



**FINANCIAL SERVICES
COMMISSION**

Annual Report

2014/2015



LETTER OF TRANSMITTAL

September 25, 2015

The Hon. Christopher Sinckler, MP
Minister of Finance and Economic Affairs
Ministry of Finance and Economic Affairs
Government Headquarters
Bay Street
St. Michael

Dear Sir,

I have the honour of submitting for your consideration, the Annual Report of the Financial Services Commission for the year ending March 31, 2015, 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 "Frank Alleyne", written over a horizontal line.

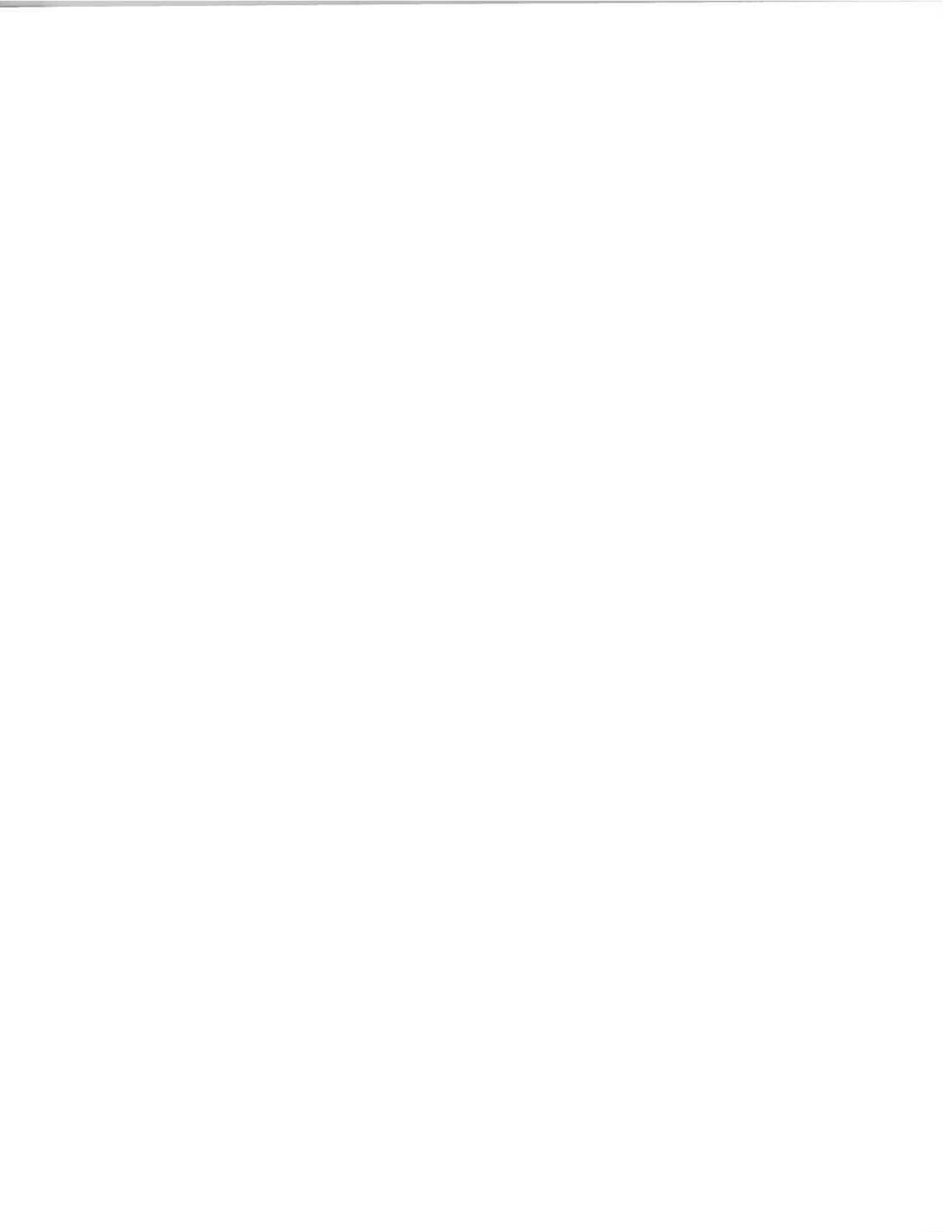
Sir Frank Alleyne K.A, Ph. D

Chairman



Contents

ABOUT THE FINANCIAL SERVICES COMMISSION	1
MESSAGE FROM CHAIRMAN OF THE BOARD	3
CHIEF EXECUTIVE OFFICER'S REPORT	5
CORPORATE GOVERNANCE	8
BOARD OF COMMISSIONERS	9
BOARD OF COMMITTEES	12
Corporate Governance Committee.....	12
Policy and Legislative Committee	12
Finance, Tenders and Audit Committee	13
Authorisation and Licensing Committee.....	13
Human Resources Committee	14
Enforcement Committee	14
FSC MANAGEMENT TEAM	15
FINANCIAL SECTOR OVERVIEW	16
FINANCIAL SECTOR ASSESSMENT PROGRAMME	17
FOREIGN ACCOUNT TAX COMPLIANCE ACT.....	19
SECTORAL REPORTS	20
Insurance.....	20
Pensions	30
Securities.....	33
Credit Unions	38
Examinations.....	43
Research and Policy	45
Legal	46
Registration and Licensing	49
Information and Technology.....	51
Communications	52
Human Resources	54
Finance and Planning	57



ABOUT THE FINANCIAL SERVICES COMMISSION

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

- *Exempt Insurance Act, Cap. 308A*
- *Insurance Act, Cap. 310*
- *Occupational Pension Benefits Act, Cap. 350B*
- *Securities Act, Cap. 318A*
- *Mutual Funds Act, Cap. 320B*
- *Co-operative Societies Act, Cap. 378A (as it relates to the supervision and regulation of credit unions)*

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

Risk-Based Supervision

In an effort to ensure that the tenets of safety and soundness prevail in the management of all sectors, and that regulatory resources are used in the most efficient and effective manner, the FSC continues to convert its internal regulatory processes from compliance-based to risk-based supervision. This is consistent with international best practices, where

supervisory attention is prioritised to focus primarily on high-risk entities and on the inherent risk within the various industries. The introduction of a risk-based supervisory framework will also ensure that there is continuous monitoring of key indicators to allow for the prompt and appropriate mitigation of any potential impact to stakeholders. Going forward the FSC will continue to build regulatory Capacity, develop risk-based policies and procedures, and train staff.

MESSAGE FROM CHAIRMAN OF THE BOARD



Sir Frank Alleyne K.A, Ph. D

The focus of the Financial Services Commission (Commission) during 2014-2015 was directed towards detailing development of our strategic plan. We have completed a five-year strategic plan which serves as the road map for our development during the period 2015-2020. The plan documents the Commission's key strategic objectives and the core values by which we strive to conduct our regulatory work for the betterment of the country. The Commission is satisfied that this plan is of a high quality; that it provides for periodic monitoring and evaluation to ensure that the implementation process remains on track, and that it is capable of addressing unforeseen developments that may occur.

With respect to our supervisory functions, the Commission continued to work assiduously to monitor the performance of regulated entities in order to strengthen the non-bank financial sector. We have utilised our increasingly robust regulatory framework to monitor the financial performance and governance in the sectors we regulate to good effect on a consistent basis. This development is a testament to the diligence and commitment of my colleague Commissioners and the management and staff of the Commission, who have remained resolute and focused on the task at hand. The Commission, however, has no intention of resting on its laurels. We recognise that the business of regulation is a highly dynamic area of development. We are satisfied that the plan we have in place will continue to promote stability in the Barbados non-bank financial system and this augurs well for the future of financial regulation in this country.

With respect to the Governance of the Commission, I am pleased to report that the Board of Commissioners and its respective sub-committees have recorded another productive year. The policies and strategies that we implemented have conduced to the enhancement of governance, and to a higher level of efficiency in the organisation's operations. Based on the progress made during the past four years we are confident that the Commission has the necessary technical capacity and vision to become a financial services regulator of the highest quality.

The Commission places on record its appreciation for the effective partnership it shares with the Ministry of Finance and Economic Affairs in the pursuit of its remit. We also acknowledge our gratitude to the management and staff of the Caribbean Development Bank, and the Caribbean Regional Technical Assistance Centre (CARTAC), for their unwavering support with respect to the enhancement of the Commission's regulatory capacity. On behalf of my colleague commissioners, management and staff of the Commission, I convey our gratitude to the Minister of Finance and Economic Affairs – the Hon. Christopher P. Sinckler, who has been unwavering in his support for the work of the Commission.

CHIEF EXECUTIVE OFFICER'S REPORT



Mr. Randy Graham

The Financial Services Commission (FSC) has had another productive year as we continue to focus on our mandate of promoting stability in the non-bank financial services sector in Barbados. We have improved the robustness of our risk-based supervisory framework and have used it to good effect, in monitoring the performance of regulated entities in the areas of insurance, credit unions, securities, mutual funds and occupational pensions.

Regulation and supervision of these areas continue to be a challenging task as the sectors are dynamic, but we strive to ensure that we have a balance of regulation and facilitation, such that the key risks inherent in these sectors are mitigated as operations continue and economic growth is sought. In this regard, the FSC developed a five-year strategic plan which we consider to be the road map we are utilising to develop the regulatory body into one which ranks highly among the best in the world at what we do – financial regulation. The Board of Commissioners, management and staff of the FSC are committed to achieving this ultimate objective, and have been resolute in putting in the effort and making the decisions necessary to ensure our continued development as a regulator.

The FSC has begun to place more emphasis on assessing the effectiveness of the corporate governance frameworks of our regulated entities. We will continue to advance our work in this area of assessment, inclusive of the assessment of the risk culture inherent in our regulated financial institutions, as a key factor in promoting financial stability across all sectors. In insurance, we will continue to focus on our assessment of possible risk-based capital requirements and we are developing unique stress testing capabilities which are specific to this sector. In the credit union sector, our focus remains on the levels of non-performing loans and unsecured credit, while recognising the uniqueness of this sector and the factors that separate its operations from the traditional banking sector. In securities, our focus is on creating an enabling environment to facilitate growth while managing the associated risk. Finally, in the occupational pension sector – the sector most recently legislated – reporting requirements and submission of decision-making data will continue to require a priority focus.

While the FSC continues on a developmental path with a high level of regulatory demands and output, it would be remiss if we did not acknowledge the support we have received from the regulated entities themselves. Following any financial crisis, the regulatory response is typically, enhanced supervision and the FSC's response has been no different, as we have sought to improve the regulatory framework for the non-bank sector in many ways. Through all our new demands, the regulated entities have remained supportive and a level of transparency and public accountability for the decisions of the regulator has ensued. This bodes well for the regulatory environment and we will seek to continue to be transparent while making the tough decisions we deem necessary to improve stability in our financial system.

Externally, the FSC continues to be recognised by its regulatory peers as a progressive regulator. We have been invited to sit on committees for several decision-making bodies, and asked to host various regulatory conferences and meetings. We are committed to doing the right things to ensure that our reputation as a pristine, strong and fair regulator is maintained. We are also committed to collaborating with all our stakeholders as we

acknowledge this as the most appropriate way to benefit from the collective skills available to achieve our mandate.

Internally, the FSC's Board, management and staff, continue to look for innovative ways to run efficient operations while maintaining a high-performance culture and high levels of productivity. This is reflected in our most recent audited financial statements and our focus on expenditure control. The staff of the FSC should be commended for their ongoing commitment to this task.

On behalf of the management team, I want to place on record, our appreciation for the professionalism shown by the FSC's Board of Commissioners in executing their duties. The Board has at all times acted in a manner that exemplifies good governance and has supported our corporate development. In addition, we recognise that our staff members are the most important element of our effectiveness as a regulator; they continue to demonstrate their dedication to ensuring that our work contributes to building and maintaining public confidence in a stable and competitive non-bank financial system.

CORPORATE GOVERNANCE

The FSC is an integrated financial services regulatory agency governed by a Board of Commissioners appointed by the Minister of Finance and Economic Affairs. The Commissioners – a chairman and six others – hold office for a period of three (3) years, with each member being eligible for re-appointment. The Board sets policy and within a framework of effective controls, has ultimate responsibility for providing leadership and oversight to the operations of the FSC.

