TEN YEARS

PROMOTING INTEGRITY

FINANCIAL SERVICES COMMISSION

2001-2011

10 YEARS OF PROMOTING INTEGRITY IN JAMAICA'S FINANCIAL SECTOR

ANNUAL REPORT 2010/2011

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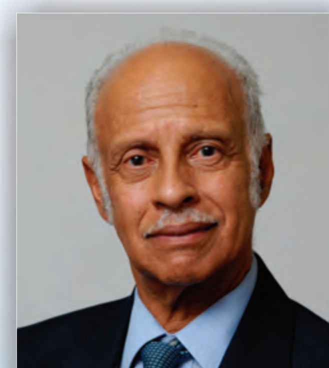
BOARD OF COMMISSIONERS

Hon. Emil George OJ, QC
Chairman

Rohan Barnett
Executive Director

Dennis Boothe

Dayle Blair



Roald Henriques OJ, QC

David Tennant

Shirley Williams

Peter Wilson

EXECUTIVE MANAGEMENT

FRONT (L-R):
Sheila Martin - Senior Director, Corporate Services
Nicolette Jenez - Senior Director, Pensions
Sonia Nicholson - Senior Director, Securities (Acting)
Angela Beckford - Chief Actuary
Rohan Barnett - Executive Director

BACK (L-R):
Janet Johnson - Haughton - Director, Compliance & Internal Control
Loretta Reid-Pitt - General Counsel
Lorice Edwards Brown - Director, Investigations & Enforcement (Acting)
Leon Anderson - Senior Director, Insurance

VISION, MISSION, VALUES, AND STATUTORY DUTIES

VISION:

To be a strong, credible, impartial and effective regulator

MISSION:

To protect users of financial services in the areas of insurance, securities and pensions by fostering the integrity, stability and health of the financial sector through the efforts of competent and committed employees

CORE VALUES:

ACCOUNTABILITY
COMMUNICATION
CONFIDENTIALITY
EXCELLENCE
SERVICE
INTEGRITY
TEAMWORK
TRANSPARENCY

STATUTORY DUTIES:

For the purpose of protecting customers of financial services, the FSC is mandated, by Section 6 of the Financial Services Commission Act, to discharge the following duties:

- Supervise and regulate prescribed financial institutions;
- Promote the adoption of procedures designed to control and manage risk, for use by the management, boards of directors and trustees of such institutions;
- Promote stability and public confidence in the operations of such institutions;
- Promote public understanding of the operation of prescribed financial institutions;
- Promote the modernization of financial services with a view to the adoption and maintenance of international standards of competence, efficiency and competitiveness.

MESSAGE FROM THE CHAIRMAN

Hon. Emil George, OJ,QC

I take great pleasure in presenting the Tenth (10th) Annual Report of the Financial Services Commission ("FSC"). In addition to reviewing the principal developments of the past fiscal year, this report includes an overview of some of the work done by the FSC during the course of these last ten years.

The Vision behind the Creation

The FSC was created on August 2, 2001. This was a significant step in the development of a new regulatory framework and the restructuring efforts on which the Government of Jamaica (GOJ) embarked in the aftermath of the financial crisis of the late 1990's. From its inception in 2001, until, now a decade later, the FSC continues to be a part of the broader vision to build a strong, vibrant and sound financial market in Jamaica. Significantly, the GOJ also recognised the urgent need for greater consumer protection for users of financial services and accordingly mandated the FSC with the responsibility of protecting users of financial services in the areas of insurance, securities and pensions.

Overcoming the Challenges

In its first ten years of operation, the FSC, despite the numerous and enormous challenges, has attained significant achievements and remained true to its mandate as stated in Section 6 of the FSC Act. Some of these main challenges and achievements are briefly outlined below:

- **Institutional Capacity**
  One of the earliest challenges that the FSC faced and continues to face is strengthening of its institutional capacity. Back in 2001, this challenge started with the bringing together of the staff from the predecessor regulatory institutions as well as new recruits from the private sector to form a cohesive and effective workforce. At the end of March 2002, the FSC had in its employment 58 persons, including 17 persons from the former Securities Commission and 21 from the former Office of the Superintendent of Insurance and Unit Trusts. During the decade the FSC has expended much effort and resources in developing a highly motivated and professional cadre of employees. By March 31, 2011, the FSC boasted a staff complement of 115 out of 120 approved positions.

  Additionally, internal processes and systems were improved to enhance the effectiveness and efficiency of the delivery of supervisory services. As with any regulator, lack of financial resources can be a constraint; I am proud to state that by April 1, 2003, the FSC was no longer a recipient from the government recurrent budget and became a self-financing public entity, which finances its operations primarily by levying fees on regulated entities using a structured and transparent approach to cost recovery.

- **Building an Efficient and Effective Regulatory and Supervisory Framework**
  It is noteworthy that independent assessments, including the last Financial Sector Assessment Programme (FSAP) exercise conducted in Jamaica in 2005, by both the International Monetary Fund ("IMF") and World Bank of the FSC's supervisory effectiveness, has been quite favourable while indicating areas for improvement.

  Furthermore the fact that Jamaica's financial system remained sound and viable during the worst global recession to date also evinces the quality of the regulatory framework; nevertheless, the Government of Jamaica and the IMF have seen the need to further strengthen Jamaica's regulatory framework.

  To attain this feat, the FSC had to overcome various challenge including, but not limited to, the following:

  i. Reviewing and amending existing legislation while promulgating new ones;
  ii. Implementing a risk-based methodology to supervision;
  iii. Developing and executing models that assess an institution's safety and soundness by examining its compliance with relevant legislation and focusing on the level of risks associated with certain key variables of the operation, e.g. capital, assets, earnings, liquidity and management;
  iv. Conducting off-site monitoring of insurance companies and securities dealers on a quarterly and annual basis. Off-site examinations are also performed for the over 500 approved pension plans; Additionally, on-site examinations are conducted annually on select entities in each industry; and
  v. Improving prudential standards for non-deposit-taking financial institutions.

- **Market Conduct and Enforcement**
  Financial regulation is intended to facilitate a healthy, competitive marketplace; to protect consumers; and to create and maintain public trust and confidence in the financial services industry. An integral component of regulation is the appropriate oversight of the ways in which financial companies interact with their customers and how these firms distribute their products in the marketplace, namely, market conduct regulation.

  In this regard, over the decade, the FSC has and continues to: (i) issue guidelines and facilitate seminars that promote proper market conduct, and (ii) receive and investigate complaints. Acting on the results from its investigation, the FSC has executed a wide range of enforcement actions against registered and licensed individuals and entities and a number of unlicensed financial organisations (UFOs). The actions taken by the FSC against UFOs have apparently proven to be correct, as it is irrefutable that many of these organisations were Ponzi and pyramid schemes.

Going Forward

As we look forward to another ten years, we note that today, financial institutions are stronger, more resistant to economic challenges and better positioned for growth in the years ahead. Furthermore we remain committed to our mandate and mission. As such, the following priority goals are the focus of the FSC's efforts for the 2011/2012 Financial Year:

- Amendment of Legislation
- Establishment of structured in-house training programmes;
- Enhancement of a professional culture and environment;
- Attainment of agreed service standards
- The upgrading of technology to enhance efficiency
- Enrichment of employees' quality of life

We are confident that with our focus on these priority goals, we will continue to protect customers as well as to build a sound and vibrant financial market.

Finally, the FSC's achievements to date would not have been possible without its most valuable resource; its staff - both current and former. To this group of talented, dedicated and determined people, I say a big “thank you” and keep up the good work. It is a pleasure to work with them and I thank them for their many achievements over the past year. I also take this opportunity to thank all current and former Commissioners for their continued commitment and dedication in carrying out their responsibilities.

_______________ Chairman
Hon. Emil George O.J Q.C

Highlights of Major Regulatory Developments

2001-2002

- FSC was created on August 2, 2001
- Legislative Enhancements:
  - New Insurance Act, The Insurance Regulations, 2001, the Insurance (Actuaries) (Life Insurance Companies) Regulations, 2001 and the Insurance (Actuaries) (General Insurance Companies) Regulations
- FSC became the regulator for insurance industry
- Board of Commissioners had its first meeting on August 8, 2001
- Development of supervisory ladder for securities dealers, life and general insurance companies

2002- 2003

- Official opening of the FSC on May 26, 2002
- New assessment models (CARAMELS & CAMELS) were developed and implemented.
- FSC was designated by the Minister of Finance as the competent authority under the Money Laundering Act
- Canadian Securities Industry Course (CSIC) approved for the registration of dealer representatives.
- Amendments were made to the Securities (Licensing and Registration) Regulations and the Securities (Conduct of Business) Regulations
- Became a member of the International Association of Insurance Supervisors (IAIS).

2003-2004

- FSC was no longer a recipient from the government recurrent budget and became a self-financing public entity.
- Amendments made to the Insurance Regulations to incorporate the new fee structure for insurance companies.
- The electronic filing system for insurance companies was fully developed and implemented
- The requirements for registration of insurance consultants and insurance loss adjusters were developed and implemented
- Companies Act 1967 repealed by Companies Act 2004
- Certificate in Financial Securities Management approved for the registration of dealer representatives.

2004-2005

- The Pensions (Superannuation Funds and Retirement Schemes) Act, 2004 ("the Pensions Act") was passed by Parliament in September 2004 and the Pensions (Superannuation Funds and Retirement Schemes) (Amendment) Act, 2005 was passed in March 2005. The order declaring pensions a financial service for purposes of the Financial Services Commission Act was gazetted at the same time
- Became a member of the International Organisation of Pensions Supervisors. (IOPS)
- Two new sets of insurance regulations approved - Insurance (Prescribed Sum)

Regulations, 2004 and Insurance (Amendment) Regulations, 2004 (Pro rata Condition of Average),

- The Financial Services Commission (Overseas Regulatory Authority) (Disclosure) Regulations 2005 became effective.
- Dyoll Insurance Company Limited ("Dyoll") suffered significant losses when Hurricane Ivan hit the Cayman Islands with a catastrophe that is reportedly experienced only once every 500 to 1000 years. In order to protect the interest of the company's policyholders the Commission used its powers under section 8 of the Financial Services Commission Act and put the company under temporary management. The policies comprising the Jamaican portfolio were transferred to Jamaica International Insurance Company.

2005-2006

- On-site examinations of insurance companies integrated in FSC assessment of insurance companies.
- Dyoll was eventually placed in liquidation. The courts appointed joint liquidators in Jamaica and Cayman
- Favourable assessment from the International Monetary Fund/World Bank Financial Sector Assessment Programme ("FSAP")
- Three additional Pensions Regulations were approved:
    - Pensions (Superannuation Funds and Retirement Schemes) (Registration, Licensing and Reporting) Regulations, 2006
    - Pensions (Superannuation Funds and Retirement Schemes) (Governance) Regulations, 2006;
    - Pensions (Superannuation Funds and Retirement Schemes) (Investment) Regulations, 2006
- The FSC examined and made recommendations to the curriculum developed by the Loss Adjusters Association of Jamaica in collaboration with the College of Insurance and Professional Studies and the Jamaican German Automotive School/HEART, for loss adjusters in motor and property insurance.

2006-2007

- Between September 29, 2006 and March 31, 2007, the FSC received a total of 2,229 submissions for registration and licensing under the Pensions (Superannuation and Retirement Schemes) Act, 2004 ("Pensions Act, 2004").
- Charges were filed against Dyoll Insurance Company Limited (a Company in Liquidation). The company was charged with violating section 147(1) of the Insurance Act.

2007-2008

- The enactment of the Proceeds of Crime Act, 2007 ("POCA"), the Money Laundering Act, 1996 - and the Money Laundering Regulations, 1997 - were repealed. There are two attendant regulations currently supporting the POCA, namely:
    - The Proceeds of Crime (Money Laundering Prevention) Regulations, 2007 ("POCMLPR")
    - The Proceeds of Crime Regulations, 2007
- FSC designated as Competent Authority

for securities dealers and insurance companies under the Proceeds of Crime Act, 2007.

- A mass media campaign entitled 'Think and Check before You Invest” was implemented.
- Accredited Actuarial Associations recognised by the FSC under Section 76 of the Insurance Regulations, 2001

2008-2009

- Commenced the registration of Loss Adjusters
- By 2009, March 31, 95 superannuation funds and 6 retirement schemes were registered.
- Exempt Distributions Guidelines came into effect.

2009-2010

- Amendment to Unit Trusts Regulation and the subsequent lifting of the moratorium on the granting of new unit trust.
- Implementation of Restrictions on New Licences Issued to Securities Dealers
- Desk-based and on-site examinations of pension plans commenced

2010-2011

- Minimum Capital Test (MCT) finalised and general insurance companies began filing under the MCT while the FSC and the industry awaited the passing of the enabling legislation.
- Led the formation of the Caribbean Association of Pension Supervisors (CAPS). Served as the first president and secretariat.

PAST CHAIRMEN

Dr. the Honourable
Owen Jefferson, O.J.
2001-2007

B. St. Michael Hylton, Q.C
2007-2008

PAST EXECUTIVE DIRECTOR

Brian Wynter
2001-2007

PAST DEPUTY EXECUTIVE DIRECTOR

George Roper
2007-2010

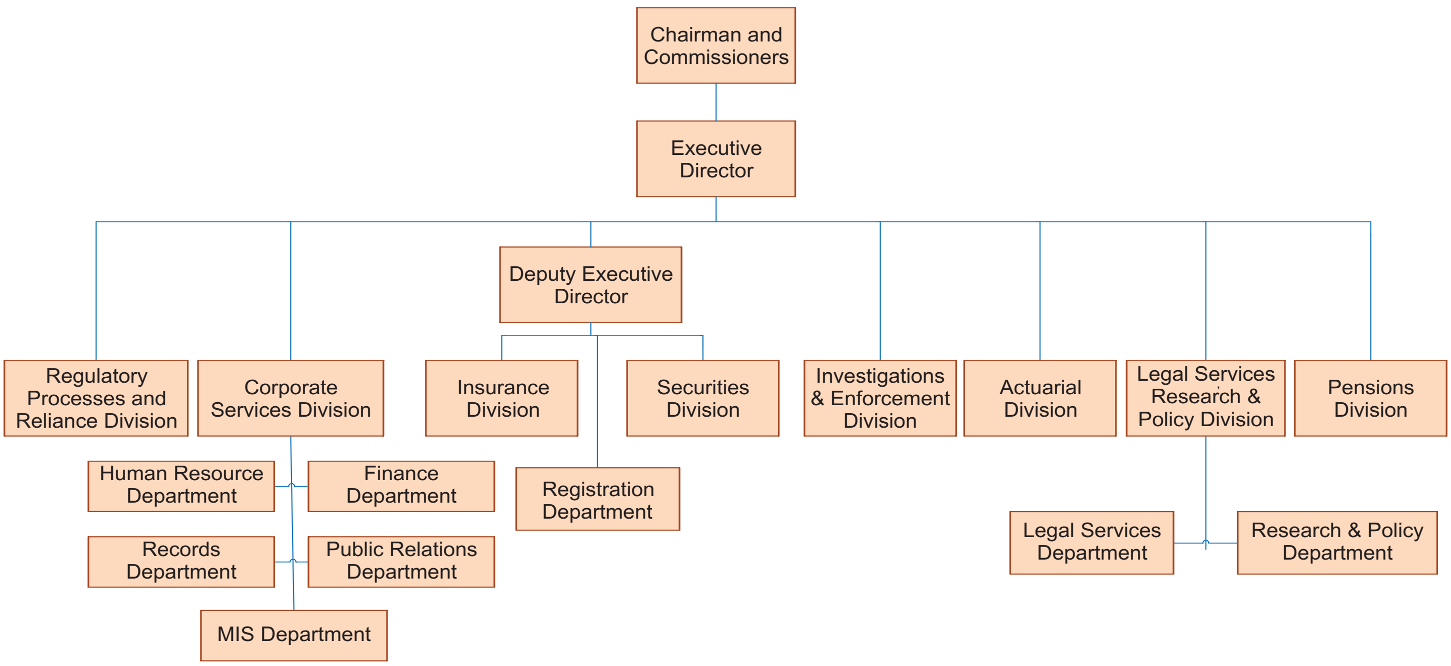
THE FSC TODAY

The mandate of the Financial Services Commission (FSC) is to supervise and regulate the securities, insurance and private pensions industries. As such the FSC may be described as an integrated financial services regulator. Today the FSC has the following accolades:

- The FSC is the only regulator in the Caribbean that has Risk Based Capital Test
- The FSC is the sole regulator in the Caribbean that conducts risk based supervision for all three industries.
- The FSC is the sole regulator in the Caribbean that requires insurance companies to appoint Actuaries, and requires the Actuaries to compute the general insurance companies' reserves.

