



FINANCIAL SERVICES
COMMISSION

FSC 2019-2020 ANNUAL REPORT

FINANCIAL SERVICES COMMISSION

Letter of Transmittal

July 31st, 2020

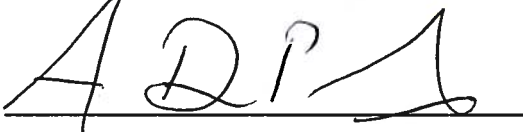
The Hon. Mia Mottley, M.P. Q.C.
Minister of Finance, Economic Affairs and Investment
Ministry of Finance, Economic Affairs and Investment
Government Headquarters
Bay Street
St. Michael

Dear Madam,

I have the honour of submitting for your consideration, the Annual Report of the Financial Services Commission for the year ending March 31, 2020, in accordance with the provisions of Sections 50 of The Financial Services Commission Act.

Yours faithfully,

FINANCIAL SERVICES COMMISSION

A handwritten signature in black ink, appearing to read 'Avinash Persaud', written over a horizontal line.

Avinash Persaud

Chairman

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About Us

The Financial Services Commission (FSC) is an integrated regulatory body established on April 1, 2011 by virtue of the Financial Services Commission Act, 2010. It represents a consolidation of the regulatory and supervisory functions previously conducted by the Supervisor of Insurance and Pensions, the Securities Commission and the Co-operatives Department, insofar as it relates to credit unions. FSC is, therefore, responsible for supervising and regulating entities in the insurance, occupational pensions, credit unions and securities sectors, which are licensed or registered under the following Acts of Parliament:

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

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



MISSION STATEMENT

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

VISION STATEMENT

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



Chief Executive Officer's Report

The 2019-2020 financial year was indeed a year of progress for FSC as we continued our journey of transformation. Among our key highlights were the tremendous reduction in time taken to process new applications, greater collaboration with our stakeholders, improvements in the administration of our risk-based approach to regulation, and the successful implementation of a new funding model that has placed FSC on a sound financial footing. If we are not careful, these successes may be easily dominated by the overwhelming impact of the Covid-19 pandemic.

In keeping with our commitment to improving service standards, we reviewed the application process in an effort to provide a more efficient turnaround time for approvals. With the necessary adjustments, the initial turnaround time of 12 weeks was substantially reduced to an average of 3-4 weeks, and it is envisaged that with the establishment of the Rapid Approval Committee for fast track review and approval of low risk applications, providing quality service to constituents will be maintained. Key to enhancing operations, improving service delivery and meeting the expectations of stakeholders, is having adequate human and financial resources. Thus, in consultation with the non-bank financial sector, FSC successfully implemented a new funding model resulting in the achievement of financial independence. Over the next three years, the full cost recovery model will be implemented incrementally, allowing for the full execution and discharge of the statutory mandate and missions, such as strengthening the existing regulatory frameworks, re-training and re-grading staff, ensuring access to required specialist expertise, and enhancing crisis management capabilities.

The strategic focus on enhancing the regulatory regime saw the development of the risk-based framework for credit unions. This method of supervision is dynamic and forward looking, and allows risks to be identified and addressed early. It is aligned to the unique characteristics of small and medium-sized credit unions, ensuring the protection of members and other creditors while allowing them to operate and take reasonable risks. In addition, there was comprehensive reform of the national Anti-Money Laundering/Combating Terrorist Financing (AML/CFT) framework, culminating in wide-ranging legislative and policy amendments. Notwithstanding, Barbados was blacklisted by the European Union (EU) over its AML/CFT regulatory regime. This action could have significant and wide-ranging effects on the economic landscape of Barbados and every effort is being made to meet the various targets to ensure the country is removed from the blacklist. To this end, FSC continued to work towards strengthening the regulatory regime to support the alignment of the AML framework to

international standards. As part of this effort, regulatory reminders were consistently issued to registrants to ensure that financial institutions are resolute in complying with critical aspects of the AML/CFT requirements. Inspections commenced across various entities and initiatives were implemented allowing financial institutions to easily obtain advice and guidance on AML/CFT related matters. In addition, members of staff accessed training to enhance their knowledge and understanding of AML/CFT.

FSC contributed to the discourse surrounding the evolving financial technology (FinTech) sector by jointly hosting the *Sustainable DeFi and Financial Inclusion Conference* with the Institute of International Economic Law, Georgetown University Law Center. Over the review period, one entity successfully graduated out of the regulatory sandbox and discussions were held with other entities regarding their potential entry. To support government's commitment to pursuing relationship building with our African neighbours, and as part of our efforts to enhance this sector, FSC began negotiations with the Capital Markets Authority of Kenya to develop a joint regulatory sandbox that will be governed by a mutual recognition agreement. We also started development of a peer-to-peer lending framework.

FSC continued to enhance relationships with fellow regulators through its appointment as Vice-Chair of the regional Caribbean Group of Securities Regulators Fintech Committee, and membership on the International Organisation of Securities Commissions Fintech Network. Participation in these groupings place us in a position to better advocate issues that are critical and unique to Barbados and the region, and garner and transfer knowledge and experience. FSC's continued membership on the Macroprudential Committee of the International Association of Insurance Supervisors has been beneficial as we pursue efforts to design, develop, and implement a rigorous risk based supervisory framework in line with international regulatory best practices. Overall, the period saw FSC collaborating with a range of regulators and stakeholders, which included the Office of the Attorney-General, Barbados International Business Association, Invest Barbados, the Network for Pensions in Latin America and the Caribbean, and the Caribbean Financial Action Task Force.

The most impactful event in FSC's history came with the COVID-19 pandemic, which was a true test of our capabilities. It provided great insight into the effectiveness of operations and showed us our efficiencies and deficiencies. Our response was multi-faceted as we sought to implement the strategies necessary for both internal and external stakeholders. Arrangements involved allowing staff to work remotely; enhanced monitoring of, and engagement with, registrants; issuing circulars that provided details concerning the form in which regulatory forbearance and flexibility would take, and implementing measures to ensure business continuity.

Looking to the future, priority will be given to building out human resources needs, being more people-focused and strengthening engagement with all our stakeholders. We will implement strategies essential to fostering relationship building and teamwork and maintain our focus on training and development. FSC has been able to contribute to raising public confidence in a stable and competitive non-bank financial system in Barbados, and this comes down, as always, to the individual contributions of our employees. Overall, the goal is to maintain focus on our mandate of promoting stability in the non-bank financial sector, protecting financial services consumers, and organisational building.

An exciting year lies ahead as FSC embarks on a journey of digitisation. The e-filing project entered the implementation phase and it is anticipated that it will significantly enhance processes, the ease of doing business, and allow for greater efficiencies within the organisation. The digital strategy is being driven by FSC's needs and those of its diverse stakeholders. There will be a flexible, responsive approach, which will change as user needs and technology evolve. We intend to utilise technology to add efficiency to the regulatory process and the information technology system will not only complement current staff expertise in supervising regulated entities, but will be a critical component in executing our business continuity plan.

I wish to express sincerest gratitude to the Caribbean Regional Technical Assistance Centre (CARTAC), which continued to provide support, facilitation and technical guidance to FSC; the benefits from this investment have been innumerable. On behalf of the management team, I also express deep gratitude to the Board whose continued insight and guidance have been invaluable. The commitment of management and staff, despite the challenges faced, has contributed to keeping the ship steady and staff must be commended for their open-mindedness and flexibility in approach as we traversed the past year.

On a sad note, in March 2020 FSC lost one of its longstanding members of staff – Mrs. Thania Lynch-Newton, Analyst in the Pensions division. Mrs. Lynch-Newton played a vital role in both the development of the Pensions division and of FSC in general, and was also a founding and active member of the FSC Sports and Social Club, having served at one time as its President. Her contribution to the organisation was inestimable and she will be greatly missed.

I close by noting that change and crisis have the capacity to reveal and magnify who you really are and it is my view that a positive future lies ahead, as those of us who make up the FSC, collectively adapt to what is a rapidly changing environment. I certainly look forward to the future with excitement as we continue to pursue a mandate that ensures the stability of the non-bank financial sector is maintained.

Board Commissioners

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

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

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

Ms. Vere Brathwaite is an Attorney-at-Law qualified to practise Law in Barbados, England and Wales, and the English-speaking Caribbean. She holds a Bachelor of Science degree (Hons.) and a Bachelor of Laws degree (Hons.), both from the University of the West Indies in Barbados. She was admitted as a Barrister to the Bar of England and Wales. Ms Brathwaite practises Civil Law with a concentration in Business Law, Corporate Law, International Business Law, and Corporate Governance. She is also a Director or Corporate Secretary of several entities including companies in the International Business sector. In addition to her legal practice, Miss Brathwaite also presented as a Conference Speaker in Florida State

University/University of the West Indies joint conferences for several years; she was formerly a tutor at the University of the West Indies in the Faculties of Law and Social Sciences.

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

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

Mr. Harold Codrington was a Deputy Governor of the Central Bank of Barbados, where he gave invaluable service for more than three decades. He played an important role in the development of the organisation, particularly as a member of its management team.

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

Ms. Debbie A.P. Fraser is an Attorney-at-Law qualified to practice in Barbados and Jamaica and has been in practice since 1992. She is a graduate of the University of the West Indies and the Norman Manley Law School in Jamaica, where she received the Legal Education Certificate of Merit. Ms. Fraser joined the law firm of Clarke Gittens Farmer in November 2003 as an associate and became partner in May 2005. She is currently the partner responsible for the firm's commercial department, specialising in mergers and acquisitions, takeovers, energy law, securities law, project finance and both international and domestic capital markets for debt financing.

Mr. Ian Carrington is Director of Finance and Economic Affairs; Ministry of Finance, Economic Affairs and Investments, with responsibility and oversight for the Government’s financial management. He holds a Masters of Public Administration and a Post-Graduate diploma in Public Policy from Harvard University, and is a Fellow of the Certified General Accountants of Canada and of Certified Professional Accountants of Canada.

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

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

Board Committees

The Policy and Legislative Committee

The Policy and Legislative Committee reviews legislation and related issues requiring legislative resolution and provides an overall position to the Board on proposed policy, legislation and regulations. The main aim of the Committee is to develop appropriate solutions and make recommendations on the adoption of appropriate legislative priorities.

Committee members are:

- Professor Avinash Persaud
- Ms. Debbie Fraser
- Ms. Vere Brathwaite
- Mr. Ian Carrington

The Authorisation and Licensing Committee

The Authorisation and Licensing Committee considers and determines matters concerning applications made by individuals and financial institutions. It provides recommendations to the Board for authorisations, licensing and registration in accordance with the relevant legislation. The Committee ensures that all directors of regulated entities satisfy “fit and proper” criteria for the conduct of financial services business.

Committee members are:

- Mr. Ronald Bascombe
- Ms. Desirée Cherebin
- Ms. Vere Brathwaite
- Mr. Harold Codrington

The Human Resources Committee

The Human Resources Committee formulates and ensures the implementation of plans, policies and procedures relating to employee recruitment, assessment and development. It also reviews organisational design and development, along with other related administrative functions.

Committee members are:

- Professor Avinash Persaud
- Mr. Ronald Bascombe
- Ms. Desirée Cherebin
- Mr. Harold Codrington

FSC Management Team

Chief Executive Officer	Mr. Kester Guy
Deputy Chief Executive Officer	Ms. Rosina Knight
General Counsel	Mrs. Cyralene Benskin-Murray
Director, Risk Analytics	Ms. Gayle Marshall
Manager – Credit Unions	Mr. Curtis Lowe
Manager – Securities	Mrs. Denise Hinds-Jordan
Manager – Insurance	Mr. Alan Broomes
Manager – Pensions	Mrs. Tanya Bretney
Manager – Examinations	Ms. Esther Griffith
Manager – Research and Policy	Ms. Melissa Burrowes
Manager – Information Technology	Mr. Emmerson Cadogan
Manager – Human Resources	Ms. Joanne Mapp
Manager – Finance & Planning	Ms. J. Waveney Forde

Regulatory Enhancement and Developments

FSC's regulatory regime is based on the principles of consumer protection and systemic risks. It is forced to think about emerging issues in relation to these principles as the financial landscape develops and new products and technologies come to the market. The regulatory environment is dynamic and in order to remain on the cutting edge of regulation and maintain international best standards, FSC maintains a focus on enhancing its supervisory capacity. The review period presented a number of challenges, as FSC continued to function with limited human resources while focusing on meeting the growing needs of the non-bank financial sector. Increasing expectations demanded that a significant amount of financial resources be dedicated to training. Furthermore, as technological advancements in regulation came sharply into focus, FSC committed to upgrading its technology to more efficiently service the industry.

