

FINANCIAL SERVICES COMMISSION

# Annual Report 2020 - 2021



FINANCIAL SERVICES  
COMMISSION



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## Letter of Transmittal

November 19, 2021

The Hon. Mia Mottley, M.P. Q.C.  
Minister of Finance and Economic Affairs  
Ministry of Finance and Economic Affairs  
Government Headquarters  
Bay Street  
St. Michael

Dear Madam,

I have the honour of submitting for your consideration, the Annual Report of the Financial Services Commission, for the year ending March 31, 2021, in accordance with the provisions of Sections 50 of The Financial Services Commission Act.

Yours faithfully,  
FINANCIAL SERVICES COMMISSION

*Avinash...Persaud.*

Avinash Persaud  
Chairman





## 2020-2021 Annual Report

### About Us

The Financial Services Commission (FSC) is an integrated regulatory body established on April 1, 2011 by virtue of the Financial Services Commission Act, 2010. It represents a consolidation of the regulatory and supervisory functions previously conducted by the Supervisor of Insurance and Pensions, the Securities Commission and the Co-operatives Department, insofar as it relates to credit unions.

FSC is, therefore, responsible for supervising and regulating entities in the insurance, occupational pensions, credit unions and securities sectors, which are licensed or registered under the following Acts of Parliament:

- Insurance Act, Cap. 310
- Occupational Pension Benefits Act, Cap. 350B
- Securities Act, Cap. 318A
- Mutual Funds Act, Cap. 320B
- Co-operative Societies Act, Cap. 378A (as it relates to the supervision and regulation of credit unions)

FSC issues guidelines, establishes standards for institutional strengthening and seeks to increase the competitiveness of the financial services sector. In addition, FSC endeavours to promote financial stability, public awareness, and instill public confidence in the operations of non-bank financial institutions.

### Vision Statement

To be recognised as a financial services regulator that is committed to integrity and excellence which supports the development of Barbados as a sound financial services centre.

### Mission Statement

To promote soundness, stability and transparency within Barbados' non-bank financial sector, using professional staff to provide effective and efficient supervision and regulation in line with international best practices.

### Corporate Values

- Excellence
- Integrity
- Public Accountability
- Transparency



## Message from Chairman of the Board



**Professor Avinash Persaud**  
Chairman, Financial Services Commission

The principal day-to-day pressure on financial regulators comes from the financial industry. The world over, the finance industry complains that some things should not fall into the scope of regulation, that regulators are backward in not approving new products that will make consumers and the economy better off, and that applications take far too long. These complaints are made in Barbados too.

We take them seriously. We believe that there is significant scope to improve the speed of doing business in Barbados. In the past, our regulators have been too conservative and we need more financial innovation.

Our consumers are ill-served by the current variety and cost of financial products. So, I am happy to report that we have average application times down from above 12 weeks three years ago, to around four weeks today and have plans to bring this down further.

This report will explain how we have tried to address the trade-off between safety, speed, and innovation over these past three years. I think it will help the industry help us help them if they understand the principles we are using to remove unnecessary regulation, promote innovation, reduce application times, while defending vulnerable consumers and protecting the financial system.

The essence of regulation is drawing the boundary between what - and who - is permitted or not. To ensure this boundary does not exclude too much, regulators need to have a narrow focus. If regulators have a wide focus, the more ad-hoc, unpredictable, and innovation unfriendly regulation will become. So, while the jurisdiction's reputation is important, for instance, reputation is too wide and subjective to be a determining issue. Instead, we focus on just two things: defending vulnerable consumers and protecting the financial system. If we do those two things consistently well, a good reputation will follow.

If a new company makes an application to sell a new product that does not impact vulnerable consumers and the financial system, we would be happy to license this activity in a matter of days. Who are vulnerable consumers? Broadly, it's those for whom making a loss on any investment or savings product will have a life-changing impact. This definition also helps us think of the scope of regulation.

We have a principle-based approach to regulation, rather than a rule-based approach. Even if our legislation does not explicitly reference a financial product, if it behaves like existing savings or investment products, and vulnerable consumers risk losing a life-changing amount of money by buying it, it is of interest to us. We will want to understand it and may issue a regulatory guidance note on treating it.



What an instrument is called, or how it is classified, does not change our regulatory duty to defend vulnerable financial consumers and protect the financial system. For instance, some want to define bitcoin as a currency and not a security or asset, so that there will be lighter regulation. But if it walks and talks like a duck, we will treat it as a duck. Bitcoin behaves today like a volatile investment, not like a currency, and so that is how we will treat it for now while committing to reassessing it later, if things change.

Traditionally, we have defined non-vulnerable or “qualifying” investors as those with more than \$100,000 of liquid savings. But this is a crude cut-off that does not allow those with fewer savings to make a modest investment. So, we are considering expanding this definition to include someone not committing more than 20% of their liquid savings to an investment or a diversified set of investments. This allows smaller investors to safely have some exposure to innovative products.

We will review any decision to restrict who can buy a product at least once every two years; and will lift the restriction as soon as there is sufficient evidence that the investment is not unusually risky.

The bottom line is that our approach is not to say, no, to innovation based on regulators’ experience, knowledge, or sensibilities. But instead, to determine who should be the vanguard of innovation. And they shouldn’t be vulnerable consumers. We believe this is a very innovative-friendly yet safe regime and that it is a helpful framework in dealing with those new products that are not easily defined, like the new peer-to-peer lenders. But we also recognize that restricting who can buy new products in a small market may make it not viable to launch new products. Consequently, we have also been working on expanding the jurisdiction by forming common regulatory spaces with other jurisdictions. Explorative discussions have already been held at a high level with Kenya.

The FSC has become a confident and robust regulator, significantly supported by fees that have made the FSC entirely self-funded for the first time. We hope the recent ease and speed with which we have overseen the sale and merger of major insurance companies, the consideration of new digital products, and the registration of new brokers, will attract even more capital and innovation.

I believe appropriate, right-sized regulation can play an important role in developing our economy and helping to protect better spread of wealth, savings and investment. When the Minister of Finance, Hon. Mia Amor Mottley, invited me to Chair the Commission, I grasped the opportunity to serve and gladly resigned from the previous international advisory and governance roles I played. But I also told her that I would try to make a positive difference for three years, and after that, I would like to return to my previous role as a public intellectual in international finance. That time is now approaching and this will be my last annual report. I hope that over these three years I have put the Commission on a stronger path, with improved efficiencies, better funding, and a clear regulatory philosophy that better-balanced innovation and safety. If I have achieved that, it has been a result of a strong team, including the collective efforts of the management team led by Kester Guy, our corporate secretary, Cyralene Benskin-Murray, our senior technical advisor, Mr. Brian Wynter, the best deputy, Ronald Bascombe, and a supportive and wise board comprised of Rawdon Adams, Ian Carrington, Desiree Cherebin, Harold Codrington and Debbie Fraser. I thank them for putting up with me. And to all of the staff of the FSC, who have delivered a highly professional service in circumstances that over the past 18 months have been trying, a big Thank You.



## Chief Executive Officer's Report



**Mr. Kester Guy**  
CEO, Financial Services Commission

The 2020-2021 financial year was defined by the overwhelming impact of the COVID-19 pandemic. Nevertheless, FSC continued the aggressive pursuit of achieving its strategic objectives and engaged in activities aimed at underpinning the organisation, as it continued its journey of metamorphosis.

Among our key highlights were an increased focus on strategic planning which culminated in the development and implementation of the 2021-2023 strategic plan. This included the strengthening of the Anti-Money Laundering Combatting the Financing of Terrorism (AML/CFT) programme, with a view towards enhancing areas of deficiency; continued improvements in the administration of our risk-based approach to regulation; and greater emphasis on the onsite examination of regulated entities. Furthermore, we intensified collaboration with our stakeholders, especially regulated entities, as we sought to provide the necessary guidance and support through what has been a tremendously difficult year for many.

In keeping with our pledge to enhance operations, improve service delivery and meet the expectations of stakeholders, we transitioned our headquarters to a new location which has allowed us to significantly meet the needs of both internal and external stakeholders. Recognising the importance of holding ourselves accountable to our stakeholders, we continued to publish on our website, data which details the length of time it takes for new applications to be approved and I am proud to say that we have remained consistent in providing a more efficient turnaround for approvals.

We also saw entities commence use of the e-filing portal to complete their regulatory obligations and this has undoubtedly improved the ease of doing business. Additionally, we embarked on an aggressive programme of improving our human resources capacity, to ensure the organisation is adequately staffed with the right mix of skill, attitude and aptitude. Cognisant of the importance of ensuring that staff have the knowledge and expertise necessary for FSC to deliver on its wide and varied mandate, we embarked on an aggressive training and development programme and engaged the services of specialist expertise where necessary. We commenced the review and update of the various policies and procedures which govern FSC operations, and specifically undertook a revision of the Terms and Conditions of Employment with a view towards not only updating and enhancing the entitlements of staff, but making the organisation more attractive to potential employees.

Overall, the 2020-2021 period saw FSC working assiduously towards becoming an effective 21st century financial regulator. FSC has no intention of resting on the basis of any achievements it has made to date. We are committed to continuously striving for excellence with respect to the oversight of the non-bank financial sector, and the transformation of the organisation into a highly efficient, effective and respected financial regulator locally, regionally and internationally.



As a result of the impact of the pandemic, we distilled several important regulatory and operational lessons and have thus taken several decisions which will strengthen the regulatory environment, thereby providing improved ongoing supervision and protection of investors and consumers of non-bank financial products in Barbados. Some of these included the strengthening of our engagement with all our stakeholders through the use of sector meetings, and a concerted effort to regularly engage with and concretise relationships with our sister regulators.

Being acutely aware of the importance for Barbados to have robust AML/CFT procedures in operation throughout our regulated entities, we strengthened our AML programme and attained the expertise to build out the regulatory regime to support the alignment of the AML/CFT framework to international standards. To ensure that the operations of regulated entities are compliant with outlined parameters, we issued consultation papers on various guidelines as we worked continuously towards strengthening the regulatory regime.

FSC once again collaborated with the Institute of International Economic Law at Georgetown University to co-host the Distributed Sovereign Debt Research and Management Conference. This collaboration continues to enhance the profile of the FSC as it engages scholars and practitioners across geographic, disciplinary and institutional boundaries and dovetails with our goal of partnering with institutions across the world, to contribute to the discourse surrounding various issues. In tandem with Government's bid to ensure that the country continues to progress and improve its ratings as it relates to the AML/CFT framework, FSC was a member of the delegation which engaged with the Financial Action Task Force Plenary and Working Group.

FSC continued to enhance relationships with fellow regulators through its appointment as Chair of the Supervisory Committee, which is a sub-committee established by the Anti-Money Laundering Authority of Barbados to provide recommendations on key regulatory issues and policies related to AML/CFT regulation. In collaboration with the Central Bank of Barbados, we contributed to the discourse surrounding the establishment of a Financial Services Tribunal, the goal of which is to resolve consumer complaints and act as an appellate body. This Tribunal will form part of the proposed Barbados National Payments System. Internationally, we continued our membership on the Macroprudential Committee of the International Association of Insurance Supervisors and continue to benefit tremendously from this association. Overall, the period saw FSC collaborating with a range of regulators and stakeholders which included the Office of the Attorney-General, Corporate Affairs and Intellectual Property Office, Barbados International Business Association, the Central Bank of Barbados and umbrella groups for the various sectors.

The pandemic continued to have a major impact on operations. However, our multi-faceted approach proved to be successful as we continued to effectively deliver services both from the physical location and remotely. We also provided guidance to entities in relation to regulatory forbearance and flexibility, taking into consideration the Covid-19 circumstances and the associated challenges.

Looking to the future, priority will be given to enhancing our social media presence, updating the FSC website and implementing a fit-for-purpose IT System to support the FSC in becoming a technologically advanced regulatory institution.



We will also work earnestly towards fostering teamwork and cultivating a high-performance organisation, by providing staff with tools necessary to execute their tasks.

Also on the agenda will be the enhancement of internal communication and ensuring the organisation is structured in such a manner that allows for optimal results.

We will also engage in legislative overhaul with a view towards streamlining legislation, specifically aimed at strengthening regulation, sharing of information as well as enhancing business facilitation. Concomitant with this, there will be the establishment of Technical Working Groups which will focus on new and emerging issues across our regulated sectors. In addition, FSC will continue its engagement with the Insurance Sector on the natural disaster stress testing guidelines.

Of critical importance, is our engagement with the public. To enhance our public engagement, the FSC will develop an external public communications strategy, respond effectively to the public needs for information, and pursue our investor education programmes regarding the purchase and use of financial products and services.

As always, on behalf of the management team, I express deep gratitude to the Board who has supported our corporate development. The commitment of management and staff, despite the challenges faced over the past year, has contributed to promoting financial stability and public confidence in Barbados. Our staff must be commended for demonstrating ownership of our vision and finding innovative ways to efficiently run operations whilst maintaining high levels of productivity.