In being an effective regulator, the FSC has prudently structured the organization with specialist divisions designed to fulfil its mandate. There are three core divisions namely the Insurance, Securities and Pension divisions which represent the three industries that the FSC regulates. In addition to these divisions, there are other divisions which support these core divisions. The organisation structure for the FSC showing the key divisions and departments is shown in Figure 1.

Figure 1: Financial Services Commission Organizational Chart March 31, 2011



CORPORATE GOVERNANCE

The FSC is governed by a Board of Commissioners consisting of a Chairman, the Executive Director (ex officio) and up to eight (8) other members. Each Commissioner, with the exception of the Executive Director, is appointed by the Minister of Finance and the Public Service for a term of up to five years and may be reappointed to serve additional terms. The Board of Commissioners appoints the Executive Director and has the basic functions of providing operational oversight to the FSC and making policy and supervisory decisions as it relates to the regulation and supervision of the insurance, securities and private pensions industries.

Five committees of the Board have been established to ensure full coverage with the appropriate depth of review of all matters within its purview. Three of these five committees – namely the Securities, Insurance and Pensions Committees - provide oversight and guidance with respect to supervision and regulation pertaining to the respective industries. The Human Resources and Administration Committee has the responsibility to consider, recommend and report on all matters relating to staff, including salaries and benefits, personnel policies and procedures, management information systems, procurement, contracts, the premises and other administrative issues.

The fifth committee is the Finance and Audit Committee and its objective is to consider, recommend and report on all matters relating to the financial affairs of the FSC including the monthly and annual financial statements and the annual budget. This Committee also reviews and recommends the fee structure for the regulatory services provided by the FSC. The members of each committee and the number of meetings for each committee are shown in Tables 1 and 2 respectively. Tables 46 and 47 on page 100 provide information on the remuneration paid to Commissioners and the Management Team.

Table 1: Composition of the Board Committees, 2010-2011[1]

Commissioners	Insurance	Pensions	Securities	Finance & Audit	Human Resources and Administration Committee
Emil George				Chair	
Dayle Blair	Chair			*	
Dennis Boothe		*	*	*	Chair
Roald Henriques	*		Chair	*	
David Tennant	*	Chair			
Shirley Williams		*			*
Peter Wilson			*		*

Table 2: Number of Board and Committee Meetings Held in 2010/2011

Committee	Number of Meetings
Full Board	9
Insurance	6
Pension	8
Securities	7
Finance & Audit	3
Human Resources & Administration	5

[1]The Executive Director is a member of all of the Board Committees, save and except the Finance & Audit Committee.

EXECUTIVE DIRECTOR'S REPORT

Rohan Barnett

FSC: The First Ten Years

(A) Ten Years of Fostering the Stability and Health of the Insurance Sector

There are many reasons why market structure changes and these include, but are not limited to innovation, globalization, as well as acquisitions and mergers in order to maximize efficiency gains and enhance market stability. Tables 3 and 4 highlight the mergers and acquisitions that have occurred during the ten-year period in the life and general insurance industries, respectively. Figure 2 shows the number of insurance companies and the three-firm concentration ratio[2] based on gross premium written (GPW) for both industries during the ten-year period.

Table 3: Mergers and Acquisitions in the Life insurance Industry, 2001-2010

Year Commissioned	Entities Concerned	New / Surviving Entity
	Barbados Mutual Life	
	Life of Barbados	
	Colina	
2001	Life of Jamaica Limited	Life of Jamaica Limited
	Life of Jamaica Limited	
2003	Island Life Insurance Company	Life of Jamaica Limited
	Life of Jamaica Limited	
2004	First Life Insurance Company Limited	Life of Jamaica Limited
	Guardian Life Limited	
2005	Prime Life Assurance Company Limited	Guardian Life Limited
2008	Life of Jamaica Limited	Sagicor Life Jamaica Limited[3]

[2]The three–firm concentration is the proportion of total output produced by the three largest firms (measured by market share) in the industry. The three-firm concentration ratio is calculated based on the market share of the three largest firms in the industry. For figure 1, market share was based on gross premium written (GPW).

[3]Life of Jamaica Limited changed its name to Sagicor Life Jamaica Limited on June 2, 2008.

Table 4: Mergers and Acquisitions of the General Insurance Industry, 2001-2010

Year Commissioned	Entities Concerned	New / Surviving Entity
2003	Globe Insurance Company of Jamaica Limited (Formerly Jamaica General Insurance Company) Globe West Indies Insurance Company Limited	Globe Insurance Company of Jamaica Limited
2004	Dyoll transferred part of insurance business to Jamaica International Insurance Company (JIIC)	JIIC
2006	AIC (Barbados) Limited acquired United General Insurance Company Limited	Advantage General Insurance Company Limited
2010	Victoria Mutual Insurance Company (VMIC) British Caribbean Insurance Company (BCIC)	BCIC

Figure 2: Number of Companies & Market Share, General & Life Insurers, 2001-2010

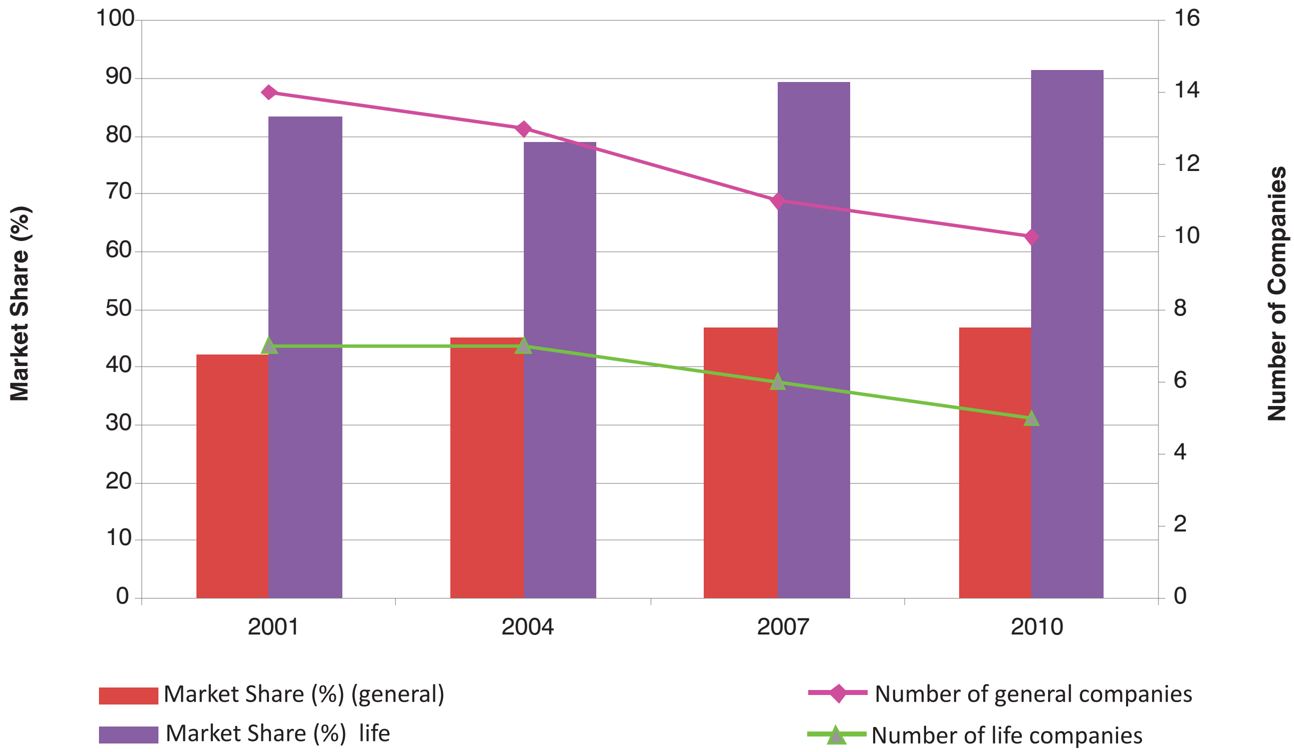
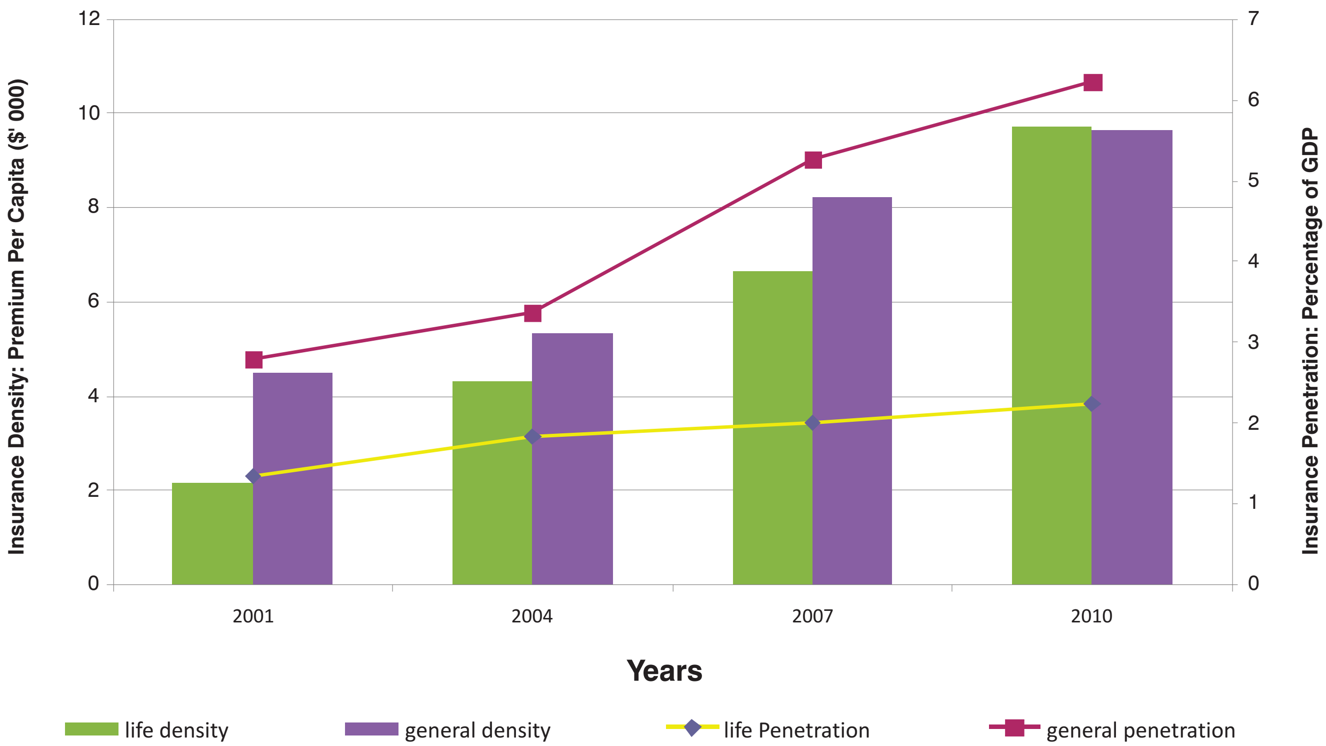


Figure 3 shows two (2) key development indicators, namely (i) insurance density and (ii) insurance penetration. Insurance density or per capita spending on insurance premiums serves as an indicator of how much money on average a person spends on insurance. Insurance penetration is the percentage of gross domestic product that is spent on obtaining insurance coverage.

Figure 3: Jamaica's Insurance Penetration & Density, 2001- 2010



Performance of the Insurance Sector 2001-2010

Both the life and general insurance industries continue to strengthen albeit at different paces. This is reflected in Figures 4 to 7 which show growth in the total assets, invested assets, regulatory capital base and improvements in their respective capital adequacy standards[4]. While Figure 7 depicts fluctuations in aggregate MAT results due to various hurricanes and the global financial crisis, the general insurance industry maintained more than enough assets to honour their normal claims obligations.

[4]The capital adequacy standards for general insurance companies and life insurance companies are the Minimum Assets Test ("MAT") and the Minimum Continuing Capital and Surplus Ratio ("MCCSR"), respectively. The MAT establishes a minimum ratio of available assets of a predefined quality to liabilities. The MCCSR is a risk-based solvency test which determines the capital required based on an assessment of the level of risk embodied in the asset and liability profile of a life insurance company.