The Board and the FSC's executive management team are committed to conducting affairs according to the highest standards of corporate governance and integrity applicable to statutory bodies, particularly to regulatory agencies.

BOARD OF COMMISSIONERS

Sir Frank Alleyne is a retired University of the West Indies Professor of Economics. He has extensive management experience having served as University and Campus Dean, Head of Department and has sat on several high-level University of the West Indies committees. During the past four decades, Sir Frank has served in leadership positions on several local and regional non-governmental organisations and statutory corporations including the Central Bank of Barbados and the Securities Commission of Barbados.

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 financings.

Mr. Basil Murray graduated in 1980 from the University of the West Indies, Cave Hill with a B.Sc. (Hons) degree in Public Administration. He served in the civil service of Barbados for over 41 years before retirement in 2003. Seventeen of those years were spent in the Ministry of Finance and Economic Affairs, including nine in the Office of the Supervisor of Insurance and ten years in the Co-operatives Department of the Ministry of Commerce as Deputy Registrar and later as Registrar of Co-operatives and Friendly Societies.

Mr. Felton Burton is a Chartered Accountant by profession, having qualified as a Certified Management Accountant with the Society of Management Accountants of Canada. He is also a Chartered Secretary having gained the designation from the Institute

of Chartered Secretaries Association of Canada. Mr. Burton spent many years in accounting and management with a number of local companies in the manufacturing, retail, wholesale and security sectors. He served as a Director of a local insurance company for thirteen years, a Director in the local credit union movement both at the primary level as well as in the League, and spent over ten years in the international business community.

Mr. Jefferson Cumberbatch is Chairman of the Fair Trading Commission. He teaches Contracts, Torts and Employment Law at the University of the West Indies and has research interests in Consumer Protection, Freedom of Association, Dismissal Law and Media Law. He is co-author of the text *West Indian Law of Contract* and has published extensively in some of the leading international legal journals. Mr. Cumberbatch drafted the Electronic Transactions Act 1999 and the Consumer Guarantees Act 2002 of Barbados and has undertaken several legal consultancies for various foreign, regional and local institutions. From 2009-2012, he served as a member of the Regional Judicial and Legal Services Commission. Locally, he is Chairman of the NIS (Benefits) Appeals Tribunal, the Consumer Claims Tribunal and the Anti-Money Laundering Authority. He has previously acted as a Justice of Appeal of the Eastern Caribbean Court of Appeal.

Mr. Lawson Yearwood is a member and Deputy Chairman of the Anti-Money Laundering Authority and Deputy Chairman of the Barbados Revenue Authority. He brings over twenty-seven years of commercial banking experience to the FSC Board, having worked at Barclays Bank Plc and Barbados National Bank. He established the Wildey branch of the National Bank in 1981 and served as its first manager until 1984. He also worked at the Barbados Development Bank as Manager of Internal Audit. Mr. Yearwood has an innate interest in education and served as a member of the Board of Management of the Princess Margaret Secondary School from 1983-2003. He also has a keen interest in agriculture and served as a member and Deputy Chairman of the Barbados Agricultural and Development Corporation (now called the Barbados Agricultural Development and Marketing Corporation) from 1986-1994.

Mr. Martin Cox is currently Director of Finance and Economic Affairs (Ag.) and has served as Permanent Secretary in various ministries such as tourism, education, health, international business, and labour. His current substantive position is Permanent Secretary, Finance. Mr. Cox has been working in the government service since 1978 and was appointed to the position of Permanent Secretary in 1995. He is a graduate of the University of the West Indies, with a B.A and MSc. in Economics. He is also a Certified Management Accountant (Canada).

BOARD OF COMMITTEES

Corporate Governance Committee

The Corporate Governance Committee directs the implementation of sound corporate governance principles at FSC. Its principal objectives are to provide the Board with recommendations relating to the composition of the other committees and the establishment and implementation of an efficient system of corporate governance, in an effort to ensure that transparency and accountability are promoted.

Committee members are:

- *Sir Frank Alleyne K.A – Chairperson*
- *Debbie Fraser – Deputy Chairperson*
- *Lawson Yearwood – Commissioner*
- *Chief Executive Officer – FSC*
- *Human Resources Manager – FSC*

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:

- *Jefferson Cumberbatch – Chairperson*
- *Debbie Fraser – Deputy Chairperson*
- *Martin Cox – Commissioner*
- *Chief Executive Officer – FSC*
- *General Counsel – FSC*

Finance, Tenders and Audit Committee

The Finance, Tenders and Audit Committee assists the Board in ensuring that the integrity of the financing and financial reporting process is maintained. This is achieved by reviewing the financial reporting process; the systems of internal control and management of financial risk; the audit process; the tendering process and the financing process. The Committee also ensures that the FSC's process for monitoring compliance with laws and regulations and its own code of business conduct is sufficiently robust.

Committee members are:

- *Martin Cox – Chairperson*
- *Felton Burton – Commissioner*
- *Basil Murray – Commissioner*
- *Chief Executive Officer – FSC*
- *General Counsel – FSC*
- *Manager, Finance and Planning – FSC*

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:

- *Sir Frank Alleyne K.A – Chairperson*
- *Debbie Fraser – Deputy Chairperson (Alternate member)*
- *Basil Murray – Commissioner*
- *Chief Executive Officer – FSC*

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:

- *Debbie Fraser – Chairperson*
- *Sir Frank Alleyne K.A*
- *Felton Burton – Commissioner*
- *Chief Executive Officer – FSC*
- *Human Resources Manager/Officer – FSC*

Enforcement Committee

The purpose of the Enforcement Committee of the Board of FSC is to review and address proposed enforcement actions. It also ensures that appropriate action with respect to all compliance and enforcement matters relating to financial institutions and entities regulated by FSC is implemented in a timely and proficient manner.

Committee members are:

- *Basil Murray – Chairperson*
- *Jefferson Cumberbatch – Commissioner*
- *Lawson Yearwood – Commissioner*

FSC MANAGEMENT TEAM

Chief Executive Officer	<i>Mr. Randy Graham</i>
Deputy Chief Executive Officer	<i>Mr. Warrick Ward</i>
General Counsel	<i>Mrs. Cyralene Benskin-Murray</i>
Manager – Insurance	<i>Mrs. Leticia Alleyne</i>
Manager – Examinations	<i>Mr. David Shepherd</i>
Manager – Securities	<i>Ms. Rosina Knight</i>
Manager – Credit Unions	<i>Mr. Curtis Lowe</i>
Manager – Finance & Planning	<i>Ms. J. Waveney Forde</i>
Manager – Human Resources	<i>Ms. Joanne Mapp</i>
Manager – Information Technology	<i>Mr. Emmerson Cadogan</i>
Manager – Research & Policy	<i>Ms. Kerry-Ann Alleyne</i>

FINANCIAL SECTOR OVERVIEW

During the period under review, the Barbados financial system remained stable and highly liquid in spite of the continued effects of the economic slowdown. Despite the reduced domestic economic activity, the financial system remained resilient with assets under management by the insurance companies, mutual funds, and occupational pension sectors holding firm with no diminution of value. In the face of a generally weak economic environment, the assets at deposit-taking institutions, including credit unions, experienced moderate growth. Credit risk within the financial system has been contained although non-performing loans remain substantially above regulatory guidelines for all depository institutions. Overall, the financial system remained relatively liquid and profitable as entities continued to hold more capital than required by local regulatory or international guidelines.

FINANCIAL SECTOR ASSESSMENT PROGRAMME

During the fiscal year ended March 2014, a joint mission comprising experts from the World Bank (WB) and the International Monetary Fund (IMF) visited Barbados (July and October 2013) to conduct an assessment of Barbados' financial system under the Financial Sector Assessment Programme (FSAP). The FSAP is a comprehensive and in-depth analysis of a country's financial sector, focusing on health of the sector and the quality of regulatory oversight. It is a key instrument used by the IMF to gauge the stability of a country's financial system and to assess its potential contribution to the country's growth and development.

Following the assessment, a number of key financial sector vulnerabilities and developmental challenges were identified. The assessment team, in its technical notes and detailed assessments, made several policy recommendations to improve the observance of the Basel Core Principles and the Insurance Core Principles, as well as to address the challenges and vulnerabilities identified.

In the course of the fiscal year ended March 2015 the FSC embarked on an implementation project aimed at addressing the recommendations arising from the FSAP report. As it relates to the insurance industry, one recommendation suggested that the FSC enhance the supervisory colleges and maintain active engagement with fellow regulatory bodies, particularly for systemic entities and entities where Barbados is a host supervisor. In response to the various recommendations the FSC has developed a Supervisory College policy paper and framework, and will be hosting a supervisory college in June 2015 for the Sagicor group. The FSC is also earmarked to participate in the supervisory college of the BF&M group in November 2015. The report discussed the need for sound crisis management planning for the systemically-important institutions. The FSC consulted with a technical expert during the fiscal year and is currently in the process of drafting a crisis management plan for the regulated institutions.

The FSAP report also highlighted areas for legislative strengthening and in this regard the FSC has submitted its legislative recommendations to the Chief Parliamentary Counsel, and is currently awaiting the updates. Additionally, the consolidation of the current risk-based dual approach to on-site credit union supervision based on well-specified criteria was also addressed. During this fiscal period the Examinations department has reviewed the scoping criteria of on-site examinations and has determined the on-site examination schedule using the new risk-based methodology.

There are several other recommendations discussed in the FSAP report which the FSC intends to implement. The implementation plan has allowed the FSC to prioritise the recommendations and undertake them in a timely fashion to ensure that we utilise the recommendations into actions that develop our regulatory capacity. Recommendations not addressed in the past fiscal period will be addressed going forward.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Foreign Account Tax Compliance Act (FATCA) is a United States of America (US) federal law which requires citizens of the US to report their financial accounts held outside of that country. During this fiscal year ended March 2015, Barbados made substantial progress in adjusting to the implications of FATCA. Having previously agreed the terms of its intergovernmental agreement (IGA) in substance on 27 May 2014, Barbados became the 47th jurisdiction to officially sign an IGA with the US. A FATCA model 1A agreement was signed between Barbados and the US at Bridgetown on November 17, 2014. Under this Agreement, both Barbados and the US will collect bank account and other prescribed information on each other's citizens and transmit it to the Revenue Authority of each country.

The Barbados IGA is based on Model 1A (Reciprocal – Preexisting Tax Information Exchange Agreements (TIEA) or Double Tax Convention (DTC). Under Model 1A, financial institutions in Barbados will be able to report the information required under FATCA to the tax authorities in Barbados, which will then be obliged to forward that information to the US Internal Revenue Service. Prior to September 30, 2015, Barbados will pass FATCA regulations and negotiate a Competent Authority Agreement between the Barbados Revenue Authority and the US Internal Revenue Service to operationalise FATCA.