As I noted in my report of 2019-2020 when the COVID-19 pandemic was upon us, change and crisis have the capacity to reveal and magnify who you really are.

The happenings of the past year have severely challenged us and it has been proven that those who make up the FSC have the willingness and capacity to pivot, and the readiness to adapt to what has been a rapidly changing environment. This ensured business continuity and the delivery of effective regulation of the non-bank financial sector. It has allowed us to become more agile, recognise that people are our critical success factor and caused us to re-imagine and re-define who we are.

We have been resolute in putting in the effort and making the decisions necessary to ensure our continued development as a regulator and I look to the future with excitement as we actualise our potential as a robust regulator.

# BOARD COMMISSIONERS



**Chairman - Professor Avinash Persaud's** career spreads across finance, academia and public policy. He is currently on secondment as Special Envoy to the Prime Minister of Barbados for Investment and Finance. He is Emeritus Professor of Gresham College, and non-

executive Chairman of Elara Capital PLC (UK). He was Chairman of the regulatory sub-committee of the UN Commission on Financial Reform; Chairman, Warwick Commission; member of the UK Treasury's Audit and Risk Committee and the Pew Task Force to the US Senate Banking Committee; Visiting Scholar at the IMF and ECB, and Distinguished Advisor, Financial Sector Law Reform Commission of India. He is a former senior executive of J. P. Morgan; UBS; State Street; and GAM London Ltd. He is a former Governor, London School of Economics, and 2010 President of the British Association for the Advancement of Science (Section F). He was elected Director of the Global Association of Risk Professionals, and the Royal Economics Society. He won the Jacques de Larosiere Award in Global Finance from the Institute of International Finance and was voted one of the top three public intellectuals in the world on the financial crisis, by a panel for Prospect Magazine.



**Deputy Chairman - Mr. Ronald Bascombe,** an Accountant by profession, is a Fellow of the Institute of Chartered Accountants of Barbados, and a member of the Chartered Professional Accountants of Nova Scotia, Canada. He holds a BSc (Accounting) from the University of the West Indies.

Mr. Bascombe was employed in the Public Service for over 40 years. He was Permanent Secretary in the Ministry of Housing and Lands; the Ministry of Energy and Telecommunication; the Ministry of Finance, and held assignments in several other government ministries and departments. He served as a member on a number of statutory boards during that time.



**Mr Rawdon Adams**

Mr. Rawdon Adams is a financial services professional with over 25 years of experience both at public and private sector organisations. He is a former CEO of a specialist financial technology company offering digital currency solutions to central banks. Prior to this, he founded and ran a financial technology company which focused on investment software; co-founded an investment management firm; and worked in several investment and operational finance roles for two Fortune 500 companies.

Mr. Adams currently sits in the Barbados Senate and also serves as a director on several boards including: New Life Insurance Company Limited; the CARICOM Development Fund; and Home Ownership Providing Energy, Inc., a Barbados Government-owned company providing affordable housing to first time buyers. He attended Harrison College in Barbados, the University of South Carolina and the London School of Economics and Political Science.



**Mrs. Desirée Cherebin**

is a Banking Supervisor and Financial Services Consultant working with regional and international agencies to assist countries with strengthening the regulation and supervision of their financial sectors. She is a former Director of Bank Supervision at the Central Bank of Barbados and also worked as an Economist with the Ministry of Trade in Barbados, and as an Advisor to the Governor of the Central Bank of Barbados.

Mrs. Cherebin is currently the Vice Chairperson of the CCRIF SPC, formerly the Caribbean Catastrophe Risk Insurance Facility and a Director of SigniaGlobe Financial Group Inc. She is a former Chairperson of the Barbados Anti-Money Laundering Authority and was previously a Commissioner with the Barbados Securities Commission and the Barbados Fair Trading Commission. She attended Bishop's High School in Guyana, the University of the West Indies and York University in Canada.





**Mr. Harold Codrington** was a Deputy Governor of the Central Bank of Barbados, where he gave invaluable service for more than three decades.

He played an important role in the development of the organisation, particularly as a member of its management team.

Mr. Codrington joined the Central Bank as an economist in 1979 and rose up the ranks serving as Senior Economist, Deputy Director (Ag.), and Advisor to the Governor, before being appointed the post of Deputy Governor in 2011.



**Ms. Debbie A.P. Fraser** is an Attorney-at-Law qualified to practice in Barbados and Jamaica and has been in practice since 1992. She is a graduate of the University of the West Indies and the Norman Manley Law School in Jamaica, where she received the Legal Education

Certificate of Merit. Ms. Fraser joined the law firm of Clarke Gittens Farmer in November 2003 as an associate and became partner in May 2005. She is currently the partner responsible for the firm's commercial department, specialising in mergers and acquisitions, takeovers, energy law, securities law, project finance and both international and domestic capital markets for debt financing.



**Mr. Ian Carrington** is Director of Finance and Economic Affairs, Ministry of Finance, Economic Affairs and Investments, with responsibility and oversight for the Government's financial management.

He holds a Masters of Public Administration and a Post-Graduate diploma in Public Policy from Harvard University, and is a Fellow of the Certified General Accountants of Canada and of Certified Professional Accountants of Canada.

Mr. Carrington is former Director of National Insurance in Barbados where he was responsible for the administration of Barbados' social security system. He is also former Chief Executive Officer of the Financial Services Commission.

Mr. Carrington has a wealth of expertise and knowledge in the areas of Finance, Insurance, Banking and Economic Affairs.



# FSC

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# MANAGEMENT TEAM

**Chief Executive Officer**

Mr. Kester Guy

**Deputy Chief Executive Officer**

Ms. Rosina Knight

**General Counsel**

Mrs. Cyralene Benskin-Murray

**Director, Risk Analytics**

Ms. Gayle Marshall

**Manager - Credit Unions**

Mr. Curtis Lowe

**Manager - Securities**

Mrs. Denise Hinds-Jordan

**Manager - Insurance**

Mr. Troy White

**Manager - Examinations**

Ms. Esther Griffith

**Manager - Research and Policy**

Ms. Melissa Burrowes

**Manager - Information Technology**

Mr. Emmerson Cadogan

**Manager - Human Resources**

Ms. Joanne Mapp

**Manager - Finance & Planning**

Ms. J. Waveney Forde



# REGULATORY ENHANCEMENT AND DEVELOPMENTS

The period under review was met with an unprecedented pandemic of epic proportions. The resultant global suffering and loss of life posed significant threat to our financial systems and as such the FSC has had to adopt new and inventive measures to assist registrants and financial institutions mitigate against any potential fallout, as well as to ensure that its commitment to financial stability and soundness is maintained.

## **New Guidelines and Legislative Reform**

Regulation of financial institutions and services is dynamic. Therefore, regulators are constantly tasked with ensuring that frameworks and guidelines are current and relevant, and that they are proactive in mitigating against any emerging risks and threats.

### *Natural Disaster Stress Testing for Insurance Companies with Exposures in Barbados*

In the fourth quarter of 2020, the FSC issued a guideline to the Insurance sector, which outlined the requirements for submission of natural disaster stress testing scenarios. This guideline was specific to insurance companies with exposures in Barbados. As the severity and frequency of weather events continue to increase, there is more evidence to support the impacts of these events on financial systems, as well as their potential to undermine financial stability. Extreme weather events usually result in damage to physical assets; loss of life; productivity declines; property and casualty losses; and increased probability of defaults. Consequently, the insurance sector is required to estimate the impact of these shocks on their financial positions. The results of the stress test are intended to demonstrate the level of resilience in the sector to natural disasters and will be an annual exercise conducted from 2021 onwards.

### *Consultation Paper - Insurance Intermediaries*

A consultation paper was issued to Insurance companies, which provides guidance in relation to the requirements for managing the insurance intermediaries-insurance company relationship from onboarding a new intermediary to terminating a relationship with an intermediary. The proposed guideline outlined the Commission's expectations regarding the manner in which an insurer manages its relationship with intermediaries and provides information on how insurers should monitor the functions carried out on its behalf by intermediaries, including monitoring for fitness and propriety; disclosures and product selling by intermediaries.

## Material Change Guideline

The FSC developed and released for consultation, guidance related to material changes disclosures. The guideline outlines requirements regarding the reporting of planned, unplanned and foreseeable events. It requires regulated entities to disclose detailed information in a timely manner regarding changes in areas such as:

- fitness and propriety of key persons
- financial soundness of regulated entities
- operations of regulated entities
- risk management
- regulatory status

The guideline's purpose is to facilitate FSC's timely intervention and engagement with entities when there are significant developments that could impact its ability to provide effective supervision and regulation.



## Covid-19

The impact of Covid-19 continues to be far reaching and has created a major economic crisis. Due to the high degree of its uncertainty, the extent of the impact is hard to quantify. However, it has been shown that there is disruption to economic activity both in the advanced and emerging economies. It is, therefore, paramount that appropriate mitigation strategies are

identified and implemented.

Covid-19 impacted a number of entities in the non-bank financial services sector and necessitated the introduction of regulatory measures in response. Like regulators in other jurisdictions, the FSC extended deadlines for regulatory filings and provided relief in respect of other regulatory obligations to enable entities to effectively respond to the issues that Covid-19 posed to their respective operations.

The FSC also engaged entities through various means, including virtual meetings, release of information/documentation on its website, and by direct mail, to ascertain the impact of Covid-19 on their operations and the anticipated effect on their financial condition. One immediate benefit of the move to a virtual environment was the FSC's enhanced engagement with registrants and improved interactive approach to its oversight of the sector. The FSC held more frequent meetings with registrants and based on their feedback and concerns, sought to be more responsive and improve its level of efficiency.

In terms of its own regulatory operations, the FSC quickly pivoted to remote working arrangements and continuously responded to applications and other regulatory submissions. Entities were encouraged to make these submissions electronically, and virtual meetings were held with the sectors. These practices continue as part of the FSC's on-going operations.





## Insurance

The Covid-19 global pandemic caused a notable disruption in the insurance sector. For entities underwriting risks in Barbados, many insurers extended payment periods in response to reported anticipated challenges with the timely receipt of premiums, in order to assist clients in dealing with the stressed economic situation within the country. Additionally, many companies were compelled to make a hasty transition from an in-office operational model to one where employees worked remotely. In some cases, this required enhancements or changes to existing information technology systems, changes to operational procedures and review of internal control methods. For some entities, the transition to an offsite or online model was a future goal that required earlier implementation due to the pandemic, but for others it was an unanticipated general overhaul of their operations.

The challenges identified by those companies writing business outside Barbados varied. Several firms noted difficulty in accessing the services of auditors and actuaries who were working remotely and there were also reports from some entities that investment portfolios were impacted directly as a result of the pandemic. A few entities also exited the market citing unfavourable market conditions as the reason. In response to these emerging issues in the market, the FSC regularly engaged with these companies, especially those newly licensed, to ensure adequate capital was held to absorb any shocks related to the pandemic. This also provided a medium to sensitise entities and their representatives about the resultant impact of the pandemic.

During the national lockdown, the FSC also issued a questionnaire to insurance companies writing business within Barbados as part of an information gathering exercise. This exercise was undertaken to determine the industry's perspective on their exposures and other general observations to the pandemic. This gave the FSC insight into some of the concerns and general expectations of how the overall operations may be impacted. In addition, the usual monitoring of quarterly and annual financials was conducted, with additional scrutiny on capital and profitability to ensure that companies' financial positions remained stable.

## Credit Unions

The credit union sector continued to demonstrate resilience in the face of the economic downturn resulting from the COVID-19 pandemic. However, the sector faced a number of operational and compliance challenges. These challenges arose as a result of a combination of staff working remotely, and limited staff numbers onsite when the credit unions reopened.

The initial impact of COVID-19 on Barbados coincided with the financial yearend of most credit unions, or the period during which annual general meetings would have been convened. As a result several critical activities were delayed; namely, end-of-year audits, annual general meetings and the filings of monthly and quarterly returns to the FSC. During the year under review, the FSC implemented a number of initiatives to assist the sector and enable it to anticipate and treat to the evolving circumstances. These initiatives included automatic extensions to filing deadlines, automatic three-month extensions to the deadline for convening annual general meetings, and heightened engagement with the sector. Credit unions were encouraged to embrace digitisation and communicate with the FSC electronically.

The performance of the economy will impact how the credit union sector responds. Some credit unions are likely to be acutely impacted resulting in their consolidation. Larger credit unions are expected to pursue non-asset based revenue and accelerate diversification of their product and services. While the sector has shown resilience in 2020-2021 due to strong reserves and liquidity positions, a continuation of the trends resulting from the pandemic may result in some credit unions facing sustainability challenges over the short-to-medium term.

The FSC identified appropriate governance practices as critical to ensuring credit unions remain resilient in the face of the economic outlook. It is important, therefore, for credit union Boards to implement strategies to mitigate short-term operational challenges, while devising and implementing medium-term strategies to ensure safety and soundness in the sector.