Figure 4: Life Insurance Industry: 2001- 2010 Total Assets & Total Investment Assets

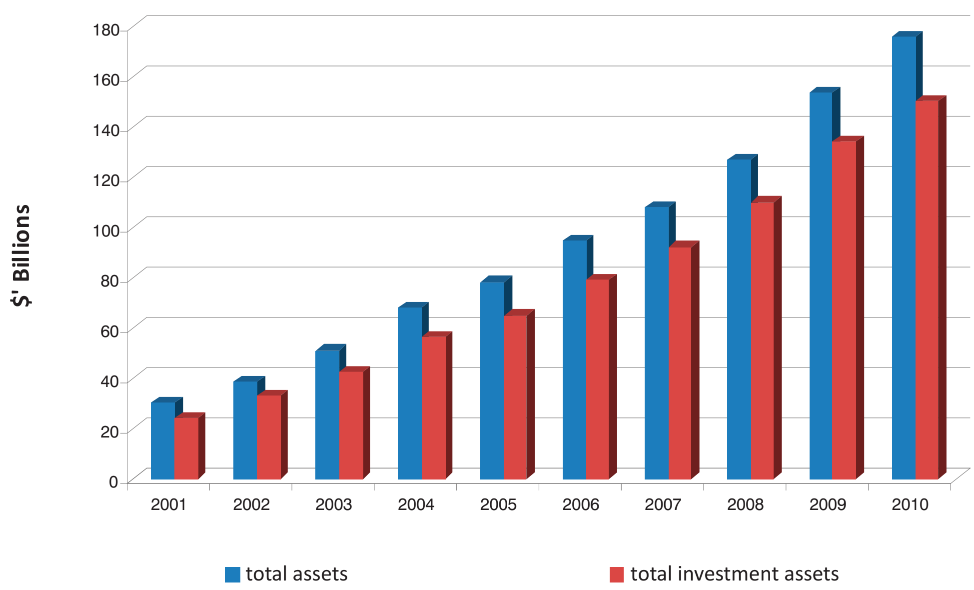


Figure 5: General Insurance Industry: 2001-2010 Total Assets & Total Investment Assets

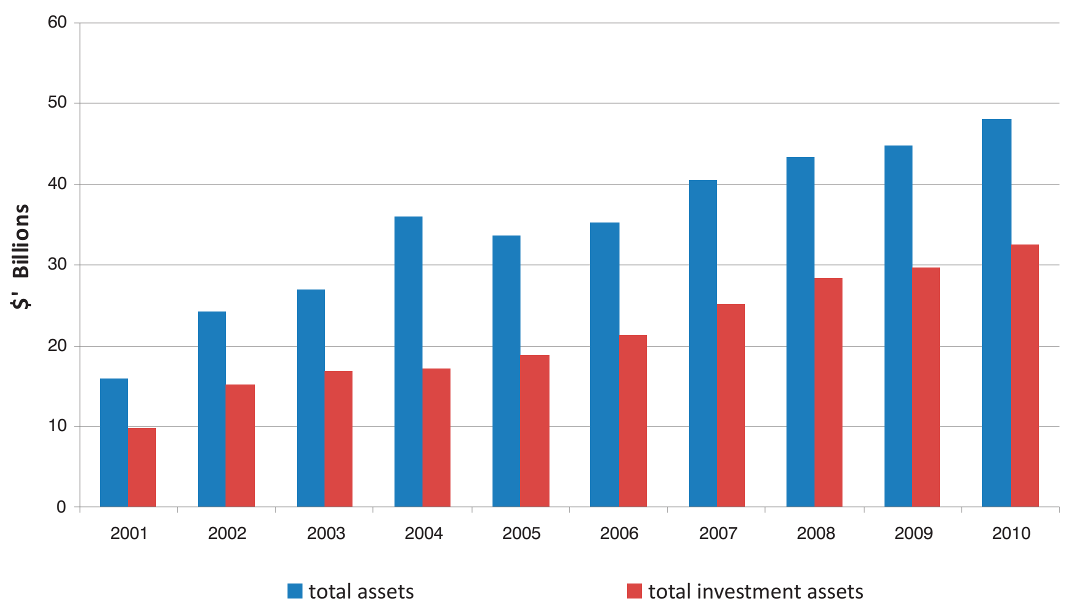


Figure 6: Capital Base & Weighted Average MCCSR for Life Insurers, 2001-2010

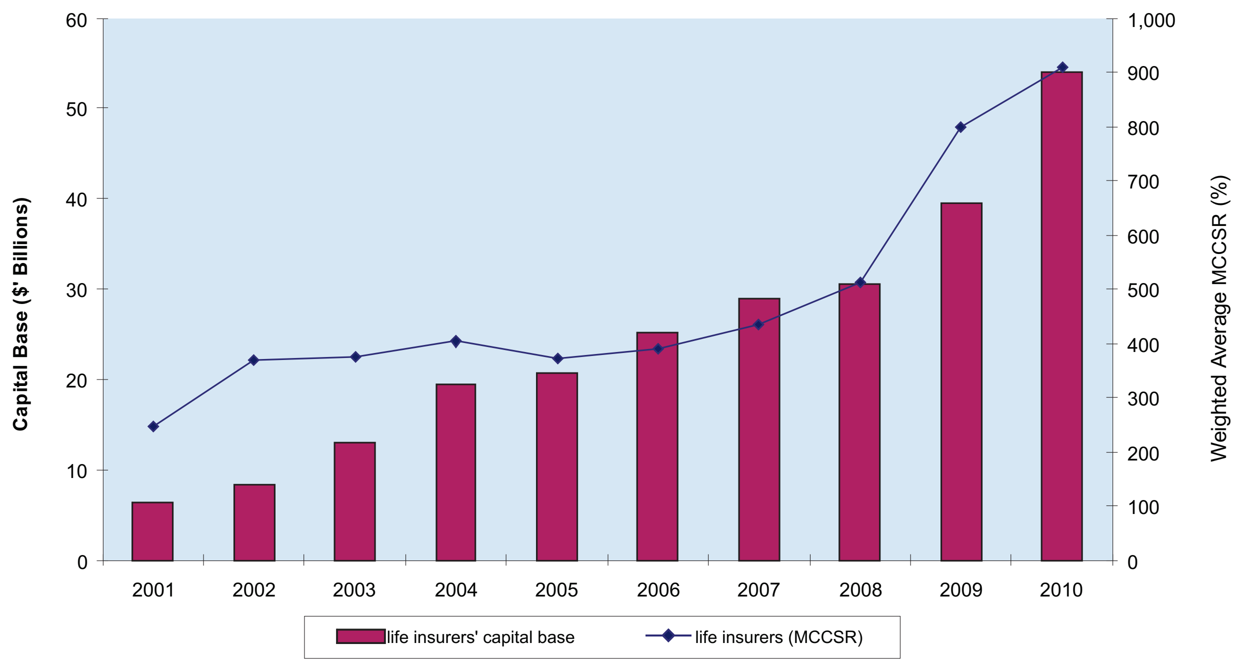
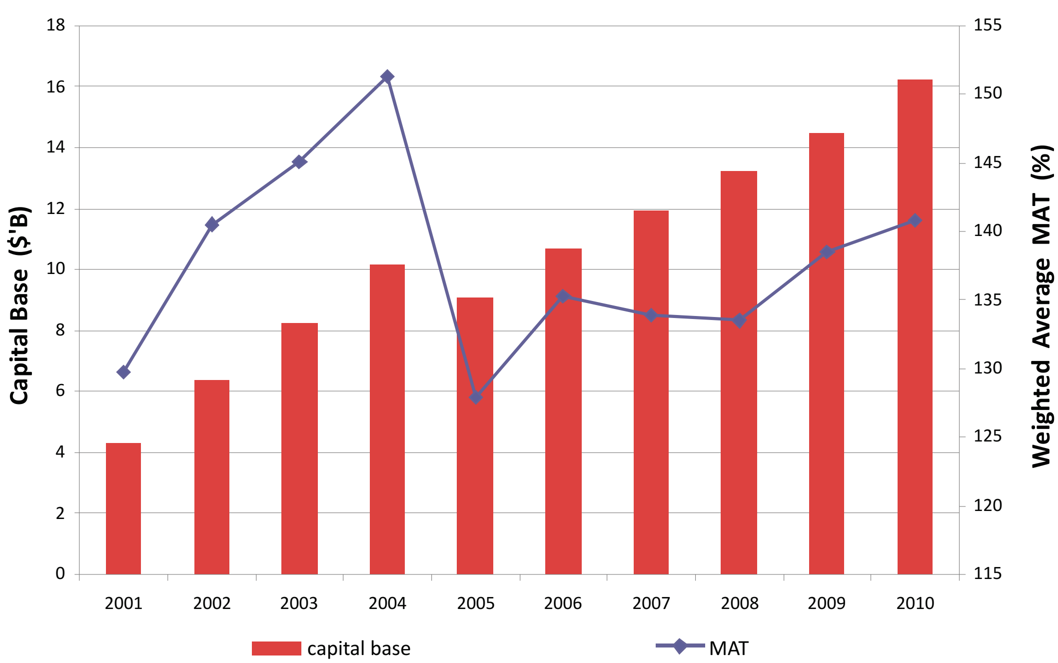


Figure 7: Capital Base & Weighted Average MAT for General Insurers, 2001-2010



Both industries also experienced growth in their total revenue during the review period as shown in Figure 8 which also illustrates the three income streams that comprise total revenue for each industry.

For the life insurance industry, the sale of life and health polices continue to be the main sources of gross premium income as seen in Figure 9, while in the general insurance industry, the motor line of business was the main contributor to net premium income (otherwise known as net premium earned ("NPE")). See Figure 10

Figure 8: Composition of Total Revenue for General & Life Insurers, 2001-2010

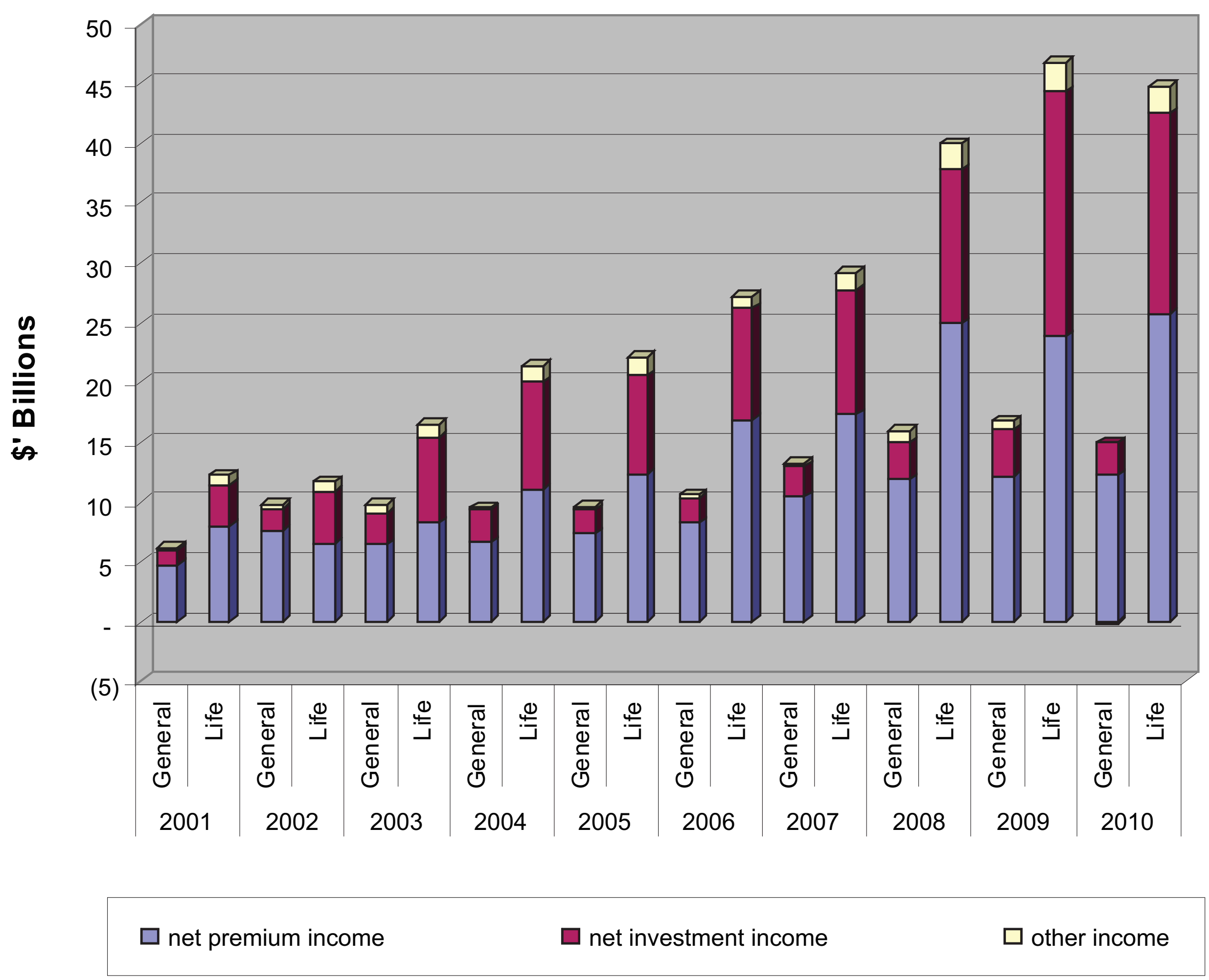


Figure 9: Life Insurance Industry- 2002-2010, Gross Premium Written (GPW) by Lines of Business

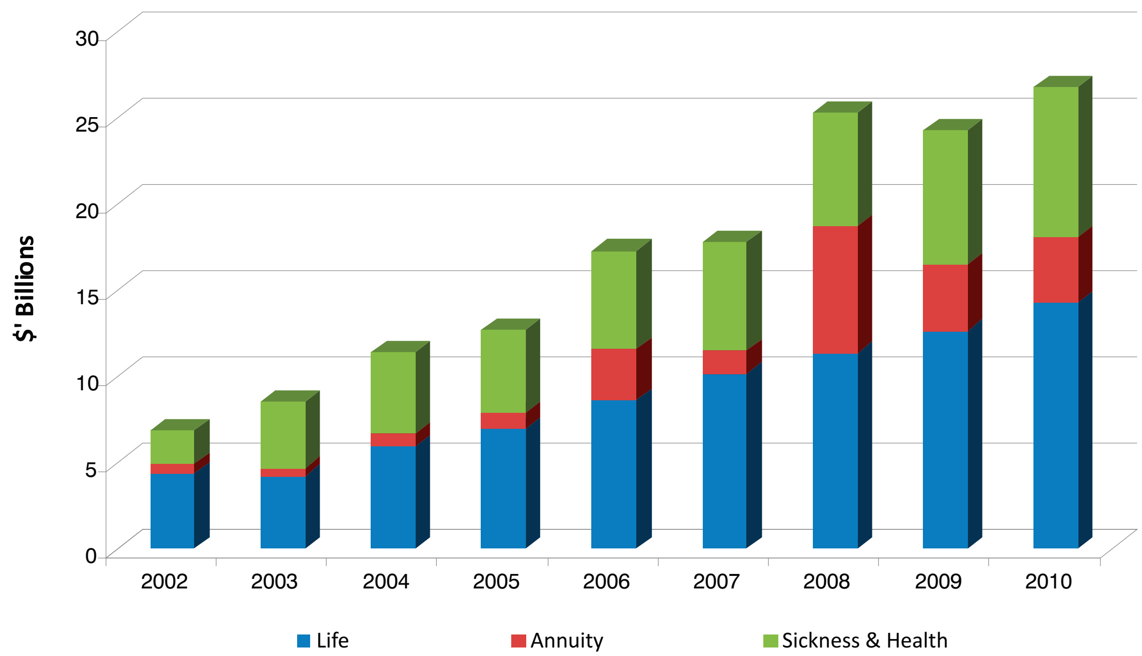
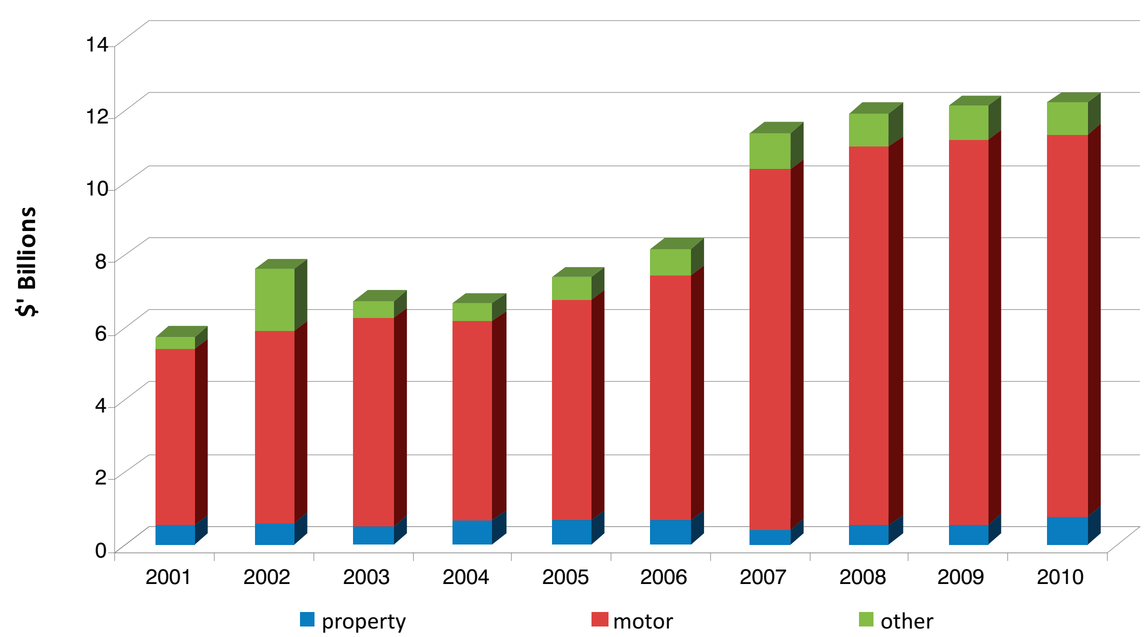


Figure 10: General Insurance Industry - 2001- 2010, Net Premiun Earned (NPE) by Selected Class of Business,



As part of their core business, both life and general insurance companies are required to indemnify insured losses of their policyholders. Figures 11 and 12 show the extent to which claims and expenses have impacted the main income or net premium earned (NPE) arising from the core businesses for general and life insurers, respectively. As seen in both diagrams, total expenses (which include claims, but exclude taxes) exceeded NPE during the ten-year period.

