

NAVIGATING CHANGE

A REGULATORY
ODYSSEY

ANNUAL REPORT
2023-2024



FINANCIAL SERVICES
COMMISSION



ABOUT THE COVER

The last financial year, 2023-2024, marked the beginning of an important journey for the Financial Services Commission.

We embarked on a journey navigating strategic changes aimed at altering our course to ensure operational efficiencies and continued success as a regulator. This annual report chronicles our voyage, highlighting the challenges we faced, the strategies we employed, and the milestones we achieved.

The Commission marked its 12th anniversary in the last year, and during that time, new or updated international regulations have emerged, demanding adjustments to our operations and how we render regulatory oversight. As we continue our redesign initiatives, three important pillars will be foremost in our minds - clear communication, collaboration, and a commitment to compliance.

This report details the proactive steps we have taken to stay “ahead of the curve”, ensuring our continued adherence to the highest standards. The colours on the cover and throughout the report reflect the Commission’s modernised colour palette of black, metallic gold, white, and varying shades of blue and green. The vibrancy of these colours mirrors the same verve with which we embrace a more risk-based regulatory approach towards the oversight of the market.

We present the 2023-2024 Annual Report - a testament to our adaptability, resilience, and unwavering commitment to our stakeholders.

CONTENTS

4	LIST OF FIGURES & TABLES
5	ACRONYMS & ABBREVIATIONS
6	ACKNOWLEDGEMENTS
7	LETTER OF TRANSMITTAL
8	ABOUT THE COVER
10	ABOUT THE COMMISSION
11	MISSION, VISION & VALUES
12	STRATEGIC PRIORITIES
14	CHAIRMAN'S MESSAGE
17	BOARD OF COMMISSIONERS
18	CEO's MESSAGE
22	MANAGEMENT TEAM
23	CORPORATE GOVERNANCE
26	REGULATION & SUPERVISION
29	MAJOR SECTOR DEVELOPMENTS
32	INDUSTRY STATISTICS
45	SECTOR OUTLOOK
49	CORPORATE SERVICES
54	FUTURE STATE OF THE COMMISSION
58	FINANCIAL STATEMENTS



LIST OF FIGURES & TABLES

Figures

1.	The Non-Bank Sector by Numbers	33
2.	Registered Occupational Plans	34
3.	Registered Plans by Sector	35
4.	Net Assets Under Management (Mutual Funds)	38
5.	Exposure by Jurisdiction	39
6.	Annualised Net Income (Mutual Funds)	40
7.	Subscriptions/Redemptions of Domestic Mutual Funds	40
8.	Asset Composition of the Credit Unions Sector	42
9.	Credit Union Member Savings	42
10.	Asset Composition of the Credit Union Sector	46
11.	Life Insurance Industry Classes of Investments	48

Tables

A.	Licensed/Registered Corporate Bodies by Sector	33
B.	Occupational Pension Asset Allocation	36
C.	Market Participants in the Securities Sector	37
D.	Asset Allocation for Mutual Funds	38
E.	Credit Union Membership	41
F.	Classes of Insurance Licensees	44
G.	General Insurance Industry Balance Sheet Summary	45
H.	General Insurance Industry Income Statement Summary	47
I.	Life Insurance Industry Balance Sheet Summary	48
J.	Life Insurance Industry Income Statement Summary	49

ACRONYMS & ABBREVIATIONS

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BIBA	Barbados International Business Association
CAIPO	Corporate Affairs and Intellectual Property Office
CAIR	Caribbean Association of Insurance Regulators
CAPS	Caribbean Association of Pension Supervisors
CARICOM	Caribbean Community and Common Market
CARTAC	Caribbean Regional Technical Assistance Centre
DNB-SIFI	Domestic Non-Bank Systemically Important Financial Institution
EWI	Early Warning Indicator
FIU	Financial Intelligence Unit
FSC	Financial Services Commission ¹
IAIS	International Association of Insurance Supervisors
IBU	International Business Unit
ICAB	Institute of Chartered Accountants of Barbados
IOSCO	International Organization of Securities Commissions
NPL	Non-performing Loan
SIFI	Systemically Important Financial Institution
TMO	Transformation Management Office

¹ Unless otherwise stated, FSC relates to the Financial Services Commission in Barbados.



LETTER OF TRANSMITTAL

September 18, 2024

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

Dear Prime Minister:

I have the honour of submitting for your consideration the Annual Report of the Financial Services Commission for the year ending March 31, 2024, in accordance with the provisions of Section 50 of the Financial Services Commission Act, 2010-21.

Sincerely,

Oliver Jordan

Chairman, Board of Commissioners
Financial Services Commission

Encs.

Who
WE
ARE



ABOUT THE COMMISSION

The Financial Services Commission (FSC or 'the Commission') is an integrated regulatory body established on April 1, 2011, under the Financial Services Commission Act, 2010 -21.



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. The 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:

- Financial Services Commission Act, 2010-21
- 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)

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

In more specific terms, the FSC:

- Monitors the financial solvency and condition of financial institutions
- Assesses risk management practices of regulated persons
- Evaluates emerging risks that may have an impact on individual entities and the financial system as a whole
- Monitors compliance and market conduct practices of regulated persons
- Undertakes measures to address non-compliance, areas of weakness, or emerging risks associated with individual financial institutions or entities
- Evaluates and provides guidance on innovative services and products that persons propose to launch in our market
- Engages stakeholders of the respective sectors including industry groups and fellow regulators regarding matters related to supervision and regulation of the non-bank financial services sector

○ MISSION

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 acceptable global best practices.

○ VISION

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

○ CORPORATE VALUES

- › Excellence
- › Integrity
- › Public Accountability
- › Transparency



STRATEGIC PRIORITIES

Along with the Commission's Mission and Vision, several key strategic imperatives were set by the Board of Commissioners:



A. Organisational Transformation

This review process was advanced to strengthen the FSC's organisational structure, operational processes, and capacity to meet its regulatory mandate. This strategic initiative has been reflected in:

1. A transition to a risk-based structure, that more appropriately and efficiently allows us to perform our regulatory and supervisory functions
2. An upgrade to our technological tools and framework
3. The building of institutional capacity – “putting the right people to do the right jobs”
4. An upgrading and updating of policies and procedures
5. The development of an appropriate performance management framework
6. The building of a culture of continuous training/learning, collaboration and innovation



B. Enhanced Supervision & Regulation

Enhanced regulation and supervision are crucial for the Commission to ensure the stability and integrity of the financial system, preventing fraud, and mitigating systemic risks. Our protection of consumers and investors by enforcing compliance with legal and ethical standards, fosters trust and confidence in financial markets. Additionally, robust oversight helps to identify and address emerging risks promptly, and support sustainable economic growth and financial innovation. The Commission is therefore committed to:

1. Placing greater emphasis on proactive research and policy development
2. Enhanced data capture and analysis which assists in the development of more robust early warning indicators (EWIs)
3. Performing consolidated and risk-based supervision and regulation
4. Modernising guidance to stakeholders



C. Legislative Reforms

The entire suite of legislation for the non-bank sector is being reviewed and will be updated as required to meet the contemporary requirements of the various sub-sectors. These reforms will assist us in adapting to evolving market dynamics and technological advancements, as well as ensuring that effective risk management principles are in place.



D. Stakeholder Engagement

We recognise that fostering greater collaboration with our stakeholders can lead to improved regulatory compliance, reputation enhancement, a better understanding of regulatory priorities, standardised reporting, facilitation of innovation, and effective risk management. The Commission therefore remains focused on:

1. Providing greater visibility to the public through the dissemination of analyses and data ; and
2. Developing a flexible and user-friendly website and social media platforms
3. Facilitating more stakeholder and sectoral meetings.



CHAIRMAN'S MESSAGE



Oliver Jordan
Chairman

As the financial landscape continues to evolve at an unprecedented pace, the role of financial regulators has never been more critical.

In this ever-changing environment, the FSC remains steadfast in adherence to its mission. As the guardians of the stability and integrity of the non-bank financial sector, protectors of consumers and facilitators of a fair, competitive and innovative marketplace, we have devoted ourselves to ensuring that the financial ecosystem remains robust, resilient and responsive to the evolving needs of all stakeholders. Throughout the reporting period, we have proactively addressed emerging risks and challenges by implementing new and improved supervisory measures. Our efforts have been guided by a clear vision for the future: one that is forward-looking, adaptable, and grounded in a deep understanding of the complexities of the financial system.

During the 2023-2024 period, to adequately deliver our corporate values, mission and vision, key strategic imperatives were identified, namely: organisational transformation, stakeholder engagement, enhanced supervision and regulatory and legislative reforms. The organisational re-design process includes a restructuring of the organisation and a technological transformation. This re-design concerns efficiency, performance management, digital transformation, upskilling and creating an operating model from which we will expand to match the growing need for more agile regulation and supervision of the dynamic financial services sector. Ultimately, we seek to create a framework to serve our stakeholders nimbly and responsively. With the interrelatedness of financial markets, additional emphasis has been placed on building a risk-based approach to regulating financial institutions, markets and structures. Regulatory authorities have increasingly emphasised cooperation and information-sharing and have sought to identify systemically important financial institutions and develop orderly resolution mechanisms. Similarly, Barbados must follow suit for the international and domestic financial sectors.

Over the period, several Guidelines were issued for consultation. These relate to Technology and Cyber Risk Management, Domestic Non-Bank Systemically



Important Financial Institutions, Key Principles for the Regulation of New Financial Instruments and others. Overall, the focus is on maintaining a regulatory framework that is relevant and adaptable by continuously tracking and analysing evolving trends within the financial sector. Therefore, through issuing various guidelines, we seek to pre-empt any threats to the financial system, thereby minimising the likelihood of financial crises and their negative impact on the broader economy. I draw specific attention to cyber risk and climate change. The potential exposure to cyber risk cannot currently be fully understood or quantified, which, therefore, keeps it in the category of an emerging risk. The potential impact is particularly acute within the insurance sector, where individuals, corporations, and other entities may be severely impacted if a specific cyber event causes a disruption of service or leads to crippling financial losses.



Having issued the Corporate Governance Guideline in the previous reporting period, we have engaged with stakeholders to ensure they clearly understand its purpose. We believe the implementation of this guideline will significantly reduce risks in the non-bank financial sector and strengthen corporate governance across the industries we regulate. Effective governance remains the bedrock of any organisation. However, as the financial system becomes increasingly interconnected, risks can rapidly cascade across different sectors within financial institutions. This interconnectedness can amplify these risks throughout the system, potentially

triggering a domino effect. Consequently, robust governance standards and failsafe systems and controls are essential.

We continue to work “hand in hand” with stakeholders, holding various meetings and conferences to provide information and clarity on the issues that are of great importance to the non-bank financial sector. Thus, our level of stakeholder engagement has increased exponentially. Though, as a regulator, we aim to maintain financial stability, protect consumers and market fairness and enforce regulations, our goal is to build a collaborative partnership with those we regulate. Through proactive and improved stakeholder engagement, we will strive to simplify the understanding and implementation of challenging and sometimes expensive compliance standards, fostering open communication, collaboration and a win-win environment. In essence, the relationship between the regulator and the regulated is being enhanced, allowing us to work together to address emerging risks, promote transparency and, more so than ever, facilitate innovation.

Notwithstanding the amendments in the tax structures for international businesses, I am pleased to report that despite some concerns, Barbados remains a domicile of choice. This is a testament to the fact that a combination of factors influences an entity’s decision to domicile in Barbados. We believe that at the FSC, our reputation for having a robust but fair regulatory framework, along with all that Barbados has to offer, has been imperative to maintaining our numbers, and we are intent on consistently working towards being a world-class regulatory body.

We acknowledge that effectively overseeing the non-bank financial sector presents several challenges due to the rapid evolution of financial products and services, particularly those offered by FinTech companies, which can outpace existing regulations. As we delve into the fintech space, we must focus on those areas likely to bring the greatest benefit given the expected risks. However, this move must be accompanied by ensuring that the correct infrastructure is in place, and new regulatory frameworks are essential to the required infrastructural developments. Our challenges necessitate continuous adaptation, investment in technological solutions and enhanced collaboration to maintain financial stability and consumer protection in Barbados.



(Second from the right) Director of Risk Analytics, Gayle Marshall sharing a photo-op at the 2024 CAIR Annual General Meeting in Bermuda.

As we look to the future, we will continue to (i) invest in our people to ensure we have the expertise and capacity to meet any future challenges, (ii) engage with industry stakeholders to foster a better understanding of our regulatory expectations, (iii) work with our domestic and international counterparts to strengthen the global financial regulatory framework, and (iv) monitor and assess emerging risks and develop new regulatory and supervisory measures as needed. We are confident that by working together, we can navigate the complexities of the financial services industry and create a more stable, inclusive and prosperous future for all.

Collaboration is paramount for effective regulation, particularly with the growing complexity of the non-bank financial landscape. Working with stakeholders such as the Central Bank of Barbados, the Caribbean Regional Technical Assistance Centre, the Barbados International Business Association, Invest Barbados, and others aids in

fostering a deeper understanding of emerging trends and potential risks. This collaborative approach allows us to tailor regulations that are both effective and responsive to industry needs. Close cooperation with other local regulatory agencies also ensures a more comprehensive and coordinated oversight framework. By sharing information and expertise, all involved can work towards a common goal: maintaining a stable and secure financial system that fosters economic growth in Barbados and protects consumers. I am excited to share that these types of collaboration, such as that of the Anti-Money Laundering (AML) network of local authorities of which the FSC is a member, resulted in Barbados being removed from the Financial Action Task Force (FATF) List of jurisdictions Under Increased Monitoring (also referred to as the FATF Grey List). This critical milestone will lend to renewed confidence in Barbados' AML regime, reflecting Barbados as a safe place to invest. Overall, our dedication is to a continuously effective anti-money

laundering regime which ensures compliance with the latest FATF regulations.

Internationally, we maintained membership in various bodies, such as the International Association of Insurance Supervisors (IAIS) and the International Organisation of Securities Commission (IOSCO). Concomitantly, the legislative reforms that will allow us to become a signatory to the IOSCO MMOU (Multilateral Memorandum of Understanding) should be completed by year-end. Regionally, we continue to sit on the executive of the Caribbean Association of Insurance Regulators (CAIR) and the Caribbean Association of Pension Supervisors (CAPS). Over the years, these relationships have proved beneficial and enable us to ensure that Barbados is attuned to and congruent with the relevant standards essential to regulation.