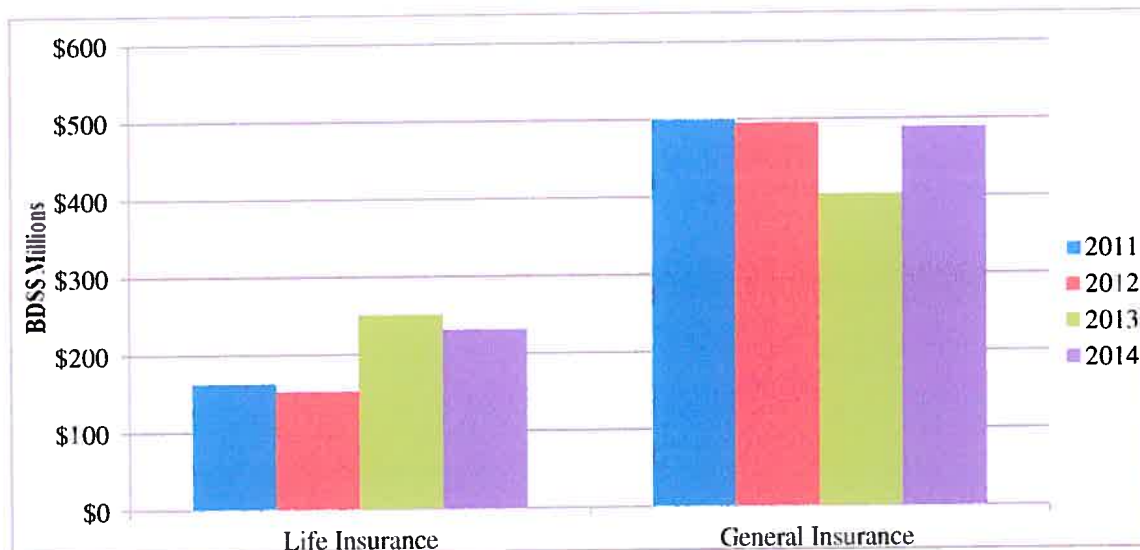
SECTORAL REPORTS

Insurance

Domestic Insurance Sector

With assets of approximately BDS\$3.02 billion as at the end of December 2014, domestic insurance remains a significant component of the financial sector in Barbados. The combined gross premium written for the industry (life and general insurance) was BDS\$721.9 million. The sector recorded an increase in gross premium written for the financial year ended December 31, 2014 of approximately \$53 million, compared with the 2013 figure of BDS\$668 million. At the end of 2014, general insurance premiums were approximately BDS\$489 million, accounting for the bulk of domestic market premiums, with the remaining BDS \$231 million in premiums attributed to the life insurance sector. (See Figure 1)

Figure 1: Gross Premiums Written (Year Ended December 31)
(BDS\$ Millions)

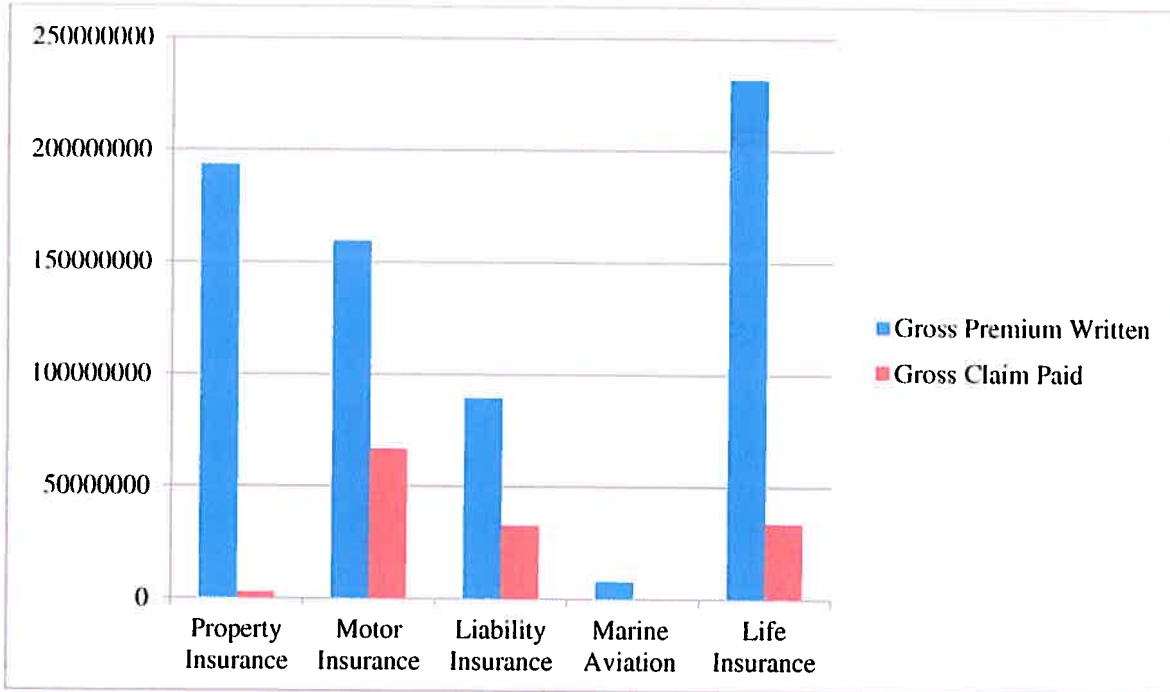


Motor and property insurance policies are the key segments of the general insurance market, accounting for 72% of the gross premium written. In the life insurance market, the key products sold are whole life, term life and universal life. (See Table 2) The insurance loss ratios, which measure the relationship between premiums collected and claims paid in the industry, have declined for general insurance business, but have shown a slight increase for life insurance when compared to the previous year. General insurance loss ratio fell from 62% in 2013 to 55% in 2014, while the life insurance loss ratio increased from 15% in 2013 to 25% in 2014. (See Figure 2). The loss ratio on general insurance remained relatively stable, compared to the previous year. As property insurance is the largest contributor to the general insurance sector, the loss ratio is indicative of the low occurrence of natural catastrophes in Barbados in the period under review.

Table 2: Insurance Market Penetration (Year Ended December 31)

	2012	2013 (RESTATED)	2014
Type of Insurance	Gross Premium Written BDS\$	Gross Premium Written BDS\$	Gross Premium Written BDS\$
General insurance premiums	495,198,169	470,300,540	489,995,851
Life insurance premiums	152,513,462	198,116,024	231,983,630
Total industry premiums	647,711,631	668,416,564	721,979,481
Premiums by policy type			
Motor insurance	164,180,469	161,654,716	159,455,718
Property insurance	211,408,562	193,330,391	193,422,512
Liability insurance	10,801,602	26,463,020	49,760,062
Ordinary and Industrial life insurance	152,513,462	170,589,659	182,618,923
Marine aviation & transit insurance	8,549,710	9,662,774	7,893,957
Accident & sickness insurance	80,874,874	85,105,079	89,113,440
Other insurance	19,382,950	21,610,925	39,714,404

Figure 2: Gross Premiums Written versus Gross Claims Paid by Line of Business (Year Ended December 31)



The amount of reinsurance ceded by insurance companies in 2014 was BDS\$295 million, with net premiums written in the industry standing at BDS\$432 million. The amount ceded in the prior year (2013) was BDS\$283 million. In 2014, the amount ceded represented 41% of gross premium written, a 1% decrease from the amount ceded to gross premium for the previous year. Life insurance companies ceded 8% of their gross premium written while general insurance companies ceded 57%. The use of reinsurance is the primary risk diversification tool used by general insurance companies operating in the domestic market; as such, increased focus is being placed on the evaluation of reinsurance agreements being entered into by domestic insurance companies.

At the end of December 2014, approximately BDS\$1,154 million was held in statutory funds in support of policy holder liabilities. In the event of company distress, the statutory fund provides access to assets and is used as regulatory capital to provide buffer for insurance liabilities and to support the overall quality of assets on the insurance

industries' balance sheet. All regulated entities currently hold statutory funds which are monitored by the regulator. The industry's total assets stood at approximately BDS\$3.02 billion, while combined net income was reported at BDS\$203 million. Overall profits for the industry were up from the previous year. For the financial year ended December 31, 2014, premiums attributed to life insurance recorded an increase from the previous year of 17%, while gross premium written for general insurance increased by 4%. These statistics point to a relatively stable and solvent domestic insurance industry with limited growth in assets. (See **Table 3 and Figure 3**)

Table 4 provides greater detail on domestic insurance companies and registered insurance intermediaries. At the end of the 2014 financial year, there were twenty-two (22) domestic insurance companies and twenty-three (23) insurance brokers. There are various other types of entities registered to conduct insurance business in Barbados under the Insurance Act, Cap. 310, with five hundred and seven (507) registered salespersons being the largest category of intermediaries.

Table 3: Consolidated Industry Totals

	2011 (BDS\$ Millions)	2012 (BDS\$ Millions)	2013 (BDS\$ Millions) (RESTATED)	2014 (BDS\$ Millions)	% Change 2013- 2014
Gross premium written	663	648	668	721	8%
Reinsurance ceded	293	291	283	295	5%
Net premiums written	370	357	396	432	9%
Claims paid	275	160	155	175	13%
Reinsurance recoverable	59	47	132	133	1%
Commission received	70	43	43	61	41%
Commission paid	55	36	55	56	2%
Total assets	2,604	3,061	3,010	3,020	0.33%
Statutory fund requirement	1,102	987	1,340	1,154	-14%
Net income	246	39	121	203	68%

Figure 3: Annual Premium and Reinsurance Totals (2011 -2013) (Year Ended December 31)

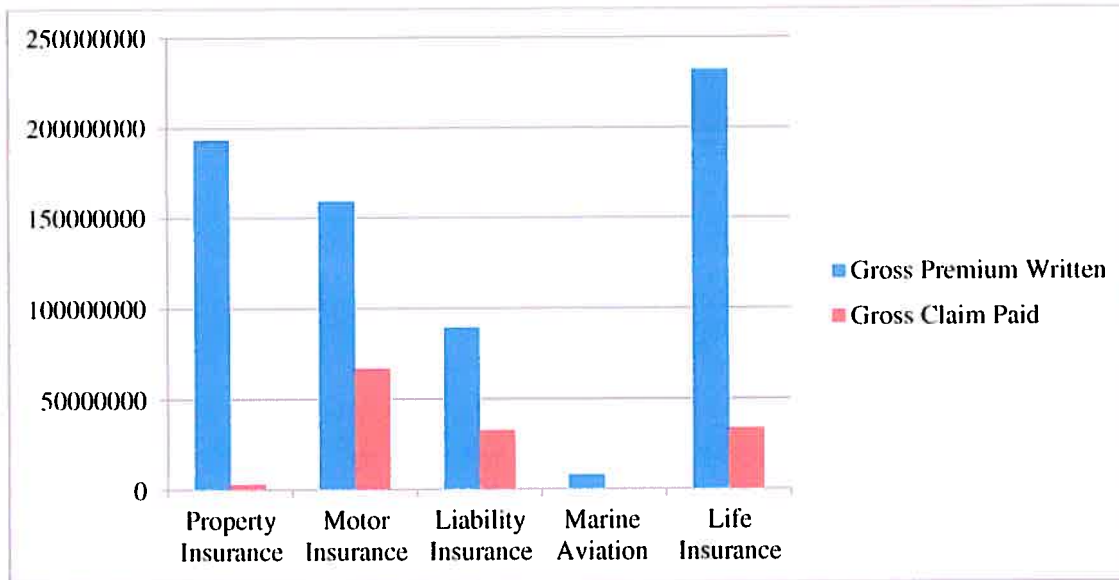


Table 4: Entity Registration (Year Ended March 31)

Regulated Entities	31-Mar-14	31- Mar-15
General Insurance Companies	15	15
Life Insurance Companies	7	6
Combined Life and General Insurers	1	1
Brokers	22	23
Agents, Sub-Agents, Sales Persons	534	547
Loss Adjusters/Surveyors	14	16

International Insurance Sector

Barbados remains a leading jurisdiction for foreign entities seeking to set up captive insurance companies. The country is ranked in the top ten (10) domiciles for captive insurance as measured by the number of registered captive insurance companies. The Exempt Insurance Act, Cap. 308A (EIA) is the legislation established to supervise this sector. International insurance companies may also register as qualifying insurance companies offering international insurance business similar to the exempt sector.