## Pensions

The FSC conducted a survey to determine the impact of Covid-19 on plan sponsors' operations and occupational pension plans. Forty-eight per cent of the respondents reported there was no impact to their business, while fifty-two per cent indicated that their business was impacted in some way. The FSC also convened meetings with plan administrators and plan sponsors, to obtain details and gather information to assess the extent of the impact on the sector and steps taken to address any issues. The FSC sought as well to ascertain the measures that needed to be put in place in response to the challenges identified. In general, plan sponsors identified the primary ways in which their businesses were impacted: namely, job losses and layoffs, financial losses, and temporary closure of businesses. The FSC will continue to closely monitor those pension plans that have been impacted, so that appropriate measures to protect plan members are considered and advanced.

## Securities

As with all other industries in Barbados, the securities sector found itself forced to adapt to the COVID-19 pandemic and the mandatory country-wide shut down. Responses to this initial country response were varied, as not all entities were ready for the pivot to digital interactions with clients. Challenges included the closure of some operations in the initial phase of lockdown and reduced access to services by clients as firms adapted to the remote working environment. Notwithstanding the initial difficulties, entities reported that there was minimal impact on their business.

Despite the economic downturn experienced by the country due to the pandemic, the securities sector remained generally profitable, dipping initially in the second quarter before recovering in the third and fourth quarters. The mutual fund sector showed significant resilience. The multi-strategy funds and growth funds led the sector in performance as these funds were insulated from the immediate impact of the pandemic owing to the fact that they are invested primarily in shares of other mutual funds. As the dominant fund types in the sector, this investment strategy provided a shield from the full impact of the economic downturn. In contrast, returns in the property fund sector remained stagnant, reflecting the weaknesses in the property market.



The regulatory forbearance and extensions allowed by the FSC were critical as the Audit profession was also in the process of responding to the new operational environment and in many cases, were unable to begin or complete audits within the usual timeframes. Requests for extensions to filing deadlines continued throughout most of the year.

## **Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)**

The AML/CFT team unit within the FSC is responsible for managing and coordinating all AML activities. One of its primary functions is to ensure that the FSC fulfills its obligations under the Financial Action Task Force (FATF) and Caribbean Financial Action Task Force (CFATF) requirements.

By the third quarter of 2020, the Unit had completed a total of thirty-nine (39) desk-based reviews and thirty-seven (37) on-site inspections of financial institutions under the regulatory purview of the FSC, as part of the 2019/2020 schedule for inspections.

During the first quarter of 2021, the Unit conducted off-site assessments of financial institutions to update the registrants' risk profiles. These assessments included reviewing their responses to the 2021 AML/CFT/CPF questionnaire, determining and documenting updated risk profiles based on the questionnaire responses, risk rating registrants as per their risk profile, and prioritising them based on the assessment of high, medium, or low risk. The Unit also handled minor breaches by some registrants and issued warning letters for failure to submit questionnaire responses and/or failure to submit a documented risk assessment.

During its ongoing engagement with registrants, the Unit identified that continuous sensitisation activity needed to be undertaken to ensure that financial institutions clearly understood their obligations.

Representatives from the Unit, other regulators and competent authorities attended the CFATF LI Plenary & Working Group Virtual Meetings held from November 20th to December 11th, 2020. Discussions at the meetings included re-ratings for Technical Compliance in the fifteen (15) Recommendations identified as deficient. Barbados was successful in achieving re-ratings, having significantly reduced the deficiencies identified in the MER. This fact was noted in the 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating published in February 2021. However, Barbados remains in enhanced follow-up since it still had a low or moderate level of effectiveness in all of the eleven (11) immediate outcomes. Barbados is scheduled to present its 3rd Enhanced Follow-up Report at the CFATF LIII Plenary in November 2021.

The Unit's objectives for the upcoming year include conducting sensitisation events for its registrants, assisting Barbados with a National Risk Assessment and consolidating vetting procedures with the Central Bank of Barbados and the International Business Unit.

The Barbados 2018 Mutual Evaluation Report (MER) identified fifteen (15) out of the forty (40) FATF Recommendations rated as non-compliant (NC)/partial compliant (PC) with the Technical Compliance criteria. This level of ratings resulted in Barbados being placed into enhanced follow-up (FATF's gray list) since it had the required eight (8) or more NC/PC ratings for technical compliance for placement into enhanced follow-up.

# OTHER EVENTS

## **Electronic Filing Platform**

The FSC's goal of implementing an electronic system for processing applications and other regulatory submissions advanced with the launch of its e-filing platform. Through the platform, entities are able to submit on-going regulatory filings such as financial statements and returns, ad-hoc filings, and applications for licensing and registration. The platform is accessible through the FSC's website.

## **Barbados Automated Clearing House**

The FSC also participated in an initiative that was led by the Central Bank of Barbados, in support of the Government of Barbados objective to have credit unions join the Barbados Automated Clearing House ("BACH"). The aim of this initiative is to improve the level of financial inclusion and access in Barbados. It is anticipated that the project will allow qualifying credit unions to participate in the real-time payments system, thus allowing them to broaden the range of products and services available to members.

## **Barbados Free Zone Act**

The FSC is expected to be impacted by the Barbados Free Zone Act, a bill which, once passed, will seek to promote foreign investment into Barbados through the development of the country as an international business centre. As several of the international businesses attracted to Barbados fall under the insurance sector, it is anticipated that there will be a need for amendments to the internal processes within the FSC to facilitate greater efficiency in registering these entities as part of the overall on-boarding process.

## **Reminder Notices**

The FSC's mandate includes monitoring pension plans' compliance with legislative and regulatory requirements. As a result of its ongoing monitoring exercise, it was recognised that there was a need for reminders to be provided to the pension industry on their obligations under the legislation. Therefore, the FSC issued reminder notices to the plan administrators regarding employers' obligations prior to winding-up pension plans and also regarding statutory filings.



# SECTOR PERFORMANCE

## Insurance

Insurers in Barbados continue to operate within a single legislative framework for all licensed entities. Companies conducting business in Barbados are characterised in the following classes:

- **Class 1 Licensee** – an insurance company that underwrites related part business
- **Class 2 Licensee** – an insurance company that underwrites risks of third parties
- **Class 3 Licensee** – an insurance intermediary, an insurance management company and an insurance holding company

There was a marginal increase in Class 1 and Class 2 applications received and approved for the reporting period.

*Table 1: Registration and Licensing Summary Class 1 and Class 2*

<b>INSURANCE COMPANIES</b>	<b>Class 1</b>	<b>Class 2</b>
<b>New applications/registrations received and approved</b>	<b>12</b>	<b>11</b>
<b>Total Number of Registrants as at Mar 31, 2021</b>	<b>161</b>	<b>101</b>

*Table 2: Registration and Licensing Summary Class 3*

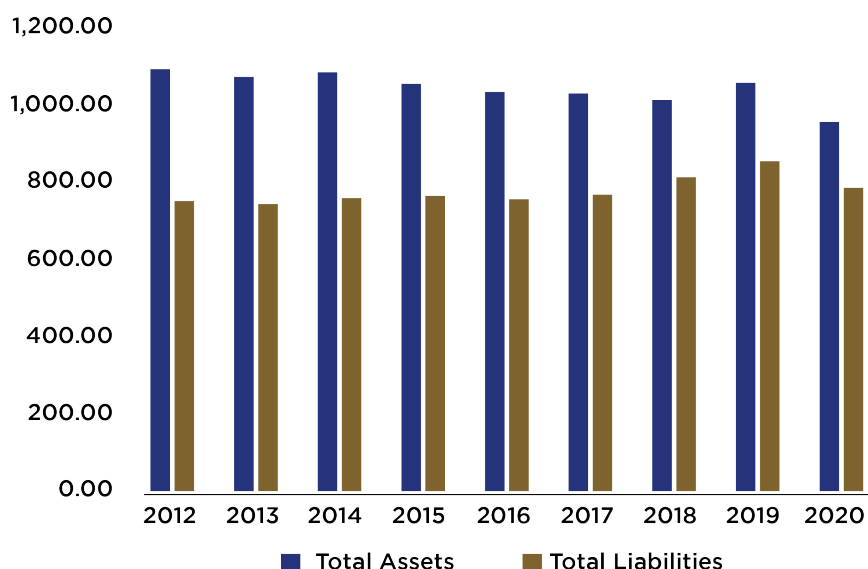
<b>Insurance Licensing Information</b>	<b>Salesmen</b>	<b>Loss Adjusters</b>	<b>Surveyors</b>	<b>Manament Companies</b>	<b>Agents &amp; Sub agents</b>	<b>Brokers</b>	<b>Holding Companies</b>
<b>April 1 – Mar. 31, 2021</b>							
New Class 3 applications/registrations received and approved	<b>31</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total Number of Registrants as at Mar. 31, 2021</b>	<b>521</b>	<b>9</b>	<b>12</b>	<b>20</b>	<b>49</b>	<b>24</b>	<b>9</b>

## General Insurance Industry <sup>1</sup>

### Assets

Preliminary estimates show that the General Insurance industry experienced a decline in total assets of 9.3 per cent, to reach \$948.8 million BDS at the end of the financial year. This reduction in the asset base can be traced to activity in Cash and Investment holdings, which fell by about \$40 million BDS (6.4 per cent) during the financial year. Liabilities in the industry also fell by \$85.1 million BDS during the period.

**Figure 1: Assets and Liabilities of the General Insurance industry as at Dec 2020 in BDS Millions**



**Table 3: Asset Composition of General Insurers as at Dec 2020**

	2015	2016	2017	2018	2019	2020
Cash, Loans & Investments	616.2	615.5	621.4	584.5	622.3	582.2
Re-insurer's share of insurance provisions	205.3	193.2	169.1	190.5	187.9	157.8
Accounts Receivables	95.6	99.0	113.2	115.4	103.4	99.6
Fixed Assets	86.4	80.4	81.8	71.3	83.4	70.8
Other Assets	44.8	51.1	51.9	52.1	49.5	38.4
<b>Total Assets</b>	<b>1,048.3</b>	<b>1,039.2</b>	<b>1,037.3</b>	<b>1,013.8</b>	<b>1,046.5</b>	<b>948.8</b>

For the period under review, the investment portfolio of general insurers was most significantly impacted by declines in Cash holdings as well as Government Securities, which decreased by \$26.6 million BDS and \$11.4 million BDS respectively. Investments held in Unit Trusts & Mutual Funds also fell to a balance of \$2.1 million BDS at yearend, 83.5 per cent lower than previously recorded.

<sup>1</sup> This discussion relates to entities insuring risks located within Barbados, and in respect of which premiums originate from within Barbados



**Table 4: Investment Portfolio of General Insurers as at Dec 2020**

	2015	2016	2017	2018	2019	2020
<b>Cash &amp; Deposits</b>	176.0	177.3	182.1	210.3	247.4	220.8
<b>Government Securities</b>	204.4	189.4	176.8	147.3	155.5	144.1
<b>Company Bonds &amp; Debentures</b>	99.8	106.4	106.9	83.1	70.4	84.1
<b>Secured Loans</b>	21.7	22.1	20.7	17.4	22.3	22.0
<b>Investments in Real Estate</b>	23.3	23.0	19.1	17.1	17.5	17.8
<b>Shares</b>	21.4	29.0	46.8	50.3	40.4	36.1
<b>Unit Trusts &amp; Mutual Funds</b>	8.3	12.2	12.3	12.4	12.8	2.1
<b>Investments in Related Parties</b>	27.5	28.1	28.8	30.0	38.9	38.3
<b>Policy Loans</b>	11.2	0.3	0.5	0.8	1.1	1.1
<b>Other Investments</b>	22.5	27.8	27.4	16.0	15.8	15.7

## Profitability

At the end of 2020, Gross Premiums Written was estimated to be \$466.4 million BDS, a reduction of 6 per cent relative to the previous year. Incurred claims for the year totaled \$143.8 million, having fallen by 8.8 per cent – one of the biggest reductions in recent years. The industry has attributed this reduction in claims to the extended lockdowns brought on by the Covid-19 pandemic. Overall, the industry experienced an underwriting loss of about \$3.5 million BDS as underwriting expenses (\$243.1 million BDS) exceeded the \$239.6 million BDS in Premiums Earned. At the end of the reporting period, there was a noticeable change in profitability as the industry's net earnings equated to \$37.7 million BDS, against the \$22.5 million BDS declared one year ago.