As each year passes, on reflection, I can see the many strides made in the FSC's operations, and as Chairman of the Board of Commissioners, it has been an honour to be part of this transformation process. I am grateful to have had the opportunity to witness the "rebirth" of this organisation. My fellow Board colleagues and I will continue to provide the support needed as we revolutionise the FSC. Overall, we are proud of the accomplishments detailed in this report, and the FSC is ardent regarding its duty to foster a preeminent non-bank financial services sector in Barbados. The importance of this sector cannot be overstated. The institutions which make up this sector are economic drivers providing structural support within the economy inclusive of (i) insurance



OLIVER JORDAN
Board Chairman

“Collaboration is paramount for effective regulation, particularly with the growing complexity of the non-bank financial landscape.”

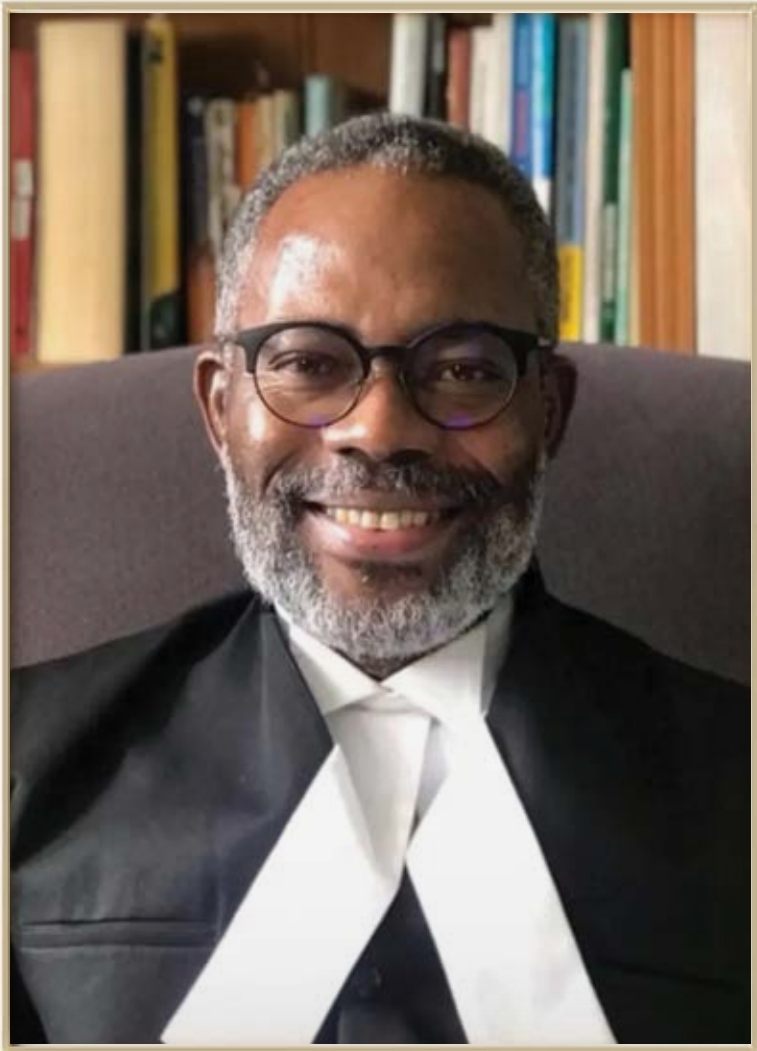
by offering risk financing in emergencies and crises, (ii) occupational pension plans in supporting the country’s social services system, (iii) the securities market by stimulating the economy of Barbados, including the facilitation of project financing to implement social measures, and (iv) the credit unions by providing alternative options for financing to individuals and entrepreneurs in Barbados. This sector thus contributes not only indirectly to Barbados’ overall GDP growth but also in terms of providing drivers for growth inherent in the provision of its services. Therefore, by centering our gaze on the core principles of stability, innovation, consumer protection and international competitiveness, the FSC, in collaboration with industry stakeholders, will continue cultivating a thriving financial ecosystem in Barbados. We look forward to the exciting opportunities and challenges that lie ahead, resolute that together we all will continue to rise.

As we conclude another successful year, I want to express my deepest gratitude to management and staff for their unwavering dedication and contributions to the FSC. Their commitment to excellence has driven the organisation forward and achieved remarkable results. I sincerely thank my fellow Commissioners for their unwavering guidance and support

throughout the year. Their strategic insights, commitment and belief in the mission have been invaluable in navigating the challenges and seizing the opportunities that have come our way. As we look to the future, I am confident that with all our continued dedication and hard work, we will continue to reach new heights and make an even more significant impact.

Regrettably, we mourned the loss of Mr. Justice Jefferson Cumberbatch, who served on the Board of Commissioners from 2011 to 2018. He possessed a vast reservoir of knowledge and expertise, making his contributions to discussions insightful and well-informed.

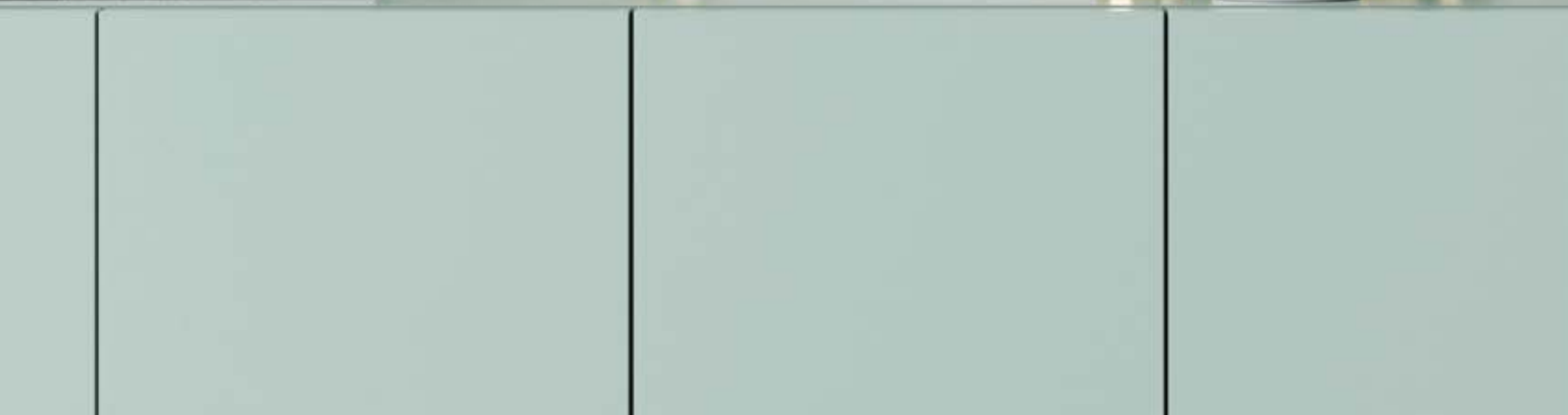
What I have outlined above may be considered a massive undertaking, representing a significant change. Nevertheless, change travels with opportunity, and the future is our compass, guiding our present actions. Looking back serves a purpose, but ultimately action is required. Therefore, we move forward with a clear vision to be recognised as a financial services regulator committed to integrity, excellence and the development of Barbados as a sound and competitive financial services centre.



The Late Honourable

JUSTICE JEFFERSON CUMBERBATCH

Former Board Commissioner
2011-2018





CHIEF EXECUTIVE OFFICER'S MESSAGE



Warrick Ward
Chief Executive Officer

During the 2023-2024 financial year, the FSC accelerated its strategy to transform the organisation into a world-class regulatory agency with greater capacity and capability.

As we entered our thirteenth year of existence, the FSC has prioritised risk management and mitigation strategies to safeguard the financial system's stability. This entails building the capacity to provide an environment and culture that enables us to improve the existing procedures, practices, and policies. To this end, the FSC was hyper-focused on its ability to meet the demands of the dynamic environment in which we operate. We emphasised adopting a people-centred culture and creating an organisation most suited for us to achieve our objectives. Moreover, we underscored the importance of forward-looking and proactive supervision, zeroing in on emerging risks such as cyber threats, climate change-related risks and technological disruptions.

In my 2022/23 message, I indicated that the FSC was engaged in several transformation initiatives. I am pleased to report that significant progress has been made as we work assiduously to improve the tools and efficiency of operations. Firstly, the FSC is finalising the implementation of the organisational redesign, and very shortly, there will be a new-look FSC. Secondly, as part of the overall evolution of the FSC, we continued the digital transformation campaign to change the Commission into an organisation that leverages more digital technology. The intent is geared towards operating more efficiently and having the capacity to deliver a satisfactory client experience. Our future-focused strategy provides an actionable roadmap with specific initiatives to underpin the FSC's vision of developing into a world-class regulatory organisation. In essence, this major organisational and technological transformation aims to develop a framework that effectively prioritises agility and responsiveness to serve stakeholders in a dynamic environment.

Last year, I mentioned that we will also be developing a more modern and user-friendly website, I am excited to share that we are sufficiently advanced with our work and there will be a soft launch in 2024. In this ever-evolving digital landscape, a well-built and user-friendly website is no longer a luxury but a necessity for



any organisation that values transparency, accessibility, and engagement. Thus, this new website will serve as a gateway to the organisation, providing a centralised hub for engagement, enabling stakeholders to stay informed about our latest initiatives and facilitating processes previously undertaken manually. In an era where technology reshapes our professional landscape daily, staying ahead is not simply an advantage, it is fundamental. In addition, I am profoundly happy to report that the FSC now has multiple active and well-resourced social media platforms, which enhance communications, educate and provide valuable information to the financial sector and other stakeholders.

On the regulatory front, we continued to engage with stakeholders within the non-bank financial sector by hosting several industry meetings and issuing consultation papers on various guidelines. Significant progress has been made in developing and issuing multiple guidelines to enhance financial stability within the non-bank financial sector; consultation papers on Technology and Cyber Risk Management, Fitness & Propriety, and the Domestic Non-Bank Systemically Important Financial Institutions guidelines (DNB-SIFIs) were released. Given the evolving nature of the global information technology environment and the impact on the operations of financial institutions, entities must be cognisant of the technology and cyber risks attributed to the facilitation of online and mobile products and services. Globally, the numerous breaches to cybersecurity systems highlight the critical need for such guidance that outlines the policies and practices financial institutions should adopt and implement to mitigate technology and cyber risks. The DNB-SIFIs guideline will apply stricter rules for financial institutions, which because of their size, substitutability and systemic interconnectedness could threaten the entire financial system should there be distress or disorderly failure, causing significant disruption to the wider financial system and economic activity.

Also released for consultation was an updated version of the Statutory Reporting Guideline for insurers. The FSC relies on the timely submission of accurate and complete financial statements and regulatory returns to effectively assess regulated entities' financial condition. Specifically, we must have the scope to aggregate industry statistics to monitor macroprudential risks in the sector and, in turn, provide reliable information to stakeholders. We have also issued a

paper regarding the Key Principles for the Regulation of New Financial Instruments for consultation. Rapid technological developments have increasingly impacted the provision of financial products, service arrangements, and activities. These innovations benefit consumers as capital may be mobilised more seamlessly while offering reduced barriers and costs. As financial institutions increasingly use these products and offer these services, we seek to ensure that they are provided in a manner that preserves and promotes the integrity of the markets and investor protection. Therefore, the aim is to provide clarity and certainty to suppliers and consumers of innovative financial services by outlining the fundamental principles that guide the Commission's approach to regulating new financial products and services.

In terms of legislation, some policy recommendations were made for amendments to various statutes. However, within the 2024 calendar year, we intend to review our governing legislation to better facilitate the implementation of a "true" risk-based capital and solvency regime. Ever mindful that regulation tends to lag innovation, we intend to develop a regulatory framework that is principles-based and sufficiently flexible to keep pace with the rapid advancements in the market, including the increased use of technology and "big data".

As part of our commitment to developing the financial sector in the Caribbean, the FSC provided recommendations related to the draft CARICOM Policy for the Development and Regulation of the Regional Securities Market. In addition, in recognition of the efficiencies which could be generated with greater regional collaboration, the FSC also participated in the review of reporting forms for the insurance sector by the CAIR members in preparation for introducing the new IFRS 14 accounting standard. Along with the proposed changes to the local FSC and Securities Act, this will be critical to our ability to sign the IOSCO Enhanced MMOU in keeping with our intention to incorporate international best practices into the regulatory framework. IOSCO is recognised globally as the global standard setter for securities regulation to protect investors, ensure markets are fair, efficient, and transparent and reduce systemic risk. Therefore, becoming a signatory to the MMOU is anticipated to strengthen enforcement efforts and promote financial transparency in Barbados.



WARWICK WARD
Chief Executive Officer

“The FSC is committed to providing opportunities for individuals and entities that operate in the non-bank financial sector to access information that is important to them and their clients and affects operations.”





Senior FSC leaders at Compliance Beyond Borders: Insights from Financial Regulators – a data protection conference hosted in March 2024. (From left Deputy Chief Executive Officer (Corporate) Carol Nicholls, Commissioner Debbie Fraser, Commissioner Henderson Holmes, CEO Warrick Ward, Manager – Securities, Denise Hinds-Jordan)

Following the issuance of the Corporate Governance Guideline in 2023, we have engaged with stakeholders to ensure that there is a clear understanding of our expectations of the sectors' corporate governance practices. Generally, strengthening corporate governance practices across our regulated industries is vital to reducing risks. The Commission is similarly devoted to continuous engagement with the sectors to provide clarity and address any concerns. Overall, the objective is to ensure a symbiotic relationship and that the non-bank financial sector is aligned with our overall desire to develop a regulatory system that generates confidence among all stakeholders in the non-bank financial system, contributing to the achievement of sustained growth and the overall stability of Barbados' economy.