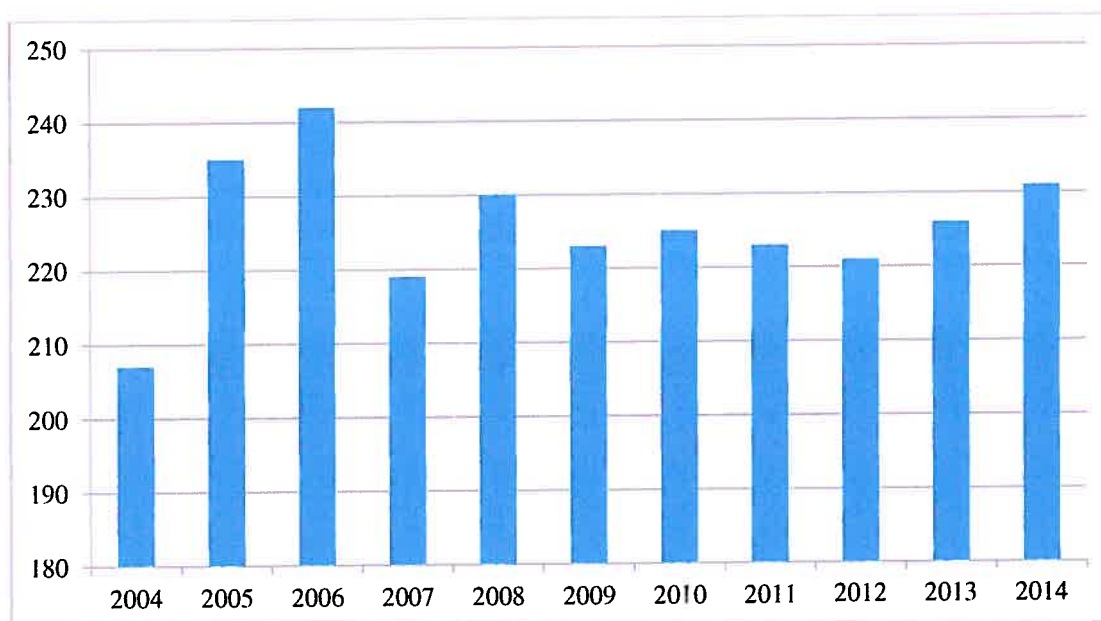
The international insurance sector has performed steadily and based on asset size, is substantially larger than the domestic insurance industry. At the end of the financial year, there were two hundred and sixty-four (264) international insurance companies regulated by the FSC compared to two hundred and fifty-eight (258) in 2013. There were one hundred and eighty-nine (189) exempt insurance companies, eleven (11) holding companies and twenty-two (22) management companies licensed with the FSC. In addition, there were forty-two (42) qualifying insurers registered to conduct international business. There were also eighteen (18) companies registered as segregated cell companies under the Companies Act. **(See Table 5)**

Table 5: International Insurance Companies

Types of International Insurer	31-Dec-11	31-Dec-12	31-Dec-13	31 Dec 14
Exempt Insurance Companies	166	166	179	189
Holding Companies	16	16	12	11
Management Companies	20	22	22	22
Qualifying Insurance Companies	76	51	45	42
Segregated Cell Companies	-	12	16	18

Overall, Barbados has been able to maintain high retention rates among this class of insurer as shown in the following figure which displays historical registration of Captive insurance companies. (See Figure 5)

Figure 5: Registered Number of Exempt Insurance Companies and Qualifying Insurance Companies (2004 – 2014)



Total assets of the exempt insurance sector for the fiscal year ending 2013 was BDS\$126 billion, while gross premium written was BDS\$39 billion. **Table 6** highlights key indicators used to evaluate the sector's performance. An analysis of the international insurance companies registered in Barbados indicated that 91% of the active insurance companies met the solvency requirement. The entities which did not meet this requirement are primarily in run-off mode and the FSC in its oversight role has mandated that they take remedial action and submit periodic reports on the run off activities. The FSC continues to monitor the process to ensure the smooth run-off of the portfolios.

Since the international insurance companies write business in other countries, it is very important to engage in cross-border supervision and partner with the host regulator to ensure that the companies are operating prudently. The greatest inherent risk to the FSC from this category of companies is reputational risk and as such, the FSC remains vigilant in its supervision of this sector.

Table 6: Exempt Industry: Selected Indicators

	2010 (BD\$ Millions)	2011 (BD\$ Millions)	2012 (BD\$ Millions)	2013 (BD\$ Millions)
Total Assets	125,779	133,594	122,554	126,023
Total Liabilities	93,189	100,500	76,660	89,944
Share Capital	10,171	6,428	9,338	10,831
Gross Premium	37,184	62,896	33,709	39,036
Net Earned Premium	31,343	56,274	20,991	42,421
Investment Income	3,058	4,078	2,053	66,664
Net Income	7,126	5,785	16,179	6,803
Claims Paid	27,098	53,256	14,267	12,082

Pensions

The pensions industry represents a significant component of the financial system in Barbados when measured both by the number of plan members and the assets under management, which is anticipated to grow as contributions are made. Over the past financial year, significant effort has been placed on building regulatory capacity, further developing the supervisory framework and continuous engagement of stakeholders regarding requirements under the Occupational Pension Benefits Act.

The Pension Division within the FSC created a paradigm shift with greater focus on the regulation process in order to determine the risk profiles of the compliant pension plans that have reached full registration status. Noting that the deadline for the submission of outstanding documents had passed, the FSC submitted a request to the Minister of Finance for an extension of the provisional registration period, for occupational pension plans that had not been registered under the OPBA. Two (2) additional years were requested and granted under section 89 (2) of the Act. This additional time was contemplated in order to facilitate the submission of complete registration packages.

During the period under review, the Division submitted fifty-eight (58) applications of registration to the FSC's Authorising and Licensing Committee (ALC) to bring the total number of fully registered pension plans to two hundred and four (204) as at March 31, 2015. Five (5) plan amendments were also submitted for approval, as well as wind-up applications for five (5) pension plans. Under the regulation process, the Division also completed twenty-five (25) risk assessments.

Total membership of occupational pension plans in Barbados as at March 31, 2015 was twenty-nine thousand, three hundred and fifty (29,350), spread widely across the plans which vary in size from one (1) member to two thousand and sixty-nine (2,069). (See **Figure 6**) The membership distribution is skewed with two hundred and thirty-seven (237) pension plans consisting of less than one hundred (100) members, while fifteen (15) pension plans provide coverage for more than five hundred (500) members. (See

Figure 7) The sponsors of pension plans originate from various industries, but the services and financial industries continue to form the bulk of the plan sponsors. (See **Figure 8)**

The FSC’s analysis of the registration applications revealed that consistent with international trends, more plan administrators (63%) have been choosing defined contribution (DC) pension plans over the defined benefit (DB) component. One of the major reasons for this is a transferal of investment risk from the plan administrator to plan members.

Figure 6: Fully Registered Occupational Pension Plans as at March 31, 2015

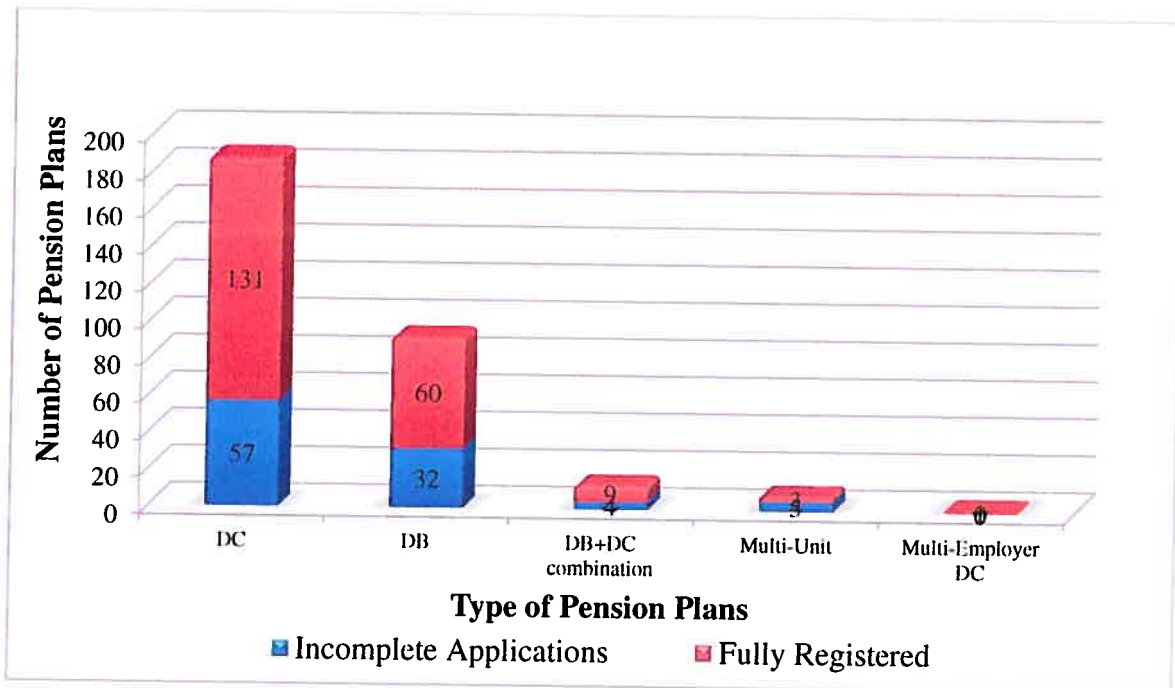


Figure 7: Plan Membership Distribution as at March 31, 2015

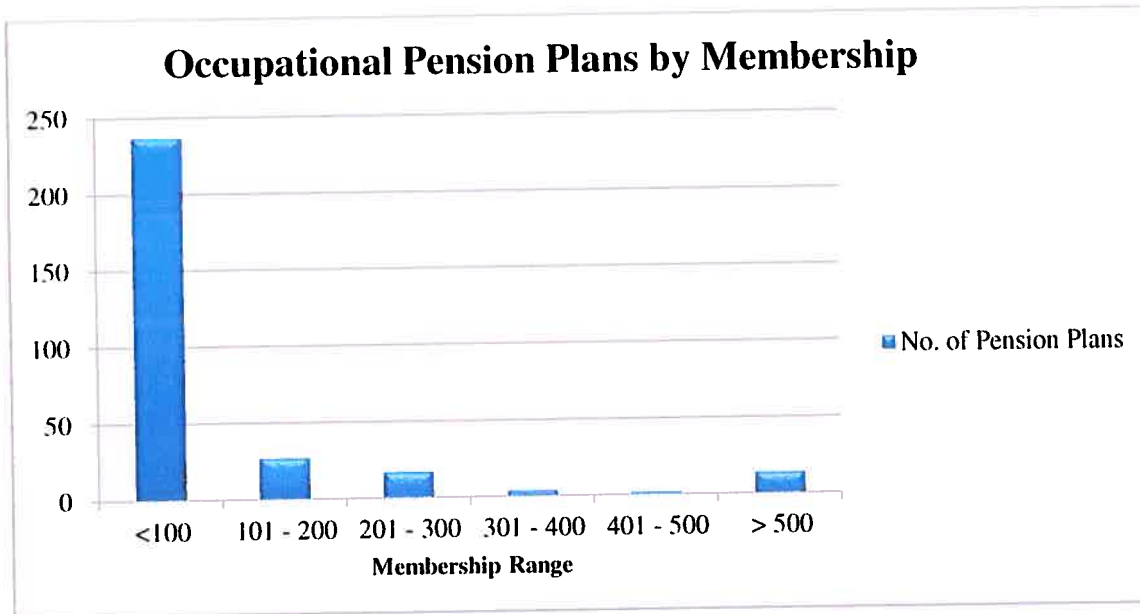
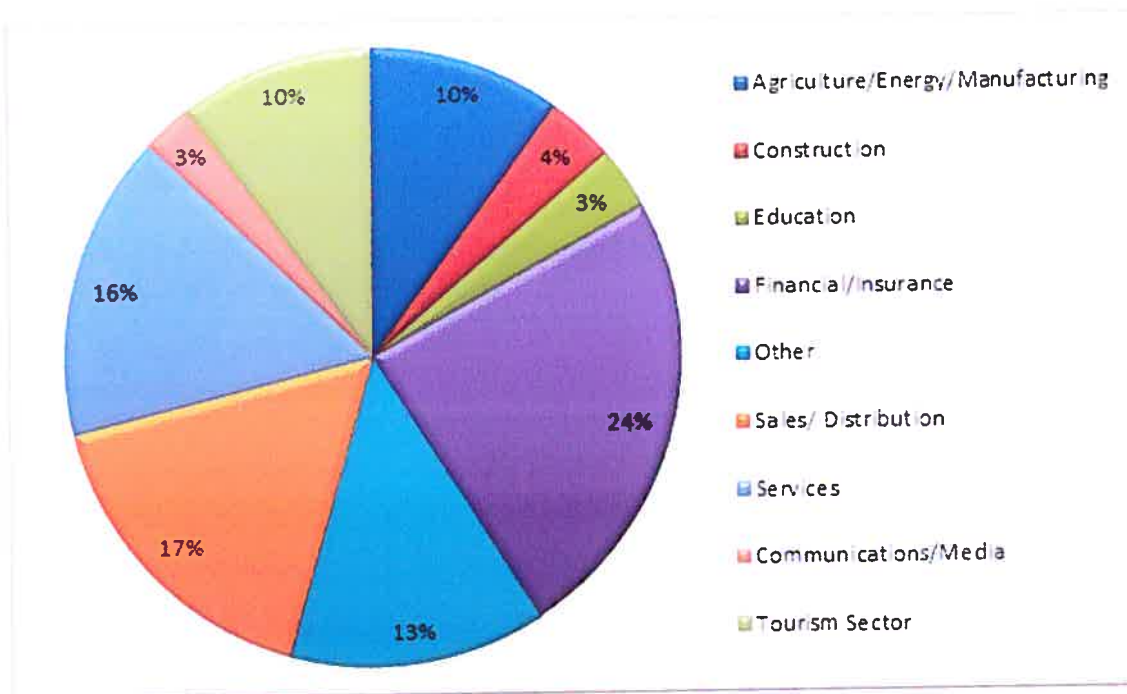


Figure 8: Pension Plans by Sector as at March 31, 2015



Securities

The FSC oversees a securities and funds market which continues to produce mixed results. The reported results of Barbados' sole securities exchange – the Barbados Stock Exchange (BSE) – for the first quarter of 2015 indicated modest increases in regular market activity based on volume traded and a significant increase in activity based on value traded as compared with December 2014. BSE, however, recorded overall declines in the trading volume as compared with December 2014. A comparison of the results as of March 31, 2015 and March 31, 2014 illustrates further declines in the market capitalisation and index from the 2014 year end, particularly in the domestic market. There were no major transactions in the stock market for the year under review. The FSC issued one order de-listing the securities associated with a closed ended sub-fund that matured during the period under review.