As market players and the public in general became more interested in digital assets and other innovative Fintech products, it was imperative that the existing regulatory framework be reviewed. Therefore, notwithstanding its staffing limitations, FSC maintained that improving the regulatory framework was central to the development of the financial sector in Barbados and prioritised the revision of the governing legislation and regulatory oversight procedures. This led to a number of key regulatory developments, as summarised below:

AML/CFT & PF

FSC worked extensively on helping to produce Barbados' Follow-Up Reports, Post-Observation Period Report, and Progress Report for the Financial Action Task Force (FATF). Preceding these reports, FSC developed action plans to address the deficiencies identified in its supervisory framework and, subsequently, made a number of legislative and policy changes.

FSC distributed AML/CFT & PF questionnaires to 408 financial institutions, which informed the inherent vulnerability risk profiles of the credit union, securities, and insurance sectors, and the inherent risk ratings of the individual financial institutions. FSC also conducted 33 onsite inspections of what it deemed to be higher-risk financial institutions, did 39 desk-based reviews of medium-risk financial institutions, and issued several letters as a result of enhancements to the FSC Ladder of Intervention and Enforcement Framework.

Risk Based Capital

FSC continued its transition to a risk based approach to capital determination, from a static approach, which imposed the same standard and requirement on all credit unions regardless of risk, size and complexity. It also engaged a consultant on initiatives to help advance this stage of

the process. Some consideration is being given to different frameworks and methodologies currently being implemented in similar global markets, in an effort to achieve the best fit for the insurance sector here in Barbados. This is based mainly on the size, products, and overall performance of the market in the past few years.

Consolidated Risk Based Supervision

FSC's regulatory tools and capacity were again strengthened by way of a regional workshop on Consolidated Risk Based Supervision of Banking Groups and Financial Conglomerates, hosted by CARTAC. A cross-disciplinary team was established to implement an effective approach to assessing the safety and soundness of licenced financial conglomerates against current and emerging risks. This process assists the regulator's comprehension of the strengths and risk across a single financial group, in an effort to address financial, operational and management deficiencies that may pose a threat to the safety and soundness of the group.

Some entities continue to evolve in size and complexity, in some instances establishing structures through which subsidiaries are owned and operated. FSC is cognizant of the necessity to assess risks from a group-wide perspective so as to ensure that appropriate corporate governance practices obtain, adequate capital and liquidity levels are maintained, and risk management practices are commensurate with the size and complexity of the group. As such, it began revision of its supervisory framework to ensure that it allows for adequate supervision and regulation of entities of this nature. This framework is expected to be fully implemented in the coming financial year.

IFRS 9 Guidance & Transitional Provisions

Credit unions adopted International Financial Reporting Standard 9 (IFRS 9) and one of the requirements was to transition to an expected credit loss approach to determining the requisite level of provisions to be held for credit risk. FSC recognised that the implementation of IFRS 9 was likely to have a deleterious impact on credit union capital levels. As a result, it agreed to the use of the Basel Committee's transitional IFRS 9 capital add-back provisions as endorsed by the International Credit Union Regulators' Network and the World Council of Credit Unions. This is expected to cushion the impact of the transition to the credit loss methodology for determining loan loss provisions. This approach allows for the retention of capital while ensuring that adequate credit risk buffers are maintained.

Material Change Guideline

FSC is aware that given the dynamic nature of the regulatory environment, changes may occur in some entities that may impact regulatory oversight of these entities. In order to maintain effective vigilance in monitoring, FSC embarked on an exercise to assist registrants in understanding the varying types of changes that are considered “material” and would either need prior regulatory approval, or that would need to be reported to FSC, but would require no regulatory approval. FSC continues to refine its guidance to registrants on their obligations as it relates to changes that are material in nature.

Fintech

As products continue to evolve in the realm of financial technology, FSC has completed the draft of a regulatory framework for Peer-to-Peer lending (P2P). During the process, FSC’s main focus was the maintenance of investor protection and the mitigation of systemic risk. As such, the regulation focused on the monitoring of P2P’s risk management and market conduct framework with specific emphasis on capital requirements, market restrictions, governance, disclosures and AML/KYC requirements. FSC looks forward to issuing this framework for consultation in the upcoming financial year, and in establishing Barbados as the jurisdiction of choice for financial technology.

Digital Assets Offering

In line with international developments and the growing sophistication of the domestic market as it relates to Fintech, FSC, pursuant to its regulatory remit, worked with entities seeking to trade in Digital Assets. Key areas of concern included ensuring that in the utilisation of technology and the development of innovative products, investor protect was maintained and any potential systemic risk mitigated. As such, the trading of Digital Assets was restricted to sophisticated investors.

FSC approved the body of rules pertaining to the listing of Digital Assets on the International Securities Market of the Barbados Stock Exchange, and the body of rules of a Self-Regulatory Organisation specialising in the trading of Digital Assets of numerous asset classes.

Fintech Activities

- FSC continued its collaboration with Invest Barbados, advancing the regulatory framework surrounding Fintech. As a result, members of the Fintech Working Group attended various international conferences focusing on financial technology matters. On the request of Blockchain Futurist Canada, FSC representatives presented on the topic, *“Risk, Regulation and What’s Next”* where they outlined the approach being taken with respect to regulation and the emphasis of maintaining consumer protection and mitigating systemic risk by proposed activities of companies.
- FSC, in its capacity as Vice Chair of the financial technology sub-working group of Caribbean Group of Securities Regulators (CGSR), submitted a report on its activities to Chair of CGSR. Based on the contents of the report, FSC was subsequently nominated to lead the development of a digital assets framework for common use by CGSR members.
- FSC remains active in facilitating its regional counterparts in dialogue on regulatory matters pertaining to financial technology. As such, it met with the Trinidad and Tobago Securities Exchange Commission (TTSE) where the development, challenges and operations of the Barbados Sandbox were discussed. FSC outlined the framework and governance of the Sandbox and recommended an approach that TTSE may take in designing its own framework.
- FSC continues to actively collaborate with the Central Bank of Barbados in the review of matters submitted to the joint Sandbox. Mobile payments have so far dominated applications to the Sandbox.

Sector Performance

Insurance

Barbados has moved towards tax convergence of its domestic and international business sectors, with a single legislative framework for all insurance entities operating in or from within Barbados. The legislative amendments resulted in the creation of three classes:

- **Class 1 licensee**, which shall be an insurance company that underwrites related party business
- **Class 2 licensee**, which shall include an insurance company that underwrites risks of third parties
- **Class 3 licensee**, which shall include an insurance intermediary, an insurance management company and an insurance holding company

A small segment of the Class 2 insurance companies is of systemic importance as this subdivision has direct exposure to the Barbadian public. Within this sub-group there are 15 companies writing general business and six companies writing life business, which are discussed below.

General Insurers (Class 2 sub-group)

Preliminary estimates show that total assets for this group stood at \$1,059.2 million BDS as at December 2019. This represented 7.6% increase in the asset base when compared to 2018. This upturn was driven mainly by increases in the investment portfolio, as seen in Table 10 below. Total liabilities stood at \$875.0 million BDS, an 11.0% growth over the comparable period in 2018.

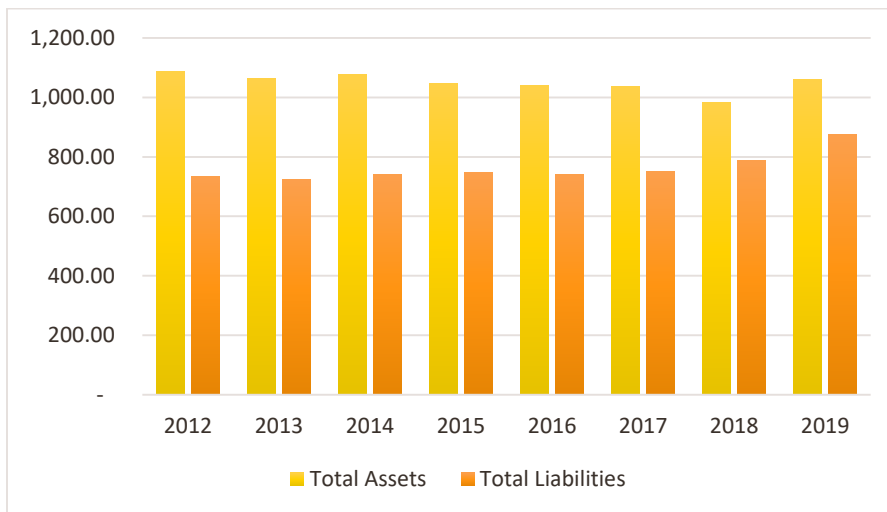


Figure 1: Total Assets vs Total Liabilities as at December 2019

Table 1: Asset Composition as at December 2019 in BDS Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Cash, Loans & Investments	616.1	622.5	611.7	616.2	615.5	621.4	563.4	620.4
Re-insurers' share of insurance provisions	233.3	216.0	216.4	205.3	193.2	169.1	189.4	209.3
Accounts Receivable	105.1	87.9	109.6	95.6	99.0	113.2	108.4	98.2
Fixed assets	79.8	83.2	83.2	86.4	80.4	81.8	71.2	72.0
Other assets ¹	51.5	55.2	55.2	44.8	51.1	51.9	51.8	59.4
Total Assets	1,085.8	1,064.9	1,076.1	1,048.3	1,039.2	1,037.3	984.1	1,059.2

The investment portfolio of this insurance sub-group experienced overall growth of 10.1% for the period under review. Cash and Deposits, as well as Government Securities, each grew by approximately \$32.2 million BDS. These two categories were followed by Investments in Related Parties, which saw an increase of \$16.7 million BDS. The overall increases in the investment portfolio were dampened by declines in Company Bonds and debentures and Shares by \$24.7 and \$12.7 million BDS, respectively.

While the levels of cash held varied for companies during the period, one entity reported approximately \$28.0 million BDS, which offset other marginal decreases seen by other industry players.

With respect to government securities, two entities reported increases of \$22.8 and \$11.5 million BDS. Those same two entities were also the drivers behind the decrease in company bonds and debentures reporting declines of \$21.3 and \$13.5 million BDS.

¹ Other Assets is comprised of pension related assets, prepaid expenses, other receivables etc.

Table 2: Investment composition as at December 2019 in BDS Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Cash and Deposits	132.8	172.0	171.2	176.0	177.3	182.1	208.7	240.9
Government Securities	221.1	204.8	197.0	204.4	189.4	176.8	144.7	176.9
Company Bonds and Debentures	69.2	104.7	106.2	99.8	106.4	106.9	83.1	58.3
Secured Loans	16.9	15.9	21.1	21.7	22.1	20.7	17.2	22.3
Investments in Real Estate	51.0	35.4	31.9	23.3	23.0	19.1	12.0	17.1
Shares	30.3	26.2	21.1	21.4	29.0	46.8	50.3	37.6
Unit trusts and mutual funds	4.2	6.5	6.7	8.3	12.2	12.3	12.4	12.7
Investments in Related Parties	35.1	35.2	34.1	27.5	28.1	28.8	18.3	35.0
Policy Loans	0.0	0.0	0.1	11.2	0.3	0.5	0.8	1.1
Other Investments	55.5	21.7	22.5	22.5	27.8	27.4	16.0	18.5

The capital to asset ratio fell by 2.5% to reach 17.4% as at December 2019. During this period, total capital and reserves fell by approximately \$11.8 million BDS (6.0%) while total assets trended upwards, increasing by \$75.1 million BDS (7.6%). These movements gave rise to the decline in the capital to asset ratio.