The FSC is committed to providing opportunities for individuals and entities that operate in the sector to access

information that is important to them and their clients and affects operations. Accordingly, in line with our commitment to enhancing stakeholder engagement, we hosted a Data Protection Conference in conjunction with the Central Bank of Barbados and the Data Protection Commission, the first of its kind in Barbados. Data is at the heart of the financial services industry, and the rise of financial technology, complex cross-border transactions, and interconnected markets see us operating in a global market that involves sharing private and non-private information. This necessitates an effective and cohesive compliance framework backed by coherent legislation. We take our role seriously, so we will continue to explore opportunities to engage with stakeholders and provide staff with the opportunity to enhance their development through presentations at various forums.

Through close collaboration with other regulatory agencies and international counterparts, we shared information and coordinated risk management for cross-border issues. To this end, we maintained membership in various international and regional organisations. Our cooperation with local regulators and stakeholders, such as the International Business Unit (IBU), Invest Barbados, the Financial Intelligence Unit (FIU), the Barbados International Business Association (BIBA), the Central Bank of Barbados, the Corporate Affairs and Intellectual Property Office (CAIPO), the Compliance Unit and the Office of the Attorney-General, various government ministries, and others remain a mainstay as we seek to regulate the financial sector effectively. Special thanks must be extended to the Caribbean Regional Technical Assistance Centre (CARTAC), which provided technical assistance during the period that will



assist us in building improvements in the macro-prudential toolkit for monitoring systemic risk. We envisage increasing our capacity to be more exact in pinpointing the early warning indicators that can be used to identify vulnerabilities that give rise to systemic risks. This will increase our capacity to effectively monitor registrants and competently assess risks, thereby reducing the possibility of a company-level event triggering severe instability or collapse to an entire industry or the local economy. In addition, we believe we will see an enhancement in staff capacity in systemic risk monitoring for insurers.

Indeed, the Commission has entered a new era. As we upgrade systems, processes and workflow to allow for better management of the organisation, training and development will be a priority to ensure that staff are fully equipped.

Further, the necessary strategies will be employed to support staff as they navigate the myriad shifts that are taking place. The journey of the FSC has been one of resilience and adaptation, positioning it for enduring success. It is a testament to the power of change and the unwavering belief in the organisation's potential. Today, the FSC is well on its way to an updated version of its current operation - a testament to the willingness of staff to pivot and adapt; for that, I am grateful. The successes achieved thus far are solely attributable to the unwavering efforts of our workforce and the leadership of

the management team and the Board of Commissioners. Their steadfast support and encouragement have been the cornerstone of our success. I, along with the Commissioners and wider management team, am focused on purpose-driven leadership, which, in our estimation, will culminate in a more engaged, motivated, and thriving workplace.

I expect that this transformation process will not be without its challenges. Still, with great optimism and anticipation, we embrace the future, knowing that our efforts will contribute to Barbados' position as a preferred investment destination and the country's economic viability. Just as the butterfly goes through different stages in the metamorphosis process, transforming from an egg to a creature of stunning beauty and grace, so too is the FSC transmuting, shedding its old ways, and emerging as a stronger, more tenacious entity, empowered to embrace the opportunities of the future.

The FSC's future state will see a balance between fostering innovation, managing risks, ensuring stability and consumer protection. Ultimately, we aspire to effectively fulfil our mission of safeguarding the integrity and stability of the financial system and engineering resilient and prosperous systems. As we navigate this period of modernisation and uncertainty, there may be temporary roadblocks. We understand that change can be unsettling; however, with a solid plan to mitigate any challenges,

they will be surmountable. Change brings disruption, but progress often follows, and we will endeavour to minimise impact and achieve our shared objectives.

On a more sober note, I take this opportunity to mention the passing of the late Mr. Justice Jefferson Cumberbatch, who served as a member of the Board of Commissioners during the 2011-2018 period. He demonstrated a keen intellect, always bringing insightful and well-informed perspectives. He possessed a wealth of knowledge and expertise that significantly enriched discussions. His contribution to the development of the Commission has left a lasting imprint. May he continue to rest in peace.

In conclusion, the past year, while demanding, has yielded substantial rewards. We learned and grew immensely, overcoming challenges and reaching new heights. We look forward to what is to come: positive transformation, a focus on expansion and strategic repositioning. As Lao Tzu, the Chinese philosopher, aptly states, "The journey of a thousand miles begins with a single step". The FSC has taken that step, the path forward is clear, and we are firmly dedicated to its success, benefiting all stakeholders.

BOARD OF COMMISSIONERS

Henderson Holmes
Member

**The Most Honourable
Ian Carrington**
Member

Harold Codrington
Member

Ronald Bascombe
Deputy Chairman

Nikita Gibson
Member

Oliver Jordan
Chairman

Debbie A.P. Fraser
Member





CORPORATE GOVERNANCE

The FSC is governed by a Board of Commissioners appointed by the Minister of Finance and Economic Affairs. The Commissioners – a chairman and six others – hold office for three (3) years, with each member being eligible for re-appointment.

The Board sets policy and within a framework of effective controls, has ultimate responsibility for providing leadership and oversight to the FSC's operations.

Several sub-committees support the overall mandate of the Board.

RESOURCE ALLOCATION AND CORPORATE OVERSIGHT COMMITTEE

This Committee is an amalgamation of the former Corporate Governance and Human Resources sub-committees. Its role is to ensure the adequacy of the Commission's human resources plan, including compensation policies and practices, alignment with the Commission's business strategies and the establishment of a clear link between employee performance and compensation. Further, the Committee provides the Commission with recommendations relating to the establishment and implementation of an efficient system of corporate governance and oversees the Commission's compliance with established corporate governance policies, processes, customs, and practices. This team also evaluates, formulates, and recommends policies and programmes designed to assist the Commission in the efficient execution of its strategic mandate to regulate and supervise the non-bank financial sector.

Chairperson: Harold Codrington

Members: Oliver Jordan, Ronald Bascombe, Ian Carrington, Debbie Fraser

LEGISLATIVE REFORM COMMITTEE

The Legislative Reform Committee reviews legislation and related issues requiring legislative resolution and provides an overall position to the Board on proposed policy, legislation and regulations. The Committee's main aim is to develop

appropriate solutions and make recommendations on adopting appropriate legislative priorities.

Chairperson: Debbie Fraser

Members: Ian Carrington, Ronald Bascombe

APPROVAL AND LICENSING COMMITTEE

The Approval and Licensing Committee cThe Approval & Licensing Committee considers and determines matters concerning applications made by individuals and financial institutions and the implementation of enforcement actions. It provides recommendations to the Board for authorisation, licensing, and registration, suspension, revocation and cancellation in accordance with the relevant legislation. The Committee ensures that all directors of regulated entities satisfy the "fit and proper" criteria for the conduct of financial services business.

Chairperson: Ronald Bascombe

Members: Nikita Gibson, Henderson Holmes

FINANCE & AUDIT COMMITTEE

The Finance & Audit Committee aims to assist the Board of Commissioners in fulfilling its oversight responsibilities. The committee oversees and sets policy concerning the Commission's enterprise risk management, technology and cybersecurity framework, in addition to instilling and promoting a culture of oversight and financial stewardship.



In performing its duties, the Committee maintains effective working relationships with the Board of Commissioners, Management, and the internal and external auditors.

Chairperson: Nikita Gibson

Members: Oliver Jordan, Henderson Holmes

STAKEHOLDER ADVISORY COMMITTEE (WITH RESPONSIBILITY FOR CORPORATE COMMUNICATIONS)

The Stakeholder Advisory Committee focuses on stakeholder engagement and satisfaction. This Committee operates with a purpose consistent with the Commission's public interest and consumer protection mandate, with reference to the Financial Services Commission Act, 2010-21 and related legislation.

Chairperson: Henderson Holmes

Members: Harold Codrington, Oliver Jordan

INNOVATION COMMITTEE

The Innovation Committee spearheads efforts to innovate and implement new approaches to regulation that make our regulatory landscape more efficient and better suited for businesses and investors. This Committee operates with the purpose consistent with the Commission's public interest and consumer protection mandate with reference to the Financial Services Commission Act, 2010-21 and related legislation.

Chairperson: Oliver Jordan

Members: Debbie Fraser, Nikita Gibson, Henderson Holmes

MANAGEMENT TEAM



WARRICK WARD
CHIEF EXECUTIVE OFFICER



ROSINA KNIGHT
DEPUTY CHIEF EXECUTIVE
OFFICER (SUPERVISION &
REGULATION)



CAROL NICHOLLS
DEPUTY CHIEF EXECUTIVE
OFFICER (CORPORATE
SERVICES)



**DR. CORLITA BABB-
SCHAEFER**
GENERAL COUNSEL



GAYLE MARSHALL
DIRECTOR, RISK ANALYTICS



CURTIS LOWE
MANAGER, CREDIT UNIONS



STUART POLLARD
MANAGER,
EXAMINATIONS (AG.)



J. WAVENEY FORDE
MANAGER, FINANCE AND
PLANNING



JOANNE MAPP
MANAGER, HUMAN
RESOURCES



ALLAN HERBERT
MANAGER, INFORMATION
TECHNOLOGY



DENISE HINDS-JORDAN
MANAGER, SECURITIES



OMAR BEST-DELICE
MANAGER, RESEARCH &
POLICY



CORPORATE SOCIAL RESPONSIBILITY



During the last financial year, the Commission sought to extend its reach in the wider community to create impact, particularly among the nation's youth. Beyond our written values, the Commission recognises the importance of fostering trust and goodwill within the society it serves.

Consequently, we sponsored a secondary school football team with their gear and contributed to two charities for back-to-school supplies. These initiatives not only provided direct benefits to the community but also signaled the FSC's commitment to its investment in the youth. Supporting education and sports at the grassroots level helps in nurturing talent and providing opportunities for the younger generation.

Within the coming years, we anticipate that additional partnerships will be forged to allow for greater support of educational, cultural, sports, academic and other initiatives.

Our
PERFORMANCE



REGULATION & SUPERVISION



ROSINA KNIGHT
Deputy Chief Executive Officer,
Supervision & Regulation

The Commission's supervision and regulation function is undertaken by a body of professionals who monitor and supervise the Credit Union, Insurance, Occupational Pensions, and Securities sectors and the financial institutions and individuals that conduct regulated activities in, and or from within Barbados.

Among the entities subject to regulation by the Commission are:

- Credit Unions
- Insurance Companies (conducting business in and from within Barbados)
- Insurance Intermediaries such as brokers, agents, and salespersons
- Insurance loss assessors and adjusters
- Insurance management companies and Insurance holding companies
- Occupational Pension Plans
- Securities Market Intermediaries such as brokers, traders, underwriters, and investment advisers; Self-regulatory organisations; Investment Funds; and Fund Administrators/Managers and Reporting Issuers.

SUPERVISORY ACTION

The Commission's supervisory activities for the financial year April 1, 2023 to March 31, 2024, built on the work undertaken in the previous financial year and included (i) the development and roll-out of new, and revised regulatory standards/guidelines for financial institutions; (ii) providing guidance on the regulation of innovative products and services, (iii) enhancing the Commission's supervisory tools and framework; (iv) implementing measures to further reduce regulatory burden; and (v)





ensuring that the Commission fulfilled its obligations to stakeholders. In the next section we will highlight some of the key activities undertaken during the period.

Guidelines

The Commission issues guidelines to promote the adoption of robust risk management by financial institutions.

One of the more recent and pressing threats to financial institutions operating in Barbados is cyber and technology-related risk. We released our Cyber & Technology Risk Guideline in 2023 to the industry for consultation to sensitise financial institutions on the measures that they should seek to adopt to safeguard their operations and customers' information. The guideline requires among other things that, financial institutions (i) implement systems to detect and effectively handle cyber incidents or technology failures, and (ii) ensure that there is adequate and timely disclosure to regulators and stakeholders of cyber incidents and the impact of same.

In addition to the Cyber & Technology Risk Guideline, the Commission released a Fit and Proper Guideline and a Systemically Important Financial Institutions Guideline for consultation in 2023.

The insurance industry was provided with a significant revision to previously-issued Guideline No. 6 which outlined the statutory reporting requirements applicable to insurance companies. The revised guideline outlined new reporting standards such as a revised filing deadline for filing annual audited financial statements, and introduced new reporting forms for both IFRS 17 filers and non-IFRS 17 filers to their obligation to submit quarterly and annual returns to the Commission.

With each of the guidelines identified, the industry provided valuable feedback that influenced their finalisation. The final versions of the guidelines are scheduled to be released in 2024.

Throughout the upcoming financial year, we will update existing guidelines and release additional ones. Assessments of entities implementation of, and adherence to new and existing guidelines will be a feature of the supervisory activities during the upcoming year.



INNOVATIVE FINANCIAL PRODUCTS AND SERVICES

Within the period under review, we continued to see greater interest from people and entities seeking to understand the regulatory and supervisory landscape for new and innovative financial products and services. Based on the breadth of requests, the Commission determined that it was necessary to codify this information such that it becomes widely accessible, and in January 2024 released that a consultation paper, "Key Principles for the Regulation of New Financial Instruments". This paper provides all interested parties with information on the factors that we consider when assessing innovative financial services and products.

The paper dealt with matters related to the suitability of the new products/services for various types of investors, the type and level of disclosure that should be made by entities providing products and services, along with the need for entities to demonstrate "operational resilience".

ENHANCING SUPERVISORY TOOLS

Legislation

Legislation underpins several of the obligations placed on financial institutions, and since it needs to facilitate the evolution of the market and regulatory and supervisory standards, amendments to the legislation are inevitable.

We therefore continued to build on previously completed work to update our legislation by developing and submitting policy recommendations for the amendment of the Insurance Act, Cap 310, during the year. The amendments are intended



to (i) update the statutory fund regime and (ii) facilitate the introduction of risk-based capital and solvency requirements for insurance companies. The update to the statutory fund requirements, which particularly impacts insurers who insure risks located in Barbados, is intended to give insurers greater flexibility concerning the assets that may be incorporated into the statutory fund and reduce the need for approval of specified assets, thereby reducing regulatory burden on regulated entities. While the changes are expected to give the industry much-desired flexibility, it is expected that insurers will demonstrate appropriate risk management to ensure the safety of the statutory funds.

In addition to the legislative work related to the insurance industry, a renewed initiative is underway to modernise the Mutual Funds sector and investment regime in Barbados. The key goals include making provision for the types of investment funds that will be attractive to domestic and international stakeholders and applying requirements that are suitable to the different types of funds based on the risks associated with each type. The FSC has been participating in a working group to finalise and advance recommendations for the legislative amendments aimed at modernising the investment funds framework in Barbados.