Registered and/or licensed entities

For the period under review, the FSC recorded an increase in the number of companies registered and/or licensed as market actors, which translated into an increase in the number of individuals registered. These entities carry on business in one or more categories requiring registration under the Securities Act, Cap. 318A, i.e. as issuers, securities companies, brokers, traders, dealers, investment advisers, and underwriters. The increase in the number of registered market actor companies was mainly attributed to an FSC initiative which focused on entities undertaking regulated activities from Barbados. These entities included International Business Companies (IBCs) and the financial institutions licensed under the International Financial Services Act, Cap. 325 (IFSA). Further information regarding the initiative is provided under *Regulatory Developments*.

Registration of debt securities

Three issuances of debt securities were registered with the FSC during the period under review. Two of the issuances were Barbados dollar-denominated with an estimated value of BDS\$19,000,000. The other security was registered with a value of US\$225,000,000.

The Funds market continues to show growth in the domestic and foreign sectors in terms of reported assets under management. The domestic market recorded modest growth as compared with the financial year ended March 31, 2014; whereas, the foreign funds showed significant development. The number of licensed funds remained relatively unchanged for the period while the number of entities licensed as fund administrators/managers declined slightly. There were minor fluctuations in the numbers throughout the year as a result of the licensing of new entities and the loss of other entities who ceased to carry on fund administration/management activities during the year. A statistical representation of the market is outlined in **Tables 7 to 10** below.

Table 7: Activity on the Barbados Stock Exchange

Market data (as at date shown)		
	March 31, 2015	March 31, 2014
Listed companies	20	20
Listed securities	25	26
Local market index	2,194.13	2,568.58
Cross-listed market index	1,726.65	1,539.55
Composite market index	624.23	668.90
Local market Capitalisation BDS\$	5,499,741,673.59	6,395,315,382
Cross-listed market Capitalisation BDS\$	2,895,433,099.25	2,569,376,511
Composite market Capitalisation BDS\$	8,395,174,722.84	8,964,691,893
No. of major transactions	0	0

Table 8: Regulated Entities

Category	Number of Regulated Entities (as at the date shown)	
	March 31, 2015	March 31, 2014
Market Actors (individuals)	37	27
Market Intermediaries (companies)	28	21
Self-regulatory organisations	2	2
Mutual funds (<i>including sub-funds</i>)	25	26
Issuers	49	48

Table 9: Market Intermediaries

Category	Breakdown of Market Intermediaries (as at the date shown)	
	March 31, 2015	March 31, 2014
Securities company	13	10
Investment adviser	14	7
Dealer	3	3
Underwriter	6	5
Mutual Fund Administrator (General)	10	10
Mutual Fund Administrator (Restricted)	0	0

Table 10: Mutual Funds data (as at date shown)

	Funds under management BDS\$ (in millions)		
	Domestic (offered in Barbados)	Foreign (not offered in Barbados)	Total
March 31, 2015	1,877.3	4,758.0	6,635.3
March 31, 2014	1,834.7	3,322.3	5,157.5

Regulatory Developments

The FSC undertook an initiative to educate and where applicable, notify IBCs and financial institutions licensed under IFSA about the obligation to be registered and/or licensed in accordance with the Securities Act and Mutual Funds Act, if they undertook any of the activities regulated by these statutes. The result of the initiative was an increase in the number of companies registered and/or licensed in various categories.

The FSC's goals for 2014/2015 also included establishing regimes that reflect the realities and needs of the market, and simultaneously meet international best practices. The purpose of the regimes is to provide regulatory frameworks which reflect the risks associated with the activities of regulated entities.

Two regimes were implemented during the 2013-2014 financial period:

1. Private placement regime

The private placement regime was developed following consultation with the industry during the first half of the financial year regarding the framework that should apply to private placement transactions. The regime is based on specific criteria which must be met in order for an offer or distribution to be considered a private placement. Qualifying issuers are not required to comply with a number of provisions under the Securities Act including registration and on-going reporting obligations. The regime also enables entities which were previously registered as reporting issuers, but whose issuance of securities would be considered as a private placement under the regime, to seek an order declaring that they are no longer reporting issuers. The FSC received and processed two submissions for orders pursuant to the regime during the financial year.

2. Securities Reporting issuer exemption regime

This regime was established in accordance with the provisions of the Securities Act. It enables IBCs which are public companies and registered in approved

jurisdictions, to be exempted from a number of the provisions under the Securities Act. One international business company registered with the FSC and took advantage of the exemption regime during the financial period.

A third regime – *dealer exemption* – was also finalised during the period, for IBCs carrying on business as dealers. This will provide qualifying IBCs with exemptions from certain provisions of the Securities Act.

The FSC approved rules submitted by BSE in respect of its proposed launch of the International Securities Market (ISM) during the third quarter of the financial year. A number of the rules were approved with recommendations for further development in order to ensure that among other things, the rules reflected the best practices to be applied in respect of ISMs. The FSC and BSE continued to liaise during the course of the year in respect of further revisions to the rules.

The FSC issued two circulars to the industry during the financial year:

1. The first was issued in the third quarter. It focused on disclosure requirements and the standards that should be applied by domestic funds in order to ensure that the information investors and prospective investors receive is up-to-date, accurate and provided in a consistent manner.
2. The second circular was released in the final quarter of the year. It introduced the private placement regime and provided details on its operation.

The FSC also issued an advisory in the second half of the financial year to inform the public about the registration/licensing status of four related entities operating from Barbados.

Credit Unions

The FSC continued to strengthen its capacity to regulate the credit union sector and initiated a number of enhancements to its off-site supervision capabilities. In recognition of the systemic importance of the largest credit unions, the FSC has implemented an enhanced reporting regime for all credit unions with assets over \$40 million. This regime allows the FSC to inter alia; monitor compliance with our prudential industry guidelines and detect potential challenges on a timely basis so that appropriate action may be taken.

At March 31, 2015, the number of registered credit unions remained unchanged from thirty-five (35). It is unlikely that there will be any new entrants in the sector as factors including general global trends towards consolidation, existing rates of market penetration, challenges for new credit unions to be competitive, and the wide range of products and services offered by existing credit unions, may prove difficult to counter. However, during the year, the largest credit union expanded its branch network.

Table 11: Credit Union Sector Profile at a Glance

	2014	2015
Number of credit unions	35	35
Total Assets (billions)	\$1.713	\$1.793
Total Savings (billions)	\$1.442	\$1.516
Net Loans	\$1.241	\$1.325
Capital Ratio	10.62%	10.86%
Profitability (Return on Average Assets)	1.03%	0.88%

- *Membership*

The reported number of members in local credit unions increased from 156,399 to 170,049, during the year under review. This represented an increase of approximately 9%

and is indicative of the growing prominence of the sector in providing financial services to the wider Barbados population. The sector has continued to be a significant player in the economy as characterised by high levels of penetration (reported at 81.5%) of the economically active population, second only to St. Vincent & the Grenadines.

- *Assets*

Assets were reported at BDS\$1.793 billion when compared to BDS\$1.713 billion for the corresponding period during 2014. The sector continued to be characterised by its heterogeneous nature with assets ranging from BDS\$147,104 to BDS\$929.554 million. The two largest credit unions held approximately BDS\$1.319 billion which represents 74% of the assets of the sector. **Table 12** gives a breakdown of the sector by asset size.

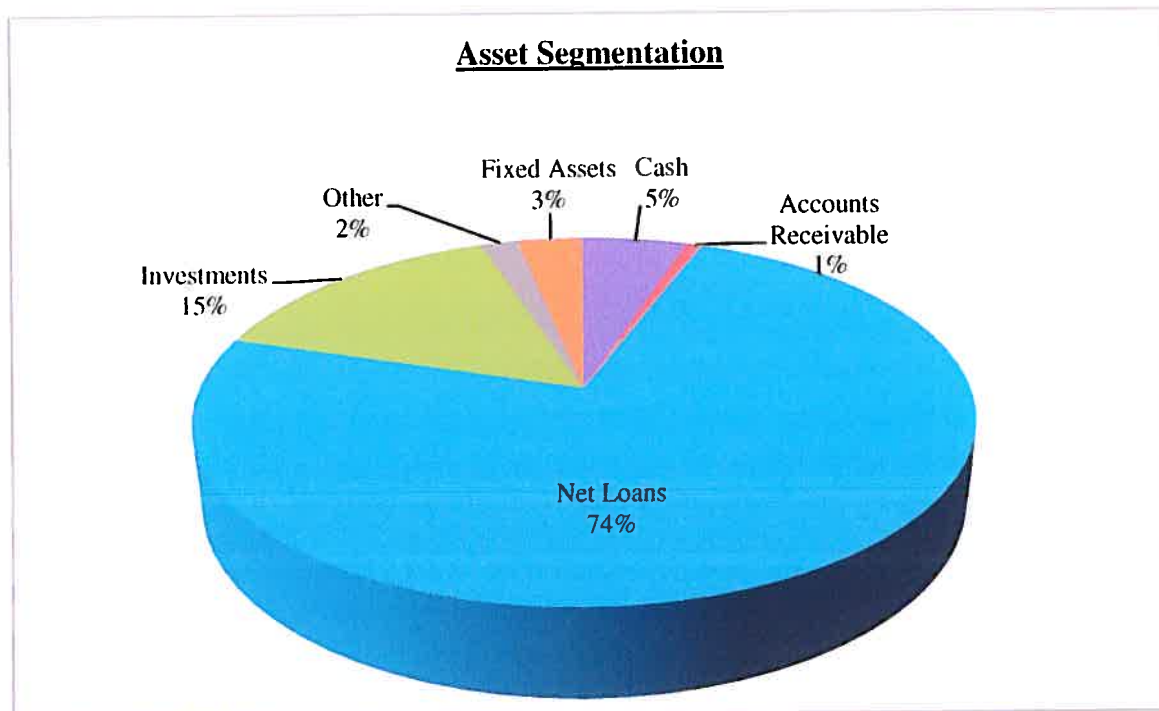
Table 12

Sector Profile by Asset Size		
Asset Size	\$ (millions)	# of institutions
Greater than \$40 million	1,636	7
\$10 million to \$40 million	103	5
Less than \$10 million	53	23
Total	1,792	35

Asset growth continued to be robust, but at a decreasing rate, as the rate of growth was 4.64% - down from 5.90% the previous year, largely fueled by the issuance of new loans supported by increased savings. Cash totaled \$93.7 million down from the year before as there was a substantial increase in loans and investments respectively. Liquid assets, comprising cash and investments, decreased marginally from BDS\$367.0 million at March 31, 2014, to BDS\$365.0 million at March 31, 2015 while gross loans grew by BDS\$81 million or 6.31% for the same period.