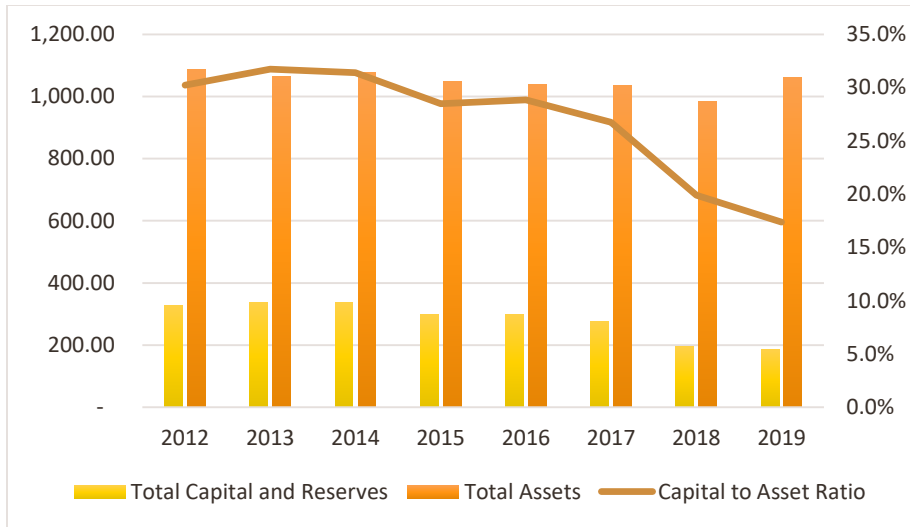


Figure 2: Capital to Asset Ratio as at December 2019

The underwriting profitability improved for the period under review. Preliminary estimates show that the net earned premiums exceeded the total underwriting expenses by approximately \$1.8 million BDS. The industry also saw a marked improvement in earnings as the net income for the period stood at approximately \$7.6 million BDS, as seen in Figure 3 below.

Table 3: Underwriting Profitability as at December 2019 in BDS Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Gross Premiums Written	475.2	470.3	492.2	457.8	447.8	442.3	456.7	504.7
Net Premiums Earned	206.1	206.9	212.1	219.0	223.1	220.3	225.1	263.2
Total Underwriting Expenses	206.5	211.5	214.2	226.4	223.3	247.9	249.7	261.4
Underwriting Profitability	(0.4)	(4.6)	(2.1)	(7.4)	(0.2)	(27.5)	(24.6)	1.8

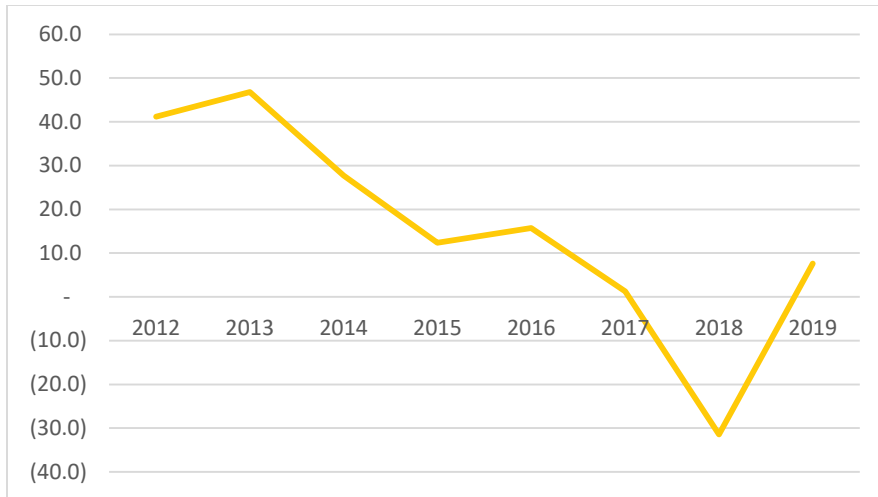


Figure 3: Net Income as at December 2019 in BDS Millions

Life Insurers (Class 2 sub-group)

This sub-group of companies reported total assets of \$2,600.1 million BDS as at December 2019. This represented an increase of \$142.8 million BDS (5.8%) when compared to December 2018. As seen in Table 13, the asset growth was driven by increases in the cash, loans and investments, along with other assets².

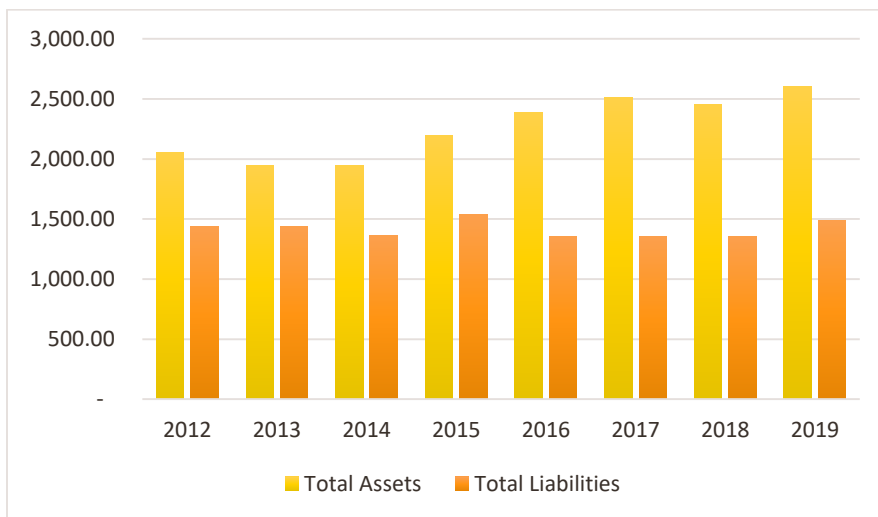


Figure 4: Assets vs Liabilities as at December 2019

² Other Assets comprises of pension related assets, prepaid expenses, other receivables etc.

Table 4: Asset Composition as at December 2019 in BDS Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Cash, Loans & Investments	1,842.4	1,778.6	1,766.5	2,000.9	2,182.5	2,267.6	2,229.9	2,342.8
Accounts Receivable	16.4	20.2	27.4	29.8	38.5	27.2	42.5	38.2
Fixed assets	78.8	80.1	86.0	91.8	88.4	94.0	92.7	90.9
Other assets	119.3	67.1	68.6	72.7	75.2	127.1	92.2	128.1
Total Assets	2,056.9	1,946.0	1,948.4	2,195.1	2,384.5	2,515.9	2,457.3	2,600.1

Further analysis of the asset class Cash, Loans and Investments shows an overall increase of 5.1% (\$112.5 million BDS) over the prior period. Government securities, investments in real estate and investments in related parties grew by \$46.9, \$21.4 and \$36.4 million BDS, respectively boosting the level of investment assets. Cash and deposits combined with Company Bonds and Debentures, plus Secured Loans fell by approximately \$42.3 million BDS.

Table 5: Investment composition as at December 2019 in BDS Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Cash & Deposits	125.8	129.2	96.6	94.1	77.9	101.0	109.6	96.2
Government Securities	495.4	500.9	535.7	566.0	568.0	551.5	519.1	566.0
Company Bonds & Debentures	46.5	46.8	45.0	216.1	179.8	167.3	182.6	160.6
Secured Loans	215.1	192.6	192.4	185.0	157.0	147.7	122.1	114.7
Investments in Real Estate	106.0	104.0	100.2	89.4	87.2	89.1	86.4	107.8
Shares	177.6	133.7	92.6	110.4	25.0	27.0	11.3	14.3
Unit Trusts & Mutual Funds	35.7	22.0	29.4	33.4	4.3	4.7	2.9	3.6
Investments in Related Parties	522.4	522.4	545.9	584.1	958.4	1,045.5	1,047.4	1,083.9
Policy Loans	115.0	124.2	125.5	122.0	121.5	126.7	139.3	144.3
Other Investments	2.8	2.8	3.2	0.5	3.3	7.1	9.3	19.6
Total Cash, Loans & Investments	1,842.4	1,778.6	1,766.5	2,000.9	2,182.5	2,267.6	2,229.9	2,342.8

As at December 2019, the capital adequacy ratio declined by 2.3% to reach 42.7%. Total capital and reserves increased marginally by 0.4% to reach \$1,111.3 million BDS, while assets grew by 5.8% to reach \$2,600.1 million BDS. Asset growth outpaced capital growth, resulting in a lower ratio than recorded for 2018.

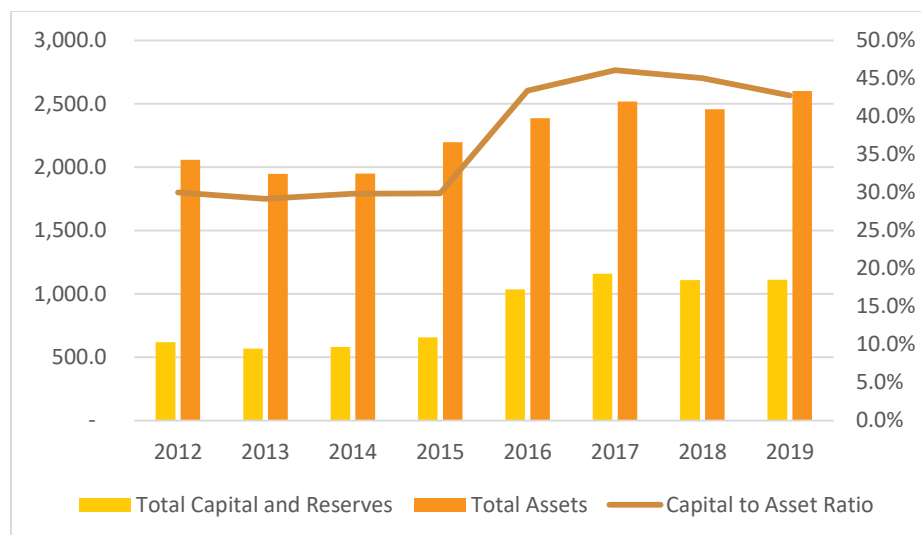


Figure 5: Capital to Asset Ratio as at December 2019

The life sub-group remained profitable, however, total expenses for the period increased by \$216.7 million BDS. This was driven by one company’s significant change in life insurance and annuity provisions for the period. These increased expenses had a trickledown effect and impacted overall net income, as seen in Figure 6.

Table 6: Select Profitability Data as at December 2019 in BDS Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Gross Premiums Written	170.5	196.0	224.0	436.5	251.4	249.7	264.8	286.4
Net Premiums Written	157.7	189.1	205.5	429.6	227.3	215.3	234.4	254.7
Total Revenue	318.7	283.4	304.1	550.8	433.0	387.5	302.0	414.6
Total expenses	221.1	239.9	211.1	456.7	296.6	253.0	147.0	376.3

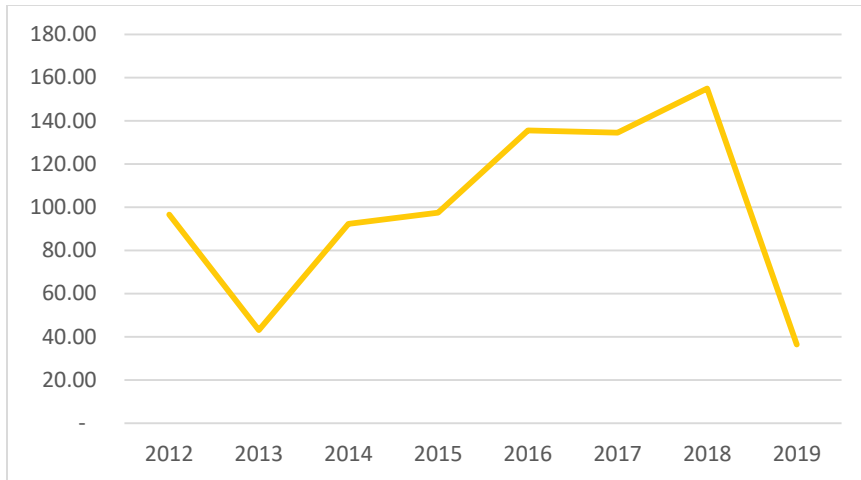


Figure 6: Net Income as at December 2019

Credit Unions

As at March 2020, total assets of the Credit Union Sector stood at \$2,590.7 million BDS. This represented an increase of 6.8% or \$164.2 million BDS over the previous year's figure. Similar to 2019, cash continued to be the largest contributor to the expansion of the asset base, increasing by \$90.0 million (28.7 %) BDS to reach \$404.2 million BDS. The significant increase in cash held by the sector resulted from limited investment opportunities. The other significant contributor to asset growth was gross loans which grew by approximately \$58.9 million BDS.