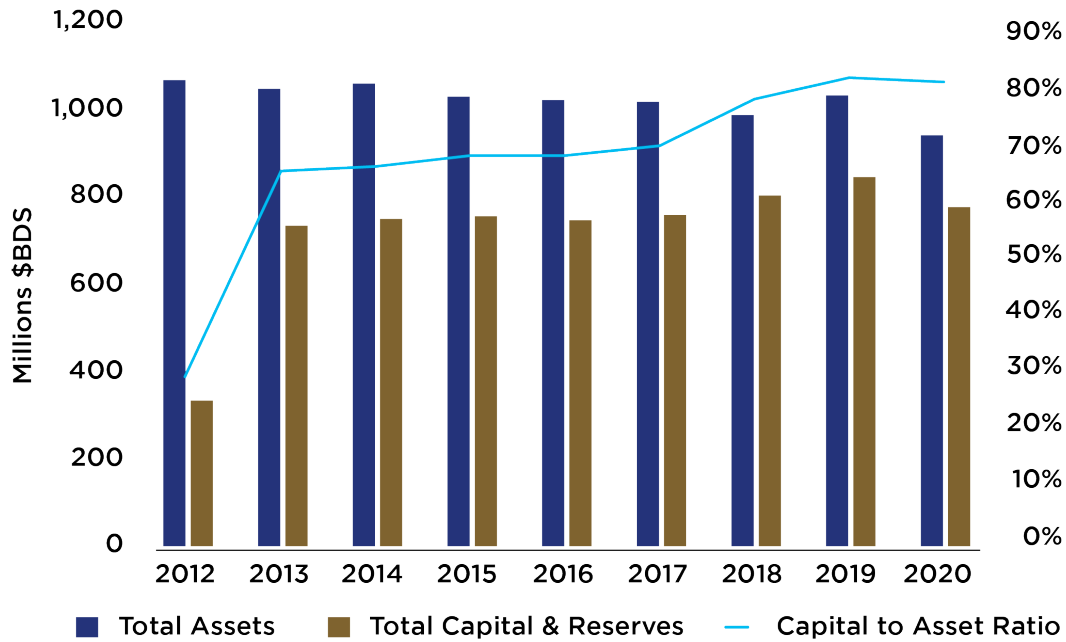
**Table 5: Profitability Data for General Insurance industry as at Dec 2020 in BDS Millions**

	2015	2016	2017	2018	2019	2020
<b>Gross Premiums Written</b>	457.8	447.8	442.3	469.9	469.3	466.4
<b>Net Premiums Written</b>	213.7	220.1	225.4	236.7	258.2	241.5
<b>Net Premiums Earned</b>	219.0	223.1	220.3	234.6	254.8	239.6
<b>Incurred Claims</b>	136.1	132.1	145.2	153.8	157.7	143.8
<b>Total Underwriting Expenses</b>	226.4	223.3	247.9	260.3	259.8	243.1
<b>Underwriting Income (Loss)</b>	(7.4)	(0.2)	(27.5)	(25.6)	(5.0)	(3.5)
<b>Net Income Before Tax</b>	11.3	22.3	1.4	(22.9)	22.5	37.7

## Capital

The Capital to Asset Ratio increased by a marginal 0.5 percentage points when compared to the ratio of 46.5 per cent recorded in the previous year. The capital structure of the industry, however, weakened as capital and reserves recorded amounted to \$779 million BDS, 9.9 per cent lower than the value recorded in the last period.

**Figure 2: Capital to Asset Ratio of the General Insurance industry as at Dec 2020**



## Life Insurance Industry <sup>2</sup>

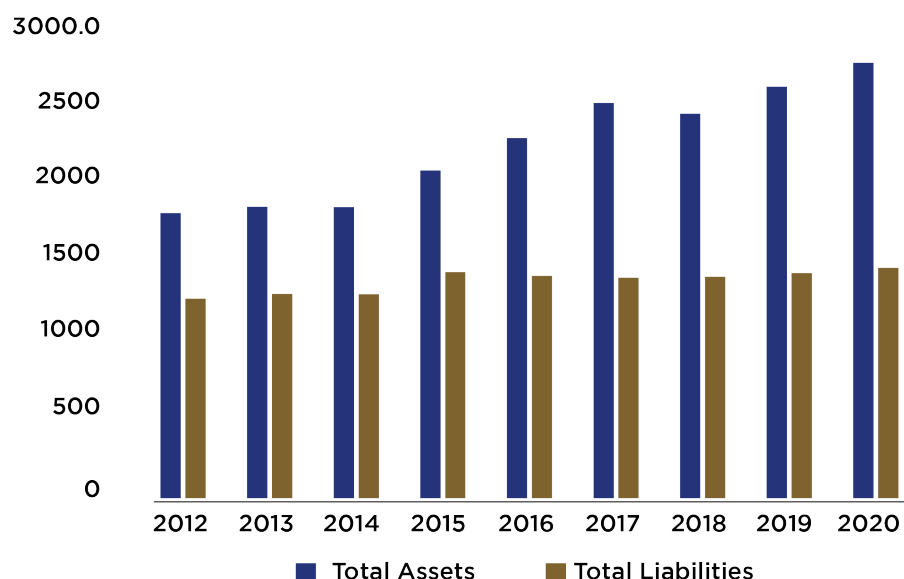
### Assets

Life insurers with direct exposure to Barbados reported increases in both assets and liabilities in 2020; however, the growth of assets outpaced that of liabilities. At yearend, total assets within the industry were \$2,749.8 million BDS, while liabilities were estimated at \$1,424 million BDS. The 5.7 percent boost in assets relative to 2019 was mainly driven by cash and investment holdings, which expanded by almost \$170 million BDS over the period.

<sup>2</sup> This discussion relates to entities insuring risks located within Barbados, and in respect of which premiums originate from within Barbados.



**Figure 3: Assets and Liabilities of the Life industry as at Dec 2020 in BDS Millions**



**Table 6: Asset Composition of the Life industry as at Dec 2020 in BDS Millions**

	2015	2016	2017	2018	2019	2020
Cash, Loans & Investments	1,831.4	2,182.5	2,267.6	2,229.9	2,318.8	2,488.1
Re-insurer's share on insurance provisions	7.3	6.3	7.6	6.7	5.8	3.5
Accounts Receivables	29.5	38.5	27.2	42.5	38.5	37.1
Fixed Assets	91.8	88.4	94.0	92.7	89.5	88.8
Other Assets	60.3	68.9	119.5	85.5	150.1	132.3
<b>Total Assets</b>	<b>2,020.3</b>	<b>2,384.5</b>	<b>2,515.9</b>	<b>2,457.3</b>	<b>2,602.6</b>	<b>2,749.8</b>

**Table 7: Investment composition of the Life industry as at Dec 2020 in BDS Millions**

	2015	2016	2017	2018	2019	2020
Cash and Cash Equivalents	70.7	77.9	101.0	109.6	108.9	129.6
Government Securities	565.9	568.0	551.5	519.1	537.7	575.7
Company Bonds & Debentures	187.3	179.8	167.3	182.6	159.0	182.7
Secured Loans	170.3	157.0	147.7	122.1	114.7	109.5
Investments in Real Estate	89.4	87.2	89.1	86.4	85.4	83.4
Shares	18.2	25.0	27.0	11.3	14.3	11.0
Unit Trusts & Mutual Funds	33.4	4.3	4.7	2.9	3.6	3.9
Investments in Related Parties	578.9	958.4	1045.5	1047.4	1141.7	1233.5
Policy Loans	116.9	121.5	126.7	139.3	144.3	148.5
Other Investments	0.5	3.4	7.2	9.4	9.2	10.4

## Profitability

At December 2020, the life insurance industry reported for the first time since 2017, a reduction in Gross Premiums Written of about 13.8 per cent over the previous year, these declines were also reflected in the reduction in total revenue. In 2020, the industry also faced a decline expenses \$83.5 million BDS (25 per cent) respectively. Overall, even though the year 2020 has proven to be a difficult one, the life industry managed to remain profitable having recorded Net Income of \$121 million BDS, a mere 4 per cent lower than previously stated.

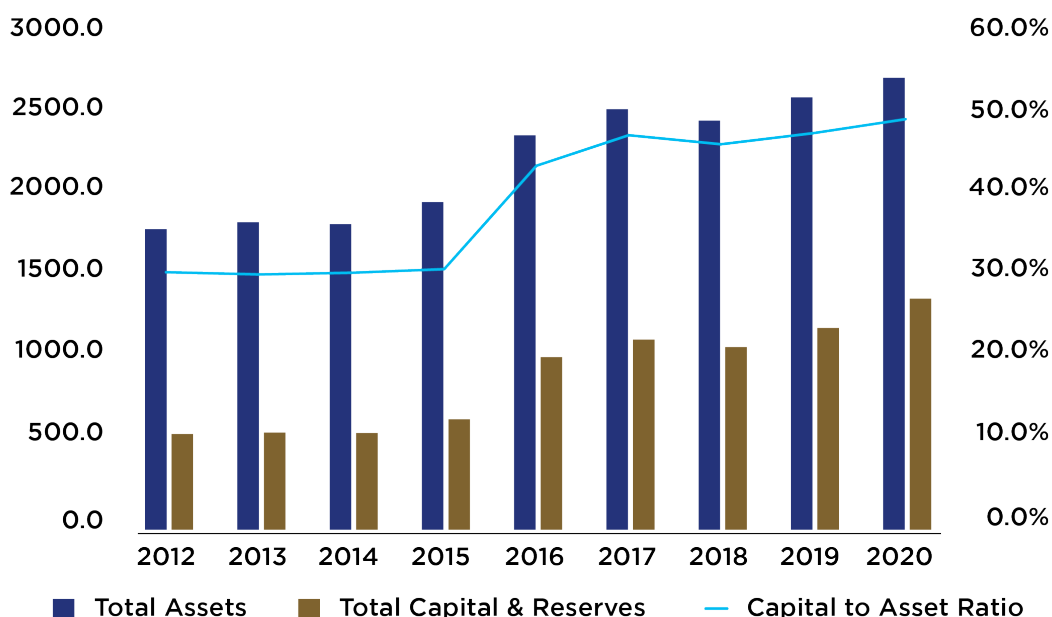
**Table 8: Profitability Data for Life industry as at Dec 2020 in BDS Millions**

	2015	2016	2017	2018	2019	2020
<b>Gross Premiums Written</b>	436.5	251.4	249.7	264.8	272.3	234.8
<b>Net Premiums Written</b>	407.8	220.7	215.3	234.4	241.4	208.6
<b>Total Revenue</b>	519.4	386.5	387.5	302.0	461.0	368.4
<b>Total Expenses</b>	422.8	251.5	253.0	147.0	334.6	251.1
<b>Net Income</b>	96.6	135.0	134.5	154.9	126.2	121.0

## Capital

Despite the various challenges, life insurers were found to be adequately capitalised with a capital adequacy ratio of 48.2 per cent. This increase of about 1.7 percentage points from the previous year reiterates insurers' mandate to maintain strong capital structures in times of crises.

**Figure 4: Capital to Asset Ratio for the Life industry as at December 2020 in BDS Millions**



## Credit Unions

### Membership

At year end, there were 32 active credit unions, 1 less than the prior year, reflecting the amalgamation of two (2) entities in the sector. Membership grew by a marginal 2 percent to a total of approximately 222,430 members.

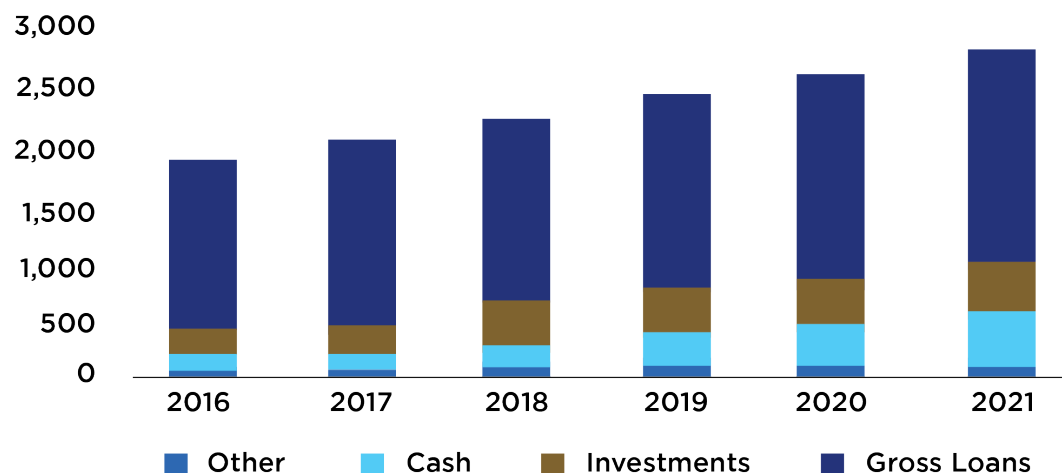
**Table 9: Credit Union Membership as at March 2021**

YEAR	No. of Credit Unions	Members ('000)
2016	34	179
2017	33	188
2018	33	207
2019	33	208
2020	33	218
2021	32	222

### Assets

For the year under review, the Credit Unions sector continued to expand despite the challenges of the on-going Covid-19 pandemic. At March 2021, total assets in the sector were estimated at \$2,836.1 million BDS – an increase of 7 per cent from March 2020. This was primarily driven by cash holdings, which increased by over \$100 million during the year. Nevertheless, gross Loans continued as the largest asset class, with a value of \$1,786.6 million.