Net loans to credit union members increased by 6.77% from BDS\$1.241 billion to BDS\$1.325 billion for the year ended March 31, 2015. Other assets comprising accounts receivable, other current assets and fixed assets amounted to \$103.4 million. (See Figure 9)

Figure 9



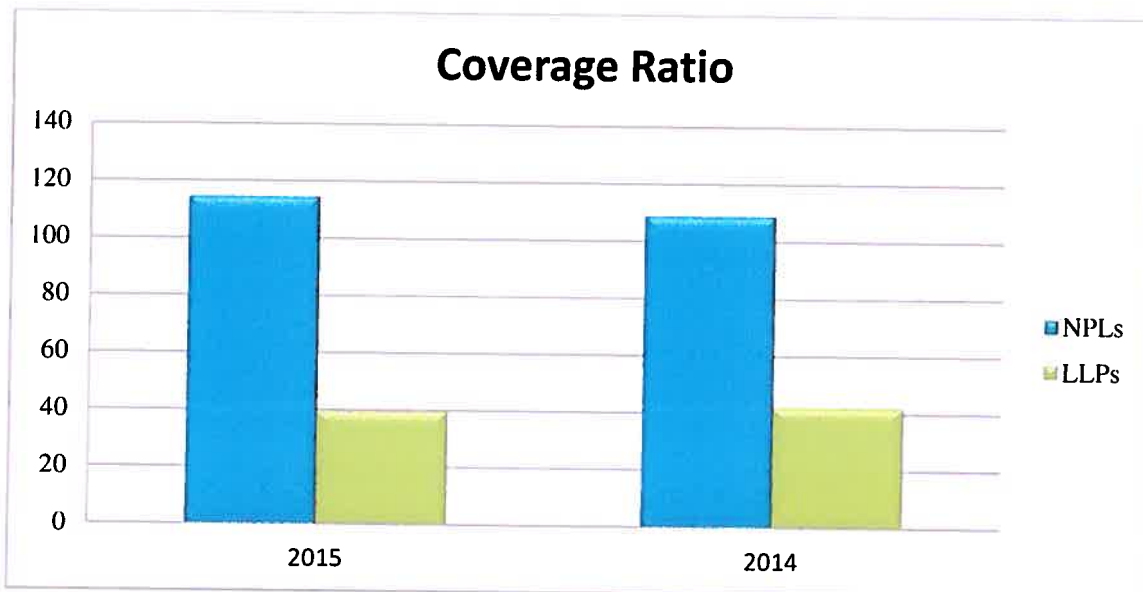
While there was a reported increase in the value of loans, the number of loans outstanding fell during the reporting period, due in part, to the charge off of many small delinquent loans across the sector. The average loan per borrowing member increased from \$18,576 to \$19,881, with 40.4% of members having credit facilities down from 44.2% a year earlier. There was moderation in the growth rate of non-performing loans (NPLs) in the sector, as these decreased from 8.54% to 8.35%. This decrease was due to the fact that the growth rate in the loan portfolio outstripped that for the NPLs. (See Table 13)

Table 13

Non-performing Loans for the Sector		
Category	2014 \$ (millions)	2015 \$ (millions)
3 - 6 months	22.4	22.2
6 - 12 months	22.6	19.8
over 12 months	64.8	72.0
Total	109.8	114.0

During the reporting period loan loss provisions was reported at BDS\$39.5 million down from BDS \$42.2 million the previous year as some credit unions initiated plans to charge off some of their NPLs. As a result, the coverage ratio (loan loss provision as a percentage of non-performing loans) decreased from 38.4% to 34.7% at March 31, 2015 (See Figure 10).

Figure 10



It is likely that there may be consolidation in the sector as large credit unions seek growth opportunities while small credit unions pursue mergers as a means of protecting member assets and providing access to enhanced products and services. On a leveraged basis, the credit union sector is well capitalised at an average of 10.9% of assets which marginally increased from 2014.

- *Members' Savings*

At March 31, 2015 members' investments in savings and shares totalled BDS\$1.516 billion, up from BDS\$1.442 billion the previous year; this was reflective of growth of 5.13%. Members' regular deposits increased by BDS\$313.8 million (47%) over the previous period largely due to members shifting funds from term deposits, which decreased by BDS\$260.1 million (54%), unlike in 2014 when there was strong growth of BDS\$77.7 million (19-%) in this area.

- *Key Performance Indicators*

Profitability in the credit union sector continued to trend downward consistent with the previous year. The rate of return on average assets was 0.88% down from 1.03%. In an environment of declining rates on loans, income generated by this segment of the balance sheet increased by 1.27% supported by reported growth in the loan portfolio. Interest on loans was reported as \$106.8 million up from \$105.5 million a year earlier. Additionally, investment income was moderated due to prevailing economic conditions, low interest rates, and the attendant impact on the return on investments which declined by 14.1%.

The increased use of technology-driven service delivery channels by members resulted in an increase of 58.1% in the 'Other Income' category, which moved from \$4.5 million to \$7.1 million. This increase mitigated the impact of reduced investment and loan interest income. The resultant impact on the sector's capital ratio expressed as reserves as a percentage of total assets, was a marginal increase from 10.62% to 10.86%. Operational costs increased by 14.1% to \$68.3 million or 3.81% of total assets.

Examinations

The Examinations Division is primarily involved in the on-going supervision and regulatory process of the FSC. The division is responsible for the planning, coordinating, performing, reporting and follow-up of the on-site examination process across all regulatory sectors under the FSC's purview. The Division forms part of the regulatory operations and is integral in assisting with providing an overall view with respect to the total risk position of regulated entities; along with identifying deficiencies in regulated entities' risk management practices.

The FSC's examinations strategy has focused on Systemically Important Financial Institutions (SIFIs), as well as on those entities classified as medium to high risk based on the Early Warning Indicators (EWI) monitored on an on-going basis by our various regulatory divisions. The 2008 and 2013 FSAP recommendations with respect to increasing the frequency and number of examinations also led to a strategy of performing full-scope examinations for those entities selected. The benefits of this was seen as building institutional knowledge on the entities to better inform the FSC's understanding of their operations which is consistent with our approach of risk-based regulation. The Division seeks to adopt a consolidated supervisory approach where necessary in order to get a better understanding of the risks facing the regulated entities. The benefits of this approach will allow for other regulators responsible for regulating components of the group to rely on the efforts of the home regulator as it relates to their specific areas of examination.

- *2014 – 2015 Activity Report*

The Examinations Department utilises a net risk methodology in completing its examinations. This approach considers assessing the inherent risks facing the regulated entity and then assessing the quality of risk management practices and oversight over these inherent risks to form what is termed a net risk or total risk view, i.e. inherent risks mitigated by the quality of risk management practices over the inherent risks allows for

the FSC to evaluate and provide a comprehensive view of the risk once an examination is completed.

This examination strategy, in conjunction with the risk assessment process employed by the FSC, led to the finalisation and approval of an examination plan which was achieved one hundred percent (100%).

During the period under review, the Examinations Division completed eighteen (18) examinations of regulated entities and licensed activity and three (3) examinations of regulated entities were in progress at year-end. (See Table 14)

Table 14 – Examination Statistics, August 2012-March 2015

Sector	Total completed as at March 31, 2013 (commenced Aug 2012)	Total completed for the financial year ended March 31, 2014	Total completed and in progress for the financial year ended March 31 2015	Total cumulative position as at March 31, 2015 (from Aug 2012)	Total cumulative percentage of sector's assets examined as at March 31, 2015
Life insurance	0	2	1	3	87% - Note 1
Non-life insurance	1	2	2	5	61% - Note 1
Insurance broker	2	0	5	7	Note 2
Credit Unions	1	3	8	12	92%
Securities					
Self-regulatory organisation	0	2	0	0	100%
Mutual fund administrator (MFA) for domestic funds	0	2	1	3	Not applicable

Research and Policy

During the period under review, the Research and Policy Department drafted a number of policy and research papers for the regulatory divisions on a range of topics including *Supervisory Colleges for Insurance*, *Deposit Insurance for Credit Unions*, and *Capital Adequacy for Insurance Companies*. The department also produced the FSC's first Statistical Bulletin series which provides key statistical indicators and highlights the performance of the four non-bank financial sectors which FSC regulates. These bulletins were produced using quarterly data and are available on the FSCs' website for public viewing.

The Department continues to track the progress of the implementation of recommendations made in the 2013 Financial Sector Assessment Programme (FSAP) report. It has also reviewed and provided feedback and suggestions on numerous technical documents for both internal and external parties, the latter having included the Central Bank of Barbados, the Ministry of Finance and Economic Affairs, and Invest Barbados. In addition, it has responded to all data requests submitted by external parties, including those from regional and international organisations. These contributions have enhanced the information presented in the Barbados Economic and Social Report; the Financial Stability Report, produced in conjunction with the Central Bank of Barbados, and have been referenced in press articles and other presentations.

The Department is also in the process of building the FSCs data warehouse. Plans for this project were rolled out in 2014 and it is hoped that during the upcoming financial year the first steps to the development of this warehouse will be undertaken. The department will assume full responsibility for all statistical information housed in the FSC.

Legal

- *Legislative Developments*

The FSC undertook several legislative initiatives to facilitate and enhance its regulatory and supervisory framework. Among these was a recommendation to the Minister of Finance and Economic Affairs for an Order to extend the provisional registration period for certain pension plans. *The Occupational Pension Benefits Act Cap. 350B* provides for the provisional registration of certain pension plans for a period of three years from the date of commencement of the Act, being 1st February 2011. The recommendation sought to extend this period for an additional two (2) years pursuant to section 89(2) of the OPBA.

The FSC also initiated and recommended the implementation of the *Securities (Reporting Issuers Exemption) Order 2014*. That Order was made pursuant to section 127A (1) of the *Securities Act Cap. 318A* and makes reporting issuers eligible for exemption of specific legislative requirements once the criteria have been met. The Order will be applicable to IBCs which are public companies issuing securities in approved foreign jurisdictions. It also facilitates exemptions from provisions of the *Securities Act* which requires registration of the securities and on-going reporting and filing obligations, such as filing annual reports.

Similarly, the FSC has also been instrumental in initiating and assisting with the preparation of a Draft (Dealer Exemption) Order, which seeks to make dealers eligible for exemption of certain provisions of the Securities legislation once the criteria have been met. The Order will be applicable to IBCs undertaking dealer business from Barbados in foreign countries for non-Barbadians. The initiative was a progressive measure taken by the FSC that will be beneficial to the capital market in Barbados.

During 2014, the FSC conducted an extensive review of its legislation which revealed that urgent legislative amendments were required. Proposals were submitted to the

Ministry of Finance and Economic Affairs in this regard and the FSC remained directly involved in discussions concerning amendments to its legislation namely, the *Financial Services Commission Act 2010-21*, *Insurance Act Cap. 310*; *Exempt Insurance Act Cap. 308A*; *Securities Act Cap. 318A* and *Mutual Funds Act Cap. 320B* and its regulations. The proposed legislative enhancements will seek to strengthen the FSC's regulatory framework and facilitate greater compliance with international core principles established by the International Association of Insurance Supervisors (IAIS), the International Organization of Securities Commissions (IOSCO), the International Organization of Pension Supervisors (IOPS) and BASEL II.

- *Industry Guidelines and Information Circulars*

Guideline No.8 - Insurance Broker Agreements was issued to the insurance industry and sought to ensure that best practices, with respect to the establishment of written agreements between insurers and brokers registered under the *Insurance Act Cap. 310*, were adopted. The guideline establishes requirements for the conduct of insurance business which are designed to strengthen consumer confidence in the insurance market and enhance the operational efficiency of market participants.

After extensive consultation with securities industry stakeholders, the FSC issued an Industry Circular on the treatment of private placements. The Circular was issued in accordance with the FSC's mandate to facilitate conditions that would encourage the orderly development of Barbados' capital market. The implementation of this initiative will further improve effective regulation and co-operation with the securities industry. It is expected that the Circular will provide the industry with some degree of clarity, certainty and consistency pertaining to the factors the FSC will consider in respect of a private placement transaction and whether or not registration will be required.

In furtherance and promotion of good market conduct, "The Segregated and Identification of Premiums Circular" was issued during the period. The Circular provides

clarity to insurance brokers on Guideline No. 3 – Market Conduct for Domestic Insurance Business. It sought to ensure that best practices with respect to the procedure of segregation of funds concerning those of the insurer and broker are satisfied.