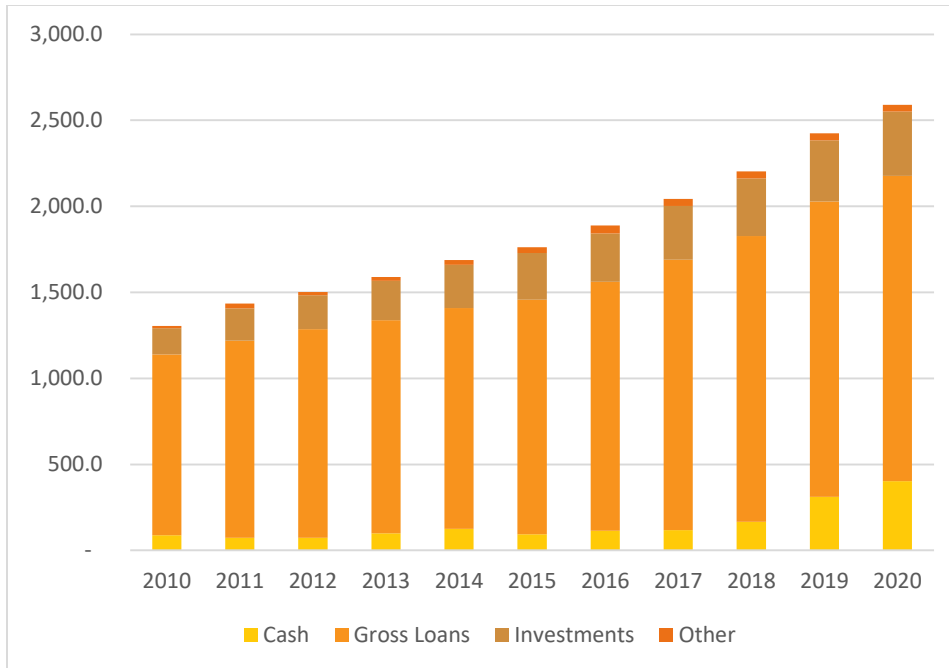


Figure 7: Assets of Sector as at March 2020

The number of credit unions remained at 33 and membership grew by 4.6% during the period to approximately 218,000 members.

Table 7: Membership as at March 2020

Year	Number of Credit Unions	Members (Thousands)
2010	35	134
2011	35	152
2011	35	145
2013	35	151
2014	35	157
2015	34	170
2016	34	170
2017	33	179
2018	33	207
2019	33	208
2020	33	218

Member savings have experienced steady growth since 2010. As at March 2020, total member saving reached 4,338.8 million BDS, an increase of 3.9% or \$162.1 million BDS. This was driven mainly by regular member deposits, which increased by 10.5% or \$148.4 million BDS. Term deposits decreased by 1.2% or \$4.47 million BDS.

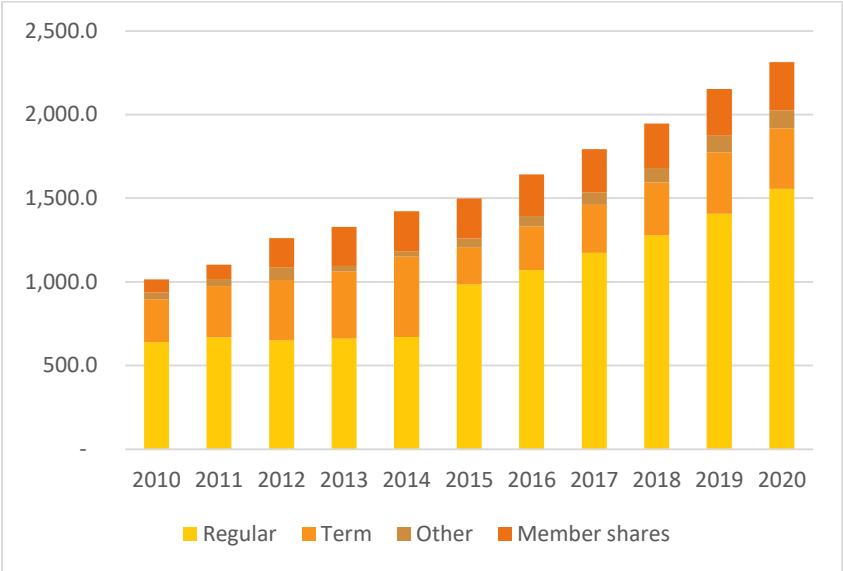


Figure 8: Member savings as at March 2020

As at March 31, 2020 the capital to assets ratio was 11.0%. The sector remains adequately capitalised, with a non-risk weighted capital ratio of 11.0% down from 11.5% in the previous period.

Table 8: Capitalisation of the Credit Union Sector as at March 2020

Year	Share Capital	Statutory Reserves	Liquidity Reserves	Undivided Surplus	Total	Capital to Assets Ratio
2010	23.7	94.2	1.6	27.3	146.8	10.9%
2011	22.3	104.8	1.0	30.0	158.1	10.8%
2012	25.5	114.2	0.8	34.9	175.3	11.4%
2013	19.1	123.6	0.8	38.5	181.9	11.2%
2014	19.6	140.9	0.9	40.1	201.6	11.8%
2015	18.0	150.8	1.8	42.0	212.6	11.9%
2016	17.7	156.3	5.2	49.4	228.5	11.8%
2017	18.7	174.2	9.8	46.5	249.1	11.9%
2018	19.9	183.2	9.9	54.4	267.3	11.7%
2019	20.6	199.7	11.0	55.6	286.9	11.5%
2020	21.6	208.2	14.0	47.5	291.4	11.0%

Net income grew at the rate of 16.2% or \$3.2 million BDS during the period to reach \$22.9 million BDS. Expenditure decreased from \$126.9 million BDS as at March 2019 to \$121.0 million BDS one year later. Similarly, total income for the period decreased by \$2.8 million BDS to reach \$143.9 million BDS. Investment income decreased by 22.8% to reach \$6.2 million BDS, 22.8% less than the \$8.7 million BDS recorded in the previous year. This reduction in income was due in part to the impact of the implementation of IFRS-9 and debt restructuring, which lead to fewer investment opportunities.

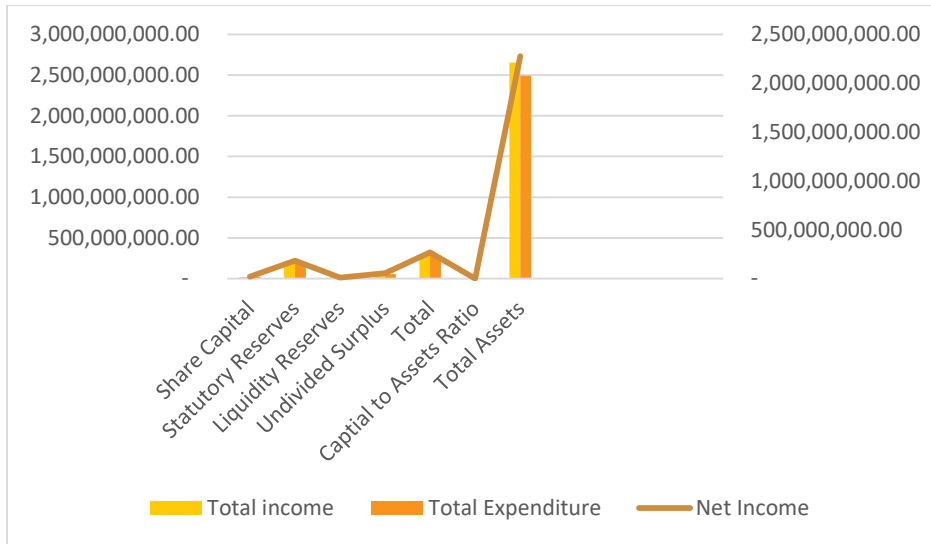


Figure 9: Profitability of the Credit Union sector as at March 2020

Securities

Over the last four years, the domestic mutual fund sector has seen a general rise in net assets under management. As at December 2019, assets under management stood at \$2125.3 million BDS, 13.5% higher than recorded in the comparable period in 2018.

Table 9: Net Assets under Management as at December 31st 2019 in BDS \$Millions.

	2015	2016	2017	2018	2019
Net Assets Under Management	1,854.7	2,004.3	2,210.0	2,125.3	2,411.5

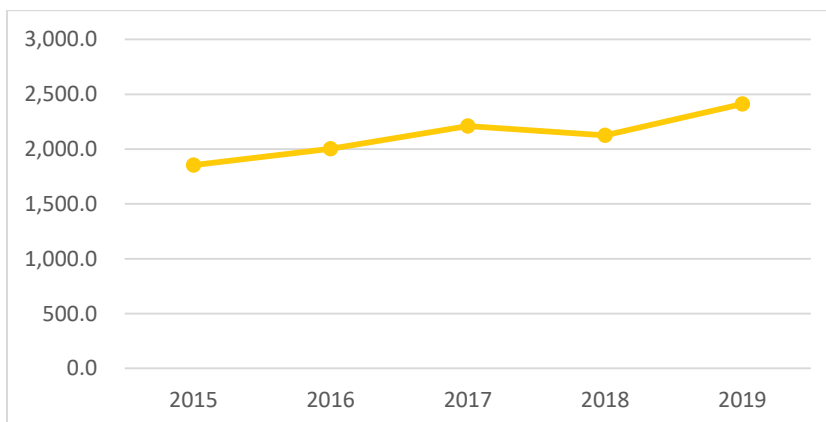


Figure 10: Net Assets under Management as at December 31st 2019

An upsurge in the total value of assets was driven by a 25.5% in real estate (\$27.7 million BBD), 21.3% in mutual funds (\$159.6 million BBD) and 16.2% in cash & cash equivalents (\$21.3 million BBD) compared to the previous year. However, there was a decline of 52.9% (\$31.9 million BBD) in the value of term deposits when compared to the previous year. This may be seen in Table 10 below.

Table 10: Asset Allocation for Mutual Funds as at December 2019 in BDS \$Millions

Asset Allocation	2015	2016	2017	2018	2019
Cash & Cash Equivalents	132.8	171.5	172.4	131.8	153.0
Derivatives	(0.8)	(0.1)	(0.1)	(0.5)	0.0
Equities	595.7	528.2	590.0	556.8	617.6
Fixed Income	391.3	479.9	483.8	373.4	425.1
Mortgages	94.7	93.0	90.8	97.2	107.5
Mutual Funds	423.5	518.8	669.7	749.6	909.2
Real Estate	144.9	120.0	113.0	108.5	136.1
Term Deposits	39.1	37.3	48.1	60.4	28.4
Other	87.6	93.3	79.1	77.7	60.3
Total	1,908.8	2,041.9	2,246.8	2,154.8	2,437.4

Barbados continues to have the highest asset exposure accounting for 45.2% of the jurisdictional exposure. Jamaica and the United States/Canada showed the greatest increases in jurisdictional exposure, being 118.4% and 36.3%, respectively, when compared to the previous year, as seen in Figure 11 below.