Figure 11: General Insurance Industry: 2001-2010 Claims & Total Expenses as a Percentage of NPE

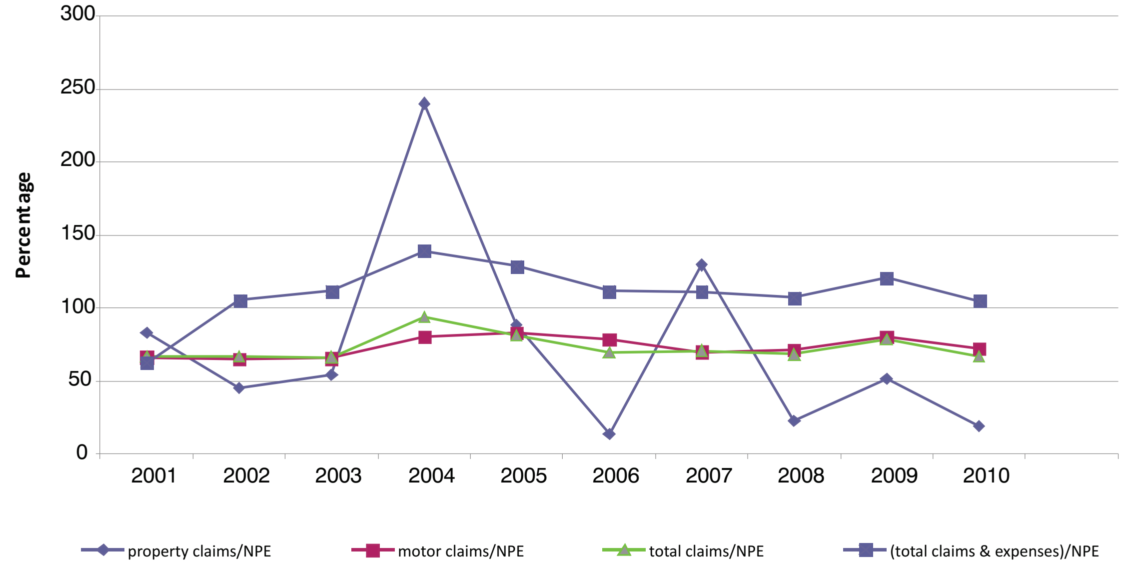
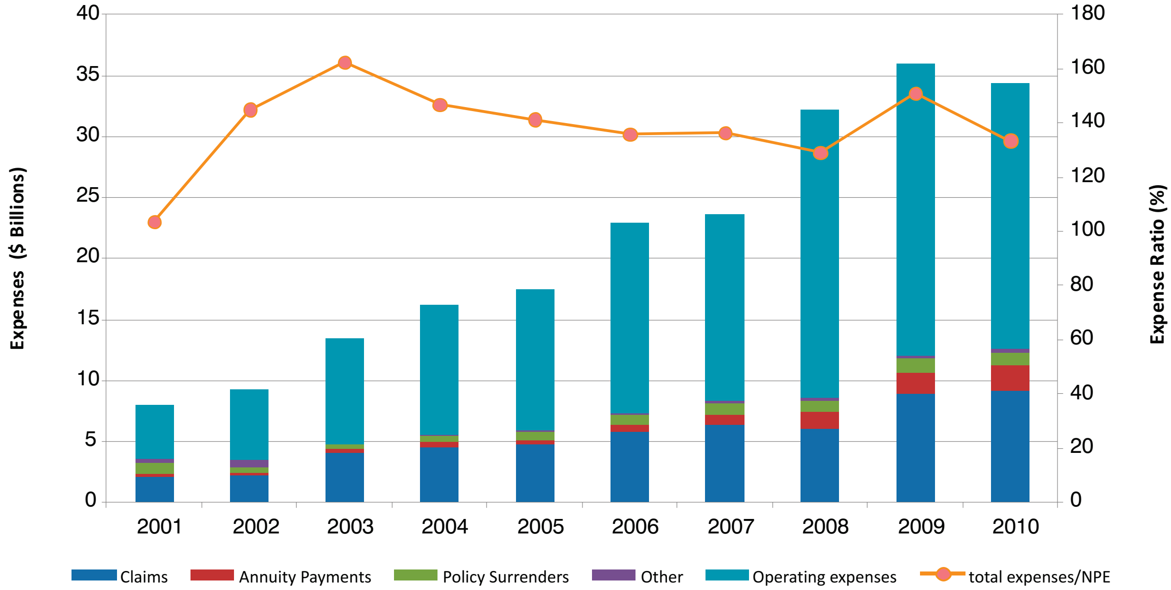


Figure 12: Life Insurance Indsutry: 2001-2010 Expense Ratio and the Composition of Total Expenses



With net investment income and other income, life insurers were able to generate return on equity which surpassed the inflation rate and the benchmark 180- day Treasury Bill rate, despite the fact that expenses exceeded income or NPE from their core business. See Figure 13.

Figure 14 shows that unlike their life insurance counterparts, the general insurers' return on equity did not always out-perform the 180-day Treasury-Bill rate and the inflation rate; again demonstrating the adverse impact of natural disasters. See Figure 14 below.

Figure 13: Life Insurance Industry - Return on Equity 2001 -2010

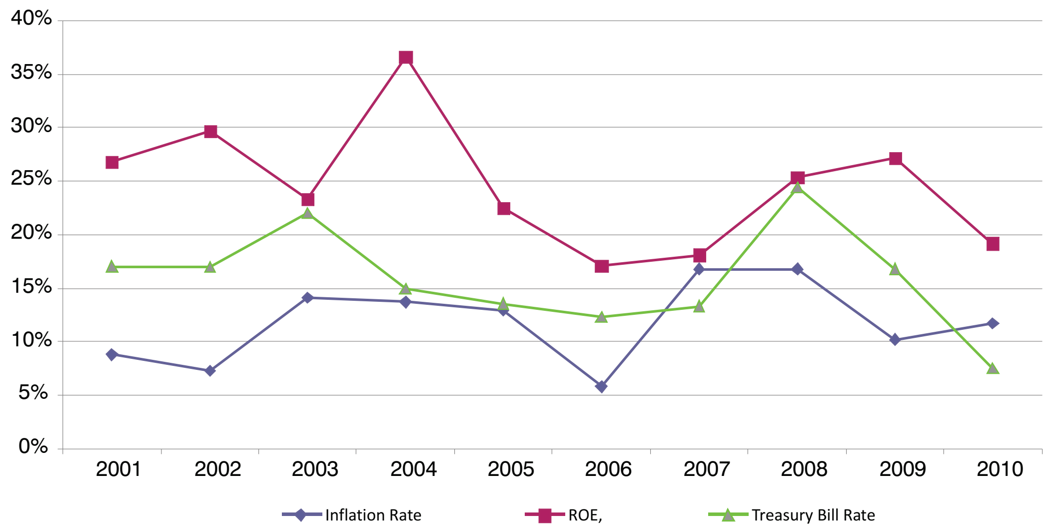
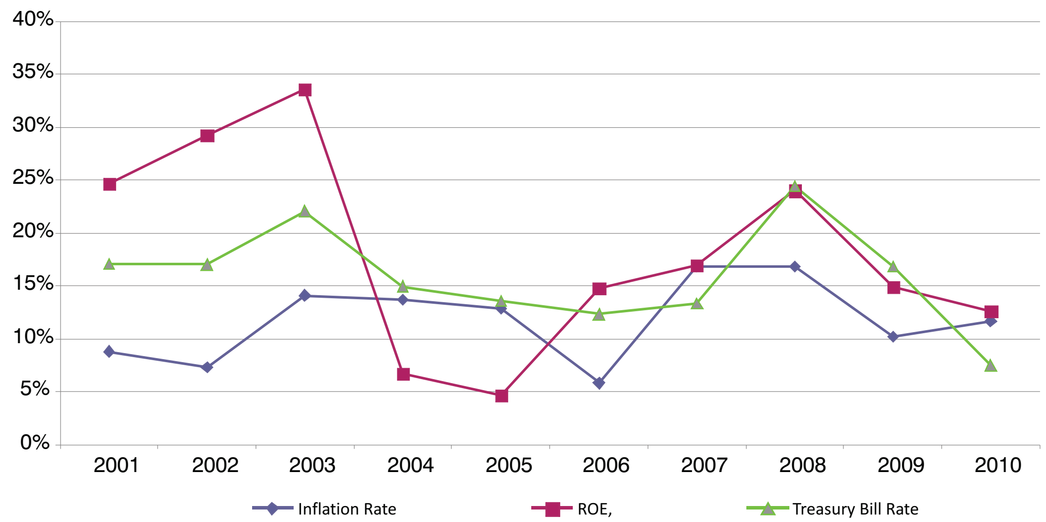


Figure 14: General Insurance Industry - Return on Equity, 2001-2010

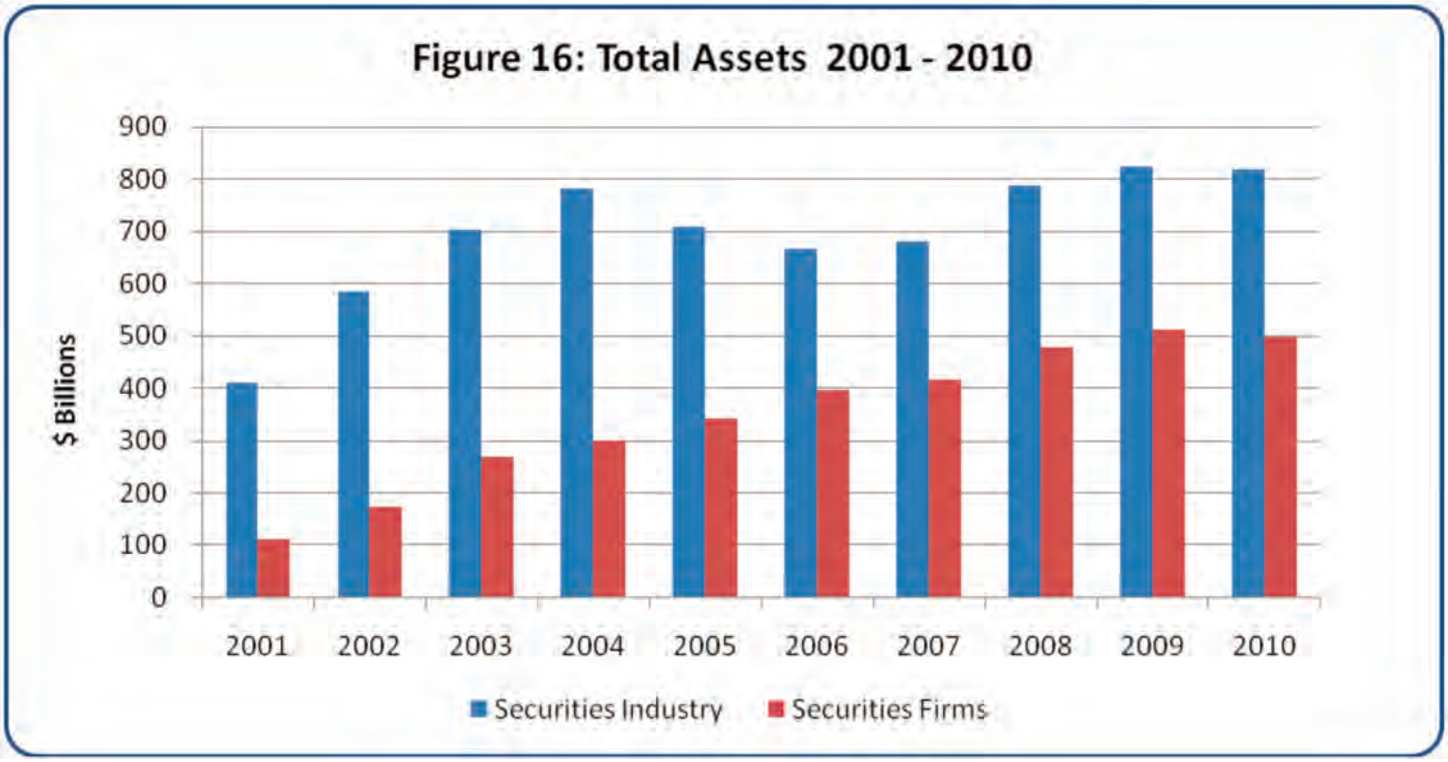


(B) Ten Years of Fostering the Stability and Health of the Securities Sector

The securities industry has undergone a series of changes during the ten-year life of the FSC. The industry has been defined by mergers and acquisitions, cancellations and surrenders of licences in addition to policy changes which restricted certain financial institutions from dealing in securities. In 2001, the FSC began supervising 57 licensees, a figure that would increase to 60, the highest level in 2002, and stood at 47 as at December 31, 2010. There has been a gradual reduction in the number of licensees, as firms exit the industry for varying reasons, though this decline has been tempered by new firms entering the industry. For this reason, the landscape of the industry looks very different from what obtained in 2001.

Notwithstanding the reduction in securities licensees the industry has gradually grown throughout the review period, far outstripping the growth of the Jamaican economy. In 2001 securities firms represented 28 percent of a securities industry dominated by commercial and merchant banks which have since returned to their core business functions. Since then securities firms have grown in number and relevance each year and as at December 2010 securities firms represent 61 percent of total industry assets as other institutions have revamped their business models or simply exited.

Figure 15: Number of Licensed Securities Dealers, 2001 - 2010



Total Assets of securities firms have grown by 346 percent during this period as the industry continues to attract investors with the promise of returns that are higher than those offered by counterparts within the financial industry. During the period the FSC has required that securities firms shore up their capital bases along the lines of the Basel II prudential standards, thereby improving their ability to withstand any shocks. Consequently the capital levels among securities firms have grown by a mammoth 1,510 percent during this time period. It is this level of capitalization that has staved off any potential systemic crisis as was experienced by Jamaica in the 1990's and globally in 2008.