**Figure 5: Asset Components of the Credit Unions sector as at March 2021 in BDS Millions**

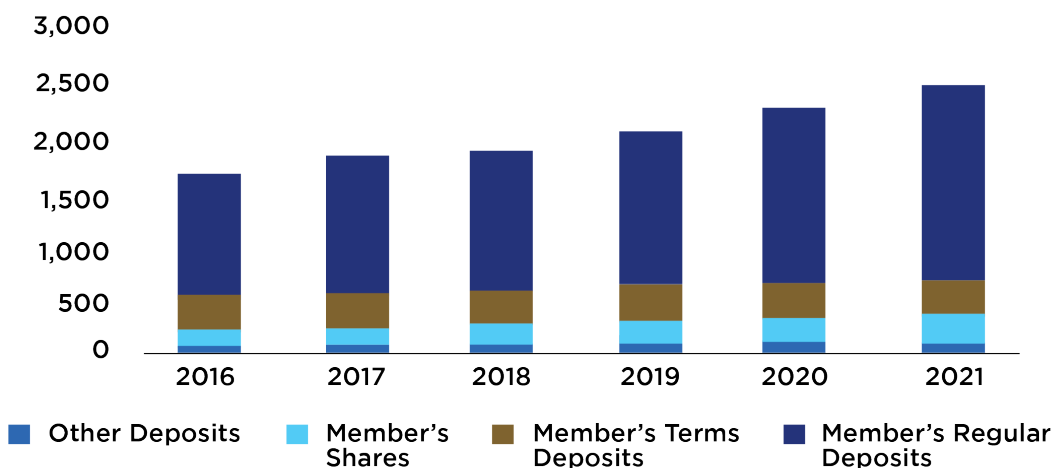




## Member Savings

Over the past five (5) years, savings in the sector continued to show a steady growth pattern with total member savings reaching \$2,472.3 million BDS at the end of March 2021. This was mainly driven by regular deposits and members' shares, which increased by \$142.8 million BDS (9.2 per cent) and \$18.1 million BDS (6.3 per cent) respectively. Term Deposits, however, fell by a mere 2 percent, amounting to \$354.3 million BDS at the end of the financial year.

**Figure 6: Savings in the Credit Unions sector as at March 2021 in BDS Millions**



## Capitalisation

The credit unions sector remained adequately capitalised. The Capital to Asset ratio was 10.6 percent at March 2021, 0.4 percentage points lower than what was recorded in the prior year. This non-risk weighted capital ratio generated for the period is considered a sufficient buffer to support the sector if there were unanticipated losses.

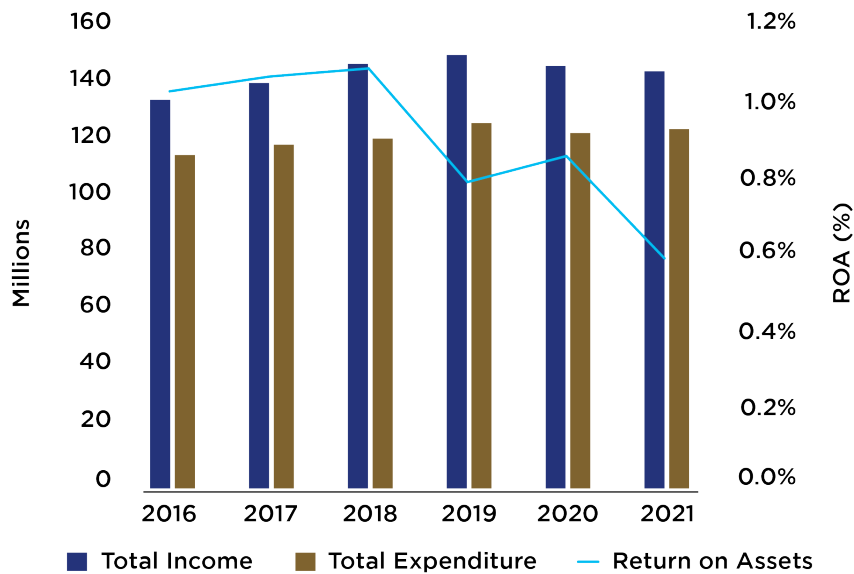
**Table 10: Capital composition of the Credit Unions sector as at March 2021**

	CAPITAL				TOTAL CAPITAL	Capital to Asset Ratio
	Share Capital	Statutory Reserve	Liquidity Reserve	Undivided Surplus		
2016	17.69	156.45	5.23	48.61	227.98	11.8%
2017	18.81	168.44	9.76	51.43	248.43	11.9%
2018	19.85	183.25	9.87	54.38	267.34	11.7%
2019	20.58	199.69	11.00	55.61	286.89	11.5%
2020	21.63	208.30	14.02	48.16	292.11	11.0%
2021	22.12	222.48	15.08	40.13	299.80	10.6%

## Profitability

The sector witnessed a significant decline in Net Income of about 28 per cent to reach \$16.9 million BDS. This dip in profitability was a result of a fall-off in income, which contracted by 3.9 per cent relative to the previous year. The reduced income flows may be attributed to the effects of the Covid-19 pandemic where moratoriums were issued and minimal returns on investments were recognised. Expenditures among credit unions also increased by almost \$1 million BDS to an estimated 122.8 million BDS at yearend.

**Figure 7: Profitability of the Credit Unions sector as at March 2021**



## Securities

At the end of March 2021, the securities industry was comprised of the following market participants:

**Table 11: Market Participants**

MARKET PARTICIPANTS	April 1, 2020 - Mar. 31, 2021
Securities Companies	18
Brokers	32
Traders	12
Investment Advisers (Companies)	23
Investment Advisers (Individuals)	41
Dealers (Companies)	5
Dealers (Individuals)	7
Underwriters	5
Reporting Issuers	34
Other Issuers	4
Self-Regulated Organisations (SROs)	3
Mutual Fund Administrators (General Licence)	9
Mutual Funds	22*

\*There was one (1) new mutual fund license issued in the review period.

In March 2021, there was an increase in the number of domestic mutual funds. The number of growth funds and income funds both increased by 1. All other funds types remained the same compared to 2020.

**Table 12: Number of Domestic Mutual Funds by Type**

Type	Year					
	2016	2017	2018	2019	2020	2021
Balanced	2	2	2	2	2	2
Growth	5	5	5	5	5	6
Income	5	5	5	5	5	6
Property	3	3	3	3	3	3
Multi-Strategy	1	1	1	1	1	1

The number of mutual funds and other issuers each increased by 2 while the number of reporting issuers fell by 4. Overall, the total number of registrants/licencees remained the same with 214 registrants.

**Table 13: No. of Registrants/Licencees (firms)**

Category	Year					
	2016	2017	2018	2019	2020	2021
Market intermediaries <sup>1</sup>	61	55	57	59	60	60
Market intermediaries (individuals) <sup>2</sup>	78	76	79	88	89	89
Mutual Funds (including sub-funds)	22	23	23	23	22	24
Other Issuers	2	2	2	2	2	4
Reporting Issuers	45	41	42	41	38	34
Self-regulatory organisations	2	2	2	2	3	3

**Table 14: Breakdown of Market Intermediaries (firms)**

Category	Year					
	2016	2017	2018	2019	2020	2021
Securities company	18	17	17	16	18	18
Investment adviser	21	18	20	24	23	23
Dealer	5	5	5	5	5	5
Underwriter	7	6	6	5	5	5
Mutual Fund Administrator (General)	10	9	9	9	9	9
Mutual Fund Administrator (Restricted)	0	0	0	0	0	0

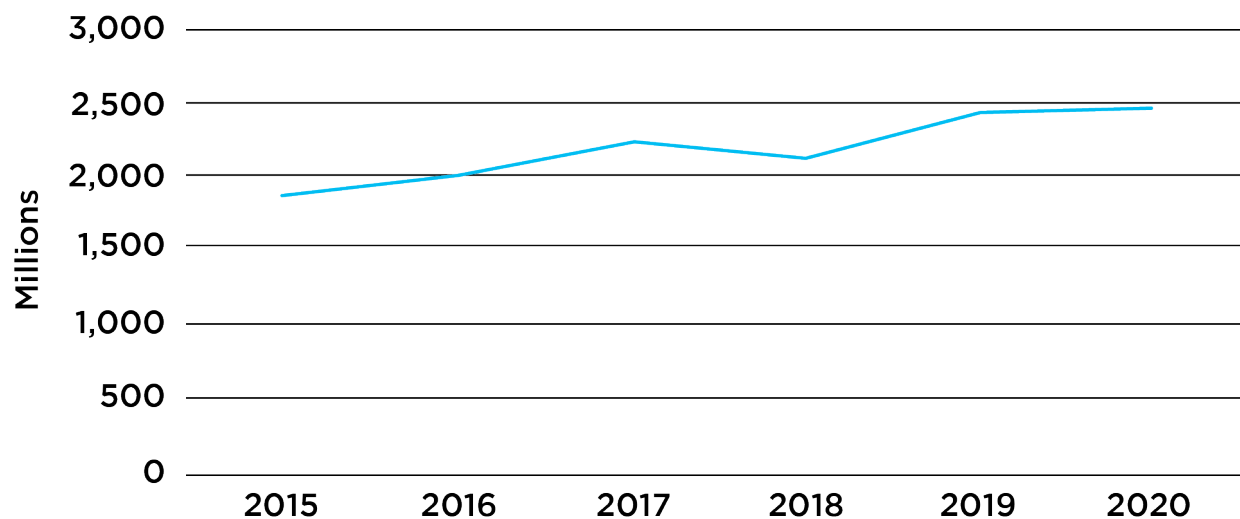
**Table 15: Breakdown of Market Intermediaries (individuals)**

Category	Year					
	2016	2017	2018	2019	2020	2021
Market Intermediaries (individuals)						
Broker	27	28	28	29	30	30
Trader	14	13	14	16	15	12
Investment adviser	30	28	31	37	37	40
Dealer	7	7	6	6	7	7



Over the past five years, asset growth generally trended upwards. At the end of the period, net assets under management was estimated to be \$2,502.4 million BDS, representing a 16.6 per cent rise from the value recorded in the previous year.

**Figure 8: Net Assets under Management as at March 31 2021**



The significant increase in the value of assets was primarily driven by investments in other mutual funds which increased by \$281.7 million BDS. There was also noticeable growth in equity holding as they increased by \$63.6 million BDS.

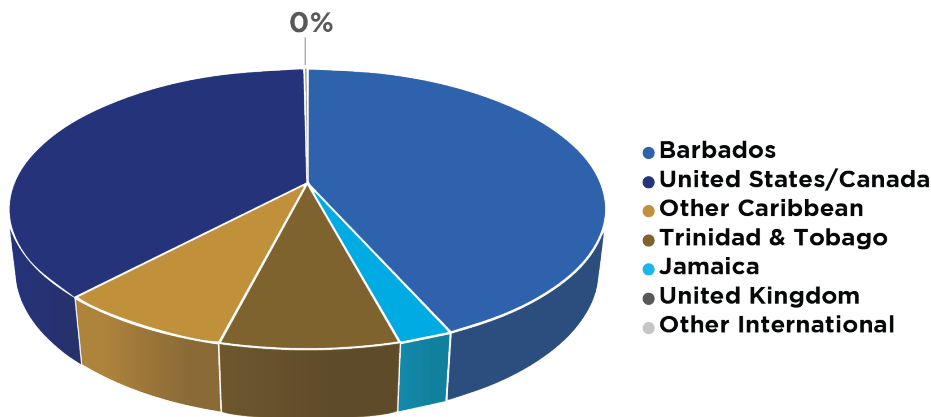
**Table 16: Asset Allocation for Mutual Funds as at March 2021 in BBD \$Millions**

Asset Allocation	2015	2016	2017	2018	2019	2020	2021
Cash & Cash Equivalents	122.5	202.4	177.8	183.8	129.2	166.4	124.3
Derivatives	(0.4)	(1.0)	-	(0.0)	-	(0.3)	-
Equities	505.0	497.9	546.3	590.4	580.8	527.5	591.1
Fixed Income	408.1	422.3	483.3	475.8	387.8	403.5	429.4
Mortgages	97.6	91.6	93.9	92.6	-	113.1	119.6
Mutual Funds	530.3	482.6	584.8	666.8	788.9	739.3	1,021.0
Real Estate	164.7	138.6	115.0	115.7	108.1	135.3	146.9
Term Deposits	20.9	56.5	34.4	67.1	-	23.5	16.3
Other	55.1	56.7	78.7	63.7	223.0	68.1	96.4
<b>Totals</b>	<b>1,904.0</b>	<b>1,947.5</b>	<b>2,114.1</b>	<b>2,255.8</b>	<b>2,217.9</b>	<b>2,176.3</b>	<b>2,545.0</b>

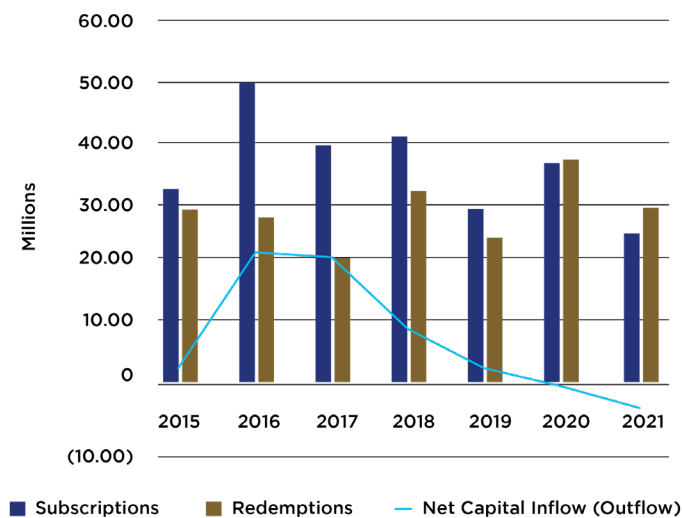
Domestic mutual funds continued to be mostly exposed to Barbados where approximately \$1,099.5 million BDS in assets is held, accounting for 43.4 per cent of total jurisdictional exposure. Barbados is closely followed by United States/Canada where exposure contained amounted to \$958.7 million BDS (37.8 per cent) of assets at the ending of March 2021.