Orderly Resolution of Financial Institutions and the Role of Guarantee Schemes

Guarantee schemes are intended to provide a safety net to depositors and customers when financial institutions fail. Locally, the Barbados Deposit Insurance Corporation (BDIC) serves that role in respect of financial institutions regulated by the Central Bank of Barbados. The Commission has contributed to the work being undertaken to facilitate the extension of the BDIC scheme to credit unions. Building on our collaboration with BDIC, the Commission participated in a workshop hosted by that institution and facilitated by persons from the US Treasury regarding the resolution of financial institutions and the role that entities such as BDIC play in such circumstances. The workshop was a valuable exercise that is expected to support the work to be undertaken by the Commission regarding (i) the orderly resolution of regulated entities, and (ii) the role that guarantee schemes can play in other sectors regulated by the Commission.



Some FSC representatives at the BDIC Simulation Exercise in February 2024.
(From left: Research Officer, Nicquon Nicholls; Manager, Credit Unions, Curtis Lowe; Senior Analyst, Tricia Briggs-King; Denise Hinds-Jordan, Manager, Securities)

Reducing Regulatory Burden

In recognition of the maturity of the Credit Union sector, the Commission instituted a regime regarding investments by credit unions. The new regime sets aside the previous requirement that credit unions seek approval for specified investments, and facilitates the general approval of investments within stated parameters. Investments outside of these designated parameters require the approval of the Commission. This measure reflects our continuous incorporation of a risk-based approach to supervising financial institutions. Credit Unions are expected to demonstrate that they appropriately and accurately identify, mitigate, and manage the risks associated



with their investments. However, where an individual credit union shows signs that risk management in this area is not as robust as needed, access to the regime may be withdrawn by the Commission.

Stakeholder Engagement

The Commission has a myriad of stakeholders with whom it engages or to whom it has various obligations. These interactions occur via various fora, including face-to-face meetings, seminars and presentations, and participation within working groups and regional and international regulatory groups.

In 2023-24, we sought to do this through:

a) Sharing Information & Participating in Supervisory Colleges

The Commission made requests and responded to several requests for assistance and information from various regulatory agencies. These interactions are supported by legislation and underpinned where necessary by Memoranda of Understanding with the various entities involved. In addition, the FSC was among several regulators participating in supervisory colleges to discuss the activities of multi-jurisdictional entities.. Participation in such colleges provides an opportunity for joint and open dialogue and engagement with the home regulator of a financial institution, relevant host regulators, and the financial institution itself within a coordinated setting.

b) Providing Post-Guideline Release Support

The release of the enhanced Corporate Governance Guideline in the 2022/2023 financial year was followed by various measures to promote the entities' adoption and implementation of the requirements. Our teams facilitated sector meetings or seminars and meetings

with individual entities to discuss the requirements. Of particular interest were the requirements related to independent directors on the boards of financial institutions. Through these sessions, we were able to discuss additional perspectives shared by regulated entities. We took these opportunities to remind our stakeholders about the importance of these requirements and clarify any other areas of uncertainty or inconsistency.

c) Attending Annual Conferences and Meetings

As an important part of our annual stakeholder engagement initiatives, we participated in conferences and meetings of regional and international regulatory groupings of which we are members. These conferences and meetings allow fellow regulators the opportunity to discuss and share experiences and knowledge regarding various issues and initiatives. The Commission maintained its role on the executive committees of CAIR and CAPS. Similarly, we continued our work on the Caribbean Group of Securities Regulators Fintech sub-committee throughout the year. The CAIR IFRS 17 working group, continued collaborating on developing reporting forms for IFRS 17 filers. The increased synchronisation and standardisation among our regulatory peers demonstrate our further attempts to reduce the regulatory burden for those entities that operate across multiple jurisdictions. Our participation was instrumental in advancing the Commission's goal to release updated statutory reporting forms. Internationally, the Commission participates in deliberations at the IOSCO, ICURN, and IAIS. Within the IAIS, the Commission holds membership within the key Macprudential, whose current agenda focuses on the issues surrounding climate risk which is of significant importance to Barbados' economy.



Key Industry Statistics...

“ Total [credit unions] members savings expanded to BDS\$ 2,765.7 million at the end of March 2024. Members’ regular deposits, the largest component of total member savings, were the main driver of deposit growth, increasing by BDS\$ 63.0 million (2.8%) to reach BDS\$ 1,968.5 million.”





SUMMARY SECTOR NUMBERS



Figure 1
Source: Financial Services Commission²

Licensed/Registered "Corporate" bodies by Sector as at March 31, 2024

Credit Unions	Insurance	Occupational Pension Plans	Securities (including Funds)
26	419	245	98

Table A
Source: Financial Services Commission

The FSC also oversees over 650 individuals who are licensed or registered to operate as intermediaries in the Insurance and Securities markets.

² The total number of corporate entities as at March 31, 2023 was 793.



OCCUPATIONAL PENSION PLANS

Registered Occupational Plans as at December 31, 2023

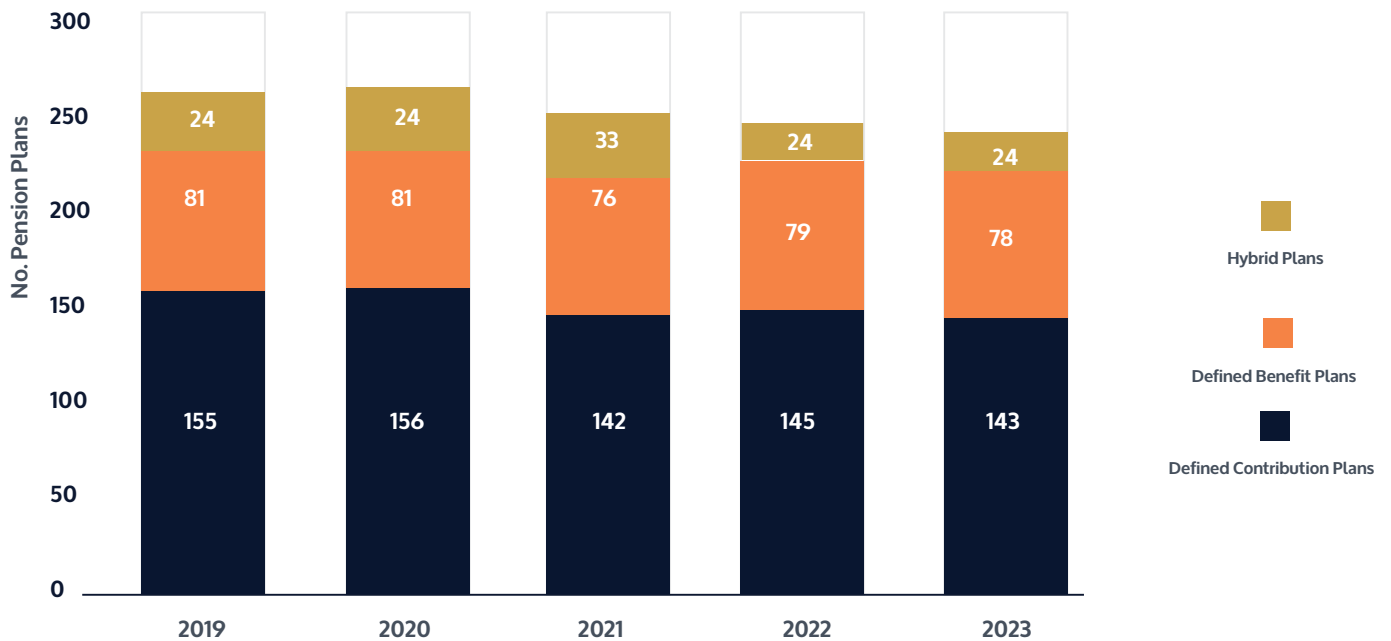


Figure 2
Source: Financial Services Commission

Six occupational pension plans were registered, and six plans were wound up during the 2023-2024 period. As at March 31, 2024, plan membership was 26,696, a reduction from 27,456 at March 2023.

The number of occupational pension plans stood at 245 at the end of the 2023-2024 financial year, marking a half-decade decline in the number of plans, as windups outpaced new registrants. Thirty-nine pension plans wound up since 2019, six within the financial year, with the administrative burden and company challenges being employers' most cited reasons³. Of the 245 plans, 143 are defined contribution plans, two less than the previous year. In addition, the sector consisted of 78 defined-benefit plans, compared to the 79 reported at the end of 2022 (Figure 2). Additionally, there are 24 hybrid plans, which was the same number as the previous year. Hybrid plans encompass plans categorized as "Defined Benefit and Defined Contribution Combination", "Defined Benefit and Defined Contribution Combination – Multi-Unit", "Defined contribution – Multi-Unit", "Defined Contribution Multi-Employer", and "Defined Benefit Multi-Unit"⁴.

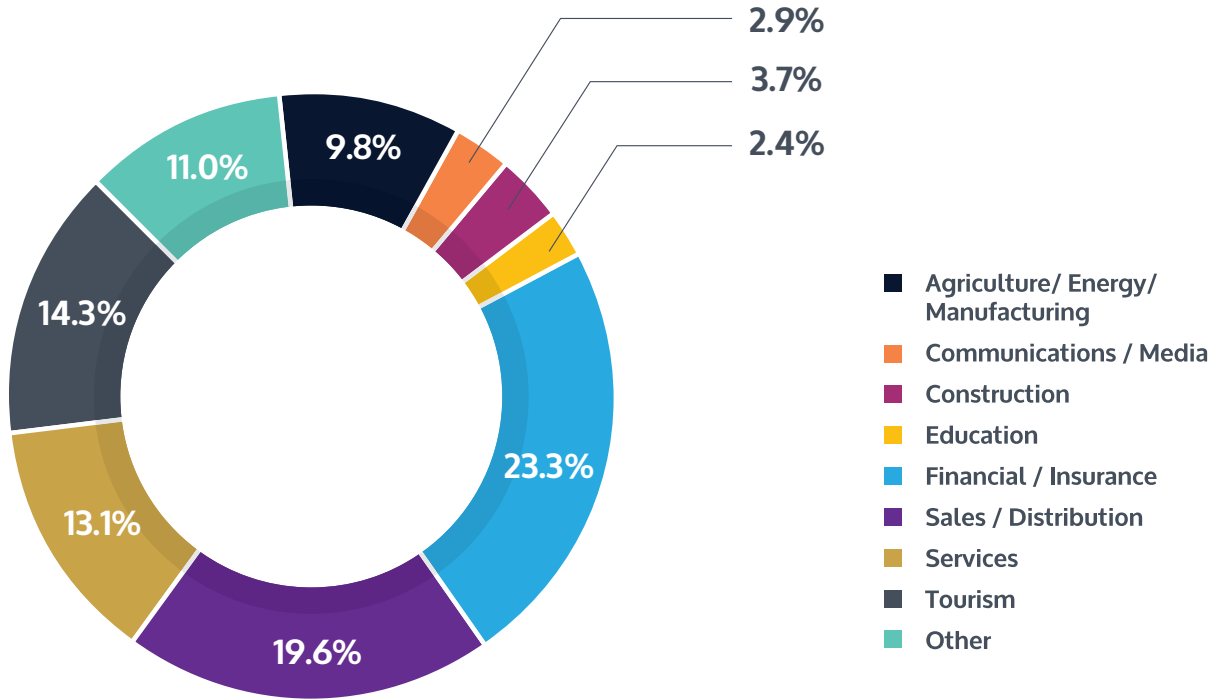
³ Administrative burden includes administrative costs and complexity, which made up 28 percent and 13 percent of plan closures over the past five years, respectively. Company challenges include plant closures or reduced size, insolvency, bankruptcy, and business sales, accounting for 26 percent, 3 percent, 0 percent, and 5 percent of wind-ups respectively over the past five years.

⁴ A multi-unit plan may be comprised of more than one employer.



Occupational pension plans encompass various sectors within Barbados' labour market. As in previous years, companies in the financial, services, tourism, and distribution sectors dominated the occupational pensions sector. The Financial/Insurance sector accounts for the largest share of employer-sponsored pension plans, at 23.3%. Second is the Sales/Distribution sector, which accounts for 19.6%, followed by Tourism and Services, with 14.3% and 13.1% of pension plans, respectively (Figure 3).

Registered Plans by Sector as at December 31, 2023



INDUSTRY	NO.
Agriculture/Energy/Manufacturing	24
Communications/Media	7
Construction	9
Education	6
Financial/Insurance	57
Sales/Distribution	48
Services	32
Tourism	35
Other	27
Total Number of Pension Plans	245

Figure 3
Source: Financial Services Commission



Occupational Pension Asset Allocation in BDS\$ Millions as at December 31, 2023

	2019	2020	2021	2022	2023
Cash and Cash Equivalents	196.8	204.1	196.3	256.3	206.6
INVESTMENTS	2,457.4	2,485.8	2,888.1	2,557.3	2,618.1
Fixed Income	619.1	643.0	657.6	601.7	617.9
Equity	158.9	162.5	182.1	158.3	145.4
Mutual Funds	1,635.9	1,637.2	2,014.4	1,781.7	1,838.8
Mortgage Loans	0.1	0.1	0.1	0.0	0.0
Joint Ventures	13.6	13.4	13.6	13.7	14.0
Other	29.7	29.7	20.4	1.8	2.0
Total Assets	2,654.2	2,690.0	3,084.5	2,813.7	2,824.7

Table B

Source: Financial Services Commission

Total assets under management for the occupational pensions sector were estimated to be BDS\$2,824.7 million, reflecting an increase of BDS\$11.1 million (0.4%) from the previous year. Mutual funds remain the largest segment of the sector's asset portfolio, accounting for 65.1% of total assets. Fixed-income securities comprised the second-largest component of total assets, accounting for 21.9% with cash and cash equivalents following with 7.3% of total assets, respectively (Table B).



SECURITIES

The sector is comprised of a diverse group of market participants.