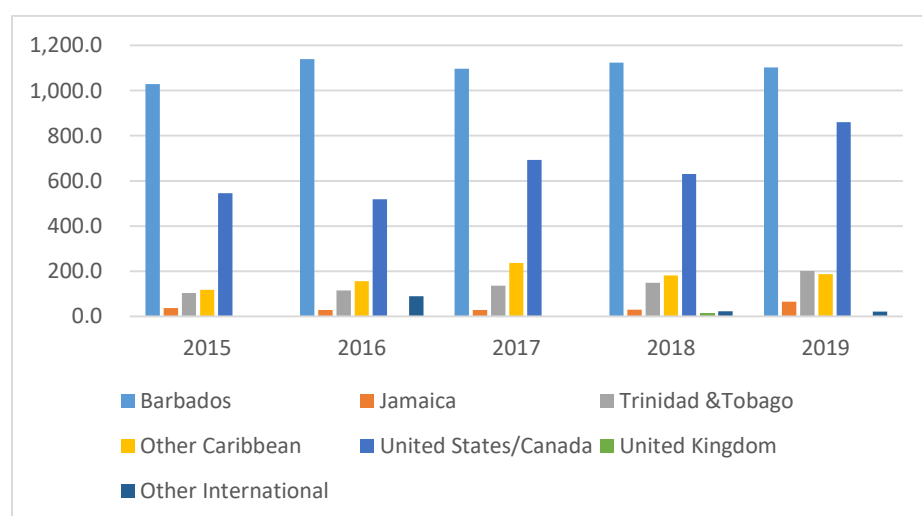


Figure 11: Jurisdictional Exposure

In 2018, redemptions exceeded subscriptions by \$17.9 million, whereas in 2019 subscriptions exceeded redemptions by \$1.1 million, to produce an overall net capital inflow.

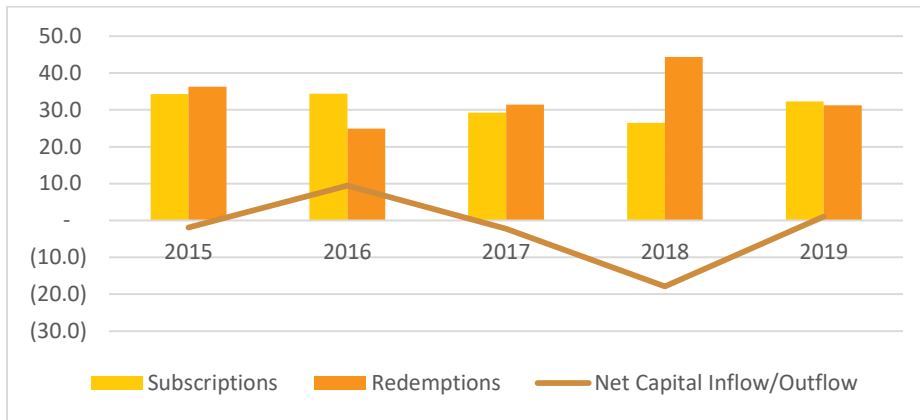


Figure 12: Subscriptions/Redemptions of Domestic Mutual Funds

During the year under review, there were fluctuations in the net capital inflow/outflow of the domestic mutual funds. March, April, July, September and October were the only months during the year to have higher redemptions than subscriptions, and so caused the overall net capital inflow of the sector.

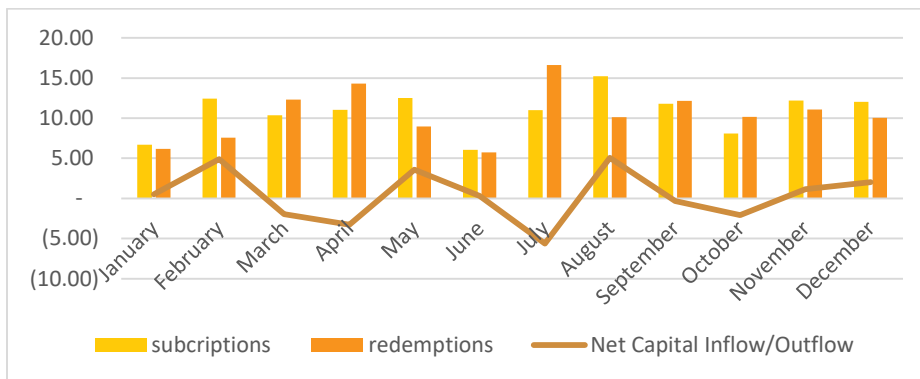


Figure 13: Net Capital Inflow of the Domestic Mutual Fund Sector

Pensions

The estimated total assets under management saw a marginal increase of 0.1% from December 31, 2018 to December 31, 2019. Mutual funds continued to be the largest contributor to the assets under management, accounting for 57.7% of the \$2.4 billion in total assets. Fixed income was the second largest contributor.

Table 11: Assets of the Pension Sector as at December 2019 in BDS Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Cash and cash equivalents	113.0	120.8	129.6	154.4	227.8	166.0	192.3	192.3
Fixed Income	312.0	340.6	330.7	352.1	403.7	491.1	485.0	485.0
Equity	234.6	250.1	248.5	255.0	285.5	301.8	311.1	311.1
Mutual Funds	1,061.6	1,167.1	1,247.9	1,259.8	1,244.3	1,349.8	1,370.8	1,373.2
Mortgage Loans	3.7	2.5	1.8	0.8	0.6	0.4	0.2	0.2
Joint Ventures	36.3	37.8	39.9	43.0	47.5	39.7	13.3	13.3
Other	2.1	2.8	3.0	3.1	3.2	5.1	4.8	4.8
Total Assets	1,763.3	1,921.6	2,001.3	2,068.2	2,212.6	2,353.9	2,377.6	2,380.0

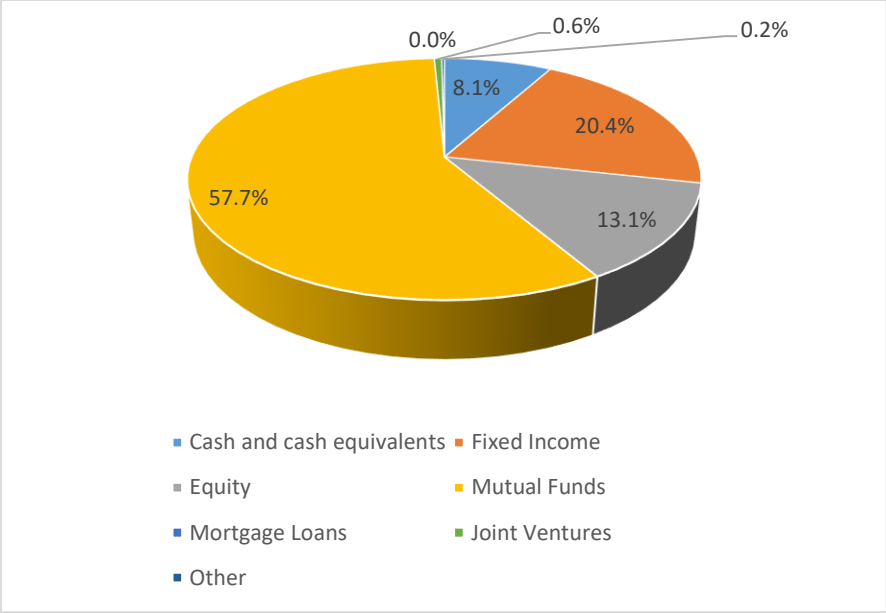


Figure 14: Assets under Management as at December 2019

Occupational pension plans cover a wide cross section of Barbados’ labour landscape. Companies from the Financial, Sales & Distribution, and Service industries dominated the occupational pension sector, with Finance and Insurance accounting for 22.0% of employer sponsored pension plans.

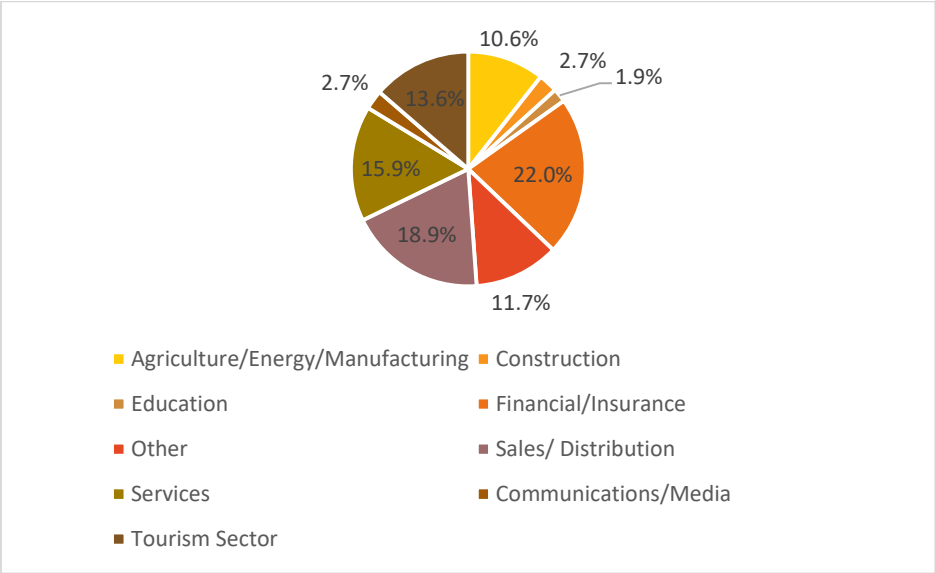


Figure 14: Registered Plans by Industry Type as at December 2019

Collaborations and Stakeholder Engagement

FSC maintains that stakeholder engagement is a critical element of its strategic focus and during this review period, felt it prudent to expand its partnerships and collaborations. On an annual basis, FSC jointly hosts a Domestic Financial Conference with the Central Bank of Barbados and is part of the Barbados International Business Association's (BIBA) International Business Week Steering Committee. FSC also works closely with Invest Barbados in an effort to promote international business, by jointly presenting at international business forums on the robust regulatory framework applied across this dynamic sector.

Beyond these standard strategic alliances, wider stakeholder activity for the review period including:

- **Fintech Seminar**

FSC and Georgetown University Law Center's Institute of International Economic Law (IIEL), Washington D. C. jointly hosted a successful two-day international conference on ***"Sustainable DeFi (Decentralised Finance) and Financial Inclusion"***. It was billed as the first in a global series, in which leaders in emerging technologies discussed momentous changes affecting the international regulatory system.

The inaugural event focused on DeFi in an interdisciplinary manner and promoted dialogue among high-level participants from national and international regulatory agencies, international financial institutions, and the private sector. It covered topics as diverse as open banking, blockchain infrastructures, central bank digital currencies, and Big Data, analysing how decentralised technologies are disrupting these sectors and the implications for consumer and financial authorities.

There were over 70 local and international participants, including presenters from the USA and Kenya. They were addressed by FSC chairman, Professor Avinash Persaud, and the Minister in the Ministry of Finance and Economic Affairs, the Hon. Ryan Straughn, M.P.

- **Technical Working Group – Fair Credit Reporting Bill**

FSC continued participation in a technical working group to provide guidance to the Government of Barbados on the Fair Credit Reporting Bill. The technical working group convened stakeholder consultations in order to advance and finalise the project. FSC reviewed the final draft of the Bill and advanced to the appropriate authority for further action.

- **Exchange of information on Request (EOIR)**

The Global Forum on Transparency and Exchange of Information for Tax Purposes continued its engagement with Barbados and met with regulators and competent authorities in August 2019. Discussions were held to bring greater clarity to the previously submitted EOIR questionnaire. This exercise was conducted to aid in the assessment of Barbados' framework to eliminate harmful tax practices.

- **Fair Trading Commission (FTC)**

FSC signed a Memorandum of Understanding (MoU) with FTC in December 2019. Both organisations recognised the need to foster a culture of cooperation and consultation in carrying out their regulatory, supervisory and monitoring functions, particularly as it underscores the importance of compliance with relevant global standards established by international standard setting bodies. The MoU represents a statement of intent between FSC and FTC to share information and technical knowledge relevant to their respective mandates.