- *Review of Decisions – FSC Appeals Tribunal*

The FSC Appeals Tribunal is an independent body established by the *Financial Services Commission Act 2010-21*. Appeals, which provide independent and impartial avenues for review of FSC decisions, engaged the attention of the FSC Appeals Tribunal during the period. Two (2) decisions were handed down by the Tribunal on Wednesday, 11th March 2015.

Registration and Licensing

All registrants with the FSC must be issued with a certificate of registration/licence in order to conduct the business for which they seek to be registered. The Registration and Licensing Department within FSC monitors this process and maintains and updates the records annual (registrations) payment of fees and documents submitted by registrants to the FSC. The registers are kept on behalf of all the regulatory divisions. They are a statutory requirement and members of the public may view them on request.

Licences Issued for the Period Under Review

- ***Insurance***
 - Exempt insurance licences were prepared for seventeen (17) companies; of these, nine (9) were new companies compared with twenty (20) new companies for the corresponding period last year
 - One (1) licence for a qualifying insurance company was prepared compared with two for the last reporting period
 - Two (2) licences for an insurance management company were prepared
 - Twelve (12) licences for insurance brokers, including one new licence, were prepared; the other eleven (11) were licences which were reissued in compliance with the FSC's directive to include the term "insurance broker" in the companies' name
 - Twenty five (25) licences for insurance agents were prepared; these were reissued in compliance with the FSC's directive to include the term "insurance agent" in the companies' name
 - Two (2) licences for insurance adjusters were prepared
 - Fifty-four (54) licences were prepared for salesmen during the reporting period; of these, twenty five (25) were new to the insurance industry, the remainder transferred from one employer to another

- ***Securities***
 - For the period under review, ninety-six (96) licences have been prepared for the securities division – sixteen (16) having been issued to new registrants
 - In the area of mutual funds, fourteen (14) were registered with the FSC; eleven (11) mutual fund general administrators were registered, while two (2) general administrators were removed as licensees

- ***Pensions***
 - According to the Registration & Licensing records, there are three hundred and fourteen (314) pension plans listed with the FSC as at the period under review; of these, three (3) have issued notice of wind-up

The Registration and Licensing department is responsible for the adjudication of the transfer of shares of public companies, from estates to beneficiaries on behalf of the FSC which has its authority under the Property Transfer Tax Act, Cap. 84A. During the reporting period, sixty (60) matters of share transfers were adjudicated by the FSC. The department is also responsible for the due diligence checks on the backgrounds of non-Barbadian individuals and foreign companies seeking to be registered with the FSC. Background checks are done via the World-Check facility; and in the case of securities, some checks are performed on companies using IOSCO. Local registrants are required to produce a Police Certificate of Character. During the reporting period, sixty-four (64) requests for background checks were made to the Registration and Licensing Department. These consisted of due diligence assessments/checks on one hundred and forty (140) individuals and twenty-one (21) companies.

Information and Technology

During the period under review, the Information Technology Department completed its strategic plan as a component of the wider FSC corporate strategy. The department continued to work on the focus areas from the previous period – IT Governance and Policies and Electronic Filing/Document Management (EFDM). In addition, the department continued to identify and work on projects which allowed FSC to be more efficient in its daily operations.

Several policies were completed and rolled out within the organisation as part of the focus on achieving industry best practices. The procurement process for the EFDM project was restarted as the department continued to work with officials from the Ministry of Finance and Economic Affairs, Data Processing Department, Information Support Unit and the Public Investment Unit to facilitate this critical project. The department also identified a comprehensive technical training programme which will enable it to achieve its strategic objectives.

In the year ahead, the department intends to continue working with various stakeholders to facilitate the selection of a vendor for the EFDM project. We project that it will greatly enhance the provision of services which the FSC currently offers. The department intends to work with the rest of the organisation on a disaster recovery consultancy and develop a robust disaster recovery plan. IT Governance and Policies will continue to be updated to bring them in line with industry standard best practices and will seek to update the skill levels of the IT team through completion of the department's training programme.

Communications

Full stakeholder engagement remained the focus of the Communications Department for the year under review. Greater partnerships were forged with regional and international regulators as FSC increased its attendance at supervisory and regulatory conferences and workshops. Every effort was also made to accede to requests from representative organisations for the regulated entities to help train, deliver feature addresses and give opening remarks at their milestone events. This increasing number of invitations for FSC to share its experience and expectations as the regulator, demonstrated in great measure, the partnership which engagement efforts have so far wrought.

The Communications Department also continued its supporting function to FSC's regulatory divisions and other corporate support departments by preparing documents and advertisements for external publication. Notices, award certificates, and other in-house correspondence were designed to assist in the effective communication of ideas, messages and instruction to staff.

The Department took the lead in the planning and hosting of a successful FSC inaugural Anniversary Lecture & Cocktail Reception, held at the Grand Salle, Tom Adams Financial Centre. The lecture, entitled "Regulation Today: Protector or Stimulus", was presented by Sir Trevor Carmichael and was part of a broader FSC anniversary programme. Other events which engaged the planning and collaborative functions of Communications were an anniversary church service held at Word Alive Christian Centre, Warrens; a Health & Beauty Expo for staff, and a team-building fun day. There was also a Staff Lunch and Award Ceremony in December with which the Department assisted.

Standard media monitoring and analysis of articles and news items relating to FSC and its regulated entities were done on a daily basis. Published articles were generally positive in nature and helped to raise the image of the organisation as a credible source for financial analysis and advice. The existing good relations which FSC has with the local media

afforded us where necessary, the opportunity to assist with clarification of technical and industry terms ahead of dissemination of news to the public. A number of media interviews were also done, particularly with business journalists, regarding issues such as the OPBA and the stability of the local financial system.

The Communications Department continues to focus on its core function of supporting FSC's mandate to promote stability, public awareness and public confidence in the operations of the non-bank financial sector.

Human Resources

During the period under review, the Human Resources Department undertook a number of activities in relation to the organisation's strategic objectives. In the summary below, a snapshot is provided of the activities undertaken as well as relevant human resources data.

- *Training & development undertaken*

Several employees benefitted from training during the financial year:

Name of training course/conference	Attendees
Risk-Based Supervision (1-week course)	37
World Captive Forum	1
General Housekeeping	1
Caribbean Credit Unions Conference & Workshop	1
Anti-Money Laundering Certification (commenced)	2
UK Financial Conduct Authority Seminar	2
US Securities & Exchange Commission Annual Institute	1
Credit Unions Regulatory Training	25
Rims Annual Conference USA	1
Rims Annual Conference Canada	1
Emergency Management Seminar	3
Risk-based Supervision of Market Intermediaries (2-day seminar)	Regulatory/legal staff
Improving Productivity for Individual and National Prosperity	2
Customer Relationship Bridge	1
Entrepreneurship Bridge	3
Health & Productivity Bridge	1

All employees were issued with their “Statement of Particulars”, together with an updated Disciplinary Code in keeping with the Employment Rights Act. The performance management system was launched in the 3rd quarter of 2014 and full implementation was made in January 2015. The first full assessment is scheduled for January 2016.

In order to foster camaraderie and teamwork among staff and to provide information on personal interests a number of activities were during the year under review:

- Sessions were facilitated on “Chikungunya and prevention of mosquito-borne illness” as well as on “the Role of Credit Unions” for all staff
- The organisation sponsored a staff fun day which was well supported by employees; this allowed them to get to know each other outside the work environment
- Employees were asked to suggest and implement initiatives which encouraged teamwork, camaraderie and good health. To this end, the team of Miss Melissa Burrowes (Administrative Assistant , Research & Policy Department) and Miss Shari Mapp (Analyst, Credit Unions Department) organised and facilitated an “FSC Biggest Loser Competition”. This was well received and supported by staff. Other initiatives included a Scavenger Hunt held on the premises of the FSC with team building being the major focus.
- The FSC held its Staff Luncheon and Awards in December 2014. Staff were recognised through the following awards which were presented:
 - ***Perfect Attendance***
 - ***FSC Spirit Award: This award goes to the employee who most displayed the values of the FSC in how they performed their duties.***
 - ***FSC Stability Award: This award goes to the employee who demonstrated an awareness of the FSC’s role in the stability of the non-bank financial system by making timely recommendations based on risk-based supervision.***

- ***FSC Corporate Support Award:*** *This award goes to the employee who has consistently executed supportive duties in an effective and efficient manner.*
- ***FSC “Yes We Can” Award:*** *This award is presented to the employee who always contributes, even if it is behind the scenes, and who consistently brings solutions to issues and a positive attitude to the work.*

The organisation continues to celebrate employee milestones on a quarterly basis.

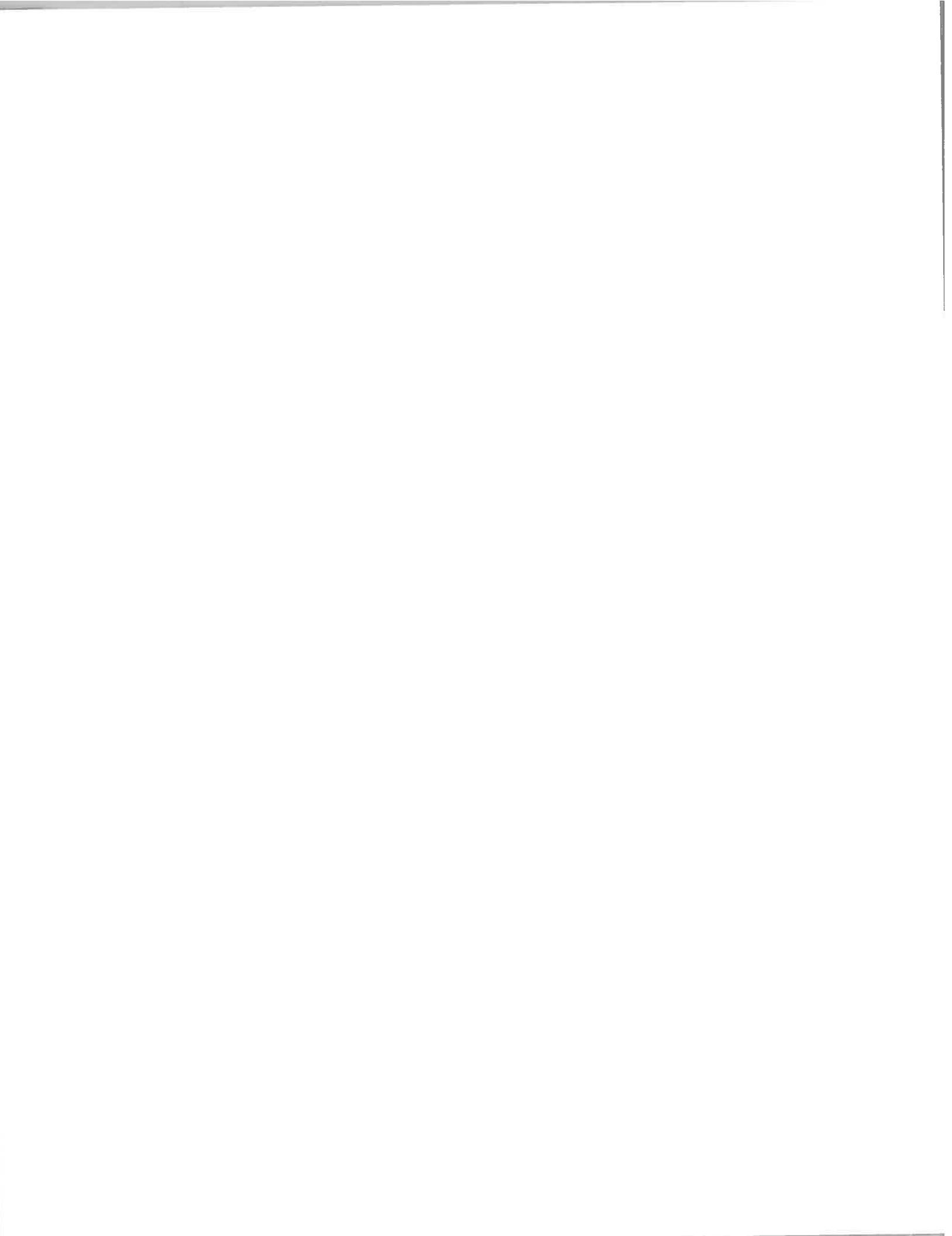
Finance and Planning

In its formative years the FSC received funding from the Special Projects Unit (SPU) of the Ministry of Finance and Economic Affairs (MOF) through a loan from CDB, to assist with the initial transition to an integrated regulator. The timeframe under which the FSC was scheduled to receive funding disbursements was extended to March 31, 2016 to allow for the completion of two critical projects which support the establishment of an integrated regulator. The two outstanding projects are critical to FSC executing its mandate of ensuring financial stability in the non-bank financial sector.