Exposures in Other International territories expanded by over 100 per cent relative to the last financial period indicating that the Covid-19 pandemic forced entities to re-construct their portfolios. United States/Canada and Trinidad & Tobago, however, showed the greatest increases on an individual basis, with growth of 39.1 per cent and 13.3 per cent recorded accordingly at the end of March 2021, when compared to the previous year.

**Figure 9: Exposure by Jurisdiction as at March 31 2021**



**Figure 10: Subscriptions/Redemptions of Domestic Mutual Funds**



In 2021, total subscriptions to the domestic mutual funds sector were approximately \$23.6 million BDS, while redemptions were an estimated at \$29.4 million BDS. Overall, the sector experienced a Net Capital Outflow of about \$5.8 million BDS in comparison to the mere outflow of \$0.7 million BDS recorded in March 2020.

During the last financial year, there were some fluctuations in the Capital flows of the domestic mutual fund sector. The most substantial inflow was recorded in May 2020, with a value of \$13.5 million. Similarly, there were a vast sum of outflows in August 2020, which amounted to \$10.2 million BDS.

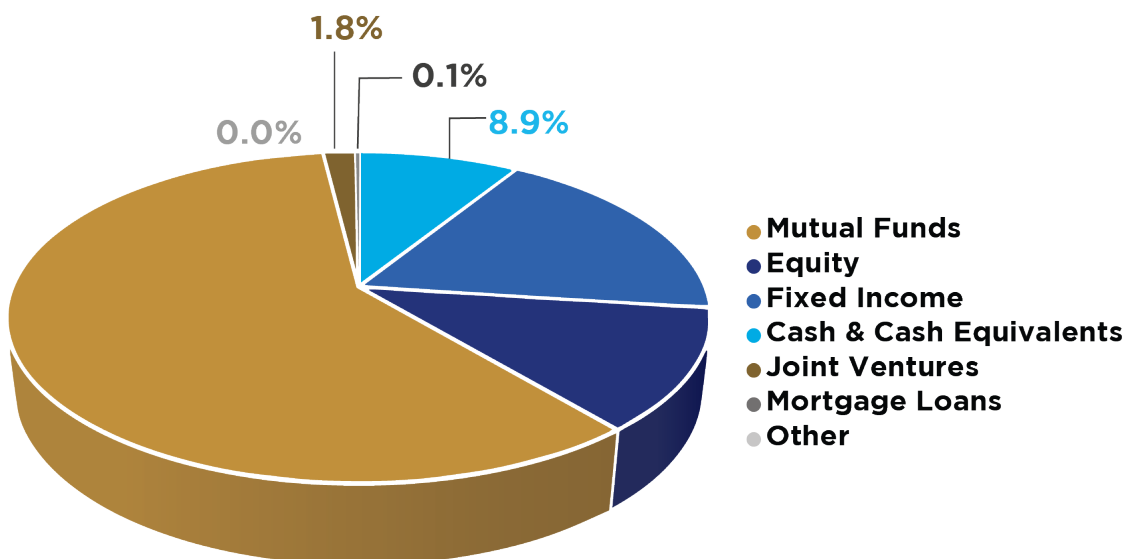
## Pensions

The estimated total assets under management again saw a marginal increase of 1.0 per cent from December 31, 2019 to December 31, 2020. Mutual funds continue to be the largest contributor to the assets under management, accounting for 59.1 per cent of the BBD\$2.4 billion in total assets. Fixed income securities was the second largest contributor, followed by equity/shares at 18.2 per cent and 11.9 per cent respectively.

**Table 17: Assets of the Pension Sector as at December 2020 in BDS Millions**

Asset Allocation	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash & Cash Equivalents	113.0	120.8	129.6	154.4	227.8	166.0	192.3	192.3	213.6
Fixed Income	312.0	340.6	330.7	352.1	403.7	491.1	485.0	485.0	436.7
Equity	234.6	250.1	248.5	255.0	285.5	301.8	311.1	311.1	285.3
Mutual Funds	1,061.6	1,167.1	1,247.9	1,259.8		1,349.8	1,370.8	1,373.2	1,422.1
Mortgage Loans	3.7	2.5	1.8	0.8	0.6	0.4	0.2	0.2	0.2
Joint Ventures	36.3	37.8	39.9	43.0	47.5	39.7	13.3	13.3	43.2
Other	2.1	2.8	3.0	3.1	3.2	5.1	4.8	4.8	3.3
<b>Total Assets</b>	<b>1,763.3</b>	<b>1,921.7</b>	<b>2,001.4</b>	<b>2,068.2</b>	<b>2,212.6</b>	<b>2,353.9</b>	<b>2,377.5</b>	<b>2,379.9</b>	<b>2,404.4</b>

**Figure 11: Assets under Management as at December 31, 2020**

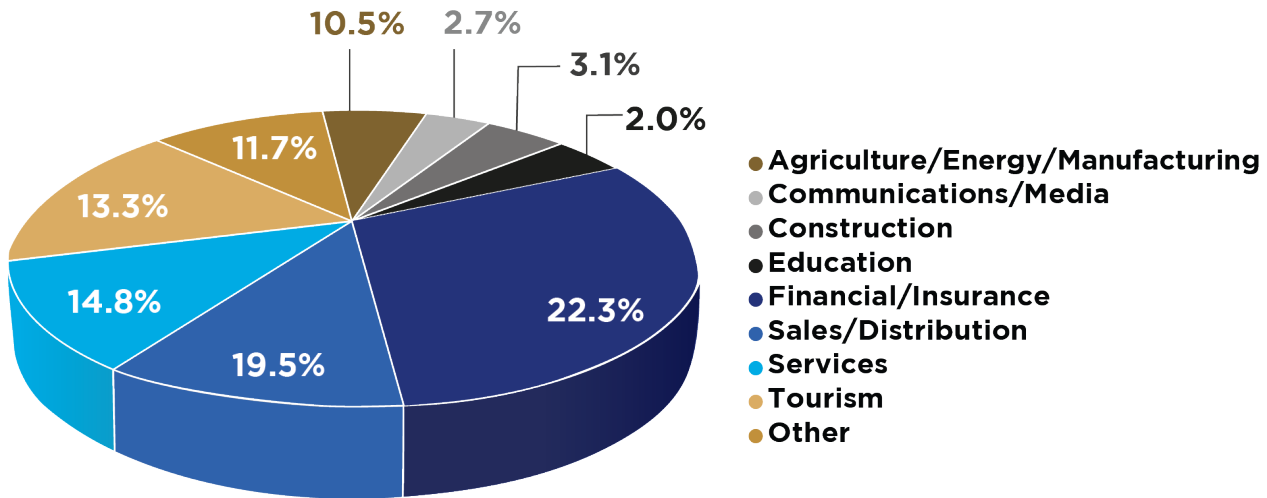




# Occupational Pensions

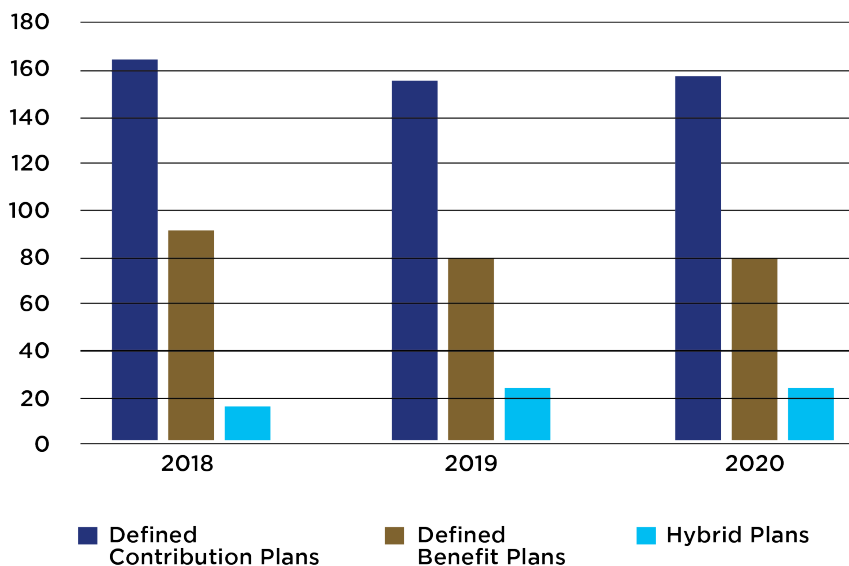
Occupational pension plans cover a wide cross section of Barbados' labour landscape. Similar to December 2019, companies from the Financial/Insurance, Sales & Distribution, and Service industries again dominated the occupational pension sector. Finance and Insurance accounted for 22.3% of employer sponsored pension plans, followed by Sales and Distribution with 19.5% and Services at 14.8%.

**Figure 12: Registered Plans by Industry Type as at December 31 2020**



At December 31, 2020, there were 261 total registered occupational pension plans. Of this figure, there were 156 Defined Contribution plans, 81 Defined Benefit and 24 “Hybrid” plans. Hybrid plans include such categories as “Defined Benefit and Defined Contribution Combination” and “Defined Benefit and Defined Contribution Combination - Multi Unit”; a multi-unit plan may be comprised of more than one employer.

**Figure 13: Registered Plans by Type from 2018 to 2020**



# REGULATORY SUPPORT

## Legal

The Legal Department provides a severely critical role in offering guidance, clarification and support to the FSC in the pursuit of its mandate. This support often comes in the form of interpretation of appropriate legislation and creating guidelines and directives for the regulated sectors. As the FSC, like many of its registrants, navigated the Covid-19 pandemic, the Legal department handled many requests pertaining to regulatory, corporate and executive matters. Areas of focus for legal advice on entities under the FSC's purview included whistle-blowing, fees regulation, take-over bids and de-listing.

Internally, the department advised on a number of fixed-term employee, independent, and service provider contracts as the FSC sought to ensure it had relevant resources. As the organisation prepared for and subsequently moved to its new offices at Bay Street, the department was instrumental in providing support in the negotiation, preparation and review of all the associated contractual documents.

In general, the department continues to provide the requisite support to improve the FSC's internal procedures and efficiency, and to ensure that via the Board and its sub-committees, FSC's corporate governance framework receives the necessary underpinning. In order to continue to meet the demands and the challenges of a dynamic regulatory environment, the Legal department has signaled a need for additional resources to deliver on its objectives. This involves recruiting roles at all levels to facilitate its advisory and international cooperation functions, managing enforcement matters and enhancing the legislative framework.

### *Legislative Developments*

The FSC has continued to advance the modernisation of its suite of legislation in order to strengthen its supervisory framework and maintain its alignment with international best practice. A key aim continued to be harmonising legislation and regulatory standards due to recent and past international developments in the financial markets.

Towards the end of the reporting period, the FSC began the Barbados Insolvency Law Project review to provide comments to the Office of the Supervisor of Insolvency in line with World Bank recommendations. It also began a legislative project aimed at proposing and securing amendments to the FSC Act and the Securities and Mutual Funds Act, which will facilitate the FSC becoming a signatory to the International Organization of Securities Commissions (IOSCO) Enhanced Multilateral Memorandum of Understanding concerning consultation and cooperation and the exchange of information.

In its ongoing effort to obtain industry feedback and determine key policy issues, the FSC, through its legal department, engaged focus groups representative of the various regulated sectors. The department continues to be responsive in providing clarity, both internally and externally, on matters pertinent to implementing an effective risk-based regulatory framework. During the current review period, those matters included a comprehensive review of the Financial Services Commission (Fees) Regulations 2020 and the Financial Services Commission (Miscellaneous Provisions and Validation) Bill 2010, and liaising with the Chief Parliamentary Counsel regarding a number of proposed amendments. The department also engaged with representatives from the Central Bank of Barbados on the development of National Payments legislation and the establishment of a Financial Services Tribunal.