Market Participants in the Securities Sector

MARKET PARTICIPANTS	2020	2021	2022	2023	2024
Securities Companies	19	18	19	18	21
Brokers	31	30	33	32	40
Traders	15	12	11	10	12
Investment Advisers (Companies)	23	23	23	22	23
Investment Advisers (Individuals)	37	41	39	39	44
Dealers (Companies)	5	5	5	5	7
Dealers (Individuals)	7	7	6	6	12
Underwriters	5	5	5	5	6
Reporting Issuers	38	34	36	36	37
Other Issuers	3	4	4	3	3
Self-Regulated Organisations (SROs)	3	3	3	4	4
Mutual Fund Administrators (General License)	9	9	9	8	8
Mutual Fund Administrators (Restricted License)	0	0	1	1	2
Mutual Funds (Including Sub-funds)	22	22	27	22	22

Table C

Source: [Financial Services Commission](#)

ASSETS

As at March 31st, 2024, 19 mutual funds were licensed to conduct business directly with the Barbadian public. These funds comprise (3) property funds, (6) income funds, (1) multi-strategy funds, (7) growth funds, and (2) balanced funds. In aggregate, these funds serve a combined 25,000+ corporate and individual investors.

The total assets of the mutual funds sector were estimated to be BDS\$2,906.5 million, representing a 5.4% increase from the previous year. The growth in the asset portfolio was primarily driven by equity holdings and mutual fund investments, which increased by BDS\$94.8 million (14.6%) and BDS\$48.8 million (4.3%), respectively (Table D). The industry's growth was largely due to strong gains from global equities and notwithstanding higher interest rates. Caribbean equity markets remained weaker in comparison to their international counterparts. At the beginning of the period, geopolitical tensions led to volatile energy prices, leading to elevated consumer prices and inflation levels. While inflation eased somewhat in the latter part of the period, higher interest rates remained a concern for mutual fund returns.



Asset Allocation for Mutual Funds as at March 31 in BDS\$ Millions

ASSET ALLOCATION	2020	2021	2022	2023	2024
Cash & Cash Equivalents	166.4	124.3	113.4	117.8	82.1
Equities	527.5	591.1	700.9	651.6	46.4
Fixed Income	403.5	429.4	438.8	434.4	450.6
Mortgages	113.1	119.6	128.7	145.9	155.1
Mutual Funds	739.3	1,021.0	1,186.7	1,142.4	1,191.2
Real Estate	135.3	146.9	157.6	171.8	176.3
Term Deposits	23.5	16.3	9.6	6.9	3.7
Other	67.8	96.4	71.9	87.5	101.2
TOTAL	2,176.3	2,545.0	2,807.7	2,758.3	2,906.5

Table D
Source: Financial Services Commission

Similarly, the domestic mutual fund net assets under management rebounded by 4.8% from the value reported in 2023 to reach BDS\$2,845.3 million at the end of March 31, 2024 (Figure 4).

Net Assets Under Management as at March 31 in BDS\$ Millions

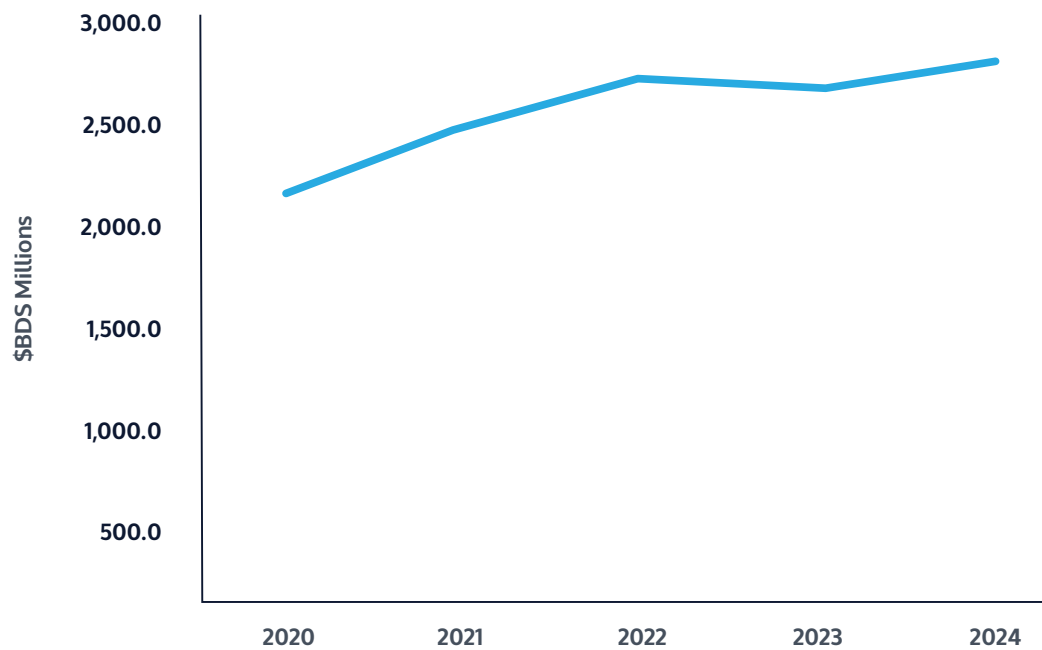


Figure 4
Source: Financial Services Commission



As at March 31, 2024, BDS\$1,272.0 million (44%) of assets remained largely concentrated in Barbados. During the reported period, the assets held locally increased by BDS\$ 30.4 million (2.5%) over the prior year. Exposures to United States/Canada totaled BDS\$1,137.9 million, representing approximately 39% of total jurisdictional exposure. This was a significant increase of BDS\$ 132.5 million (13.1%) over the 2023 figure. Following the trend from 2023, there were significant declines in asset exposure to other Caribbean territories of BDS\$ 33.5 million (27.9%) (Figure 5).

Exposure by Jurisdiction as at March 31, 2024

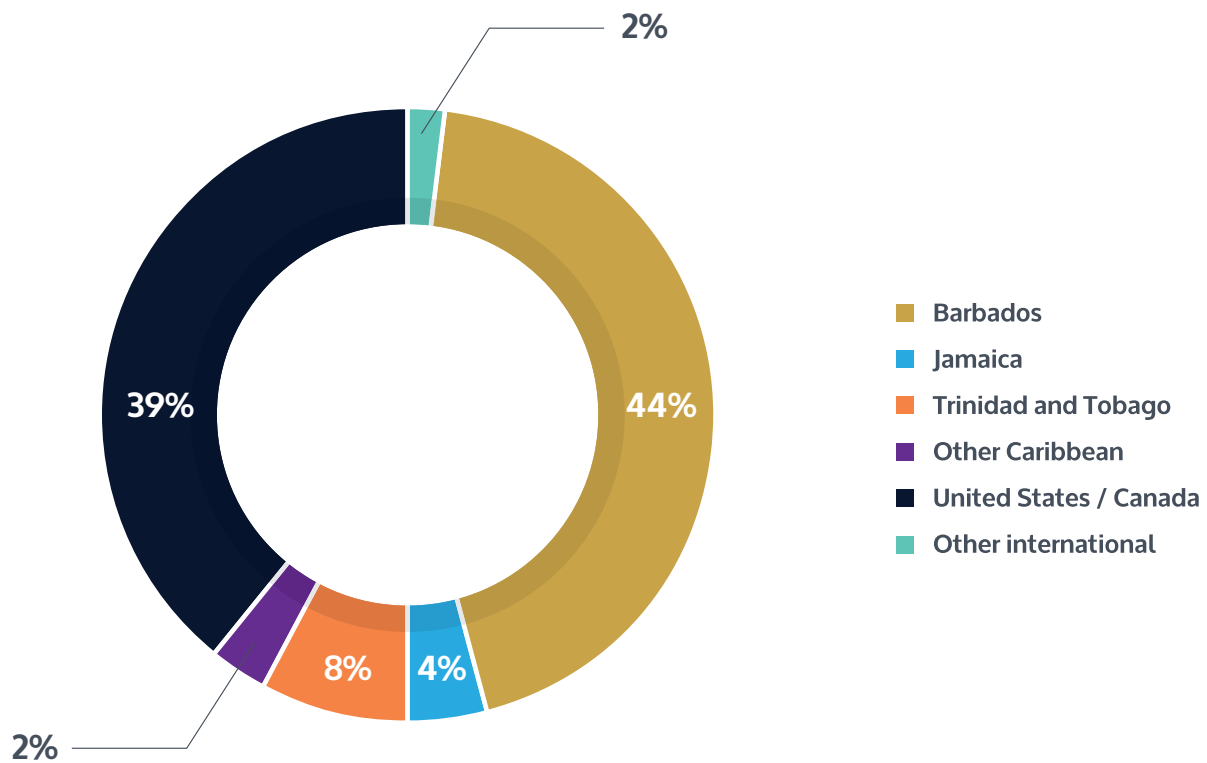


Figure 5
Source: Financial Services Commission

PROFITABILITY

At the end of March 2024, the sector's net income was recorded at BDS\$431.2 million, significantly improving from the previous year's net income of BDS\$51.9 million (Figure 6). This growth was largely due to a strong rebound in external markets, especially US equities, compared to 2022, which was considered a "bear market."



Annualised Net Income as of March 31, 2024

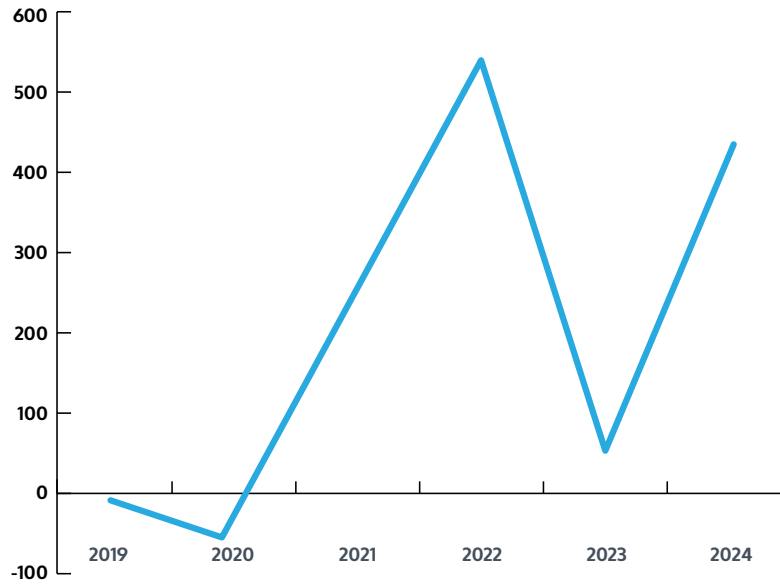


Figure 6
Source: Financial Services Commission

During the review period, total subscriptions to domestic mutual funds were estimated to be approximately BDS\$117.2 million, while redemptions were around BDS\$162.9 million. At the end of March 2024, the sector experienced a net capital outflow of BDS\$45.7 million for the year, compared to the BDS\$60.2 million inflow recorded in 2023 (Figure 7).

Subscriptions/Redemptions of Domestic Mutual Funds as of March 31, 2024

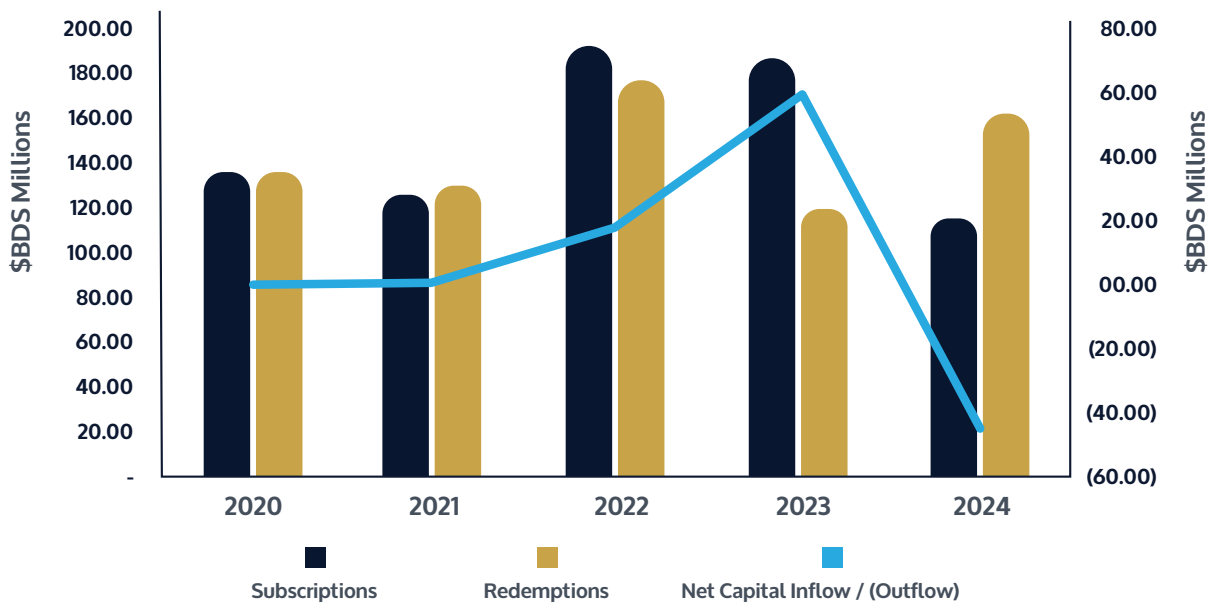


Figure 7
Source: Financial Services Commission



CREDIT UNIONS

As at March 31, 2024, there were 26 credit unions, down from 28 in 2023 due to the cancellation of two (2) licenses. The credit union sector saw a 2.0% increase in membership over the year, reaching a total of 240,923 members (Table E).

Credit Union Membership as at March 31, 2024

YEAR	No. of Credit Unions	Members ('000) ⁵
2020	33	217.9
2021	32	223.2
2022	31	229.8
2023	28	236.2
2024	26	240.9

Table E

Source: [Financial Services Commission](#)

ASSETS

The credit union sector's asset base continued to increase, with most of its assets (95.1%) being held within the top 8 largest institutions. As at March 31, 2024, the credit union asset base stood at BDS\$3,200.1 million, reflecting an increase of BDS\$105.1 million (3.4%). The growth in the total assets was primarily driven by gross loans and investment holdings, which grew by BDS\$48.0 million (2.4%) and BDS\$22.0 million (4.3%), respectively. Gross loans continued to account for the largest portion of total assets, with a market value of approximately BDS\$2,040.21 million (Figure 8).