- **Caribbean Regional Technical Assistance Centre (CARTAC)**

FSC's continued to work with CARTAC and again benefitted from technical assistance provided through several workshops and conferences designed to enhance regulatory and supervisory frameworks. The training addressed such areas as cyber risk management; the regulatory and supervisory framework for IFRS 9 implementation for credit unions; risk assessment; enterprise risk management; and Basel II/III implementation and supervisory intervention.

- **Chartered Financial Analysts (CFA) Society Barbados**

FSC partnered with CFA Society Barbados to facilitate the launch of the Institute's Asset Manager Code, which outlines the ethical and professional responsibilities of firms ("managers") that manage assets on behalf of clients. FSC's CEO expressed support for the CFA initiative, maintaining that it mirrored some of FSC's core values and required the asset managers to demonstrate commitment to ethical behaviour and the protection of investors' interests.

This partnership extended later in the review period to the joint hosting of a regulators' workshop for staff of FSC and sister regulator, CBB on "*Ethical Decision Making*". This was followed by a pension trustee training workshop on "*Basic Investment Trustee Education, Governance and Ethics*". Both sessions were conducted by Dr. Michael

McMillan, Ph.D, CPA, CFA, Director, Ethics Education and Professional Standards, CFA Institute.

- **AML/CFT/PF Drive-Thru Workshops**

FSC introduced a drive-thru initiative with a view to enhancing regulated financial institutions' knowledge of anti-money laundering, terrorist financing, and proliferation financing risks; the Money Laundering and Financing of Terrorism (Prevention And Control) Act, 2011 – 23, and the AML/CFT & PF Guidelines. FSC conducted 21 customised sessions for individual financial institutions, and also introduced an AML/CFT & PF call campaign to assist regulated financial institutions with a self-assessment of its AML/CFT & PF risks and vulnerabilities.

Six training and sensitisation workshops were conducted for 295 participants over a five-month period. The sessions included topics on *Designing an AML/CFT Programme*; *AML/CFT Obligations*; *AML/CFT Risk Assessments*, and *AML/CFT Sanctions and Penalties*.

- **The Credit Union Movement**

FSC intensified its engagement with the credit unions with key objectives being to enhance its relationship management process; facilitate timely information sharing and feedback, and enhance its ability to anticipate and treat to areas of emerging risks. This effort resulted in the increase of structured meetings with key personnel such as directors, elected committees members, and senior management of the largest credit unions. These meetings allowed for critical and timely dialogue on key risks and mitigation strategies.

FSC continued to have its regular quarterly meetings with the Barbados Cooperative Credit Union League Ltd. (BCCULL) on matters relating to developments in the credit union sector. Of key importance were advancements towards a solution to the anticipated termination of debit card access in its current form, and discussion on a shared services protocol to allow credit unions access to relevant expertise and support via the BCCULL.

- **Supervisory Colleges**

Supervisory colleges remain an opportunity for regulators across the world to discuss regulatory oversight of one specific insurance group. During the year FSC participated in one supervisory college.

Participation in International, Regional and Domestic Meetings

Caribbean Association of Pension Supervisors (CAPS)

FSC participated in the 2019 CAPS Conference and Workshop held in Guyana. CAPS is a group of regional pension supervisory regulators, formed out of a need to discuss Caribbean pension regulation towards mitigating risks in the pension industry. The conference focused on *Regulating and Supervising Risks in an Emerging Pension Industry* and FSC became a member of the newly created CAPS sub-committees of the Strategic Committee and the Technical Committee.

International Credit Union Regulators' Network (ICURN)

ICURN is an independent and not-for-profit association of financial cooperative supervisors from over 30 countries and jurisdictions in Africa, Asia, the Caribbean, Europe, North America and South America. Its annual conferences offer opportunities for education and development, and allow participants to benchmark their regulatory framework with peers and leaders in credit union supervision and regulation.

FSC's attendance at the 2019 ICURN annual conference involved its participation in a panel discussion on *"How to Recoup Supervisory Costs"*. Additionally, FSC was able to obtain feedback on its regulatory approach and receive guidance on matters like the IFRS 9, Implementing Safety Nets, Deposit Insurance Systems, and Cyber Security Best Practice.

Caribbean Association of Credit Union Supervisors (CACCS)

At the 2019 Annual General Meeting and Workshop, FSC was selected as the Chair and Secretariat host of CACCS, and continues to serve on the Advisory Committee. The workshop focused on *Strengthening the Regulatory, Supervisory and Financial Stability Frameworks for Credit Unions in CARTAC Member Countries*. FSC participated in a panel discussion on *"IFRS 9 Implementation in the Region"*. Other members of the Secretariat are Grenada and Antigua and Barbuda.

International Association of Insurance Supervisors (IAIS)

IAIS is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions, in nearly 140 countries. Since its establishment in 2011, FSC has been a member of the Association, and has implemented the Insurance Core Principles (ICPs), which are globally accepted requirements for the supervision of the insurance sector.

FSC is represented on the IAIS Macroprudential Committee (MPC) and in addition to participating in its teleconferences, attended a Committee meeting held in Basel, Switzerland. FSC has contributed to the development of the Holistic Framework for Systemic Risk in the Insurance Sector and the Global Insurance Market Report.

Caribbean Association of Insurance Regulators (CAIR)

FSC participated in the annual 2019 CAIR Conference and AGM, which was held in Georgetown, Guyana. The theme of the conference was *“The Impact of IFRS, Technology, and Climate Risk on the Insurance Sector - Responding to Regulatory, Supervisory and Financial Stability Challenges”*. During the three-day regional conference, various experts presented on the regulatory considerations on the implementation of IFRS 17. Other areas covered at the conference included *Inclusive Insurance*, with the focus on bridging the protection gap against climate risk in the Caribbean and *Catastrophic Risk Exposure in the Caribbean and Financial Technology*. There were also presentations on the supervision of insurance conglomerates.

At the AGM, an IFRS 17 Implementation Committee was sanctioned to foster collaboration on IFRS 17 implementation among regional authorities. FSC volunteered to sit on this committee and has since established an internal IFRS implementation team to monitor industry implementation of IFRS 17. The team is also responsible for performing gap assessments and developing implementation plans.

Regulatory Support

Risk Analytics

Like others across the organisation, one of the major areas of focus for the Risk Analytics department was building and development, ensuring that the necessary training was undertaken to enhance FSC’s regulatory capacity.

As a support department for the core regulatory divisions, beyond having a knowledge of industry-related issues, it is imperative that the team be up-to-date on analytical techniques and modelling used to assess potential risk exposure in the regulated sectors. As such, team members participated in Reinsurance Assessment training conducted by CARTAC, and Actuarial Assessment training conducted by IAIS. Coming out of each workshop, draft programmes aimed at a more in-depth review and analysis of the insurance market have been developed with a view to full implementation in the current financial year.

Additionally, the Director, Risk Analytics participated in a training programme conducted by the internationally recognised institute, Certified Information Security, on the development of an Enterprise Risk Management Framework, and a Business Continuity Plan. The constant review and build out of these remain a key priority for FSC as it continues to fulfill its mandate to help ensure the stability of the financial system.

The Risk Analytics Department will continue to focus on these, and the development of similar systems as FSC improves on its standard of excellence to all stakeholders.

Legal

The Legal department continues to play an essential role in ensuring that FSC, at all times, acts within the ambit of its governing legislation and that all legislation, at all times, remains effective.

To this end, the department has been conducting a comprehensive review of FSC's suite of legislation with a view to streamlining and restructuring as necessary. The first part of this review was undertaken by an external consultant who recommended amendments to the Financial Services Commission Act. Subsequently, the department did an internal review and proposed amendments to the following Acts of Parliament:

- Insurance Act, Cap. 310;
- Securities Act, Cap. 318;
- Mutual Funds Act, Cap. 320B;
- Co-operative Societies Act, Cap. 378A; and
- Occupational Pension Benefits Act, Cap. 350B.

These amendments are focused on improving and strengthening the various legislation and ensuring that FSC has the required tools and legal backing to properly carry out its regulatory functions.

Prior to completing this review, it was noted that key policy determinations with respect to the various sectors were needed to inform the legislative framework. The department then conducted focus group sessions comprising representatives from these sectors, to obtain industry feedback and assist with determining key policy issues.

Enforcement

Matters are referred to the department when there needs to be an investigation into legislative breaches committed by financial institutions. FSC commenced enforcement proceedings against a number of financial institutions for non-compliance and various breaches of AML/CFT

legislation and guidelines. To date seven Directives have been issued to non-compliant entities and it is likely that a number of fines will be issued prior to July 30, 2020.

Litigation

Two litigious matters involving insurance companies that FSC placed under judicial management continue to be managed by the Court. Both matters are progressing to completion.

AML/CFT/PF

FSC's AML/CFT/PF function is discharged under the direct supervision of the General Counsel who advises on all aspects of the regulator's responsibilities for combatting money laundering and terrorist financing. During the review period, one of FSC's major objectives was to sensitise and educate industry players on their responsibilities under this legislation.

Complaints

Any complaints received against financial institutions regulated by FSC are handled in the Legal department using a mechanism that is mutually beneficial to consumer and regulator. This mechanism was designed to achieve the following:

- provide stakeholders with an avenue for addressing their grievances
- provide information regarding the types and severity of issues stakeholders may be experiencing
- enhance dialogue with regulated entities regarding their obligations to consumers and market conduct requirements
- inform education initiatives for both consumers and industry partners
- inform the risk profiling of regulated entities
- enable FSC to target problematic areas that may require regulatory enforcement

This service also extends to FSC providing guidance to stakeholders on suspicious market conduct, and on how to submit written complaints. A total of 38 complaints were determined during the period under review, inclusive of 24 new matters. The majority related to insurance issues (63%), followed by pensions (24%), securities (8%) and credit unions (5%). There are currently 28 active complaint matters under review; these include 17 pertaining to insurance companies, two against credit unions, seven concerning occupational pension plans and two are securities related matters.

Research and Policy

The Research and Policy department placed significant focus during the review period, on building capacity. Particularly as it related to FSC's enhanced regulation of the insurance sector, members of the team strengthened their skills and knowledge by undergoing training in risk-based supervision for insurance and credit unions. This training was facilitated by CARTAC, as was a subsequent two-week workshop on insurance stress testing and interconnectedness. Further industry specific training was also done via IAIS on insurance supervision.

As the department is responsible for collating and disseminating industry statistics, focus was also placed on building capacity in this area, and team members benefitted from an IMF course on the effective compilation of statistics.

Coming out of a RedPLAC workshop in November, the team anticipates the introduction of a possible pensions' projections model for Latin America and the Caribbean, which will add to the regulatory framework for the local sector.

Research and Policy is dedicated to developing the macro-prudential toolkit, supporting the regulatory units, and satisfying the needs of external stakeholders. It will also continue to develop the stress testing frameworks used to assess the exposure of risk in the non-bank financial sector, and address the research gaps identified by producing empirical and policy research papers. Methodologies for capturing more comprehensive data from the regulated sector will also be a key deliverable as the team continues to work in collaboration with the regulatory divisions.

Human Resources

One of FSC's strategic goals is to continually strengthen its capacity by ensuring it has adequate resources to effectively administer an efficient regulatory system. When it was established in 2011, FSC was approved for a staffing complement of 75. Although it has never quite reached this full complement, there are plans to achieve this in the near future.

At the end of the financial year, there were a total of 53 full-time, and eight temporary employees. Three positions were filled, namely:

- Manager, Securities
- Manager, Research and Policy
- Legal Officer

The vacant position of Manager, Insurance had been advertised and the successful candidate due to join the organisation from April 1, 2020.

Internships

FSC continues to partner with the University of the West Indies to facilitate internships for Masters' degree students who require job attachments to fulfil the requirements of their programmes. Two students were accommodated under this arrangement. One other internship was offered outside of this institutional arrangement.