### ***Litigation***

Five (5) litigious matters involving insurance companies continue to be managed by the Court. Two (2) of these matters are under judicial management.

### ***Complaints***

Forty-three (43) complaints were handled from consumers of non-bank financial services regulated by the FSC. Fifty-six (56) per cent of these complaints related to insurance issues; twenty-one (21) per cent to pensions; eleven (11) per cent to credit unions, and twelve (12) per cent to securities. By the end of reporting period, twenty-two (22) complaints were resolved/closed.

## **Research and Policy**

The Research and Policy department assumed full responsibility for the management of regulatory databases within the FSC for the period under review. The team focused on building capacity in all data-related areas so all officers could effectively discharge their functions. During the year under review, team members completed International Monetary Fund and Inter-American Development Bank training courses on data compilation, forecasting and the use of data in effective policy making.

During the fourth quarter of 2020, the team also concentrated heavily on building elements of its macro-prudential toolkit, placing greater emphasis on stress testing. The team produced a stress testing Natural Disaster guideline for the insurance sector and also participated in the resulting industry consultation in January 2021. Review of the results of these stress tests will allow the FSC to determine the resilience of the insurance sector to natural disasters.

The team also strengthened its relationships with industry players and formed working groups within the insurance sector, which will focus on specific areas in the upcoming year. These groups are key as the FSC continues to implement new initiatives.



With the addition of the actuarial function to the department, the team has also developed a comprehensive actuarial review programme. The team has also been building capacity in this area and as such, members of the department participated in training provided by CARTAC. The training was on policyholder liability valuation, as well as Access to Insurance Initiative (a2ii), on the use of actuarial valuations.

Over the upcoming year the department will continue to develop the stress testing frameworks used to assess the buildup of risk in the non-bank financial sector, as well as make substantial contributions to the research gaps identified, by producing empirical and policy research papers.

## Human Resources

### *Recruitment*

The primary role of the Human Resources Department is the recruitment, development and retention of highly skilled employees, achieved in large measure by continuous performance assessments and targeted training, to ensure effective monitoring and supervision of the non-bank financial sector.

Recruitment was high on the agenda during this reporting period and the following positions were filled:

- **Senior Examiner (1)**
- **Senior Analyst – Pensions (1)**
- **Examiners (4)**
- **Analyst – Pensions (4)**
- **Analyst – Insurance (1)**
- **Analyst – Securities (2)**

FSC currently has 59 full time employees, three (3) temporary employees and six (6) independent contractors.

### *Internships*

FSC maintains its commitment to the University of the West Indies, Cave Hill Campus by recruiting one (1) student each year, under the MSc Banking and Finance Practicum. A prerequisite for this Master's programme is an eight-week job attachment. The student is assigned projects within the organisation, which provide them with practical experience and allow them to apply what they have learned in their courses.

### *Employee Wellbeing and Support*

As the COVID-19 pandemic continued and working from home became the new reality for most, the impact of this adjustment on the mental health of employees came into sharp focus. As part of the FSC response, the HR Department organised wellness sessions for the staff and management team, facilitated by a professional counsellor. These sessions were designed to provide staff with a safe space to share their experiences and introduce them to tools and mechanisms for coping and thriving in the COVID-19 environment.

The Department is currently reviewing and re-developing general HR policies to provide structure, consistency and compliance with employment legislation and best practices. These policies will clearly outline the roles of both the employer and employee within the organisation, and detail the corporate standards and expectations.

### ***Training and Development***

FSC is currently in the process of conducting a skill gaps analysis, which will show employees' current skills and where the organisation would like them to be in the next year, based on its strategic objectives. In general, training centres on increasing staff awareness of regulatory developments and increasing regulatory and professional skills. This builds capacity and confidence to encourage consistent high-performing standards among staff. \*See Appendices 1 and 2 for training facilitated during the current reporting period.

## **Information Technology**

### ***Technological Developments***

The Covid 19 pandemic impacted the planned rollout of a digital technology plan, which is designed to continue to move the FSC towards becoming a digital-first organisation. The two periods of lockdown and the resulting move to an exclusive work-from-home model resulted in a need to refocus priorities to allow for the continuation of organisational activities. Additionally, the pandemic impacted the sourcing and shipping of equipment planned for, to enhance operations and the delivery of service.

The IT department spearheaded the technical relocation of the FSC to its new offices, ensuring that suitable technology infrastructure was incorporated into the new layout and that all equipment and services were transferred as seamlessly as possible. The second Covid-19 lockdown period occurred just after the physical relocation was completed and resulted in some delays in the completion of planned technology activities.

### ***Electronic Filing/Document Management Project (EFDM)***

The scheduled implementation of the Electronic Filing/Document Management Project (EFDM) was also impacted by Covid-19, and the office relocation. This project is currently undergoing review to ensure that the best technology is used to provide full and efficient service to all stakeholders. The IT department continues to focus on upgrading equipment, infrastructure and systems to adequately support and advance the FSC's digital technology plan.

## Internal Audit

The mandate of the Internal Audit Department is to provide independent assurance to the FSC Board of Commissioners regarding the organisation's risk management, governance and internal control processes via the following:

- Identifying internal control weaknesses
- Identifying areas where controls or procedures may be enhanced or made more efficient
- Designing effective risk-based evaluation of controls including financial, operational and information systems

The department undertook the following activities during the reporting period:

- Conducted Risk Assessment – assessing risks that may have an impact on the organisation achieving its strategic objectives. The different categories of risks reported included financial, compliance, environmental, strategic, and operational.
- Conducted internal audit – focused on activities carried out during the period January 2020 to September 2020, particularly the licensing processes in the Insurance Division, analysing the application package; compliance; review and approval of Board papers; and management oversight and control over the processes.



## Finance and Planning

The FSC is funded through fees charged to licensees and registrants in accordance with the fee schedules. During the year under review, fees collected totaled BDS\$12,587,883.

The FSC's expenditure is managed against an annual budget approved by the Board of Commissioners, and is managed closely to ensure the FSC receives value for money and, as far as possible, that expenditure remains within the approved budget. During the year under review, expenditure totaled BDS\$8,445,138.

FSC's major item of expenditure remains staff costs. As in prior years, FSC has only been increasing staff when absolutely necessary. During 2020-2021, staff costs increased by \$343,279. The FSC will continue to manage its associated expenditure within the confines of its accessible income.

The Finance Department issues monthly reports on the FSC's financial status and activities to Management, the Board of Commissioners, and the Ministry of Finance, Economic Affairs and Investments. The monthly reports include reports on revenue, expenditure, cash flow, and the overall financial position at a given point in time.

In addition to regular financial responsibilities, the FSC is responsible for the management of unclaimed moneys as referenced in the Insurance Act, CAP 310: "all sums of money that became or become legally payable by an insurance company in respect of policies but in respect of which the time within which proceedings may be taken for their recovery has expired, and includes sums of money payable on the maturity of an endowment policy or endowment insurance policy that are not claimed within seven (7) years after the maturity date of the policy". In March 2021, the FSC transferred \$5,553,398.91 from the unclaimed moneys account at the Central Bank of Barbados, to the Consolidated Fund.

For the period under review, the FSC received BDS\$10,657,613 in unclaimed/undistributed monies and refunded BDS\$235,134.

The total held in escrow at the Central Bank of Barbados as at March 31, 2021, was BDS\$17,453,861. In March 2021, the FSC Transferred \$5,553.399 to the consolidated fund. The FSC also maintains records for, and custody of securities placed as regulatory or statutory deposits based on the requirements of the Insurance Act, CAP 310.

The FSC's operations are subject to review and audit from external bodies. In 2021 the FSC engaged an external auditor to assess its financial statements for the year ended March 31, 2021. The external audit includes considering internal controls, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made. The auditor issued an unqualified report on those statements on August 24, 2021. Details of the financial position for the year ending March 31, 2021, are contained in the annexed Audited Financial Statements.



AUDITED FINANCIALS





# Financial Services Commission

Financial Statements

Year ended 31 March 2021

(Expressed in Barbados Dollars)



# FINANCIAL SERVICES COMMISSION

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Year ended 31 March 2021

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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES COMMISSION**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of the Financial Services Commission (“the Commission”), which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in general fund and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2021 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities (“IFRS for SMEs”).

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board of Accountants’ (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Responsibilities of Management and the Board of Commissioners for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

The Board of Commissioners is responsible for overseeing the Commission’s financial reporting process.



## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES COMMISSION (CONT'D)**

#### **Report on the Audit of the Financial Statements (Cont'd)**

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES COMMISSION (CONT'D)**

#### **Report on the Audit of the Financial Statements (Cont'd)**

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the Commission's shareholder, as a body, in accordance with Financial Services Commission Act, 2010-21. Our audit work has been undertaken so that we might state to the Commission's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commission's shareholder as a body, for our audit work, for this report, or for the opinion we have formed.

*Ernst & Young Ltd*

Barbados

19 October 2021


## FINANCIAL SERVICES COMMISSION

Statement of Financial Position  
As at 31 March 2021

	Notes	2021 \$	2020 \$ Restated
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	5,509,937	12,383,557
Accounts receivable	4	395,980	948,106
Deposits with Central Bank	5	17,453,861	12,334,780
Marketable securities	6	3,987,341	3,987,341
Prepayments		151,155	155,735
Lease deposits		63,643	92,405
		<u>27,561,917</u>	<u>29,901,924</u>
<b>Property and equipment</b>	7	1,148,130	260,432
		<u>28,710,047</u>	<u>30,162,356</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable		454,203	160,570
Deferred income	10	9,909,059	8,957,286
Escrow deposits	5	17,453,876	12,334,780
		<u>27,817,138</u>	<u>21,452,636</u>
<b>Represented by:</b>			
Capital contribution	9	699,198	699,198
Accumulated surplus		193,711	8,010,522
		<u>892,909</u>	<u>8,709,720</u>
<b>Total Liabilities and General Fund</b>		<u>28,710,047</u>	<u>30,162,356</u>

The accompanying notes form part of the financial statements.  
Approved by the Commission on 14 September 2021 and signed on its behalf by:

 Avinash Persaud, Chairman

 R. Bascombe, Deputy Chairman



## FINANCIAL SERVICES COMMISSION

### Statement of Comprehensive Income

Year ended 31 March 2021

	Notes	2021 \$	2020 \$
<b>Income</b>			
Fees	10	12,587,883	12,792,672
Interest income		39,873	39,873
Other income		571	437
		<u>12,628,327</u>	<u>12,832,982</u>
<b>Expenses</b>			
Salaries and benefits		5,910,885	5,567,606
Lease	12	904,893	701,197
Professional fees		451,329	206,613
Utilities		231,274	281,658
Depreciation	7	205,962	231,628
Commissioner fees and allowances		93,600	93,600
Membership and registration fees		82,559	126,143
Security		74,552	37,359
Relocation expenses		72,900	92,000
Bad debts		70,331	(26,000)
Maintenance		56,303	60,335
Uniforms		46,800	62,400
Computer expenses		42,823	20,198
Subscription		37,404	55,046
Office supplies		25,247	24,260
Insurance		24,326	23,807
Training		22,278	164,570
Tribunal expenses		19,264	20,424
Corporate expenses		18,520	27,638
Stationery		18,336	34,666
Vehicle expenses		11,747	18,925
Advertising		10,045	12,945
Refreshments		6,464	7,904
Bank charges		4,675	5,223
Conferences and meeting expenses		4,085	307,122
Loss on disposal of asset		213	-
Miscellaneous		16	600
Discount received		(1,693)	(1,263)
Gain on disposal of asset		-	(5,991)
		<u>8,445,138</u>	<u>8,150,613</u>
<b>Surplus for the year before fees</b>		<u>4,183,189</u>	<u>4,682,369</u>
Fee to Consolidated Fund	15	(12,000,000)	-
<b>Deficit for the year</b>		<u>(7,816,811)</u>	<u>4,682,369</u>

The accompanying notes form an integral part of these financial statements.

## FINANCIAL SERVICES COMMISSION

### Statement of Changes in General Fund

Year ended 31 March 2021

---

	<b>Capital Contri bution</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 31 March, 2019</b>	699,198	3,328,153	4,027,351
Surplus for the year	-	4,186,369	4,682,369
Balance as at 31 March 2020, as previously reported	699,198	7,514,522	8,213,720
Prior period adjustment (Note 16)	-	496,000	496,000
<b>Balance as at 31 March 2020, restated</b>	699,198	8,010,522	8,709,720
Deficit for the year	-	(7,816,811)	(7,816,811)
<b>Balance as at 31 March 2021</b>	699,198	193,711	892,909

The accompanying notes form an integral part of these financial statements.