In 2004, the FSC began collecting data on funds under management ("FUM") at securities firms in furtherance of their Repo business model. During the subsequent seven year period, FUM grew by 84 percent whilst Repo liabilities grew by 43 percent during the same period. The growth in Repo liabilities has, however, been tempered by the FSC's supervisory thrust at reducing the high levels of balance sheet intermediation within the industry.

During the past 10 years, securities firms have remained profitable despite slow or sometimes negative growth in the Jamaican economy and profits have grown from $1 billion in 2001 to $12 billion in 2010.

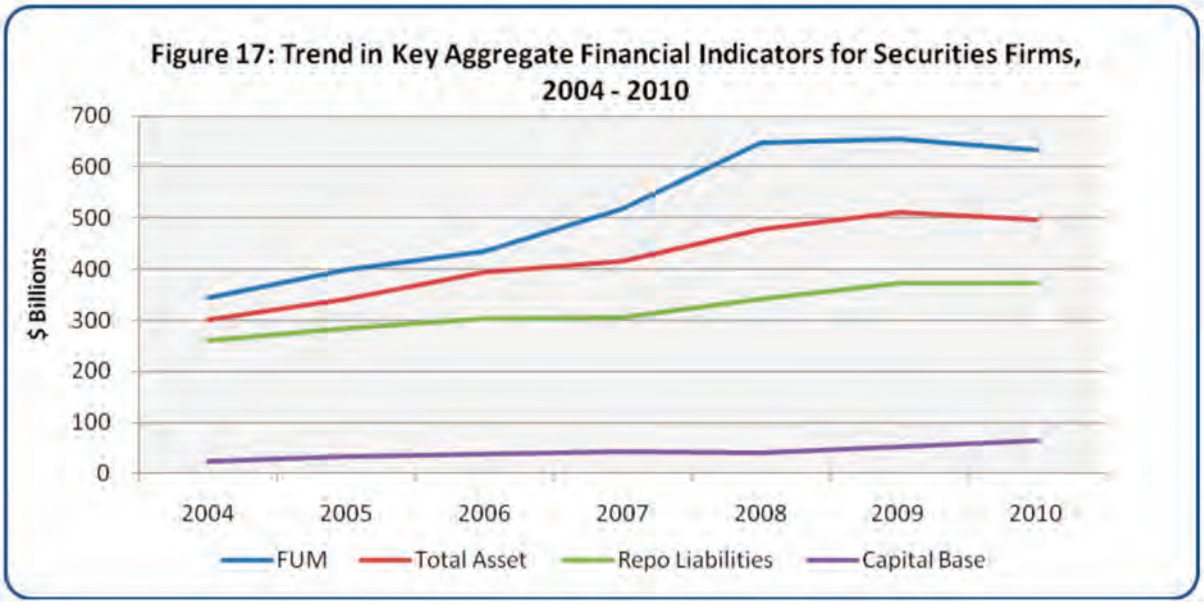


Figure 17: Trend in Key Aggregate Financial Indicators for Securities Firms, 2004 - 2010

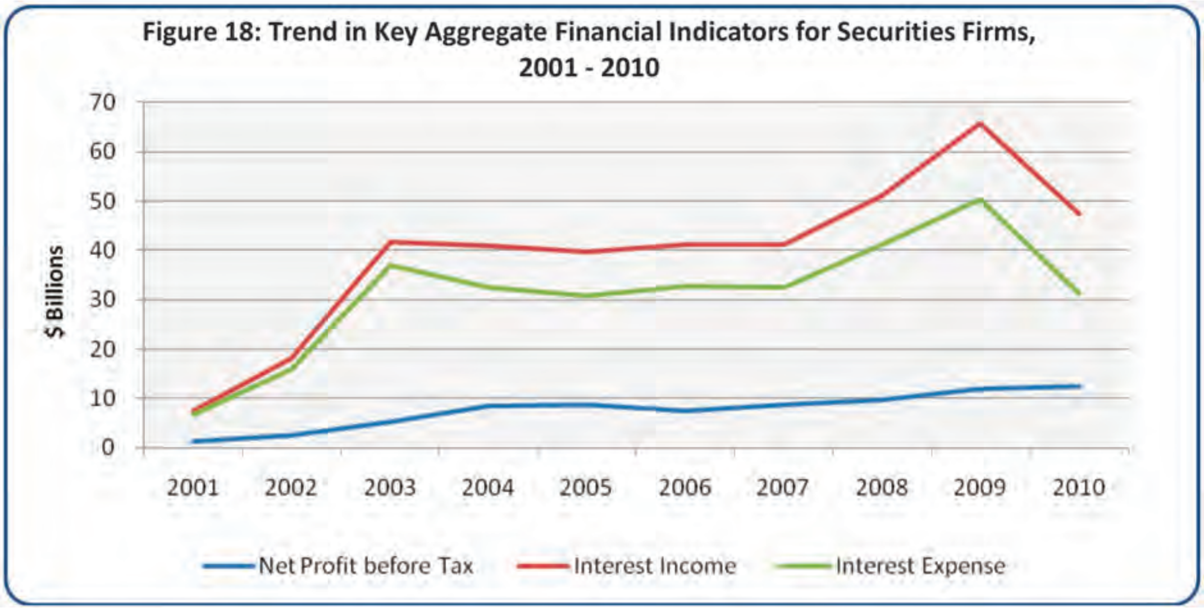
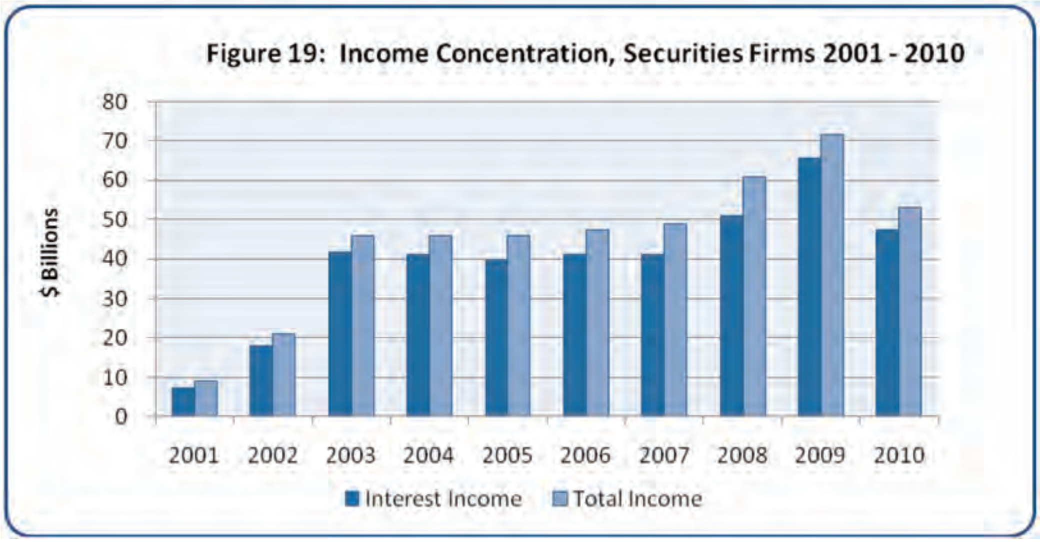
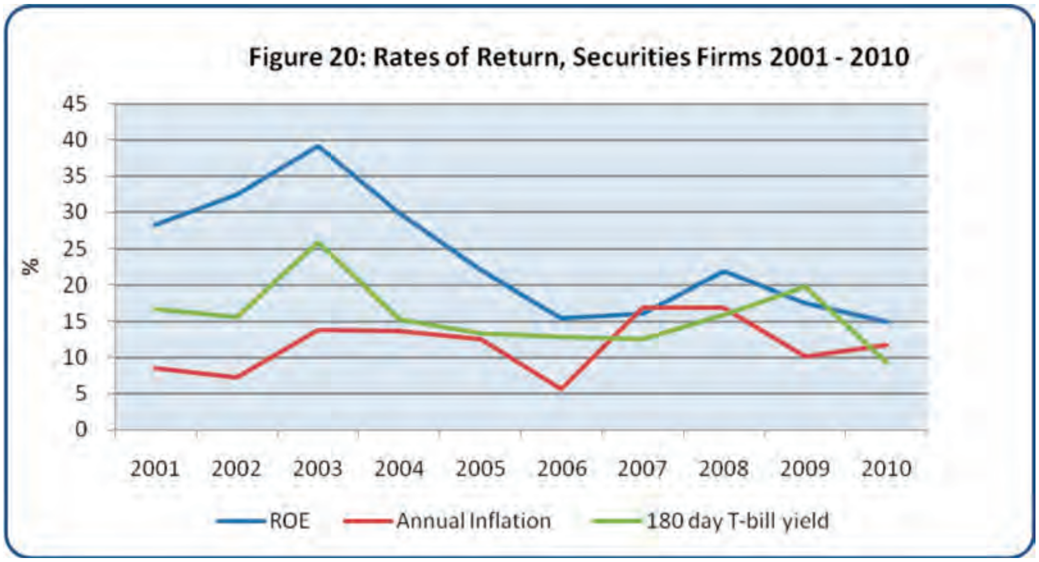


Figure 18: Trend in Key Aggregate Financial Indicators for Securities Firms, 2001 - 2010

The securities industry specializes in trading of interest sensitive assets. As a result, interest income accounts for the majority of total income generated by industry players. Interest rates have generally been high as the Jamaican economy grappled with adverse pressures on its currency and the corresponding inflationary effects. As a result interest income generated by securities firms has grown by 540 percent during the review period. In addition, the interest spread has grown by 1,994 percent.

Securities firms have generated positive real return to their shareholders throughout this period though these returns have been stunted recently with the global crisis of 2008 and the subsequent recession faced in the Jamaican economy.





(C) Ten Years of Promoting Integrity in the Financial Sector

A critical aspect of protecting customers of financial services is the promotion of integrity within the financial markets. With this goal in mind, the FSC, over the past ten years, has embarked on a wide range of activities including but not limited to the following:

- The facilitation of public educational events which provide valuable information to (i) assist the various licensees and registrants to satisfy the requirements under the relevant acts and regulation, and (ii) empower customers to make sound financial decisions;
- The execution of fit and proper test, investigation of suspected breaches of the relevant acts and the processing of complaints;
- The issuance of directions to individuals

and entities including Cease and Desist Orders;

- The offering of the fixed penalty in lieu of prosecution; and
- Suspension and cancellation of licensees and registrants

Enforcement should not be seen as simply a matter of maintaining the rule of law, but rather a precondition for (i) deep and efficient financial markets and (ii) the protection of investors and policyholders. Many studies have demonstrated a correlation between the level of enforcement and the health of the financial market within a jurisdiction. Some of these enforcement actions have resulted in litigation. See litigations on Page 73.

2010-2011: The Year in Review

The global economy continued on its path to a slow, but fragile recovery from the financial crisis as most of the major economies came out of recession. However, there remain significant challenges to the global economy such as (i) rising oil prices fuelled by social unrest in Africa since the beginning of the 2011 calendar year, (ii) economic fears in the Euro zone due to Europe's debt crisis, and (iii) the persistent high unemployment rates in the United States. Despite these international concerns and other local issues, Jamaica experienced growth in the last quarter of the 2010 - 2011 fiscal year. Table 5 depicts the trend in selected key macroeconomic indicators for Jamaica.

In addition to the economic challenges, financial institutions worldwide had to keep abreast with the numerous and on-going fundamental reforms to global financial regulation proposed by regulators, policymakers and international standard-setting bodies. Similarly in Jamaica, there are a number of initiatives that are being explored to further strengthen the financial system by reforming the regulatory framework.

Despite these issues and challenges, aggregate total assets of the regulated Jamaican financial system continue to grow albeit at a slower pace. (See Table 6) . As at December 31, 2010 the combined total assets of $1,518.2 billion for the financial system amounted to 132.9 percent of nominal GDP (2009: $1,518.2 billion or 139.1 percent of GDP). For FSC-regulated institutions , total assets grew marginally by 1.6 percent in 2010.

Table 5: Selected Key Macroeconomic Indicators for Jamaica, 2007-2010

Selected Macroeconomic Indicators	Dec-07	Dec-08	Dec-09	Dec-10
Inflation (%)	16.8	16.8	10.2	11.7
T-Bill Yield (6 mths, end of period) (%)	13.3	24.5	16.8	7.5
JSE Market Index (points)	107,968.0	80,152	83,322	85,221
JSE Junior Market Index (points)	0.0	-	150.0	379.9
Mean Unemployment Rate (%)	9.8	10.3	11.3	12.4
Exchange Rate (USD vs. JMD, monthly average)	71.2	76.6	89.6	85.9
Net Remittance (US$'M) (end of period)	1,661.1	1,708.1	1,554.5	1,658.1
Net International Reserves (US$'M) (end of period)	1,877.7	1,772.9	1,736.4	2,171.4

Table 6: Total Assets by Type of Financial Institution, December 2008 - 2010

Types of Financial Institution	Dec-08 Assets ($ Billion)	Dec-08 Percentage of Total Financial System	Dec-09 Assets ($ Billion)	Dec-09 Percentage of Total Financial System	Dec-10 Assets ($ Billion)	Dec-10 Percentage of Total Financial System
FSC-Regulated Institutions						
Life Insurers	127.0	8.9	153.9	10.1	175.8	11.2
General Insurers	43.3	3.0	44.7	2.9	48.0	3.1
Securities Firms	478.0	33.5	511.3	33.7	497.4	31.8
Sub-Total	**648.3**	**45.4**	**709.9**	**46.8**	**721.2**	**46.2**
Deposit-Taking Institutions:						
Banks	556.7	39.0	583.1	38.4	589.7	37.7
Building Societies	138.6	9.7	135.8	9.0	167.8	10.7
Merchant Banks	32.6	2.3	31.8	2.1	23.0	1.5
Credit Unions	50.7	3.6	56.6	3.7	60.8	3.9
Sub-Total	**778.5**	**54.6**	**807.3**	**53.2**	**841.3**	**53.8**
TOTAL	**1,426.8**	**100.0**	**1,517.2**	**100.0**	**1,562.5**	**100.0**

Notes: [5,6]
The above total asset figures are as at end of each calendar year.
See footnote 6 in the text for a description of the FSC-regulated institutions not included in this table.
Securities licensees are characterized as "securities firms" and "non-securities firms". The former group are licensed securities dealers that engage in securities dealing as a principal activity while the latter group are securities licensees that do not deal in securities as a principal activity but who are, nevertheless, required to obtain a securities dealer's licence in order to conduct some aspects of their business. Securities firms are defined to include unit trust managers. Non-securities firms include several deposit-taking institutions and to avoid double counting non-securities firms are not shown in this table under "FSC-regulated" institutions.
The total asset figures for credit unions for 2008 and 2009 are preliminary.

Source: Data compiled by Bank of Jamaica, Jamaica Co-operative Credit Union League and the FSC

[5] In table 6, financial institutions are classified according to their regulatory reporting status as: (a) institutions regulated by the FSC, comprising entities offering services related to insurance, securities and pensions; and (b) deposit-taking institutions, which comprise commercial banks, building societies, merchant banks and credit unions. For the purpose of this report, institutions comprising the regulated financial system are shown in table 6. There are other institutions that are regulated by the BOJ and the FSC and not included in Table 6. See BOJ's website for the complete listing of its regulated entities. The BOJ is awaiting approval of regulations for the supervision of credit unions.

