasmania. His teaching and research interests are focused on international finance, monetary and labour economics and federal, state and local government finance. He is the author or co-author of several books, book chapters and research monographs in addition to 50-odd research journal articles, articles in conference proceedings and papers. Dr Felmingham has worked as a consultant/adviser to federal, state and local government agencies in several private firms and trade unions. He is a well-known media commentator on Tasmanian public issues and has participated in many public inquiries. His research and consultancy activities are based on expertise in mathematical modelling, time series analysis and operations research. He is currently Chairman of the Board of TasVest Ltd, a local merchant bank.

**Maximilian J.B. Hall** graduated with a first-class honours degree in Economics from Nottingham University in 1975. He received a PhD from the same university in 1978. He joined the staff of the Economics Department at Loughborough University in 1977 and is currently a Senior Lecturer in that Department. He has published seven books (one co-authored) in the areas of money, banking and finance. He has also contributed over 60 articles to academic and professional journals, and chapters to a further ten books. In addition, he has three entries in the *New Palgrave Dictionary of Money and Finance* published by Macmillan in 1992. His current research activities embrace UK banking supervision, central and commercial banking developments in the UK, USA, Japan and the EU, and financial regulatory issues in general. Dr Hall has carried out a number of consultancy projects for public- and private-sector organizations and has contributed on the Top Management Programme run by the Cabinet Office. He has also delivered over 100 papers at conferences around the world. Apart from teaching at Loughborough University, Dr Hall has held visiting lectureships at Leicester University, Nottingham University, Sheffield University (Management School), the City University Business School, University of Malta and the Hong Kong and Shanghai Banking Corporation (London office). He has also acted as Economic Adviser to the Macau Business Centre since 1982.

**Mark P. Hampton** is Senior Lecturer in Modern Economic History in the Department of Economics, University of Portsmouth. Dr Hampton was educated in Jersey and at the University of East Anglia, Norwich. He has been an invited speaker at international conferences in North America, East Asia and Europe. He has written several academic journal articles and edited book chapters. His new book, *The Offshore Interface: Tax Havens in the Global Economy*, is published by Macmillan. At present, Dr Hampton serves on the Executive Committee of the International Small Islands Studies Association. In addition he is a member of the Development Studies Association, the Association of Southeast Asian Studies in the UK (ASEASUK) and the Economic History Society.

**T.K. Jayaraman**, formerly senior economist in the South Pacific Regional Mission of the Asian Development Bank (ADB), is currently a fellow at the MacMillan Brown Centre for Pacific Studies, University of Canterbury, New Zealand. After obtaining his BA (Hons) degree in Economics from Madras University, India, he joined the Indian Administrative Service in 1960. After working at both policy formulation and implementation levels, he proceeded to earn his master's and PhD degrees from the University of Hawaii in 1975. He is the recipient of an East-West Center Grant (1968–69) and Fulbright Grant (1972–75). He was also a Doctoral Intern at the East-West Center during 1975. He taught economics at the University of Hawaii and was part-time lecturer at Gujarat University during 1976–82. He joined ADB in 1982 and since then he has processed several loan and technical assistance projects in the areas of agriculture and rural development in Fiji, the Solomon Islands, Tonga and Western Samoa, all in the South Pacific. Since 1992, he has been involved in economic and sector work and has prepared policy-oriented papers relating to South Pacific island economies. He has published extensively on the South Pacific islands. Presently, in addition to his work at the Bank, he is a part-time lecturer in economics at the University of the South Pacific's Extension Centre at Port Vila, Vanuatu.

**Brian Kettell** has worked for Citibank, American Express and Shearson Lehman, and was Director of Training and Assistant Vice President at the Arab Banking Corporation in Bahrain. He has published several books on international financial markets, including *The Finance of International Business*, *A Business Man's Guide to the Foreign Exchange Market*, *The International Debt Game*, *The Foreign Exchange Handbook* and *Monetary Economics and Gold*. He has taught at several universities and published over 70 articles in journals, business magazines and the financial press. He is currently a freelance financial markets trainer. He is editing and writing a new series of books on financial markets to be published in 1998 by the *Financial Times*.

**Mervyn K. Lewis** is National Australia Bank Professor in the School of Economics, Finance and Property at the University of South Australia.