The FSC, however, is funded primarily through fees charged to licensees and registrants in accordance with the fee schedules set out in the attendant legislation. For the period under review, total fees collected were BDS\$5.9 million. During this period, the FSCS also received \$513,746 in unclaimed/undistributed monies and refunded \$15,047. The total held in escrow at the Central Bank of Barbados as at March 31 2015 was \$3.1 million. The FSC also maintains records for and custody of securities placed as regulatory or statutory deposits based on the requirements of the Insurance Act, Cap. 310.

In addition, the FSC received \$1million from the Ministry Of Finance and Economic Affairs to alleviate cash flow challenges imposed by the Exempt Insurance Act Cap. 308A, which compels exempt insurance companies domiciled in Barbados in excess of fifteen (15) years to pay a tax to the Inland Revenue Department, now Barbados Revenue Authority, as opposed to paying these fees directly to the regulator.

In this fiscal year, with a view to reducing operational expenses, the FSC identified alternative office accommodation and several other cost cutting measures that reduced the overall expenditure of the statutory body. The relocation required that the FSC make an investment in necessary office furnishing to outfit the space identified. The FSC continues to manage its associated expenditure within the confines of its accessible income. Details of the FSC's financial position for the year ending March 31, 2015 are contained in the Audited Financial Statements.



Financial Services Commission

Financial Statements

Year ended 31 March 2015
(Expressed in Barbados Dollars)

FINANCIAL SERVICES COMMISSION

**Index to the Financial Statements
Year ended 31 March 2015**

	Page
Auditors' Report	1
Statement of Financial Position	2
Statement of Comprehensive Income	3
Statement of Changes in General Fund	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 14



Ernst & Young
P.O. Box 263,
Bridgetown, BB11000
Barbados, WI
Street Address:
Watling,
First Church, BB15070
Barbados, WI

Tel: 246 430 3900
Fax: 246 426 9551
246 435 2079
246 430 3879
www.ey.com

AUDITORS' REPORT

To the Board of the Financial Services Commission

We have audited the accompanying financial statements of the Financial Services Commission, which comprise the statement of financial position as of 31 March 2015 and the statement of comprehensive income, statement of changes in general fund and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium Sized Entities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as of 31 March 2015 and its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium Sized Entities.

CHARTERED ACCOUNTANTS
Barbados
17 July 2015

FINANCIAL SERVICES COMMISSION

Statement of Financial Position As at 31 March 2015

	Notes	2015 \$	2014 Restated \$
Assets			
Current assets			
Cash		4,687,868	4,909,337
Deposits with Central Bank	3	7,311,303	5,562,604
Accounts Receivable	4	156,965	262,392
Prepayments		32,438	90,671
Lease deposits		28,763	90,671
		<u>12,217,337</u>	<u>10,915,675</u>
Property and equipment	5	<u>761,673</u>	<u>247,504</u>
		<u>12,979,010</u>	<u>11,163,179</u>
Liabilities			
Current liabilities			
Accounts payable		703,511	475,816
Due to Related Parties	6	528,566	527,890
Deferred Income		3,734,745	3,881,879
Escrow Deposits		7,311,303	5,812,604
		<u>12,278,125</u>	<u>10,698,189</u>
Represented by:			
Capital Contribution	7	699,198	699,198
Retained (deficit) Earnings		1,687	(234,208)
		<u>700,885</u>	<u>464,990</u>
Total Liabilities and General Fund		<u>12,979,010</u>	<u>11,163,179</u>

The accompanying notes form part of the financial statements.

Approved by the Commission on 17 July 2015 and signed on its behalf by:


..... Chairman


..... Deputy Chairman

FINANCIAL SERVICES COMMISSION

Statement of Comprehensive Income Year ended 31 March 2015

	Notes	2015 \$	2014 \$
Income			
Fees		5,980,164	5,885,837
Government grants	8	1,000,599	1,325,873
Rental income		30,000	105,000
Interest income		18,628	8,700
Other income		897	523
		<u>7,030,288</u>	<u>7,325,933</u>
Expenses			
Salaries and benefits		4,776,788	4,440,124
Lease	10	770,701	1,088,048
Utilities		301,157	276,361
Depreciation	5	204,867	204,004
Professional fees		144,603	305,455
Membership and registration fees		120,861	101,151
Commissioner fees and allowances		93,600	93,600
Security		54,547	59,217
Stationery		41,772	33,128
Corporate		40,433	-
Maintenance		40,234	27,582
Tribunal expenses		34,479	30,739
Conferences and meeting expenses		28,698	56,241
Vehicle expenses		24,789	21,717
Relocation expenses		23,966	-
Computer expenses		23,213	18,499
Office supplies		20,891	17,260
Insurance		15,882	15,281
Advertising		8,626	117,177
Bad debts		6,753	107,955
Miscellaneous		4,805	3,714
Refreshments		4,331	6,776
Training		3,624	14,712
Bank charges		2,829	2,126
Subscription		1,786	19,590
Travel expense		441	795
Loss on Disposal		438	-
Uniforms		-	(4,319)
Discount received		(720)	(1,013)
		<u>6,794,394</u>	<u>7,055,920</u>
Surplus for the year		235,894	270,013

FINANCIAL SERVICES COMMISSION

Statement of Changes in General Fund
Year ended 31 March 2015

	Capital Contribution	Retained Earnings Restated	Total
	\$	\$	\$
Balance at 1 April 2013	699,198	(194,665)	504,533
Surplus for the year	-	270,013	270,013
Balance as at 31 March 2014	699,198	75,348	774,546
Prior period adjustment (Note 12)	-	(309,555)	(309,555)
Balance at 1 April 2014- Restated	699,198	(234,207)	464,991
Surplus for the year	-	235,894	235,894
Balance as at 31 March 2015	699,198	1,687	700,885

The accompanying notes form part of the financial statements.

FINANCIAL SERVICES COMMISSION

Statement of Cash Flows Year ended 31 March 2015

	2015 \$	2014 \$
Cash flows from operating activities		
Surplus/(deficit) for the year	235,894	270,013
Adjustments for:		
Depreciation	204,867	204,004
Loss on disposal of property and equipment	438	-
Property and equipment received as government grant	-	(36,120)
	441,199	437,897
Operating surplus/(deficit) before working capital changes:		
Increase in deposits with Central Bank	(1,748,699)	(852,216)
Decrease /(increase) in accounts receivable	105,428	(84,708)
Decrease in prepayments	58,233	1,475
Decrease in lease deposits	61,908	-
Increase/(decrease) in accounts payable	227,695	(59,652)
Increase in due to related parties	676	87,890
Decrease in deferred income	(147,134)	(73,259)
Increase in escrow deposit	1,498,699	1,542,097
Net cash from operating activities	498,005	999,524
Cash flows from investing activities		
Purchase of property and equipment	(723,239)	(43,317)
Disposal of property and equipment	3,765	-
Net cash used in investing activities	(719,474)	(43,317)
(Decrease) / Increase in cash for the year	(221,469)	956,207
Cash – beginning of year	4,909,337	3,953,130
Cash – end of year	4,687,868	4,909,337
Represented by:		
Cash at bank	4,687,468	4,908,937
Cash in hand	400	400
	4,687, 868	4,909,337

The accompanying notes form part of the financial statements.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

1. Establishment, principal activity and registered office

The Financial Services Commission is a regulatory entity, established in Barbados on 1 April 2011 under the Financial Services 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 & 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 Standards for Small and Medium-sized Entities ("IFRS for SMEs") 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

2. Significant accounting policies (cont'd)

a) Related parties

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

b) Cash

Cash comprises, cash at bank and on hand.

c) Property and equipment

Property and equipment are stated at cost less depreciation. 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

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 recognised in the statement of comprehensive income.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

2. Significant accounting policies (cont'd)

d) Revenue recognition

Fees and deferred income

Application fees are recognized as revenue upon receipt. Annual registration and license fees are due in January of each year and recognized in income on a calendar year basis. Deferred income represents fees which will be earned in the next financial year for the period April to December.

Rental income

Rental income is recognized in the statement of comprehensive income on a straight line basis over the term of the lease.

Government grants

Government grants represent 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.

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 amortised 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

2. Significant accounting policies (cont'd)

f) Foreign currency translation

i) *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.

ii) *Transaction and balances*

Foreign currency transactions are translated in 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 off 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.

3. Deposit with Central Bank

The Commission has an escrow account in the amount of \$7,311,303 (2014 - \$5,562,604). The funds are deposited at the Central Bank of Barbados. The account represents:

- a) A statutory deposit of \$3,940,000 (2014 - \$2,690,000) (paid by insurance companies to satisfy their requirement under the Insurance Act CAP 310).
- b) Unclaimed moneys totalling \$3,162,564 (2014 - \$2,663,865) (unclaimed moneys 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 union totalling \$208,739 (2014 - \$208,739) (funds held with the Commission in accordance with the Co-operative Societies Act CAP378A Section 159(2)).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

4. Accounts receivable

Accounts receivable consist of the following:

	2015	2014
	\$	\$
Trade receivable	87,817	116,393
Registration fees receivable	512,986	589,838
Other receivable	20,546	20,546
	<hr/>	<hr/>
	621,349	726,777
Less: Provision for doubtful debts	(464,385)	(464,385)
	<hr/>	<hr/>
	156,964	262,392
	<hr/> <hr/>	<hr/> <hr/>

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 2015

5. Property and equipment

	Leasehold	Office Equipment	Computer Equipment	Motor Vehicles	Furniture and fittings	Library books	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance – beginning of year	-	52,329	511,398	106,037	5,500	24,532	699,796
Additions	308,389	-	-	-	414,850	-	723,239
Disposals	-	-	-	-	(4,424)	-	(4,424)
Balance – end of year	308,389	52,329	511,398	106,037	415,926	24,532	1,418,611
Accumulated depreciation							
Balance – beginning of year	-	35,970	354,176	53,018	1,742	7,386	452,292
Depreciation	19,768	4,927	122,429	21,207	28,358	8,178	204,867
Disposal	-	-	-	-	(221)	-	(221)
Balance – end of year	19,768	40,897	476,605	74,225	29,879	15,564	656,938
Net book value							
Beginning of year	-	16,359	157,222	53,019	3,758	17,146	247,504
End of year	288,621	11,432	34,793	31,812	386,047	8,968	761,673

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

6. Related party transactions

The amount due to related parties is \$528,566 (2014 - \$527,890). This represents \$440,000 collected from the exempt insurance companies for taxes due to the Barbados Revenue Authority in accordance with Section 29(2) of the Exempt Insurance Act Cap. 308A., and \$88,566 due to the Government Printery for the printing of regulatory guidelines.

Key management compensation

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

	2015	2014
	\$	\$
Salaries and other short-term benefits	1,552,224	1,485,310

7. 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	41,841
Total assets	<u>900,743</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

7. Capital contribution (cont'd)

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

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

8. Government grants

Government grants represent funds totaling \$1,000,599 (2014 - \$1,325,873) which were received from the Ministry of Finance and Economic affairs during the financial year in the form of cash and goods and services to assist with operating expenses.

9. 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 2015

10. Operating lease commitments

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

	2015	2014
	\$	\$
Not later than 1 year	305,500	544,026
Later than 1 year and not longer than 5 years	1,283,100	-
	<u>1,588,600</u>	<u>544,026</u>

During the year, operating lease payments of \$770,701 (2014 - \$1,088,048) were recognized as an expense.

11. Contingent liabilities

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

During the year ended 31 March 2015 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.

12. Prior period adjustment

The prior year comparatives were adjusted to reflect previously unrecorded pension liability for the period 2011- 2014 in an amount of \$309,555. Opening retained earnings was reduced by \$ 309,554.