[6] The data and analysis on FSC-regulated institutions provided in this report do not cover several types of entities that are regulated by the FSC. The entities that are not covered include: individuals licensed as securities dealers, insurance brokers (including, facultative and reinsurance brokers), insurance agents, insurance consultants, insurance loss adjusters, pension fund trustees and pension fund administrators. In table 6, the assets shown are balance sheet assets as reported at the end of the calendar year and do not include pension fund assets. Pension fund assets are part of the funds under management of licensed securities dealers shown in table 20.

The General Insurance Industry

With the merger of British Caribbean Insurance Company (BCIC) and Victoria Mutual Insurance Company (VMIC) being concluded at the end of the 2010 calendar year, there were ten (10) active general insurance companies as at December 31, 2010[7]. Table 7 shows the trend in key balance-sheet indicators for these active companies. While Table 8 shows the gross premium written[8] ("GPW") by each company, Table 9 displays the GPW by class of business. As seen in table 9, the property and motor classes of business account for over 90 percent of total GPW.

Table 7: Selected Key Indicators for General Insurance Companies, 2008 - 2010

Selected Indicators	2008 A	2009 A	2010 A
	$' Billions		
Total Assets	43.3	44.9	48.0
Investment Assets	28.4	29.6	32.6
Insurance Liabilities	24.8	26.0	27.0
Total Liabilities	28.6	29.0	30.0
Capital Base [1]	13.2	14.4	16.2

Notes
1: This includes capital, retained earnings, investment and capital reserves. The capital displayed in the above table is the statutory or regulatory capital. It excludes certain forms of capital. As a result, capital base plus total liabilities will not be equal to total assets.

Table 8: Premiums Generated by General Insurance Companies, December 2008 - 2010

Name of Insurance Company	Gross Premium Written ($ ' M)		
	2008 A	2009 A	2010 A
Advantage General Insurance Company	3,931.1	4,609.6	4,940.9
American Home Assurance Company	1,809.6	1,223.9	1,318.5
British Caribbean Insurance Company	1,819.5	1,943.3	2,654.5
General Accident Insurance Company	1,504.7	1,683.9	2,203.1
Globe Insurance Company of the West Indies	2,391.2	2,412.2	2,555.0

[7] In 2009, Island Heritage Insurance Company ("IHIC") decided not to underwrite or assume any new risk and not to enter into any renewal contracts. As at March 31, 2010, IHIC was still registered and will continue to service its existing policyholders until the insurance policies expire and all claims have been settled.
[8] Gross Premium Written ("GPW") is the sum of gross direct premium written and reinsurance assumed.

Table 8: Premiums Generated by General Insurance Companies, December 2008 - 2010 (cont.)

Name of Insurance Company	Gross Premium Written ($ ' M)		
	2008 A	2009 A	2010 A
The Insurance Company of the West Indies	1,988.8	2,119.8	2,110.5
Jamaica International Insurance Company	3,467.8	3,612.6	4,377.6
Key Insurance Company	660.0	598.0	575.1
NEM Insurance Company	3,221.2	3,137.2	2,946.1
Victoria Mutual Insurance Company	809.5	832.8	-
West Indies Alliance Insurance Company	1,660.2	2,321.1	2,421.7
Total	**23,263.6**	**24,494.4**	**26,103.2**

Notes:
1: Gross written premium is the total of gross direct premium written and reinsurance assumed.
A: Audited data.

Table 9: GPW by Line of Business, General Insurance Industry, 2008-2010

Class of Business	2008 A	2009 A	2010 A
		$' Millions	
Liability	970.8	935.4	971.5
Property	10,239.5	11,552.4	12,339.4
Motor	11,475.4	11,449.3	12,075.2
Pecuniary Loss	263.2	165.2	188.4
Marine Aviation & Transport	169.2	237.7	314.8
Total	**23,263.4**	**24,494.5**	**26,103.2**

Table 10 shows the main categories of revenue and expense for the general insurance companies. For the calendar year ended December 31, 2010, aggregate total revenue declined by $1.8 million, as of all the three components of total revenue, only net premium income increased. This reduction in total revenue was driven mainly by a fall in combined net investment income of $1.1 billion due to the cut of 700 basis points in coupon rates on GOJ debt instruments, as a result of the Jamaican Debt Exchange ("JDX") programme. Additionally, the average 182-day Treasury bill rate moved from 20.0 percent in 2009 to 9.3 percent. Other income also lost some $822 million owing to the significant losses on foreign exchange in respect of assets denominated in foreign currencies and this was due to the revaluation of the Jamaican dollar against the US dollar during the year.

Total expenses incurred by the general insurance companies declined by 10.5 percent. Acquisition expense for the industry decreased significantly as the industry continued to cede more insurance business to overseas reinsurers (See Figure 21) and hence commission received was greater than commission paid to local insurance agents and brokers.

The general insurance companies reaped some success from the strategies implemented to reduce expenses and ensure that premiums adequately cover claims and operating expenses. This is reflected by aggregate operating expenses increasing by three (3) percent while aggregate claims reduced by $1.4 billion. Table 11 illustrates aggregate claims for each line of business over the period 2008-2010.

Table 10: Combined Summary of Operations for the General Insurance Companies, 2008-2010

Main Income & Expense Categories	2008 [A]	2009 [A]	2010 [A]
	$' Millions		
Total Revenue	**16,003.0**	**16,779.6**	**14,899.1**
Of which			
NPE	11,932.6	12,150.2	12,220.0
Net Investment Income	3,073.9	3,902.4	2,774.9
Other Income	996.5	727.0	(95.9)
Total Expenses	**13,554.5**	**15,121.9**	**13,538.8**
Of which			
Taxes	728.5	489.4	691.1
Acquisition Expenses	279.8	52.6	(370.1)
Operating Expenses	4,431.1	4,984.4	5,134.7
Claims	8,160.9	9,535.9	8,169.9
Other	(45.8)	59.6	(86.8)
After-tax Income	**2,448.5**	**1,657.7**	**1,360.2**

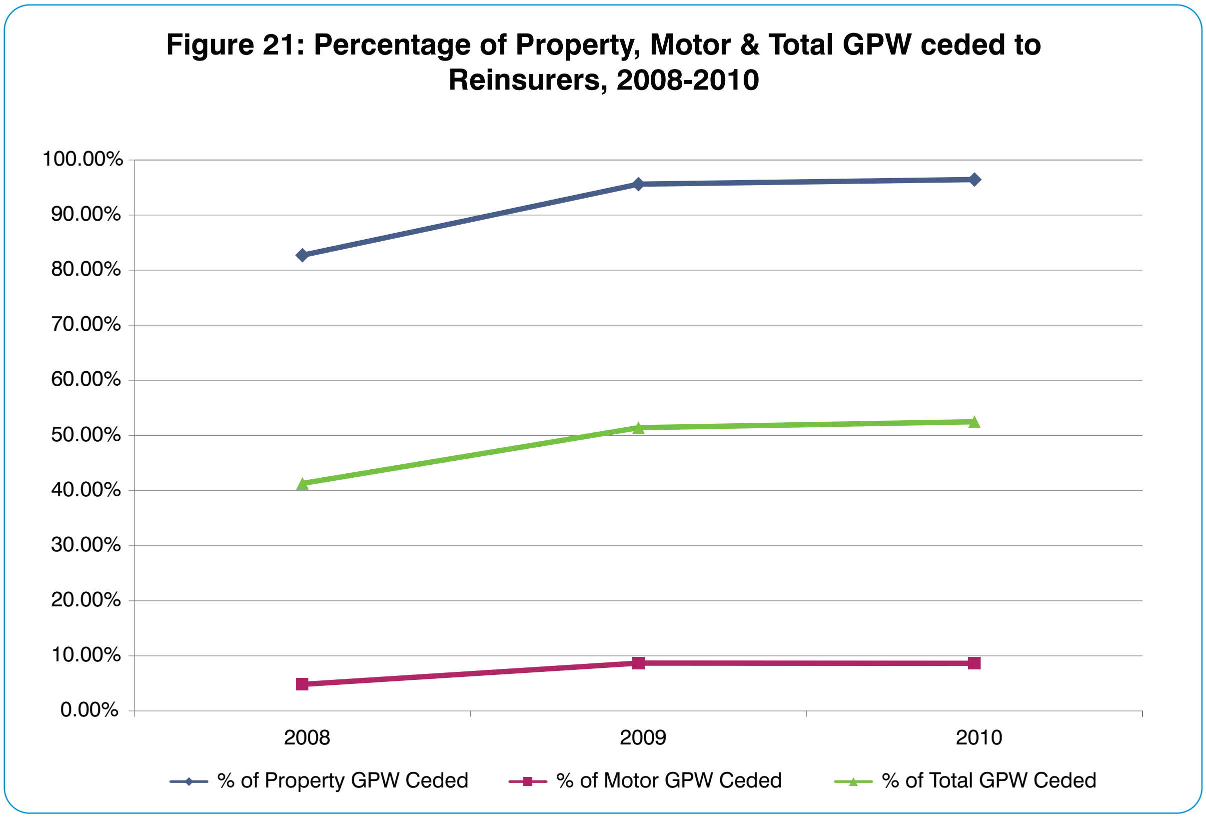


Table 11: Aggregate Claims by Line of Business, General Insurance Industry, 2008-2010

Class of Business	2008 [A]	2009 [A]	2010 [A]
	$' Millions		
Liability	491.36	634.6	320.6
Property	123.03	283.9	149.5
Motor	7,478.58	8,589.7	7,656.4
Pecuniary Loss	26.72	11.4	21.1
Marine Aviation & Transport	(0.69)	7.2	12.6
Accident	41.92	9.0	9.6
Total	**8,160.93**	**9,535.89**	**8,169.94**

Capital

One of the elements of the IMF and GOJ agreed initiatives to strengthen the regulatory framework is the introduction of a 100 percent risk weighting for all GOJ instruments denominated in foreign currency; this translates to a risk factor of 10 percent. This regime commenced with a weighting of 12.5 percent (risk factor of 1.25 percent) in June 2010, increasing by 12.5 percent for each subsequent quarter. This risk-weighted adjustment resulted in a portion of all GOJ securities denominated in foreign currency being categorised as non-admitted assets. This has led to marginal reductions in regulatory capital. Despite these reductions, the regulatory capital base for the general insurance companies grew by 12.4 percent to $16.2 billion.

FSC Established a Risk-Based Capital Test for General Insurance Companies

The new Insurance Act, (2001) and the attendant regulations, mandated the risk-based capital assessment method, known as the Minimum Continuing Capital and Surplus Requirement ("MCCSR") for life insurance companies. Since the risk-based capital standards for general insurance companies were not yet fully developed, the new legislation required that general insurance companies compute capital using the Minimum Asset Test ("MAT")[9] which is not risk-based. The MAT measures the regulatory capital on a liquidation basis, that is, the computation of net capital available after all the liabilities have been settled. Therefore, MAT is not the ideal test as the general insurance companies are going concerns, consequently, a risk-based test which accounts for the risks being undertaken in a company's business model, is much preferred. While the MAT is a good tool for determining whether an insurer has sufficient assets in the event of liquidation, it has several weaknesses. The main weakness is that it does not relate capital required to the risks assumed.

In 2006, the FSC took the decision to implement a risk-based capital assessment model for the general insurance companies; the Minimum Capital Test ("MCT") was selected. Therefore, from 2006, the FSC has been pursuing the implementation of the MCT, which is modelled off the capital test used by the Canadian Office of the Superintendent of Financial Institutions ("OSFI"), yet was specifically tailored to the Jamaican general insurance industry. The MCT assesses the riskiness of assets and policy liabilities and compares capital available to capital required.

The MCT was finalised in the last half of the calendar 2010, but due to the time constraints of the legislative agenda, the scheduled implementation date of December 31, 2010 was not realised. At the end of the 2010-2011 fiscal year, the FSC was still awaiting the passing of the enabling legislation and anticipates that this will be effective May 2011. In the interim, the FSC advised the general insurance companies to file both the MAT and MCT computations. These filings must be reviewed by the company's Appointed Actuary. Because of delays in implementing the MCT, the MAT remains the legal capital measurement standard and so the FSC advised the insurance companies that it will not take any enforcement action against a company if it fails to meet the minimum MAT standard of 150

[9] The MAT establishes a minimum ratio of available assets of a predefined quality to liabilities.

percent, once that company meets the Prescribed Capital Required under the MCT of 200 percent.

In 2010, the MAT benchmark for the industry was raised to 150 percent from 135 percent in 2009. At the end of 2010, the weighted average MAT ratio for all general insurance companies was 140.79 percent. While this result is below 150 percent, it indicates that as a group the insurance companies' assets exceeded liabilities by a margin of 40 percent, which means that the companies have a considerable buffer of capital to absorb adverse shocks. The weighted average MCT ratio for these companies is 273.74 percent, which exceeds the prescribed capital required of 200 percent and indicates the companies on a whole have 2.5 times the amount of capital required based on an assessment of the level of risk embodied in the asset and liability profile of the companies.

The Life Insurance Industry

In 2010, aggregate total assets of the life insurance industry, comprising of five (5) life insurance companies, continued to grow. Table 12 displays some key balance-sheet indicators. Table 13 shows the GPW by each company while Table 14 shows the GPW by class of business.

Profitability

While the 2010 calendar year was another profitable one, aggregate net income after tax amounted to $154.2 million less than the amount generated at the end of 2009. Table 15 shows the main categories of revenue and expenses for the life insurance industry. The impact of falling interest rates and the appreciation of the Jamaica currency against the US dollar are shown in Table 15. The reduction in total revenue was driven mainly by a $3.7 million contraction in net investment income and an 8.9 percent decline in other income.

Table 12: Selected Key Indicators for the Life Insurance Companies, 2008 - 2010

Selected Indicators	2008 [A]	2009 [A]	2010 [A]
	$' Billions		
Total Assets	127.0	153.3	175.8
Investment Assets	110.0	133.9	150.2
Insurance Liabilities	24.5	31.1	35.2
Total Liabilities	96.5	113.8	121.9
Capital Base [1]	31.5	38.9	53.5

Notes:
1: This includes capital, retained earnings, investment and capital reserve
The capital displayed in the above table is the statutory or regulatory cap
It excludes certain forms of capital. As a result, capital base plus
total liabilities will not be equal to total assets.