Training and Development

As FSC seeks to ensure that its functions are adequately discharged, it continues to facilitate training for employees, particularly in the core areas of supervision and regulation. Most of this training was provided by CARTAC. Several other training and development programmes were undertaken locally and internationally, details of which are provided in Appendix 2.

Employee Wellbeing and Support

The HR Department has undertaken a number of initiatives to ensure that FSC remains compliant with the requisite legislation and that conditions of employment are in keeping with standard best practices. After consultation with the employee trade union, revisions were made to the existing Terms & Conditions of Employment, which will now be sent to the Board for review and approval. One significant change that affects the Terms & Conditions has been the re-classification in national insurance provisioning for state owned enterprises, under which FSC falls. This has implications for sickness benefits, among other things, to which staff were previously not entitled.

Employee Assistance Programme

An Employee Assistance Programme (EAP) was drafted and is expected to be introduced in the coming financial year. Its core functions will be to offer tangible help, support, advice and guidance to employees who may be experiencing personal or work-related problems. In the meantime, the organisation implemented the professional counselling aspect of the Programme, which was offered individually and collectively to employees, following the passing of a colleague in March.³

Policies

As FSC maintains a focus on increasing its standard of excellence in all areas of the organisation, the HR department continues to support this vision by developing a number of progressive policies. A bonding policy, an updated travel policy, a revised dress code, and a revamped sick leave policy are among the developing guidelines currently in draft for implementation in the

³ *Thania Lynch-Newton was a valued member of our team at FSC and has left an indelible mark on the fabric of our organisation. She was the epitome of strength, determination and hope. She lived her life to the fullest and was an encouragement to us all.*

coming financial year. Developing a sustainable reward and recognition programme will also be of paramount significance as FSC seeks to demonstrate appreciation to employees for their commitment to personal and organisational development.

Information Technology

The Information Technology (IT) department continued to build out aspects of FSC's Digital Technology Plan, focusing on the four key digital transformation pillars of *Information Security, Infrastructure, Applications, and Process*. This plan seeks to move the organisation towards becoming a digital-first organisation through the use of digital technology.

Electronic Filing/Document Management Project

Work progressed on the Electronic Filing/Document Management Project (EFDM), designed to provide FSC with a core integrated solution and the tools necessary to conduct business electronically. Additional training on the application was completed toward the end of 2019, with the implementation timeframe scheduled to begin in the first quarter of 2020. Changes to workflow process and the need to complete prerequisite infrastructure upgrades delayed the implementation phase of the project. This was further exacerbated by the operational effects of the Covid-19 pandemic on the organisation.

The department continued to replace, upgrade and add infrastructure and systems to support the Digital Technology Plan. This was advanced to such a degree that there was minimal disruption as employees transitioned to working remotely during the Covid-19 national stay-at-home order.

Finance and Planning

FSC is funded through fees charged to licensees and registrants in accordance with the fee schedules. On June 20, 2019 the Cabinet of Barbados agreed to a revision of the fees charged to the non-bank financial services sector; the revision took effect from April 1, 2019. The revision of the fees applied retroactively to all fees due in 2019. As a result, all entities that had paid fees prior to April 1, 2019, were required to pay the difference resulting from the revision, in two tranches, the first being by July 31, 2019 and the remaining by October 31, 2019. During the year under review, fees collected totaled BDS\$12,296,672.

FSC's expenditure is managed against an annual budget approved by the Board of Commissioners. Expenditure is managed closely to ensure that FSC receives value for money and, as far as possible, that expenditure remains within the approved budget. During the year under review, expenditure totaled BDS\$8,150,613. FSC's major item of expenditure remains

staff costs. As in previous years, the organisation has only been increasing staff when absolutely necessary. During 2019-2020, staff cost increased by \$240,581. FSC will continue to manage its associated expenditure within the confines of its accessible income.

Finance and Planning issues monthly reports to Management, the Board of Commissioners, and the Ministry of Finance and Economic Affairs and Investments, on its financial status and activities. These monthly reports include information on revenue, expenditure, cash flow, and the overall financial position at a given point in time.

In addition to regular financial responsibilities, FSC is responsible for the management of unclaimed moneys as referenced in the Insurance Act, CAP 310:

“all sums of money that became or become legally payable by an insurance company in respect of policies but in respect of which the time within which proceedings may be taken for their recovery has expired, and includes sums of money payable on the maturity of an endowment policy or endowment insurance policy that are not claimed within seven (7) years after the maturity date of the policy”.

For the period under review FSC received BDS\$306,880 in unclaimed/undistributed monies and refunded BDS\$94,887. The total held in escrow at the Central Bank of Barbados as at March 31, 2020 was BDS\$5,404,459. FSC also maintains records for, and custody of, securities placed as regulatory or statutory deposits based on the requirements of the Insurance Act, CAP 310.

FSC's operations are subject to review and audit from external bodies. In 2020 it engaged an external auditor to assess its financial statements for the year ended March 31, 2020. The external audit includes considering internal controls, evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made. The external auditor issued an unqualified report on those statements on June 30, 2020. Details of the financial position for the year ending March 31, 2020 are contained in the annexed Audited Financial Statements.

Audited Financials

FINANCIAL SERVICES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2020

(Expressed in Barbados Dollars)



Building a better
working world

FINANCIAL SERVICES COMMISSION

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Year ended 31 March 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES COMMISSION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Financial Services Commission (“the Commission”), which comprise the statement of financial position as at 31 March 2020, 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 2020 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 for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

Other matters

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

Ernst & Young Ltd

BARBADOS
30 June 2020

FINANCIAL SERVICES COMMISSION

Statement of Financial Position
As at 31 March 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	3	12,383,557	4,087,878
Accounts receivable	4	452,106	357,342
Deposits with Central Bank	5	12,334,780	11,872,787
Marketable securities	6	3,987,341	3,987,341
Prepayments		155,735	37,079
Lease deposits		<u>92,405</u>	<u>28,763</u>
		29,405,924	20,371,190
Property and equipment	7	<u>260,432</u>	<u>381,543</u>
		<u>29,666,356</u>	<u>20,752,733</u>
Liabilities			
Current liabilities			
Accounts payable		160,570	141,707
Deferred income	11	8,957,286	4,710,888
Escrow deposits	5	<u>12,334,780</u>	<u>11,872,787</u>
		<u>21,452,636</u>	<u>16,725,382</u>
Represented by:			
Capital contribution	9	699,198	699,198
Accumulated surplus		<u>7,514,522</u>	<u>3,328,153</u>
		<u>8,213,720</u>	<u>4,027,351</u>
Total Liabilities and General Fund		<u>29,666,356</u>	<u>20,752,733</u>

The accompanying notes form part of the financial statements.

Approved by the Commission on June 30, 2020 and signed on its behalf by:

.....*Avinash Persaud*.....Chairman

.....*R. Bascombe*.....Deputy Chairman

FINANCIAL SERVICES COMMISSION

Statement of Comprehensive Income Year ended 31 March 2020

	Notes	2020 \$	2019 \$
Income			
Fees	11	12,296,672	7,215,519
Government grants	10	-	1,400,000
Interest income		39,873	85,607
Other income		<u>437</u>	<u>8,656</u>
		<u>12,336,982</u>	<u>8,709,782</u>
Expenses			
Salaries and benefits		5,567,606	5,327,025
Lease	13	701,197	366,600
Conferences and meeting expenses		307,122	138,262
Utilities		281,658	291,562
Depreciation	7	231,628	260,839
Professional fees		206,613	180,298
Training		164,570	73,375
Membership and registration fees		126,143	120,766
Commissioner fees and allowances		93,600	83,800
Relocation expenses		92,000	-
Uniforms		62,400	3,053
Maintenance		60,335	69,842
Subscription		55,046	28,690
Security		37,359	37,859
Stationery		34,666	30,047
Corporate expenses		27,638	13,718
Office supplies		24,260	18,310
Insurance		23,807	20,921
Tribunal expenses		20,424	22,024
Computer expenses		20,198	17,222
Vehicle expenses		18,925	9,828
Advertising		12,945	(64,884)
Refreshments		7,904	2,571
Bank charges		5,223	4,570
Miscellaneous		600	-
Interest and penalties		-	7,788
Travel expense		-	130
Discount received		(1,263)	(614)
Gain on disposal of asset		(5,991)	-
Bad debts		<u>(26,000)</u>	<u>(24,520)</u>
		<u>8,150,613</u>	<u>7,039,081</u>
Surplus for the year		<u>4,186,369</u>	<u>1,670,701</u>

The accompanying notes form part of the financial statements.

FINANCIAL SERVICES COMMISSION

Statement of Changes in General Fund
Year ended 31 March 2020

	Capital Contribution \$	Accumulated Surplus \$	Total \$
Balance as at 31 March 2018	699,198	1,657,452	2,356,650
Surplus for the year	<u>-</u>	<u>1,670,701</u>	<u>1,670,701</u>
Balance as at 31 March 2019	699,198	3,328,153	4,027,351
Surplus for the year	<u>-</u>	<u>4,186,369</u>	<u>4,186,369</u>
Balance as at 31 March 2020	<u>699,198</u>	<u>7,514,522</u>	<u>8,213,720</u>

The accompanying notes form part of the financial statements.

FINANCIAL SERVICES COMMISSION

Statement of Cash Flows
Year ended 31 March 2020

	2020	2019
	\$	\$
Cash flows from operating activities		
Surplus for the year	4,186,369	1,670,701
Adjustments for:		
Depreciation (Note 7)	231,628	260,839
Gain on disposal of fixed asset	<u>(5,991)</u>	<u>-</u>
	4,412,006	1,931,540
Operating surplus before working capital changes:		
Increase in deposits with Central Bank	(461,993)	(698,341)
Increase in marketable securities	-	(3,987,341)
Increase in accounts receivable	(94,764)	(196,727)
Decrease in due from related parties	-	25,546
Increase in prepayments	(118,656)	(3,805)
Increase in lease deposits	(63,642)	-
Increase/(decrease) in accounts payable	18,863	(66,150)
Decrease in due to related parties	-	(514,297)
Increase in deferred income	4,246,398	193,947
Increase in escrow deposits	461,993	698,341
Decrease in contingent consideration payable	<u>-</u>	<u>(130,734)</u>
Net cash from (used in) operating activities	<u>8,400,205</u>	<u>(2,748,021)</u>
Cash flows from investing activities		
Purchase of property and equipment	(110,517)	(171,479)
Proceeds from disposal of fixed asset	<u>5,991</u>	<u>-</u>
Net cash used in investing activities	<u>(104,526)</u>	<u>(171,479)</u>
Increase/(decrease) in cash for the year	8,295,679	(2,919,500)
Cash – beginning of year	<u>4,087,878</u>	<u>7,007,378</u>
Cash – end of year (Note 3)	<u>12,383,557</u>	<u>4,087,878</u>

The accompanying notes form part of the financial statements.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements

Year ended 31 March 2020

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 Suites 301 and 302, Building 4, Harbour Industrial Park, Bridgetown, Barbados.

2. Significant accounting policies

Basis of preparation

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

a) Related parties

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2020

2. Significant accounting policies (cont'd)

b) Cash and cash equivalents

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

c) Property and equipment

Property and equipment is 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 as revenue upon receipt. 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 in the next financial year.

Government grants

Government grants represented funds received from the Ministry of Finance and Economic Affairs during the financial year in the form of cash and goods or services to assist with operating expenses.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements

Year ended 31 March 2020

2. Significant accounting policies (cont'd)

d) Revenue recognition (cont'd)

Government grants (cont'd)

Government grants are not recognized until there is reasonable assurance that the Commission will comply with the conditions attaching to them and that grants will be received. Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Commission with no future related costs are recognized in the statement of comprehensive income in the period in which they become receivable.

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.