## FINANCIAL SERVICES COMMISSION

### Statement of Cash Flows

Year ended 31 March 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
(Deficit)/ Surplus for the year	10	(7,816,811)	(7,816,811)
Adjustments for:			
Depreciation		205,962	205,962
Loss/(gain) on disposal of fixed asset		213	213
		<u>(7,610,636)</u>	<u>(7,610,636)</u>
Operating surplus before working capital changes:			
(Increase) in deposits with Central Bank	12	(5,119,081)	(5,119,081)
Decrease/ (increase) in accounts receivable		552,126	552,126
Decrease/ (increase) in prepayments		4,580	4,580
Decrease/ (increase) in lease deposits	7	28,762	28,762
Increase in accounts payable		293,633	293,633
Increase in deferred income		951,773	951,773
Increase in escrow deposits		5,119,096	5,119,096
		<u>(5,779,747)</u>	<u>(5,779,747)</u>
Net cash from (used in) operating activities			
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(1,108,886)	(1,108,886)
Proceeds from sale of property and equipment		15,013	15,013
		<u>(1,093,873)</u>	<u>(1,093,873)</u>
Net cash used in investing activities			
		<u>(1,093,873)</u>	<u>(1,093,873)</u>
<b>Increase/(decrease) in cash for the year</b>		<b>(6,873,620)</b>	<b>(6,873,620)</b>
<b>Cash – beginning of year</b>		<b>12,383,557</b>	<b>12,383,557</b>
<b>Cash – end of year (Note 3)</b>		<b>5,509,937</b>	<b>5,509,937</b>

The accompanying notes form an integral part of these financial statements.

## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

---

#### 1. Establishment, principal activity and registered office

The Financial Services Commission (“the Commission”) is a regulatory entity, established in Barbados on 1 April 2011 under the Financial Services Commission Act, 2010-21. The principal function of the Commission is to supervise and regulate the non-bank financial services sector in Barbados.

The Commission’s principal place of business is situated at Bay Corporate Building, Bay Street, St. Michael, Barbados.

#### 2. Significant accounting policies

##### Basis of preparation

The financial statements are expressed in Barbados dollars on a historical cost basis and are in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (“IFRS for SMEs”) as promulgated by the International Accounting Standards Board.

##### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Commission’s accounting policies, management is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and liabilities are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Other than in the establishment of routine provisions against accounts receivables, there are no key estimates or judgements which are required in applying policies which may have a material impact on the Commission’s reported assets, liabilities, revenues and expenses.

##### a) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.



## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

---

#### 2. Significant accounting policies (cont'd)

##### f) Foreign currency translation

###### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Commission operates ('the functional currency'). The financial statements are presented in Barbados dollars, which is the Commission's functional and presentation currency.

###### *Transaction and balances*

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

##### g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

##### h) Marketable securities

All investments are initially recorded on the trade date, at cost. Investments in government bonds are carried at amortized cost which is generally the amount of principal outstanding, and interest income is recognized when earned.

## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

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#### 3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2021 \$	2020 \$
Cash at bank	5,509,537	12,383,464
Cash in hand	400	93
	<u>5,509,937</u>	<u>12,383,557</u>

#### 4. Accounts receivable

Accounts receivable consist of the following:

	2021 \$	2021 \$ Restated
Trade receivable	20,547	65,941
Registration fees receivable	409,618	966,350
	430,165	1,032,291
Less: Provision for doubtful debts	<u>(34,185)</u>	<u>(84,185)</u>
	<u>395,980</u>	<u>948,106</u>

No interest is charged on outstanding receivables. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

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#### 5. Deposits with Central Bank

The Commission has a deposit account in the amount of \$17,453,861 (2020: \$12,334,780). The funds are deposited at the Central Bank of Barbados. The account comprises:

- a) A statutory deposit of \$6,967,371 (2020: \$6,717,371) representing amounts paid by insurance companies to satisfy their requirement under the Insurance Act CAP 310.\
- b) Unclaimed moneys totaling \$10,273,540 (2020: \$5,404,459) which are unclaimed monies paid to the Commission by insurance companies, in accordance with the Insurance Act CAP 310 Section 138. These amounts are held in escrow until such time as they are claimed.
- c) Residual funds from liquidated credit unions totaling \$212,950 (2020: \$212,950) representing funds held with the Commission in accordance with the Co-operative Societies Act CAP378A Section 159(2).

#### 6. Marketable Securities

	<b>2021</b>	<b>2020</b>
	\$	\$
Series B Bond 1 - 3.75% maturing 30 September 2033	3,987,341	3,987,341

This Government of Barbados debenture comprises 11 amortising strips with maturities ranging from 5 years to 15 years, bearing interest at 1% per annum for the first 3 years, 2.5% per annum for year 4, and 3.75% per annum thereafter to maturity. Interest is paid quarterly, and the principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity of that strip.

## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

#### 7. Property and equipment

	Leasehold	Office	Computer	Motor	Furniture	Library	Total
	\$	Equipment	Equipment	Vehicles	and	Books	\$
		\$	\$	\$	Fittings	\$	
					\$		
<b>2021</b>							
<b>Cost</b>							
Balance – beginning of year	349,310	24,637	734,234	187,004	469,969	24,532	1,789,686
Additions	590,539	-	232,341	-	281,549	4,457	1,108,886
Disposal	(349,310)	(11,093)	(245,588)	-	(20,323)	-	(626,314)
Balance – end of year	<u>(349,310)</u>	<u>13,544</u>	<u>720,987</u>	<u>187,004</u>	<u>731,195</u>	<u>28,989</u>	<u>2,272,258</u>
<b>Accumulated depreciation</b>							
Balance – beginning of year	329,699	24,637	605,159	85,564	459,663	24,532	1,529,254
Depreciation	43,507	-	104,556	37,400	19,879	620	205,962
Disposal	(335,028)	(11,093)	(244,644)	-	(20,323)	-	(611,088)
Balance – end of year	<u>38,178</u>	<u>13,544</u>	<u>465,071</u>	<u>122,964</u>	<u>459,219</u>	<u>25,152</u>	<u>1,124,128</u>
<b>Net book value</b>							
Beginning of year	<u>19,611</u>	<u>-</u>	<u>129,075</u>	<u>101,440</u>	<u>10,306</u>	<u>-</u>	<u>260,432</u>
End of year	<u>552,361</u>	<u>-</u>	<u>255,916</u>	<u>64,040</u>	<u>271,976</u>	<u>3,837</u>	<u>1,148,130</u>
<b>2020</b>							
<b>Cost</b>							
Balance – beginning of year	349,310	24,637	623,717	293,040	469,969	24,532	1,785,205
Additions	-	-	110,517	-	-	-	110,517
Disposal	-	-	-	(106,036)	-	-	(106,036)
Balance – end of year	<u>349,310</u>	<u>24,637</u>	<u>734,234</u>	<u>187,004</u>	<u>469,969</u>	<u>24,532</u>	<u>1,789,686</u>
<b>Accumulated depreciation</b>							
Balance – beginning of year	279,605	24,637	526,883	154,199	393,806	24,532	1,403,662
Depreciation	50,094	-	78,276	37,401	65,857	-	231,628
Disposal	-	-	-	(106,036)	-	-	(106,036)
Balance – end of year	<u>329,699</u>	<u>24,637</u>	<u>605,159</u>	<u>85,564</u>	<u>459,663</u>	<u>24,532</u>	<u>1,529,254</u>
<b>Net book value</b>							
Beginning of year	<u>69,705</u>	<u>-</u>	<u>96,834</u>	<u>138,841</u>	<u>76,163</u>	<u>-</u>	<u>381,543</u>
End of year	<u>19,611</u>	<u>-</u>	<u>129,075</u>	<u>101,440</u>	<u>10,306</u>	<u>-</u>	<u>260,432</u>



## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

#### 8. Related party transactions

##### Key management compensation

The remuneration of members of key management personnel during the year was as follows:

	2021 \$	2020 \$
Salaries and other short-term benefits	<u>1,976,988</u>	<u>1,946,934</u>

#### 9. Capital contribution

In accordance with Section 56 of the Financial Services Commission Act, 2010-21.

- a) All assets and liabilities of the Securities Commission are deemed to be transferred to the Commission
- b) Any right, privilege, duty or obligation conferred on or imposed upon the Securities Commission and existing immediately before the date referred to, shall be deemed to be conferred on or imposed upon the Commission; and
- c) Any contract entered into by or on behalf of the Securities Commission before the date referred to have been entered into by or on behalf of the Commission.

In accordance with the above the following assets and liabilities were transferred to the Commission as of 1 April 2011:

	2021 \$	2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	838,355	838,355
Lease deposits	20,547	20,547
Property and equipment	<u>41,841</u>	<u>41,841</u>
<b>Total assets</b>	<u>900,743</u>	<u>900,743</u>

## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

#### 9. Capital contribution (cont'd)

	2021 \$	2021 \$
<b>liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	24,090	24,090
Deferred income	388,684	388,684
	<u>412,774</u>	<u>412,774</u>
<b>Capital contribution</b>	<u>487,969</u>	<u>487,969</u>

A further amount of \$211,229 was contributed to the Commission in September 2011 which has been added to contributed capital.

#### 10. Fees and deferred income

##### (a) Fees

Fees for the year consist of the following:

	2021 \$	2021 \$
Application and registration fees	24,090	16,937,974
Penalties	388,684	33,462
General Processing fees	109,600	69,134
	<u>13,539,656</u>	<u>17,040,570</u>
Total fees collected during the year	13,539,656	17,040,570
Add: Deferred income recognized during the year	8,957,286	4,709,388
	<u>(9,909,059)</u>	<u>(8,957,286)</u>
Less: Income deferred for subsequent period	12,587,883	12,792,672

## FINANCIAL SERVICES COMMISSION

### Notes to Financial Statements

Year ended 31 March 2021

#### 10. Fees and deferred income

##### (a) Fees

Fees for the year consist of the following:

	2021 \$	2021 \$
Balance – beginning of the year	8,957,286	4,710,888
Income recognized during the year	(8,957,286)	(4,709,388)
Income deferred for subsequent period	9,909,059	8,957,286
Write-off	-	(1,500)
	<u>9,909,059</u>	<u>8,957,286</u>

#### 11. Taxation

In accordance with Section 46 of the Financial Services Commission Act, 2010-21, the Commission is exempt from the payment of corporation tax, stamp duty and land tax.

#### 12. Operating lease commitments

The future minimum lease payments under the operating lease are as follows:

	2021 \$	2021 \$
Not later than 1 year	787,288	780,527
Later than 1 year and not longer than 5 years	2,558,685	1,837,004
	<u>3,345,973</u>	<u>2,617,531</u>

During the year, operating lease payments of \$904,893 (2020: \$701,197) were recognized as an expense.

**13. Contingent liabilities**

Through its activities as a regulatory body, the Commission is subject to various legal proceedings. Upon establishment in 1 April 2011, the Commission, as successor to the Supervisor of Insurance, was named as defendant in the legal proceedings brought by the Barbados Investors and Policyholders Alliance Inc. with respect to the failure of CLICO and BAICO. It is impracticable to estimate the outcome of these proceedings and their financial effect as they do not include a quantified claim against the Commission.

**14. Pension plan**

The Commission's defined contribution pension plan commenced on 1 July 2016. Contributions to the plan are determined by an independent qualified actuary. The Commission contributes to the plan at the rate of 2.0% per annum of total pensionable salary up to the NIS maximum plus 5% of any salary in excess of this maximum to the pension plan.

The assets of this plan are held separately from those of the Commission and are invested and managed by its Trustees.

During the year, the total amount of \$129,292 (2020: \$131,091) was contributed to the plan by the Commission and this amount is included in salaries and benefits in the statement of comprehensive income.

**15. Fee to the Consolidated Fund**

As per the Board Resolution of the Financial Services Commission duly passed on March 26, 2021, an amount of the \$12,000,000 was paid to the Consolidated Fund.

**16. Prior period adjustment**

During the year, adjustments to the financial statements were made for the understatement of accounts receivable and revenue. These changes have been made retrospectively in accordance with IFRS for SMEs Section 10 Accounting Policies, Changes in Accounting Estimates and Errors resulting in the adjustment of prior period financial information.

As a result of the matters identified above, the following adjustments were made to the financial statements for the financial years ended 30 September 2020:

Increase in accounts receivable – 496,000

Increase in fees – 496,000



# APPENDICES

## Appendix 1

### Conferences

Staff attended the following conferences/meetings:

ACAMS 24+ Global Virtual Summit	6
Barbados Risk & Insurance Management Conference 2021	1
ICAB Annual Conference	1
ACAMS 19th Annual AML & Anti-Financial Crime Conference - Virtual	2
ACAMS Virtual Caribbean Conference	1
Caribbean Association of Pensions Supervisors Annual Conference - Virtual	6

## Appendix 2

### Training

IMF Institute - Financial Market Analysis	1
IMF Institute - Macroeconomic Forecasting	3
IMF Institute - Compilation Basics for Macroeconomic Statistics	1
IFRS for SMEs	2
CPR & First Aid Certification with Heart and Stroke Foundation of Barbados	4
Annual Tax Update Webinar	1
Associate in Captive Insurance Programme	1
BIBA FinTech Online Seminar - Enabling the Tech Business Value Chain	2
Data for Effective Policy Making	3
ACAMS Public members webinars for AML/CFT Team	6