Table 13: GPW Generated By The Life Insurance Companies, 2008 - 2010

Name of Insurance Company	Gross Premium Written ($ ' M)		
	2008 A	2009 A	2010 A
Scotia Life Insurance Company	764.8	769.6	1,060.5
NCB Insurance Company	418.7	478.6	1,273.4
Sagicor Life Insurance Company	18,574.2	15,597.6	15,321.8
Guardian Life Insurance Company	4,767.2	6,439.1	7,510.1
Cuna Mutual Insurance Society	803.7	971.9	1,140.2
Total GPW	**25,328.6**	**24,256.8**	**26,306.0**

Table 14: GPW by Line of Business, Life Insurance Industry, 2008-2010

Line of Business	2008 A	2009 A	2010 A
	$' Billions		
Life Insurance	11.4	12.7	14.2
Annuity	7.4	38.3	3.3
Sickness & Health	6.6	7.7	8.7
Total	**25.3**	24.3	**26.3**

Table 15: Combined Summary of Operations for the Life Insurance Companies, 2008-2010

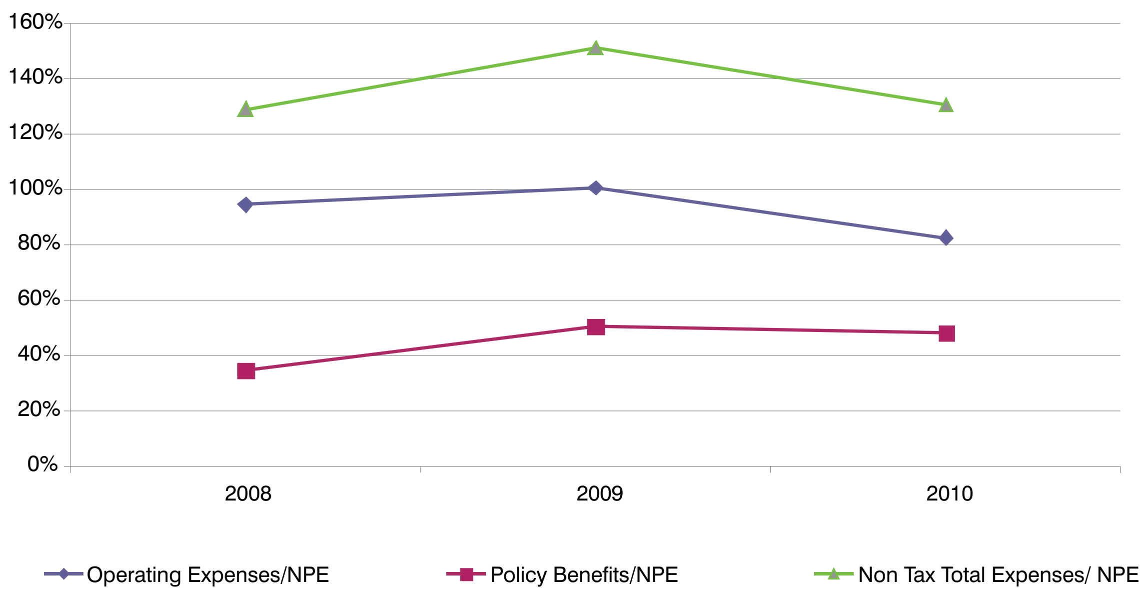
Main Income & Expense Categories	2008 A	2009 A	2010 A
	$' Millions		
Total Revenue	**39,964.5**	**46,764.3**	**44,779.6**
Of which			
NPE	24,961.0	23,826.1	25,752.2
Net Investment Income	12,870.9	20,445.2	16,755.1
Other Income	2,132.6	2,493.0	2,272.3
Total Expenses	**32,908.4**	**36,966.70**	**35,136.1**
Of which			
Taxes	703.6	964.0	743.3
Operating Expenses	23,570.8	23,921.9	21,722.6
Policy Benefits	8,634.0	12,080.8	12,670.2
After-tax Income	**7,056.0**	**9,797.7**	**8,673.6**

In light of the decreasing revenue, the industry responded and as a result expenses were contained. For example operating expenses fell by $2.2 billion in 2010. Table 16 shows the movement in the different categories that constitute policy benefits. Figure 22 shows the percentage of NPE consumed by the main expense categories.

Table 16: Aggregate Policy Benefits, Life Insurance Companies, 2008-2010

Policy Benefits	2008 A	2009 A $ 'Millions	2010 A
Claims:	6,100.5	8,920.6	9,190.5
Of Which:			
Sickness & Health	3,991.0	6,275.9	6,363.9
Death Claims	2,039.2	2,559.9	2,732.9
Accidental Death Claims	-	-	-
Disability Claims	24.0	23.6	19.1
Matured Endowments	46.3	61.2	74.7
Annuity Payments	1,286.9	1,797.0	1,990.3
Surrender Values	964.0	1,072.9	1,106.4
Other	282.7	290.3	383.0
Total Policy Benefits	**8,634.0**	**12,080.8**	**12,670.2**

Figure 22: Expenses as a Percentage of NPE, Life Insurance Industry, 2008-2010



Capital

In 2010, the combined total capital base grew by 37 percent to $53.8 billion; consequently, the life insurance companies continued to record improved levels of capital adequacy. For the life insurance companies, regulatory capital adequacy is assessed using the Minimum Continuing Capital and Surplus Ratio ("MCCSR")[10]. At the end of 2010, the weighted average MCCSR for the life insurance sector stood at 909.4 percent, which significantly exceeded both the regulatory benchmark of 150 percent and the weighted average MCCSR level of 798.8 percent recorded in 2009.

The Securities Industry

Structure of the Industry

The intermediaries in the securities industry are categorized into two main groups: securities firms[11] and non-securities firms. Forty-seven (47) firms were licensed under the Securities Act (2001) ("Securities Act") and Regulations as at December 31, 2010. (Table 17).

Securities intermediaries are licensed to engage in securities activities which fall under the Securities Act's definition of a security. These activities include, but are not restricted to: stock brokering, providing investment advice, and trading in equities, bonds and commercial paper. Many firms have also acquired cambio licences from the BOJ and are involved in foreign exchange trading. The major players in the market are engaged in high levels of balance sheet intermediation by way of offering "Repos" to their clients. Repo liabilities account for 59 per cent of the total funds under management ("FUM").

Securities firms represent 61 percent of the total market by total assets (80 percent of FUM); as a result this review concentrates on this group.

Table 17: Number of Securities Dealers by Type of Licensee, 2008-2010

Institution Type	Number of Licensees		
	2008	2009	2010
Securities Dealers	30	29	29
Unit Trust Management Companies	4	4	3
Merchant Banks	1	1	1
Insurance Companies	3	3	3
Commercial Banks & Building Societies	3	2	2
Others	8	9	9
Total	**49**	**48**	**47**

[10] In assessing the adequacy of capital in relation to liabilities, the FSC relies on the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). The MCCSR is a risk-based solvency test which determines the capital required based on an assessment of the level of risk embodied in the asset and liability profile of a life insurance company.

[11] The securities firms as classified, include securities dealers which are those licensed dealers engaged in securities dealing as a principal activity; as well as Unit Trust Management Companies. The non-securities firms are those dealers that do not deal in securities as a principal activity, but who are required to obtain a securities dealer's licence in order to conduct some aspect of their business.

Performance of Securities Firms 2010

At the end of 2010, total assets stood at $498 billion; this represents a three (3) percent fall from the amount recorded for the year ended December 31, 2009. Similarly, the securities firms have also observed a three (3) percent fall in the total FUM to $634 billion at the end of 2010. Capital positions strengthened during the review period as securities firms' capital base grew by 23 percent to $63 billion. Tables 18 - 20 provide information on the structure and performance of the securities industry in terms of assets, capital and FUM.

Profitability

The securities firms recorded a 4 percent nominal growth in net income before taxes to $13 billion for the year ended December 31, 2010. This growth was buoyed by a 4 percent increase in net interest income which stood at $16 billion for the review period (2009: $15 billion). This growth has been recorded although the yield curve has shifted downwards as a result of the JDX and the GOJ's subsequent systematic lowering of rates on new issues. Average yields for 2010 stood at approximately 9 percent compared with 20 percent in 2009[12]. This has resulted in fewer

Table 18: Total Assets of the Securities Industry by Type of Securities Licensee, 2008-2010

Category of Securities Licensee	Total Assets					
	2008		2009 R		2010	
	$ Billions	% of total	$ Billions	% of total	$ Billions	% of total
Securities Firms	478.6	60.7	512.3	62.0	498.1	60.7
Non-Securities Firms	310.2	39.3	313.3	38.0	322.1	39.3
Of which:						
Commercial Banks	85.3	10.8	46.4	5.6	45.0	5.5
Merchant Banks	26.2	3.3	27.3	3.3	23.1	2.8
Building Society	71.3	9.0	86.2	10.4	89.9	11.0
Insurance Companies	96.5	12.2	119.4	14.5	134.9	16.5
Others	30.9	3.9	34.0	4.1	29.2	3.6
Total	**788.7**	**100.0**	**825.6**	**100.0**	**820.1**	**100.0**

[12] Yields are based on Average 180 day T-bill rates

Table 19: Total Capital of the Securities Industry by Type of Securities Licensee, 2008-2010

Category of Securities Licensee	Total Capital					
	2008		2009 R		2010	
	$ Billions	% of total	$ Billions	% of total	$ Billions	% of total
Securities Firms	39.8	42.3	51.4	44.8	63.2	48.6
Non-Securities Firms	54.3	57.7	63.4	55.2	66.9	51.4
Of which:						
Commercial Banks	8.9	9.5	6.8	5.9	6.7	5.2
Merchant Banks	3.6	3.8	4.0	3.5	4.5	3.4
Building Society	11.9	12.6	13.6	11.9	14.3	11.0
Insurance Companies	20.1	21.3	27.7	24.2	35.4	27.2
Others	9.8	10.4	11.2	9.8	6.0	4.6
Total	**94.1**	**100.0**	**114.8**	**100.0**	**130.1**	**100.0**

Table 20: Total Funds Under Management of the Securities Industry by Type of Securities Licensee, 2008-2010

Category of Securities Licensee	Funds Under Management					
	2008		2009 R		2010	
	$ Billions	% of total	$ Billions	% of total	$ Billions	% of total
Securities Firms	647.3	83.4	654.2	81.7	634.1	79.9
Non-Securities Firms	128.9	16.6	146.9	18.3	159.5	20.1
Of which:						
Commercial Banks	6.8	0.9	0.0	0.0	0.0	0.0
Merchant Banks	5.5	0.7	13.3	1.7	10.1	1.3
Building Society	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Companies	99.5	12.8	116.0	14.5	133.5	16.8
Others	17.1	2.2	17.6	2.2	15.9	2.0
Total	**776.3**	**100.0**	**801.1**	**100.0**	**793.6**	**100.0**

interest receipts among industry players as interest income fell by 28 percent to $47 billion. However, net interest earnings have not been adversely affected due to the 39 percent contraction in interest payments to $31 billion.

Firms continue to be heavily reliant on income generated by interest earned from their Repo business. Net interest income accounted for 74 percent of the firms' total income stream, up from 72 percent in 2009; see figure 23. This remains a concern as firms need to diversify their income mix to mitigate interest rate and credit risks.

Though non-interest income continues to fall (4 percent decline in 2010), securities firms continue to reign in the growth in their operational expenses by rationalizing their operations to cope with the economic reality. This has contributed positively to securities firms' bottom-lines during the review period. Table 21 illustrates the operating results of the securities firms.

Figure 23: Income of Securities Firms by Type of Income, 2008 - 2010

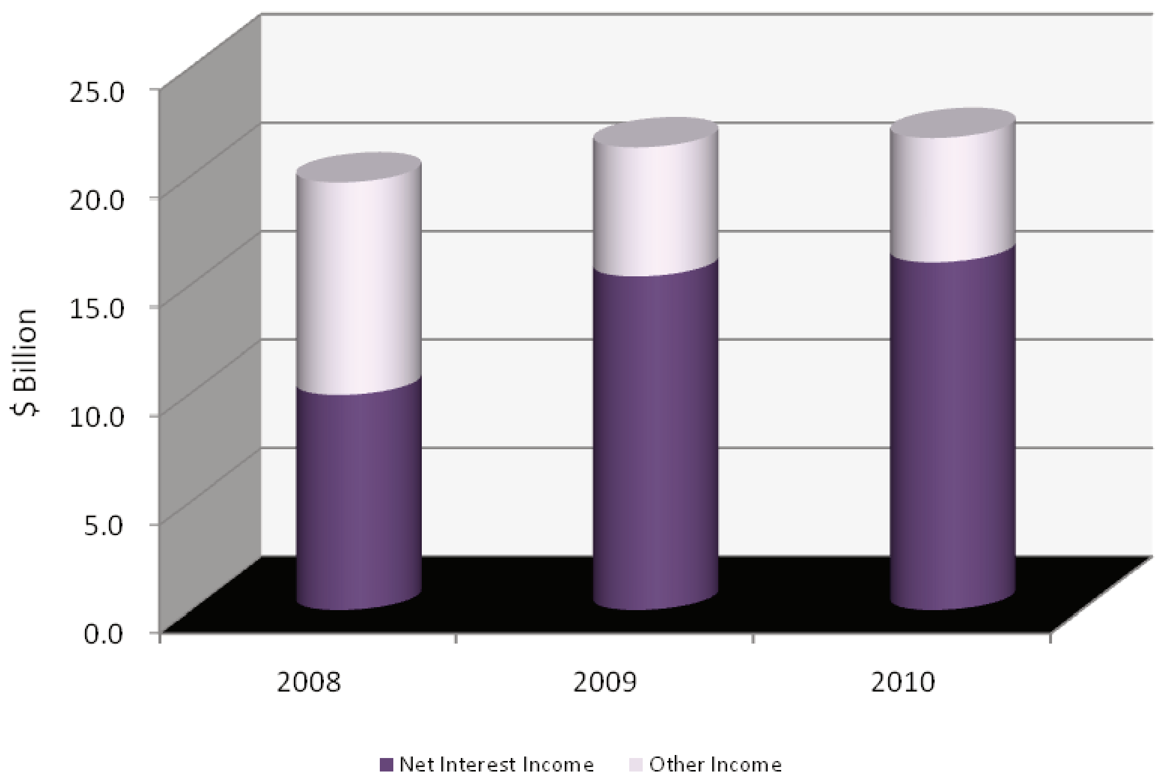


Table 21: Summary Operating Results for Securities Firms, 2008 - 2010

	2008	2009R	2010
	$ Billions		
Net Interest Income	**9.9**	**15.4**	**16.0**
of which: Interest income	51.1	65.7	47.4
less: Interest expense	41.2	50.3	31.3
Other Income	**9.7**	**5.9**	**5.7**
Total Income (net of interest expense)	**19.7**	**21.3**	**21.8**
Operating & Other Expenses (taxes excluded)	**9.9**	**9.3**	**9.3**
Net income (before taxes)	**9.8**	**12.0**	**12.5**
	Annual Change (%)		
Net Interest Income	**15.6**	**55.2**	**4.2**
of which: Interest income	**24.2**	28.7	(27.9)
less: Interest expense	**26.4**	22.3	(37.8)
Other Income	**24.7**	**(39.0)**	**(3.6)**
Total Income (net of interest expense)	**19.9**	**8.5**	**2.0**
Operating & Other Expenses (taxes excluded)	**29.4**	**(5.4)**	**(0.2)**
Net income (before taxes)	**11.8**	**22.6**	**3.8**

Prudential Indicators

The FSC monitors the adequacy of each firm's capital as well as the quality of the assets backing investor liability. The sector is adequately capitalized and has remained robust during the review period. Whilst the capital to asset ratio shows an improvement of 3 percentage points on the 2009 results, the capital to risk weighted asset ratio fell by approximately 12 percentage points. This was a direct result of a condition of the GOJ's standby agreement with the IMF which stipulates that a credit risk weighting of 37.5 percent be applied to all GOJ foreign currency denominated bonds on the balance sheet of securities dealers as at December 31, 2010. This new credit risk regime commenced with a weighting of 12.5 percent (risk factor of 1.25 percent) in June 2010, increasing by 12.5 percent for each subsequent quarter. As a consequence, the stock of low risk assets has gradually decreased since implementation in June 2010. By December 2010, the stock of low-risk assets on the books of securities firms had fallen by 17 percent which indicates that the quality of the stock of assets on their books has diminished. A corresponding rise in risk weighted assets on the balance sheets of securities licensees has also been experienced and has led to the erosion in the capital to risk weighted asset and the low-risk asset to Repo liabilities ratios. Despite this weakened position, there are adequate assets backing investors' investments, as the low risk asset to repo liabilities ratio remains above the FSC's minimum benchmark.