University of Nottingham. He has been a consultant to the Australian Financial System Inquiry, a Visiting Scholar at the Bank of England, and a visiting professor at the University of Cambridge and the Wirtschaftsuniversität Wien. Professor Lewis has published ten books and numerous articles on monetary economics, contributing eleven entries to *The New Palgrave Dictionary of Money and Finance*. He is on the editorial boards of *Accounting Forum*, *Bank of Valetta Review*, *The Review of Policy Issues* and *Accounting and Auditing: Islamic Perspective*. In 1986 he was elected a Fellow of the Academy of the Social Sciences in Australia, one of the four learned academies in Australia. His most recent book is *The Australian Financial System. Evolution, Policy and Practice* (Addison Wesley Longman, 1997).

**Sir Indur Ramphul** studied Public Administration at the University of Exeter in the UK from 1962 to 1964. He attended Central Banking courses at the Bank of England in 1969 and the Federal Reserve Bank of New York in 1976. Sir Indur is a leading and highly respected figure in Mauritian banking and financial circles. After a career of 16 years at the Accountant General Department and at the Ministry of Finance, he joined the Bank of Mauritius in 1967 as a Manager. He was successively promoted to Chief Manager, Managing Director and finally, in June 1982, to the position of Governor of the Bank of Mauritius, which he occupied until 1996. He also acted as alternate Governor for Mauritius of the International Monetary Fund. Sir Indur has played a key role in the development of the banking sector in Mauritius and, more recently, in the modernization of the country's banking legislation. He is also the driving force behind offshore banking development in Mauritius. Until 1996 he was the Chairman of the Offshore Banking Technical Committee set up by the government to look into all aspects of offshore banking in Mauritius including the grant of offshore banking licences. It was in recognition of his invaluable services to banking in Mauritius that he was knighted on 31 December 1990 by Her Majesty Queen Elizabeth II on the recommendation of the Prime Minister of Mauritius.

**Eugene Sarver** is an Associate at Intercap Investments Inc. (New York), where he is Director of its *Monitor of Islamic Funds* service and also conducts global marketing of derivative financial products. Previously he was an Associate Professor at the Lubin School of Business-Graduate Division of Pace University, New York City and an economist for Chase Manhattan and Crédit Lyonnais. Concurrently, he serves on the Board of Directors of the American Heritage Fund and the American Heritage Growth Fund. He is chairman of the quarterly (NYC, Chicago, San Francisco) 'Fundamentals of Foreign Exchange' and the semi-annual 'Introduction to International Financial Markets' programmes of the World Trade Institute of the Port Authority of New York and New Jersey, and serves as consultant to global financial firms including Daiwa, the Republic National Bank of New York and



Nomura, and governmental entities including MIDA (Malaysia) and INFORMASI (Indonesia). He arbitrates commercial bank disputes for the American Arbitration Association and regularly conducts financial training programmes for the US State Department through its Barents and PIET affiliate for premier financial institutions including Citibank, Swiss Bank Corporation, Chase Manhattan and Merrill Lynch, and for Russian-American companies outside the United States. Dr Sarver is the author of *The Eurocurrency Market Handbook* (New York: Simon & Schuster/Prentice Hall, 2nd edn, 1992) and has written numerous articles on international finance and economics based on his research in 90 countries. Currently he writes the monthly foreign exchange report, including analyses and forecasts, for *World Trade* magazine.

**Paul Styger** is Associate Professor in the Department of Economics, Money and Banking at the Potchefstroom University for Christian Higher Education, Potchefstroom, South Africa. He received his master's degree from the University of the Free State, and his doctorate in Economics from the Potchefstroom University for CHE. He has done research for and serves as a consultant to banks and government departments. Professor Styger has contributed chapters to five books and was editor or co-editor of six books. He has published various academic and popular articles. He is a member of the National Council of the Economics Society of South Africa as well as the Development Society of Southern Africa.

**Anthony B. van Fossen** is a Senior Lecturer in the School of Australian and Comparative Studies at Griffith University in Brisbane, Australia. He is primarily interested in the international political economy of the Pacific islands and is engaged in a full-scale study of the region's offshore financial centres. His publications include *The International Political Economy of Pacific Islands Flags of Convenience* (1992) and, more recently, 'Corporate power in the Pacific islands' (*Current Sociology*, 1995).

**Theo van Wyk** graduated from Potchefstroom University for Christian Higher Education, South Africa. He was economist and asset and liability manager at Saambou Building Society. He then joined SPL World Group (SA) as Marketing Manager, Banking and Corporate. Presently he is senior consultant Group ALCO at ABSA bank.