⁵ The data reflects the membership within the credit union sector; however, please note that members may hold accounts at multiple credit unions, which could result in some duplication in the reported numbers.



Asset Composition of the Credit Union Sector in BDS\$ Millions (as at March 31, 2024)

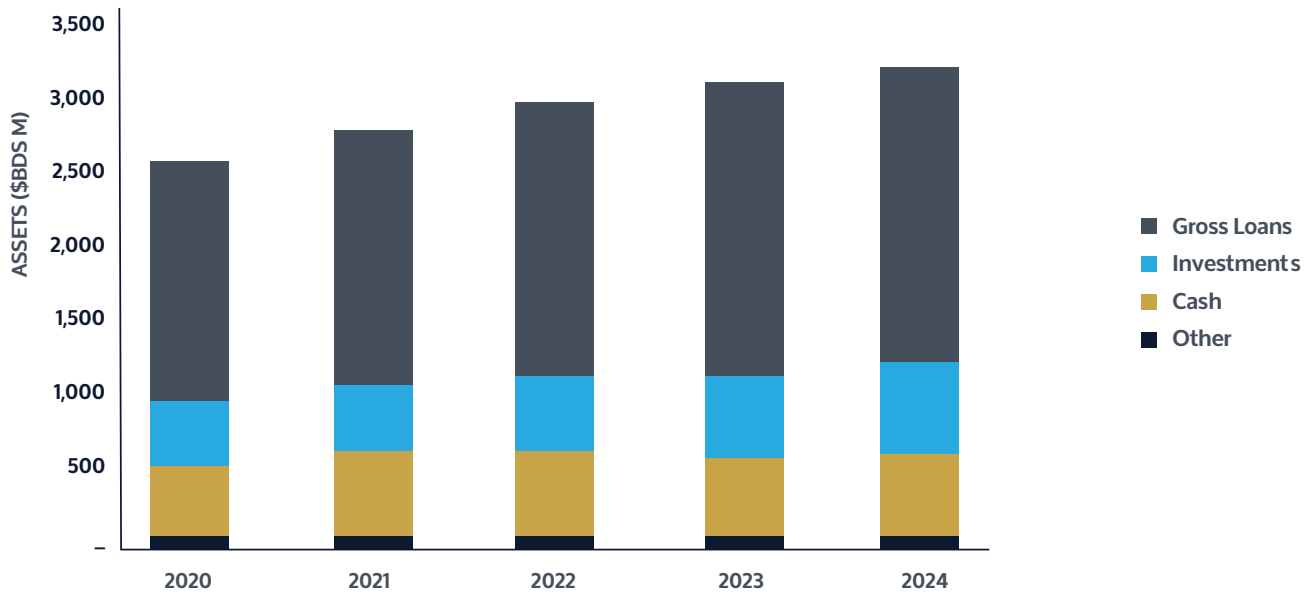


Figure 8
Source: Financial Services Commission

Credit Union Member Savings in BDS\$ Millions as at March 31, 2024

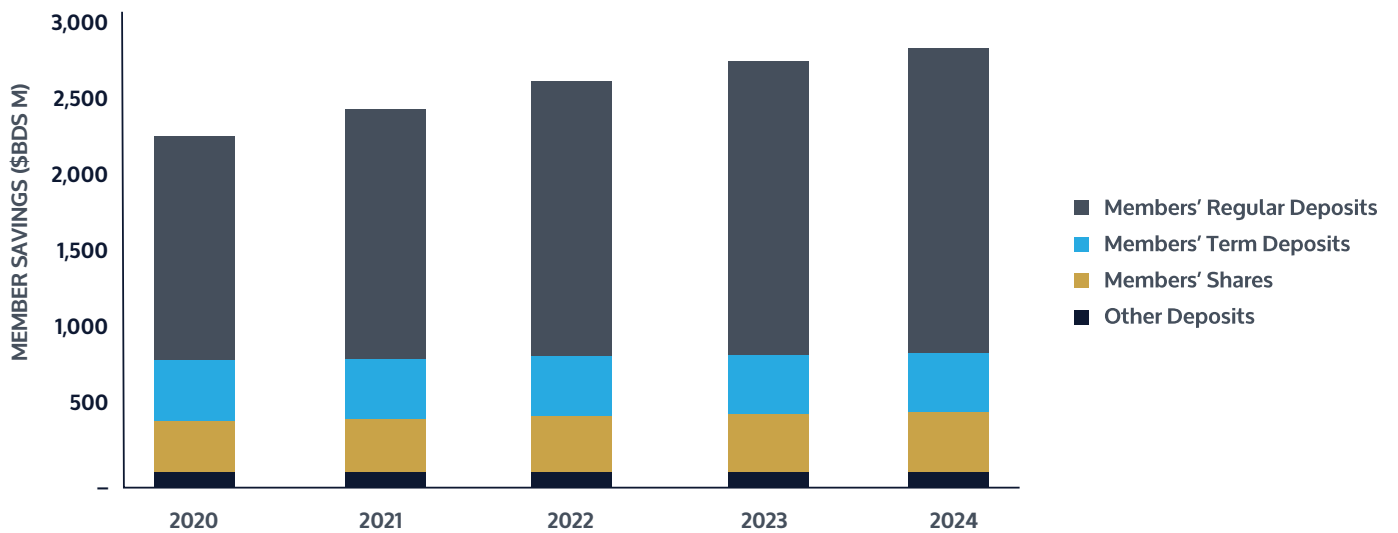


Figure 9
Source: Financial Services Commission



Total member savings expanded to BDS\$2,765.7 million at the end of March 2024. Members' regular deposits, the largest component of total member savings, were the main driver of deposit growth, increasing by BDS\$63.0 million (3.3%) to reach BDS\$1,968.5 million. Members' shares also grew over the reporting period by BDS\$16.8 million (5.1%) to reach BDS\$344.1 million.

Conversely, term deposits contracted marginally by BDS\$3.8 million (1.1%), totalling BDS\$328.8 million at the end of the financial year, marking the second consecutive year of decline (Figure 9).





INSURANCE

Barbados' insurance sector is guided by a single legislative framework for all insurance business conducted in or from within the jurisdiction. Insurance licensees are classified by the FSC as follows:

Class 1 Licensee: an insurance company underwriting related party business

Class 2 Licensee: includes an insurance company underwriting risks of third parties

Class 3 Licensee: an insurance intermediary, insurance management company or insurance holding company.

Classes of Insurance Licensees

	2021	2022	2023	Mar-2024
Class 1	180	187	179	175
Class 2	97	98	109	112
Class 3	643	701	755	766
Holding Companies	10	9	9	8
Management Companies	21	16	16	16
Underwriters	1	1	1	1
Insurance Brokers	25	25	23	23
Insurance Adjusters	8	9	11	11
Insurance Surveyors	13	13	14	14
Agents	49	52	58	58
Sub-Agents	1	1	1	1
Salesmen	515	575	622	634

Table F

Source: [Financial Services Commission](#)

Barbados maintained its status as a primary jurisdiction of choice for many Class 1 and Class 2 insurers who seek to underwrite risks outside of the jurisdiction for their shareholders and other related parties and third parties. These insurers primarily originated from Canada, the USA, and countries in Latin America, the Caribbean, and Europe. Total assets for this segment of Barbados' insurance sector are estimated at \$161.9 billion as of December 31, 2023, with premium revenue of approximately \$4.8 billion.



A sub-group of Class 2 insurers is of systemic importance to the jurisdiction, given that these companies are licensed to write business directly with the Barbadian public. This segment consists of 20 insurance entities as at March 31, 2024 – 14 conducting general insurance business and six writing life insurance business. Collectively, this segment of the insurance sector has almost 350,000 policies in force within the local economy and constitutes approximately 15% of total financial system assets in Barbados, thus underpinning the FSC’s role in maintaining consumer confidence and promoting financial stability.

Aa at December 31, 2023, the general insurance industry’s asset base was estimated at \$1,161.5 million, reflecting a 13.4% rise over the prior year (Table G). Industry penetration stood at 9.1%, compared to 8.8% in 2022.⁶ The upward trend continued into the first quarter of 2024, with assets rising by 8.4% to \$1,205.8 million. Government securities and cash reserves remain the largest asset classes for general insurers, accounting for almost 75% of the total investment portfolio (Figure 11).

General Insurance Industry Balance Sheet Summary

	2020	2021	2022	2023	Mar-2024
Total Cash, Loans & Investments	601.1	614.2	589.7	635.6	658.6
Accounts Receivable	112.5	128.9	113.4	128.2	138.9
Fixed Assets	73.1	68.0	63.9	70.2	64.7
Other Assets	243.4	239.6	256.8	327.5	343.7
Total Assets	1030.1	1050.7	1023.9	1161.5	1205.8
Total Insurance Liabilities	590.9	597.6	630.6	725.3	733.2
Accounts Payable	158.6	85.6	88.1	81.3	97.6
Other Liabilities	97.0	73.9	82.5	49.4	49.6
Total Liabilities	846.6	757.2	801.2	856.0	880.4
Share Capital	83.9	81.2	82.0	82.0	82.0
Retained Earnings	219.2	298.0	252.8	333.2	349.2
Other Capital and Reserves	-119.6	-85.8	-112.1	-109.7	-105.8
Total Capital and Reserves	183.5	293.5	222.7	305.5	325.4

Table G

Source: Financial Services Commission

⁶ The penetration rate is an indicator used to define the level of development of the insurance sector within the economy. It is measured as the ratio of assets held by insurance companies to Gross Domestic Product (GDP).



Asset Composition of the Credit Union Sector in BDS\$ Millions (as at March 31, 2024)

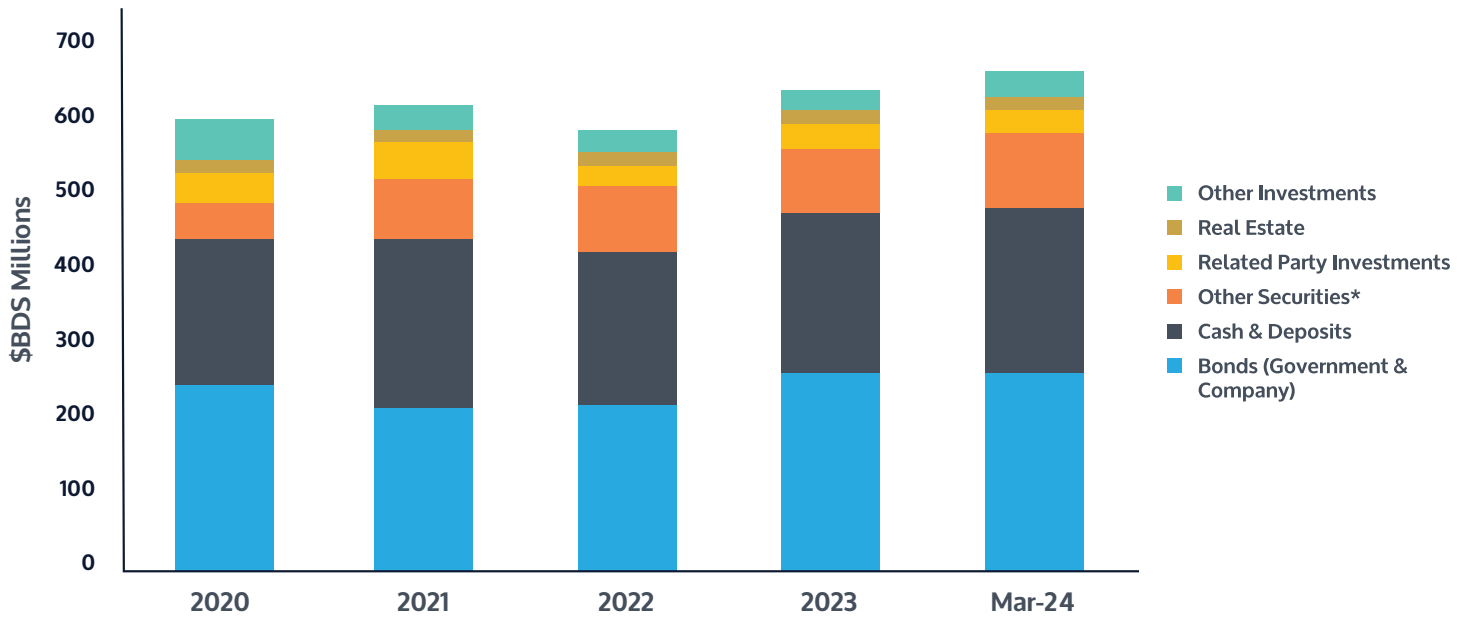


Figure 10
Source: Financial Services Commission

At the end of 2023, the industry’s total capital amounted to \$305.5 million, with an average solvency margin of approximately 623%. However, one insurer was deemed insolvent per legislative requirements, prompting the FSC to engage the company to identify corrective measures for the regulatory breach.⁷

The general insurance industry reported a robust performance in 2023, with premium revenue rising by 12.7% to an estimated \$604.8 million (Table H), mainly due to rate increases across some business lines. Property and motor business remain the dominant classes of insurance within the industry, accounting for over 70% of the industry’s total business. Claims incurred during the year amounted to \$181.2 million, a 5% increase over the prior year. Nevertheless, the industry saw a notable turnaround in profitability compared to 2022, achieving an underwriting profit of \$48.5 million at year-end 2023. Investment income for the year was \$14.6 million, contributing to the industry’s overall net profit of \$45.4 million.

⁷ The Insurance Act, CAP. 310 outlines that insurance companies carrying on general insurance business are deemed solvent when assets exceed liabilities by the greater of \$500,000 BDS or 25% of premium income in the preceding financial year.