Transaction and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchanges 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2020

2. Significant accounting policies (cont'd)

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:

	2020	2019
	\$	\$
Cash at bank	12,383,464	4,087,478
Cash in hand	<u>93</u>	<u>400</u>
	<u>12,383,557</u>	<u>4,087,878</u>

4. Accounts receivable

Accounts receivable consist of the following:

	2020	2019
	\$	\$
Trade receivable	65,941	27,249
Registration fees receivable	<u>470,350</u>	<u>464,278</u>
	536,291	424,318
Less: Provision for doubtful debts	<u>(84,185)</u>	<u>(134,185)</u>
	<u>452,106</u>	<u>357,342</u>

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2020

5. Deposits with Central Bank

The Commission has an escrow account in the amount of \$12,334,780 (2019: \$11,872,787). The funds are deposited at the Central Bank of Barbados. The account comprises:

- a) A statutory deposit of \$6,717,371 (2019: \$6,467,371) representing amounts paid by insurance companies to satisfy their requirement under the Insurance Act CAP 310.
- b) Unclaimed moneys totaling \$5,404,459 (2019: \$5,192,466) which are unclaimed monies paid to the Commission by insurance companies, in accordance with the Insurance Act CAP 310 Section 138. These amounts are held in escrow until such time as they are claimed.
- c) Residual funds from liquidated credit unions totaling \$212,950 (2019: \$212,950) representing funds held with the Commission in accordance with the Co-operative Societies Act CAP378A Section 159(2).

6. Marketable Securities

	2020	2019
	\$	\$
Series B Bond 1 - 3.75% maturing 30 September 2033	<u>3,987,341</u>	<u>3,987,341</u>

On 14 September 2018 the Government of Barbados launched an exchange offer for holders of Barbados dollar denominated debt as part of its Comprehensive Debt Restructuring. The Financial Services Commission accepted Government's offer and effective 1 October 2018 received a new Series B Debenture with a face value of \$3,987,341 in exchange for its existing debentures with face value of \$3,964,000 and accrued interest of \$23,341. This debenture comprises 11 amortising strips with maturities ranging from 5 years to 15 years, bearing interest at 1% per annum for the first 3 years, 2.5% per annum for year 4, and 3.75% per annum thereafter to maturity. Interest is paid quarterly, and the principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity of that strip.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2020

7. Property and equipment

	Leasehold	Office Equipment	Computer Equipment	Motor Vehicles	Furniture and Fittings	Library Books	Total
	\$	\$	\$	\$	\$	\$	\$
2020							
Cost							
Balance – beginning of year	349,310	24,637	623,717	293,040	469,969	24,532	1,785,205
Additions	-	-	110,517	-	-	-	110,517
Disposal	-	-	-	(106,036)	-	-	(106,036)
Balance – end of year	349,310	24,637	734,234	187,004	469,969	24,532	1,789,686
Accumulated depreciation							
Balance – beginning of year	279,605	24,637	526,883	154,199	393,806	24,532	1,403,662
Depreciation	50,094	-	78,276	37,401	65,857	-	231,628
Disposal	-	-	-	(106,036)	-	-	(106,036)
Balance – end of year	329,699	24,637	605,159	85,564	459,663	24,532	1,529,254
Net book value							
Beginning of year	69,705	-	96,834	138,841	76,163	-	381,543
End of year	19,611	-	129,075	101,440	10,306	-	260,432
2019							
Cost							
Balance – beginning of year	349,310	24,637	601,838	154,306	469,969	24,532	1,624,592
Additions	-	-	32,745	138,734	-	-	171,479
Disposal	-	-	(10,866)	-	-	-	(10,866)
Balance – end of year	349,310	24,637	623,717	293,040	469,969	24,532	1,785,205
Accumulated depreciation							
Balance – beginning of year	209,743	23,130	471,636	123,735	300,913	24,532	1,153,689
Depreciation	69,862	1,507	66,113	30,464	92,893	-	260,839
Disposal	-	-	(10,866)	-	-	-	(10,866)
Balance – end of year	279,605	24,637	526,883	154,199	393,806	24,532	1,403,662
Net book value							
Beginning of year	139,567	1,507	130,202	30,571	169,056	-	470,903
End of year	69,705	-	96,834	138,841	76,163	-	381,543

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2020

8. Related party transactions

Key management compensation

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

	2020	2019
	\$	\$
Salaries and other short-term benefits	<u>1,946,934</u>	<u>1,948,979</u>

9. Capital contribution

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

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

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

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements

Year ended 31 March 2020

9. Capital contribution (cont'd)

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

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

10. Government grants

In order to achieve financial independence, the Commission revised and implemented a new fee structure effective 1 April 2019, applicable for all regulated entities in accordance with Section 44 (1) of the Financial Services Commission Act, 2010-21. The new fee structure resulted in an increase the fees charged, and therefore the Commission no longer required grants from the Ministry of Finance and Economic Affairs and Investment to assist with its operating expenses. In 2019, prior to this change, the Commission received a Government grant amounting to \$1,400,000.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2020

11. Fees and deferred income

(a) Fees

Fees for the year consist of the following:

	2020	2019
	\$	\$
Application and registration fees	16,441,974	7,085,199
Penalties	33,462	266,432
General Processing fees	<u>69,134</u>	<u>57,835</u>
Total fees collected during the year	16,544,570	7,409,466
Add: Deferred income recognized during the year	4,709,388	4,516,941
Less: Income deferred for subsequent period	<u>(8,957,286)</u>	<u>(4,710,888)</u>
	<u>12,296,672</u>	<u>7,215,519</u>

(b) Deferred income

Movement in deferred income consist of the following:

	2020	2019
	\$	\$
Balance – beginning of the year	4,710,888	4,516,941
Income recognized during the year	(4,709,388)	(4,516,941)
Income deferred for subsequent period	8,957,286	4,710,888
Write-off	<u>(1,500)</u>	<u>-</u>
	<u>8,957,286</u>	<u>4,710,888</u>

12. 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2020

13. Operating lease commitments

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

	2020	2019
	\$	\$
Not later than 1 year	780,527	366,600
Later than 1 year and not longer than 5 years	<u>1,837,004</u>	<u>183,300</u>
	<u>2,617,531</u>	<u>549,900</u>

During the year, operating lease payments of \$701,197 (2019: \$366,600) were recognized as an expense.

14. Contingent liabilities

Through its activities as a regulatory body, the Commission is subject to various legal proceedings.

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

15. 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 \$131,091 (2019: \$123,159) was contributed to the plan by the Commission and this amount is included in salaries and benefits in the statement of comprehensive income.

Appendices

Appendix 1

Conferences

Staff attended the following conferences/meetings:

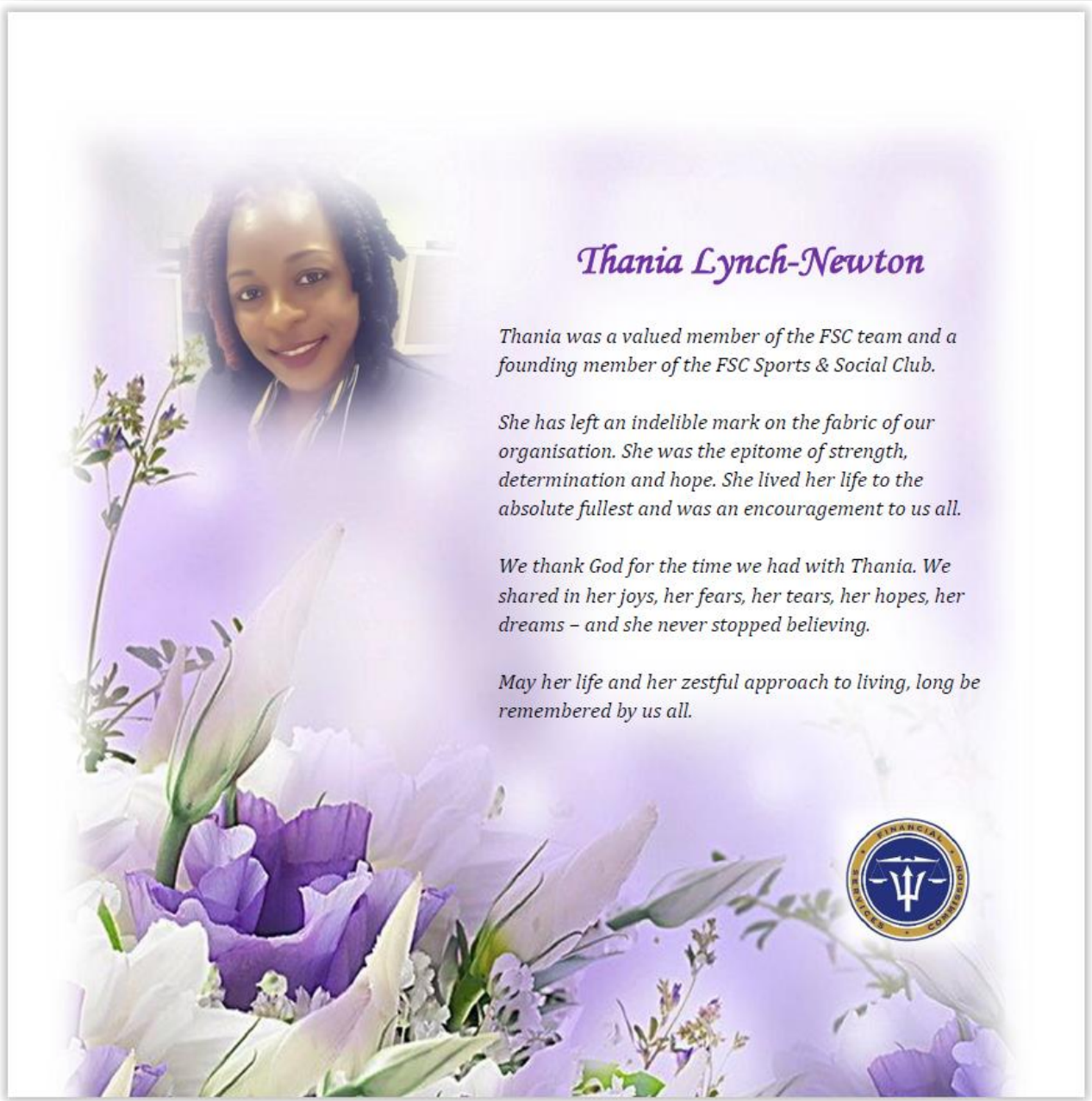
Caribbean Commercial Law Workshop - Cuba	1
Caribbean Group of Securities Regulators (CGSR) Annual Conference and Workshop - Bahamas	2
CARTAC/CAIR Annual Conference and Workshop - Guyana	2
CFATF November 2019 Plenary and Working Group Meeting - Antigua	1
FATF Joint Group Pre-Meeting - Trinidad & Tobago	1
Lessons from the Tribunal 2019, BEC - Barbados	1
Leveraging FM to Maximize Productivity, Efficiency & ROI - Barbados	1
Mistakes Employers Should Avoid - Barbados	1
North American Bitcoin Conference - Miami	1
SHRM Conference - Las Vegas	1
The Blockchain Futurist Conference - Toronto, Canada	1
The ICAC Conference for Accountants - Jamaica	1

Appendix 2

Training

Fintech Regulation Course - Toronto, Canada	1
H & S Committee Member Certification Part 2 - Barbados	1
Implementation of Risk-Based Supervision - St Vincent	1
Insurance Stress Testing - Jamaica	1
NEBOSH International General Certificate in Occupational Health & Safety - Barbados	1
Red PLAC Actuarial Course - Washington	1
Regional FATF Standards Training Course - Bahamas	1
Professional Certificate in International Regulatory Affairs - London	1

Tribute to Thania Lynch-Newton



Thania Lynch-Newton

Thania was a valued member of the FSC team and a founding member of the FSC Sports & Social Club.

She has left an indelible mark on the fabric of our organisation. She was the epitome of strength, determination and hope. She lived her life to the absolute fullest and was an encouragement to us all.

We thank God for the time we had with Thania. We shared in her joys, her fears, her tears, her hopes, her dreams – and she never stopped believing.

May her life and her zestful approach to living, long be remembered by us all.