General Insurance Income Statement Summary

	2020	2021	2022	2023	Mar-2024 ⁸
Gross Premiums Written	498.1	495.4	536.9	604.8	634.5
Net Premiums Earned	250.6	245.9	244.4	280.4	293.1
Claims Expense	142.4	155.5	173.7	182.4	181.9
Other Underwriting Expenses	106.7	104.3	108.2	49.5	57.5
Total Underwriting Expenses	249.0	259.8	281.9	231.9	239.4
Underwriting Income (Loss)	1.5	-13.9	-37.5	48.5	53.8
Investment Income	32.0	60.4	-3.6	14.6	14.8
Other Income (Expenses)	7.4	6.7	11.5	-17.7	-13.3
Net Income Before Tax	40.9	53.1	-29.6	45.4	55.3

Table H

Source: Financial Services Commission

Assets of the life insurance industry continued to grow strongly in 2023, reaching an estimated \$3,217.0 million by year-end (Table I), representing approximately 25.2% of Barbados' GDP. The asset base expanded by a further 14.1% in the first quarter of 2024, primarily driven by related-party investments, which constituted more than 50% of the industry's investments (Figure 11). Liabilities also increased over the period, reaching an estimated \$1,482.2 million at the end of March 2024. Despite this, the industry maintained a healthy solvency position with an average solvency margin of 218%, with all life insurance companies meeting the legislative solvency requirements.⁹

⁸ This data reflects annualized estimates from April 1, 2023, to March 31, 2024.

⁹ The Insurance Act, CAP. 310 outlines that a life insurance company is deemed solvent if the value of its assets exceeds its liabilities by an amount prescribed by the regulations.



Life Insurance Industry Balance Sheet Summary

	2020	2021	2022	2023	Mar-2024
Total Cash, Loans & Investments	2488.1	2383.8	2303.6	2767.2	2774.0
Accounts Receivable	37.1	29.0	28.7	37.3	38.3
Fixed Assets	88.8	89.1	92.8	92.9	92.8
Other Assets	135.8	264.7	346.1	320.6	321.0
Total Assets	2749.8	2766.6	2771.2	3217.9	3226.0
Total Insurance Liabilities	1317.7	1358.2	1332.2	1403.9	1410.2
Accounts Payable	48.2	50.0	54.1	43.0	44.0
Other Liabilities	58.2	16.5	24.4	28.1	28.0
Total Liabilities	1424.0	1424.7	1410.7	1475.0	1482.2
Share Capital	496.5	554.2	499.4	912.9	912.9
Retained Earnings	808.6	800.9	833.3	757.6	767.1
Other Capital and Reserves	20.7	-13.2	27.8	72.4	63.8
Total Capital and Reserves	1325.8	1341.8	1360.5	1743.0	1743.8

Table 1
Source: Financial Services Commission

Life Insurance Industry Classes of Investment

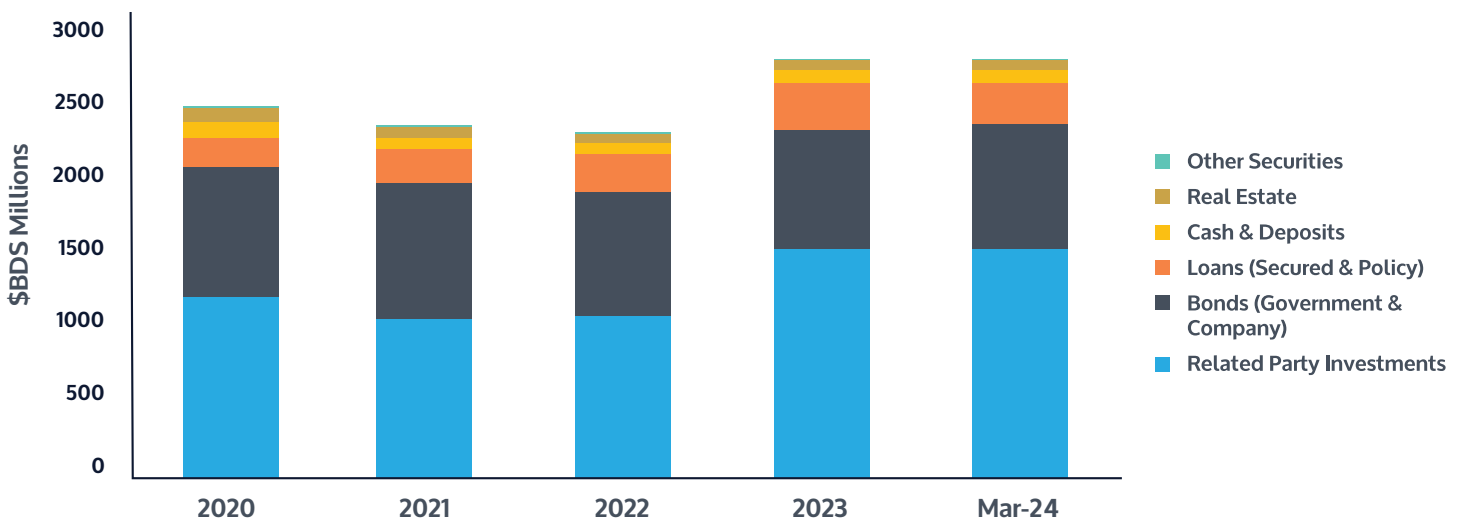


Figure 11
Source: Financial Services Commission



Gross premiums written with the life insurance industry amounted to \$275.3 million in 2023, reflecting a 4.3% increase over the previous year (Table J). Overall, ordinary life insurance comprises more than half of the total business written by the industry. During the year, total benefits paid to policyholders rose by 14.5% to an estimated \$23.4 million. The industry, however, experienced a reduction in profitability in 2023, having recorded net profits of \$35.0 million, down from \$109.8 million in 2022.

Life Insurance Income Statement Summary

	2020	2021	2022	2023	Mar-2024 ¹⁰
Gross Premiums Written	262.7	255.0	264.0	275.3	277.0
Net Premiums Written	234.5	236.8	246.4	266.7	268.4
Investment Income	56.3	57.8	59.2	70.6	70.9
Other Revenue	103.7	108.5	93.8	29.5	29.6
Total Revenue	394.6	403.1	399.4	366.8	369.0
Total Policyholder Benefits	192.5	229.3	204.8	234.4	236.7
Other Expenses	82.4	76.1	84.9	97.4	99.4
Total Expenses	274.9	305.3	289.6	331.9	336.1
Net Income Before Tax	119.7	97.8	109.8	35.0	32.8

Table J
Source: Financial Services Commission

¹⁰ This data reflects annualised estimates from April 1, 2023, to March 31, 2024.



Sector Development and Outlook

“ Appropriate corporate governance practices are critical to building a resilient and robust financial sector.”





CREDIT UNION LIQUIDITY AND NON-PERFORMING LOANS

The Credit Union sector continues to report high levels of liquidity, which are expected to continue in the short term. The continued recovery of the economy, improved employment levels, and pent-up demand for housing solutions are likely to drive the demand for mortgages which will provide opportunities for the sector to deploy liquid resources. Recognising that the sector has generally demonstrated maturity in assessing investment risks, the FSC implemented an Exemption Regime, which provides the sector with greater autonomy and nimbleness in accessing investment opportunities. Efforts will continue to modernise and “right-size” the FSC regulatory approach to enhance and encourage appropriate risk management by the sector.

Despite initial amelioration in non-performing loans (NPLs) post-COVID-19 and the economic rebound, credit unions are experienced a lagged effect as NPLs have trended marginally upward. This is due in part to compressed disposable income at the household level and declining growth of new credit. It is, therefore, important that the sector continues to improve its coverage ratio through provisioning and proactively treating delinquent and non-performing loans. Greater focus on re-negotiated loans may be needed to ensure that members with a reduced capacity to service existing loans can reduce their exposure based on new terms.

CONSOLIDATION IN THE CREDIT UNIONS INDUSTRY

Credit unions play an important role in providing access to financial products and services. During the period under review, we have seen a consolidation in the sector as small credit unions merged, resulting in the creation of greater economies of scale and increased efficiency. Continued focus on technology-driven products and services proved to be a catalyst for consolidation in the sector. This further led to the creation of greater economies of scale in the small and medium size sub-sector. While it is anticipated that the sector will continue to demonstrate growth in membership, assets, products, and services, the trend toward consolidation will continue in the short term. This is commensurate with the characteristics of a mature sector.

The Commission reviewed and approved the consolidation of two credit unions via asset transfers to other credit unions.



These credit unions were part of the “Tier 4” credit unions group i.e. those with assets of less than \$10 million.

As at March 31, 2024, there was one pending application for the transfer of assets. Current dialogue with sector stakeholders indicates that this trend will continue into the next financial year.

CLIMATE CHANGE & REINSURANCE

The insurance sector and regulators continue to be focused on climate change and its impact on the financial condition of individual insurers, the sector as a whole and, more widely, financial stability. IAIS released guidance on the supervision of climate-related risks for consultation in March 2024. As this guidance is finalised, the Commission will be assessing our existing requirements to ensure that, among other things, insurers are making investments that reflect the risks they face and are specifically factoring climate-related risks, when making those investments.

Another area impacted by climate change is the availability and pricing of reinsurance. Domestic insurers were able to renew their reinsurance programmes which allayed concerns of a potential loss of coverage, especially noting the experience in other regions where there has been a widening protection gap as coverage is not renewed or on less favourable terms. Some industry experts have signalled a potential softening of the



reinsurance market in 2025. It is anticipated that the industry will closely monitor developments in the reinsurance market and seek to promptly negotiate contracts to secure adequate coverage. As climate change impacts our region, insurers will need to ensure that their balance sheets can withstand the increased risks in the market.

INSURANCE PREMIUM INCREASES

Premium increases were implemented during the financial year, partly due to increased reinsurance costs, and forecasts by the insurance industry. Insurers in the domestic market confirmed increases in rates for motor and property insurance rates generally ranging between 5% and 20%, with some increases of 30% over the previous year.

INTERNATIONAL INSURANCE MARKET

Canada, Latin America, and the USA continued to be sources of business for Barbados during the financial year, as the number of new licensees marginally exceeded last year's numbers.

The sector continued to closely watch the development of Alberta's captive insurance market to assess what impact, if any, it will have on the international insurance market in Barbados. This will be a topic of interest in stakeholder engagement sessions with the industry in the new financial year.

In terms of the type of insurance products being covered by international insurers, two new classes of business that have emerged are cyber risk insurance and pandemic risk insurance. As with other insurance products, insurers providing related products have to demonstrate that robust risk management and capital strategies are in place to handle losses associated with these risks.

INSURERS IMPLEMENT IFRS-17

Insurers finalised arrangements to implement the IFRS 17 accounting standard into their operations during the financial year to facilitate the completion of financial statements and



returns based on the new standard. As many companies in the sector have a regional presence encompassing a myriad of stakeholders, the FSC continued to leverage its membership in CAIR and was a participant in the CAIR IFRS 17 working group, which worked to standardise reporting forms. A key stakeholder in the process was the local accounting standard-setter, the Institute of Chartered Accountants of Barbados (ICAB), with whom the FSC consulted on the new reporting forms to be issued to the industry and the approach that would be taken for non-IFRS 17 filers. The new reporting forms are expected to be fully implemented in 2024.

PENSIONS – SAFEGUARDING THE FUTURE

The reform of Barbados' National Insurance Scheme in 2023 and the discourse surrounding it, elevated calls for persons to take responsibility to ensure that they have adequate arrangements to protect their financial wellbeing after retirement. Aside from private pension plans, employer-provided pension arrangements, either as pension plans or registered retirement savings plans, are among the options available to individuals to safeguard their future.

The occupational pensions/employer-provided pensions sector, however, continued to experience wind-ups during the financial year, albeit at a slower rate when compared with the previous financial year. This year's wind-ups were mainly attributed to administrative costs and reduced business operations. The Commission has noted that administrative costs are consistently cited as a contributor to either pension plan closures or challenges in meeting certain obligations. It is critical to address the various challenges affecting the sector to ensure a sound financial future for retirees. To support the financial future of retirees in a sustainable manner will require addressing the various issues that impact the working and retired population. This includes implementing measures that encourage employers to maintain pension plans and form new ones. From a regulatory perspective, this includes reviewing

our requirements to determine where measures need to be re-applied in a more risk-focused way and developing a deeper understanding of the efficiency of pension plan administration and its impact on the expenses incurred by pension plans.

MUTUAL FUNDS SECTOR RESILIENCE

The Mutual Funds Sector demonstrated resilience in the face of ongoing geo-political tensions and banking and economic uncertainties as favourable global developments supported the sector's return to growth during the 2023-2024 period. This growth coincided with greater stabilisation of interest rates and strong gains in the North American market, which continues to be a leading jurisdiction for investment by the sector. The sector continues to achieve diversification through investment in other mutual funds, and within the domestic sector, Barbados continues to have significant holdings.

GOVERNANCE

The Commission will continue to promote the adoption and implementation of "fit-for-purpose" risk management policies and strategies. Importantly, appropriate corporate governance practices are critical to building a resilient and robust financial sector. To ensure the continued strengthening of governance practices, the Commission will formally move into the phase of monitoring for compliance with the 2023 revised Corporate Governance Guideline.

We recognise the need for strong governance in the occupational pensions plan sector as well as guidance and other measures to be employed to ensure that Administrators are administering pension plans in the best interest of plan members.



Celebrating Service & Commitment at the FSC



Some photos of attendees at the 2023 Christmas Dinner & Awards Ceremony.



CORPORATE SERVICES



CAROL NICHOLLS
Deputy Chief Executive Officer,
Corporate Services

In response to evolving financial landscapes and regulatory challenges, the FSC has embarked on a transformative journey aimed at enhancing its capabilities in people, processes, and technology. This summary corporate services report highlights the Commission’s strategic initiatives and progress towards becoming a leading financial regulator equipped to meet future demands.

As identified in previous reports, the FSC recognised the imperative for structural and operational changes to effectively implement risk-based supervision and fulfil its regulatory mandate. Central to this transformation is the re-orientation of organisational structure and technological infrastructure, supported by robust talent management systems capable of agile adaptation.

The establishment of the Transformation Management Office (TMO) marks a critical step in this multi-year reorganisation. It will ensure alignment with strategic objectives and foster a culture conducive to innovation and excellence. The TMO is expected to be fully functional within the next financial year, and key experts will be onboarded to manage the change and project management initiatives.

Talent Management and Organisational Development

We acknowledge the pivotal role of talent management in achieving our objectives. The focus will be on effective change management and a comprehensive HR strategy is underway to attract and retain skilled



professionals essential for driving transformation. Emphasis is placed on fostering a transparent, equitable work environment that supports employee satisfaction and engagement. Initiatives include promoting a culture of high performance and continuous learning, facilitated through mentoring, coaching, and development programmes.

Technological Advancement

In embracing a data-driven regulatory approach, the FSC is leveraging cutting-edge technologies and robust data analytics frameworks. Initiatives such

as the IT Transformation Roadmap and Suptech adoption aim to enhance operational efficiency and supervisory effectiveness. These efforts facilitate streamlined interactions with stakeholders, improve regulatory compliance, and bolster market confidence in the financial system.

Enhanced Stakeholder Engagement

Effective stakeholder engagement remains pivotal in our regulatory and operational success. The FSC continues to expand interactions with industry bodies, investors, and international



counterparts through proactive public engagement and information-sharing initiatives. These efforts promote market confidence, enhance regulatory transparency, and facilitate informed decision-making.

Additionally, the Commission continues to advance work on its new website, which is set to be unveiled within the next financial year. The site will provide greater functionality and relevant content to enhance the relationship between stakeholders and the regulator. Easier access to our list of regulated entities, insights into key statistics and key strategic initiatives will all be but a few clicks away.

The initiatives outlined in this report signify our commitment to becoming a forward-looking financial regulator equipped to navigate dynamic market landscapes. By prioritising talent, technology and innovation, along with reengineering processes, the FSC aims to strengthen regulatory frameworks, promote financial stability, and uphold investor trust. Looking ahead, the FSC remains dedicated to achieving its strategic goals and delivering impactful outcomes for stakeholders and the broader financial community.

In summary, the FSC's transformation journey underscores its commitment to excellence, innovation, and regulatory stewardship in the financial services industry.

Our
**FUTURE
STATE**



FUTURE STATE OF THE COMMISSION



The future state of the Commission will continue to be shaped by several key trends and challenges. Here are some aspects that will characterise our future state:

1. **Investing in People:** Ensuring staff have the expertise and capacity to meet future challenges through continuous training and development.
2. **Enhanced Supervision:** Implementing new regulatory and supervisory measures to address emerging risks and ensure the financial system's stability.
3. **Stakeholder Engagement:** Fostering a better understanding of our regulatory expectations through proactive engagement and collaboration with industry stakeholders.
4. **International Collaboration:** Strengthening the global financial regulatory framework through close cooperation with domestic and international counterparts.



The FSC is committed to safeguarding the integrity and stability of the financial system while fostering innovation and consumer protection. By continuously adapting to the evolving financial landscape and collaborating with stakeholders, we aim to create a more stable, inclusive, and prosperous future for all. Our journey of transformation, driven by resilience and adaptation, positions us for enduring success and underscores our unwavering belief in the organisation's potential.

The Commission is expected to further streamline its priorities in the next financial year because of several major changes in the operating environment (domestic, regional, international) affecting all aspects of activity at the FSC. Key among them is changing regulatory developments, our regulatory

ability to promote and enhance stable non-bank financial sectors through data collection and analysis, technological advances, cyber security, the emphasis on ESG initiatives, and professional and technical competencies to drive the change and transformation agenda. Several factors call for change and the adoption of new strategies to push various aspects of the non-bank financial sectors in Barbados to higher standards of operation. Therefore, there is a compelling need for the FSC to evolve in tandem with the market needs to keep pace with the fast-changing market conditions.

The FSC remains dedicated to its mission. Together, we will navigate the complexities of the financial services industry, creating a thriving financial ecosystem in Barbados.



FINANCIAL STATEMENTS



081_%

064_%

60%

90%

66%

85%

088_%

060_%



Ernst & Young Ltd
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
246 430 1352
www.ey.com

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

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 2024, 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 2024 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.



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 (Cont'd)

- 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.

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 as a body 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
27 June 2024


Statement of Financial Position


As at 31 March 2024

	Notes	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	3	20,994,255	17,121,981
Accounts receivable	4	209,305	117,128
Deposits with Central Bank	5	22,900,266	21,009,882
Prepayments		124,565	40,029
Lease deposits		63,643	63,643
		44,292,034	38,352,663
Property and equipment	6	508,522	873,131
		44,800,556	39,225,794
Liabilities			
Current liabilities			
Accounts payable & Accrued Liabilities		963,451	1,061,436
Deferred income	9	10,728,883	10,647,013
Escrow deposits	5	22,900,281	21,009,897
		34,592,615	32,718,346
Represented by:			
Capital contribution	8	3,150,624	3,150,624
Accumulated (deficit) surplus		7,057,317	3,356,824
		10,207,941	6,507,448
Total Liabilities and General Fund		44,800,556	39,225,794

The accompanying notes form part of the financial statements.

Approved by the Commission on 27 June 2024 and signed on its behalf by:

 Chairman

 Deputy Chairman

Statement of Comprehensive Income

For the period ended 31 March 2024

	Notes	2024 \$	2023 \$
Income			
Fees	9	14,882,648	14,524,458
Other income		1,840	1,551
		<u>14,884,488</u>	<u>14,526,009</u>
Expenses			
Salaries and benefits		6,651,341	6,518,789
Lease	11	787,288	787,288
Computer expenses		765,142	248,811
Professional fees		704,077	875,335
Depreciation	6	405,525	467,018
Corporate expenses		376,019	159,506
Utilities		265,291	253,649
Conferences and meeting expenses		233,513	128,852
Training		184,112	89,327
Security		144,778	143,524
Maintenance		138,554	111,821
Commissioner fees and allowances		93,600	85,800
Membership and registration fees		92,057	132,983
Subscription		68,236	64,308
Uniforms		62,995	72,251
Office supplies		53,200	51,482
Insurance		46,026	27,503
Advertising		34,691	33,258
Bad debt		23,976	-
Vehicle expenses		16,931	9,367
Stationery		15,800	17,747
Refreshments		10,585	980
Loss on disposal of fixed asset		6,279	9,203
Bank charges		4,745	6,575
Travel Expenses		54	723
Miscellaneous		-	159,242
Discount received		(820)	(1,175)
		<u>11,183,995</u>	<u>10,454,167</u>
Surplus for the year		<u>3,700,493</u>	<u>4,071,842</u>

The accompanying notes form part of the financial statements.

Statement of Changes in General Fund

Year ended 31 March 2024

	Capital Contribution \$	Accumulated Surplus / (Deficit) \$	Total \$
Balance as at 31 March 2022	3,150,624	(715,018)	2,435,606
Surplus for the year	-	4,071,842	4,071,842
Balance as at 31 March 2023	3,150,624	3,356,824	6,507,448
Surplus for the year	-	3,700,493	3,700,493
Balance as at 31 March 2024	3,150,624	7,057,317	10,207,941

Statement of Cash Flows

Year ended 31 March 2024

	Notes	2024 \$	2023 \$
Cash flows from operating activities			
Surplus for the year		3,700,493	4,071,842
Adjustments for:			
Depreciation	6	405,525	467,018
Loss on disposal of fixed asset		6,279	9,203
Bad debt		23,976	-
		4,136,273	4,548,063
Operating surplus before working capital changes:			
Increase in deposits with Central Bank		(1,890,384)	(812,592)
(Increase)/decrease in accounts receivable		(116,153)	65,907
(Increase)/decrease in prepayments		(84,536)	51,455
(Decrease)/increase in accounts payable		(97,985)	223,573
Increase in deferred income		81,870	314,441
Increase in escrow deposits		1,890,384	812,592
Net cash from operating activities		3,919,469	5,203,439
Cash flows used in investing activities			
Purchase of property and equipment	6	(47,195)	(156,297)
Net cash used in investing activities		(47,195)	(156,297)
Increase in cash for the year		3,872,274	5,047,142
Cash – beginning of year		17,121,981	12,074,839
Cash – end of year	3	20,994,255	17,121,981

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

Year ended 31 March 2024

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.

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at bank.

Notes to the Financial Statements

Year ended 31 March 2024

2. Significant accounting policies (cont'd)

c) Property and equipment

Property and equipment are stated at cost less depreciation and provision for impairment. Cost includes expenditure that is directly attributable to the expenditure of the items. The charge for depreciation is computed on the straight-line basis calculated to write off the cost of the property and equipment over their expected useful lives. The estimated useful lives of the assets are as follows:

Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Computer equipment	3 years
Library books	3 years
Leasehold improvements	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

d) Revenue recognition

Fees and deferred income

Application fees are recognized on an accrual basis. Annual registration and license fees are due in January, and in March for Credit Unions, of each year and are recognized in income on a calendar year basis. Deferred income represents fees which will be earned over the next financial year.

e) Accounts receivable

Accounts receivable are recognized initially at the fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payment are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income.

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.

Notes to the Financial Statements

Year ended 31 March 2024

2. Significant accounting policies (cont'd)

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.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2024	2023
	\$	\$
Cash at bank	20,993,890	17,121,578
Cash in hand	365	403
	<u>20,994,255</u>	<u>17,121,981</u>

Notes to the Financial Statements

Year ended 31 March 2024

4. Accounts receivable

Accounts receivable consist of the following:

	2024	2023
	\$	\$
Staff receivable	11,417	-
Registration fees receivable	348,793	244,057
	<u>360,210</u>	<u>244,057</u>
Less: Provision for doubtful debts	(150,905)	(126,929)
	<u>209,305</u>	<u>117,128</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.

Notes to the Financial Statements

Year ended 31 March 2024

5. Deposits with Central Bank

The Commission has a deposit account in the amount of \$22,900,266 (2023: \$21,009,882). The funds are deposited at the Central Bank of Barbados. The account comprises:

- a) A statutory deposit of \$9,983,156 (2023: \$8,644,689) representing amounts paid by insurance companies to satisfy their requirement under the Insurance Act CAP 310.
- b) Unclaimed moneys totaling \$12,804,160 (2023: \$12,252,243) 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 \$112,950 (2023: \$112,950) representing funds held with the Commission in accordance with the Co-operative Societies Act CAP378A Section 159(2).

Notes to the Financial Statements

Year ended 31 March 2024

7. Property and equipment

	Leasehold	Office Equipment	Computer Equipment	Motor Vehicles	Furniture & Fittings	Library Books	Total
	\$	\$	\$	\$	\$	\$	\$
2024							
Cost							
Balance – beginning of year	624,675	18,522	3,358,672	187,004	826,504	28,989	5,044,366
Additions	-	13,771	9,009	-	24,415	-	47,195
Disposal	-	-	(17,439)	-	-	-	(17,439)
Balance – end of year	624,675	32,293	3,350,242	187,004	850,919	28,989	5,074,122
Accumulated depreciation							
Balance – beginning of year	286,414	14,623	3,061,985	180,067	600,022	28,124	4,171,235
Depreciation	124,936	3,062	189,977	6,937	79,748	865	405,525
Disposal	-	-	(11,160)	-	-	-	(11,160)
Balance – end of year	411,350	17,685	3,240,802	187,004	679,770	28,989	4,565,600
Net book value							
Beginning of year	338,261	3,899	296,688	6,937	226,482	865	873,132
End of year	213,325	14,608	109,440	-	171,149	-	508,522
2023							
Cost							
Balance – beginning of year	624,675	18,522	3,476,147	187,004	803,015	28,989	5,138,352
Additions	-	-	132,003	-	24,294	-	156,297
Disposal	-	-	(249,478)	-	(805)	-	(250,283)
Balance – end of year	624,675	18,522	3,358,672	187,004	826,504	28,989	5,044,366
Accumulated depreciation							
Balance – beginning of year	161,479	13,627	3,066,226	152,320	525,006	26,638	3,945,296
Depreciation	124,935	996	236,033	27,747	75,821	1,486	467,018
Disposal	-	-	(240,275)	-	(805)	-	(241,080)
Balance – end of year	286,414	14,623	3,061,984	180,067	600,022	28,124	4,171,234
Net book value							
Beginning of year	463,196	4,895	409,921	34,684	278,009	2,351	1,193,056
End of year	338,261	3,899	296,688	6,937	226,482	865	873,132

Notes to the Financial Statements

Year ended 31 March 2024

7. Related party transactions

Key management compensation

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

	2024	2023
	\$	\$
Salaries and other short-term benefits	2,114,511	2,285,007

8. Capital contribution

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

- All assets and liabilities of the Securities Commission are deemed to be transferred to the Commission
- 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
- 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. There were no changes in 2023 or 2024.

	2024	2023
	\$	\$
Assets		
Current assets		
Cash	838,355	838,355
Lease deposits	20,547	20,547
Property and equipment	41,841	41,841
Total assets	900,743	900,743

Notes to the Financial Statements

Year ended 31 March 2024

8. Capital contribution (cont'd)

	2023	2022
	\$	\$
Liabilities		
Current liabilities		
Accounts payable	24,090	24,090
Deferred income	388,684	388,684
	412,774	412,774
Capital contribution (initial)		
Additional Contribution	211,229	211,229
Government Grant E-FileIT 15 (i)	2,451,426	2,451,426
Capital Contribution	3,150,624	3,150,624

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

The Government of Barbados financed the development of customized regulatory software for use by the Commission. The application was developed at a cost of \$2,451,426 and was deployed in 2019. The cost of the system represents a capital contribution made by the Government. (See note 15)

9. Fees and deferred income**(a) Fees**

Fees for the year consist of the following:

	2024	2023
	\$	\$
Application and registration fees	14,797,426	14,798,009
Penalties	14,950	45,750
General Processing fees	152,808	106,237
	14,965,184	14,949,996
Total fees collected during the year	14,965,184	14,949,996
Add: Deferred income recognised during the year	10,647,013	10,332,571
Less: Income deferred for subsequent period	(10,729,549)	(10,758,109)
	14,882,648	14,524,458

Notes to the Financial Statements

Year ended 31 March 2024

9. Fees and deferred income (cont'd)

(b) Deferred income

Movement in deferred income consist of the following:

	2024	2023
	\$	\$
Balance – beginning of the year	10,647,013	10,332,571
Income recognised during the year	(10,647,013)	(10,332,571)
Income deferred for subsequent period	10,728,883	10,647,013
	10,728,883	10,647,013

10. 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.

11. Operating lease commitments

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

	2024	2023
	\$	\$
Not later than 1 year	787,288	787,288
Later than 1 year and not longer than 5 years	196,822	984,109
	984,110	1,771,397

During the year, operating lease payments of \$787,288 (2023: \$787,288) were recognized as an expense.

Notes to the Financial Statements

Year ended 31 March 2024

12. 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 \$137,562 (2023: \$127,954) was contributed to the plan by the Commission and this amount is included in salaries and benefits in the statement of comprehensive income.