Securities firms' reliance on their Repo business is evident in weakening of the intermediation ratio and the firms are, as a group, failing the FSC minimum requirement for this ratio. Repo liabilities fell by less than 1 percent as FUM declined by 4 percent during the period. This is a consequence of weak consumer demand and stagnant wages, coupled with the longer tenures on existing GOJ bonds offered as a result of the JDX. Table 22 summarizes the prudential indicators for the securities firms for the review period.

Table 22: Selected Prudential Indicators for Securities Firms December 2008 - 2010

	2008	2009	2010	FSC Benchmark
	%			
Balance Sheet Growth				
Capital Base	(7.3)	29.0	22.9	
Capital Adequacy				
Capital / Total Assets	8.3	10.0	12.7	⩾ 6
Capital / Risk Weighted Assets	40.0	58.5	46.8	⩾ 10
Asset Quality				
Low Credit Risk Assets / Repo Liabilities	127.5	138.5	115.0	⩾ 100
Profitability				
Return on Average Assets	1.9	1.8	1.9	
Return on Average Equity	21.0	19.7	16.6	
Net Interest Margin	19.4	23.4	33.9	
Pre-Tax Profit Margin	16.1	16.7	23.5	
Liquidity & Solvency				
Current Ratio	107.4	110.1	114.0	
Capital / Total Liabilities	9.1	11.2	14.5	
Current Asset / Total Asset	97.8	98.1	98.2	
Management				
Intermediation Ratio	43.52	49.62	50.99	⩽ 50

Performance of Unit Trusts and Mutual Funds

Unit Trusts

The Unit Trust sub sector consists of ten (10) funds which are managed by four (4) fund managers, namely Barita Unit Trust Management Company, Scotia DBG Fund Managers, PanCaribbean Asset Management, and Capital & Credit Fund Managers. The unit trust portfolios are comprised mainly of real estate investments, equities and fixed income securities including GOJ debentures, Local Registered Stocks (LRS), Certificates of Deposit (CD) and Treasury bills.

As at December 31, 2010, total funds managed by unit trust management companies stood at $22 billion, a 50 percent increase over December 31, 2009. For the review period the sub sector experienced net inflows of 27 million units valued at $659 million. This is a significant increase over the previous year's inflow of 11 million units valued at $267 million; see Table 23.

Mutual Funds

The Mutual Fund sub sector consists of seventeen (17) mutual funds available for sale in Jamaica. These mutual funds are managed by four (4) fund managers, namely Manulife (formerly AIC), CI Investments, Scotiabank and JMMB Securities. The mutual fund investment portfolios are comprised mainly of equities, fixed income securities and cash.

For the period ended December 31, 2010, the total funds managed by mutual fund companies were USD 9 billion. This represented an increase of USD 1 billion or 16 percent above December 31, 2009. As at December 31, 2010, total funds attributable to Jamaicans amounted to USD 151 million. USD 37 million of mutual funds units were sold to Jamaicans during the period, with a corresponding USD 14 million of units redeemed. As a result, net flows stood at USD 23 million.

Table 23: Summary of Unit Trusts Funds under Management

	2008	2009	2010
Total FUM ($ Billions)	11.9	14.3	21.5
Activity			
Total Units Sold (Millions)	5.7	24.0	41.1
Value of Units Sold ($ Millions)	82.0	486.0	919.0
Total Units Redeemed (Millions)	25.8	13.3	13.9
Value of Units Redeemed ($ Millions)	379.0	219.0	260.0
Net Flows			
Units (Millions)	(20.1)	10.7	27.2
Value ($ Millions)	(297.0)	267.0	659.0

Performance of the Equities and Private Debt Markets

The oversight of the private debt market began in 2006 with the "Private Placement" regime which enabled institutions to raise funds without making a public offering. Debt offerings made under this regime were limited to fifty (50) investors. This regime was replaced in 2008 by the "Exempt Distribution" regime which allows for a distribution of securities to be exempt from registration of a prospectus or offering document with the FSC[13]. This initiative was intended to assist in reducing the costs of raising capital and to stimulate the development of the Jamaican capital market. Exemptions may be granted under the following categories:

1. Accredited Investor
2. Minimum purchase amount
3. Highly rated debt
4. Private Issuer

The private debt market is comprised mainly of short and medium term notes with instruments with tenures exceeding 5 years accounting for just over 1 percent of total issues. Amidst a challenging economic environment and post-JDX there were 22 distributions registered during 2010, the same as 2009. However, the value of the transactions was 261 percent greater than in 2009; see Table 24. One major issuer accounted for 66 percent of the value of the transactions.

The Accredited Investor exemption was most utilized by issuers, accounting for 77 percent of the distributions in 2010. Due to the significant reliance on the Accredited Investor exemption, it is necessary for the FSC to ensure that securities that are registered with the FSC under that exemption, are in fact being sold to persons that meet the requirements. The FSC released a letter to the industry mandating dealers that arrange and/or distribute securities offered under the Accredited Investor exemption to develop and implement board approved investor due-diligence policies and procedures.

Public Offerings

During 2010, seven (7) publicly traded equity securities were registered with the FSC, all of which have been listed on the JSE's Junior Stock Exchange. The combined value of these listings amounted to an approximately $964 million, reflecting year to year decline of 25 percent in the value of registered equity securities; see Table 25.

Table 24: Summary Private Placement & Exempt Distribution 2007 - 2010

Private Placements & Exempt Distributions 2007 - 2010	2007	2008	2009	2010
Number of Private Placements/ Exempt Distributions	33	61	22	22
Value ($ Billions)	17.8	38.3	9.9	35.7

Table 25: Summary Public Offerings, 2008 - 2010

Public Offerings Registered for the period 2008 - 2010	2008	2009	2010
Number of Public Offerings	4	2	7
Value ($ Billions)	3.8	1.2	0.9

[13] For more details, see "Guidelines for Exempt Distributions" (Guidelines SR-GUID-08/05-0016) at http://www.fscjamaica.org/content.php?action=content&subid=70

The Pensions Industry

Table 26 shows the number of corporate service providers by category inclusive of the pension assets under management which have grown, year over year by 13.3 percent.

Table 26: Total Assets under Management of Corporate Service Providers

Service Providers	Number of Entities at 2009 December 31	Asset Values as at 2009 December 31 $'M	Number of Entities at 2010 December 31	Asset Values as at 2010 December 31$'M
Insurance Companies	4	97,011.9	4	114,430.4
Securities Dealers	12	94,137.1	12	101,620.7
Credit Unions/Building Society	5	2,442.6	5	2,980.9
Other	7	35,048.7	7	40,035.3
Total	28	**228,640.3**	**28**	**$259,067.4**

Summary of Performance Scorecard 2010-2011[14]

Tables 27 - 29 below outline key strategic objectives for the insurance, pensions and securities industries. Details of the activities undertaken in pursuit of these objectives are presented in the various segments of the Executive Director's report.

The Insurance Division

The main function of the Insurance Division is to protect the interest of policyholders and so in furtherance of this main goal it sets strategies outlined in two main objectives, namely (i) to strengthen the legal and regulatory framework and improve monitoring in order to enhance risk management; and (ii) ensure a high level of compliance on the part of the insurance industry. The performance against these targets is shown in Table 27.

Table 27: Performance against 2010-2011 Objectives for the Insurance Division

Strategies	Targets	Status
Objective I: To ensure that the legal & regulatory frame work is appropriate for the effective supervision of the insurance industry.		
1. Amendments to Insurance Act and Regulations.	By March 31, 2011 suggest changes to section 120 of the Insurance Act based on review of the industry's submissions	In association with the Insurance Association of Jamaica (IAJ) the Insurance Division spearheaded the review of the Average Clause provisions in section 120 of the Insurance Act. It has been agreed that section 120 of the Insurance Act and regulation 126 should be amended and the proposed amendments are being finalised. The main amendments are centred on the methods that the insurance company can employ in giving notice of the nature and effect of the Condition of Average.
	Define the following in law as requiring explicit FSC approval by March 31, 2011: 1. the level of ownership 2. changes in acquisition and disposal of significant	The Division completed guidelines and proposed regulations have been drafted to give the FSC authority to determine the level of ownership of an insurance company that requires specific approval and fitness and propriety of the owners. In addition, the FSC will be given the authority to approve persons acquiring the designated

[14] This and the following sections report on activities that occurred within the fiscal year April 1, 2010 – March 31, 2011.

Table 27: Performance against 2010-2011 Objectives for the Insurance Division (cont.)

Strategies	Targets	Status
	shareholdings	percentage of ownership which results in control of an insurance company. The amendments will require mandatory reporting to the FSC of all changes in shareholdings that result in changes in control
	Draft proposals to amend the regulations by December 31, 2010 requiring the insurance companies to file business plans.	The guidelines have been prepared and the proposed amendments to the regulations were drafted
	Draft proposals to amend the insurance regulations requiring general insurance companies to perform stress tests by September 30, 2010	The guidelines were prepared and comments received from the industry. Work is in progress on the proposals to amend the insurance regulations to require all insurance companies to perform stress testing and report the results in their Annual Statements to the FSC
	Draft proposals by September 30, 2010 to amend the insurance regulations to set the filing deadlines for: • Annual Financial Statements by Intermediaries; • Semi-annual Financial Statements by Intermediaries; and • Quarterly Statements by insurance companies	The proposals were drafted. Proposals to amend the regulations have already been developed and will be finalised in 2011-2012

Table 27: Performance against 2010-2011 Objectives for the Insurance Division (cont.)

Strategies	Targets	Status
2. Review Solvency Standards in association with the Chief Actuary.	In association with the Actuarial Division amend the regulations to replace MAT with MCT as the solvency standard for general insurance companies by September 30, 2010.	The proposed regulations to introduce the Minimum Capital Test (MCT), a risk-based test to assess the solvency of general insurance companies, were finalised. The regulations were passed in the Houses of Parliament in April 2011.
	In association with the Actuarial Division, revise MCCSR to be consistent with international standards by March 31, 2011	A project is in progress, led by the Actuarial Division, to review the Minimum Continuing Capital and Surplus Requirement (MCCSR) of life insurance companies in light of developments in the international regulatory environment. The project is heavily dependent on the issuing of IFRS 4, Phase 2, and so has been put on hold until September 2011.
3. Improve regulation of risk management in the industry.	In association with the Actuarial Division draft proposals to amend the regulations to require insurance companies to institute Asset Liability Management by December 31, 2010	The proposals to amend the regulations were developed. Draft proposals for the amendment of the regulations have been sent to the CPC in 2011-2012.
Objective II: To have full compliance with the Insurance Act and Regulations and IAIS Core Principles.		
1. Annual and Quarterly Desk Reviews.	Complete the summary report on the review of annual filings by the end of September 2010.	The deadline was not met (completed in January 2011) but the summary industry reports were completed before the deadline. Delays caused by attention to other unplanned projects.
2. On-site Examinations.	Complete at least four on-site examinations during the year.	Five on-site examinations were completed.

Table 27: Performance against 2010-2011 Objectives for the Insurance Division (cont.)

Strategies	Targets	Status
	Complete at least 2 follow-up examinations during the year.	One follow-up examination was completed.
3. Reinsurance Treaties.	Complete in depth review of the reinsurance programmes of six companies by December 31, 2009.	All six reviews were completed before February 28, 2011.

The Securities Division

The business plan of the Securities Division is aimed at achieving the twin purposes of protecting the interest of investors and preserving integrity of financial markets. Accordingly the business plan of the Securities Division includes the following four main objectives:

- Effectively and efficiently discharging the statutory mandate of the FSC with respect to the routine programme of regulation of the Securities industry.
- Continuing improvements in the regulatory infrastructure in order to enhance investor protection.
- Continuing to build the FSC's institutional capacity to supervise the industry.
- Deepening the FSC's relationships and improving communication with the industry and key stakeholders.

The performance against these objectives is set out in Table 28.

Table 28: Performance against 2010-2011 Objectives for the Securities Division

Strategies	Targets	Status
Objective I: Licensing of entrants to meet our requirements, monitoring of licensees and application of supervisory or enforcement actions when appropriate.		
1. Approvals	Carry out approvals related to relevant registrants and licensees.	Ongoing
2. Monitoring	Carry out programme of monitoring related to relevant registrants and licensees.	The scheduled programme was substantially completed within targets.
	Develop and execute risk mitigation strategies for specific licensees to address deficiencies identified in monitoring by using an up-to-date list of problem institutions	Ongoing
	Identify breaches which will be the subject of major enforcement action	Ongoing
Objective II: Continue the improvement in the regulatory infrastructure in order to enhance investor protection.		
1. Amendment to the Securities Act.	Take steps to secure amendments to Securities Act by reviewing draft amendments from the Chief Parliamentary Counsel ("CPC") and deliver comments to Legal Services, Research and Policy Division within four	A paper with suggested amendments was sent to the Offices of the Solicitor General and the Attorney General for comments

Table 28: Performance against 2010-2011 Objectives for the Securities Division (cont.)

Strategies	Targets	Status
	weeks of receipt. Such amendments include: amendments to Securities Act in relation to provisions for Investment Clubs, and Unlawful Financial Operations (“UFOs”)	
2. Amendment to the Mutual Fund. Regulations (“MFR”)	Ensure the promulgation of amended regulations	A consultative paper has been drafted for release to the industry and public. However, due to impediments in the Companies Act, we are awaiting discussions with representatives from the Companies Office.
3. Amendment to the Licensing and Registration Regulation	Ensure the promulgation of amended regulations.	A paper with suggested amendments was sent to the Offices of the Solicitor General and the Attorney General for comments.
4. Enhance market surveillance	Acquire and implement an automated market surveillance system to monitor listed companies on the Jamaica Stock Exchange.	In the procurement phase of the process.
Objective III: Continue to build the FSC's institutional capacity to supervise the industry		
1. Standardized Reporting	Take steps to standardize financial reporting by dealers.	Standardized reporting has been achieved to facilitate enhanced reporting requirements under the IMF programme. The enhancement of the C1 Form is complete, but only a portion has been rolled out to the industry. The other sections will be rolled out in 2011/2012.

Table 28: Performance against 2010-2011 Objectives for the Securities Division (cont.)

Strategies	Targets	Status
2. Enhanced Liquidity Management	Implement requirements for enhanced liquidity management reporting.	The enhanced reporting requirements under the IMF programme contain additional indicators for liquidity. It was contemplated that the FSC would also publish new guidelines for liquidity management and this is being done under the rubric of the prudential reform for securities dealers, for which a public consultation paper was released in early October 2010. The consultation period ended December 31, 2010. The FSC is in discussions with the industry and the IMF on these requirements.
3. In-house training	Execute in-house training programme for analysts in the Securities Division and other divisions in the FSC on securities matters.	Staff in the Division has been trained in respect of new reporting requirements. Members from other divisions have not been trained.
4. Public Education	Participate in the FSC's public education programme when the need arises.	The securities division has participated as required and has delivered its output within agreed timeframes.
Objective IV: Deepen the FSC's relationship and improve communication with the industry and key stakeholders.		
1. Information Sharing	Collate and supply information required by collaborating agencies.	Activities are ongoing. Target met.
2. Forums/Seminars	Prepare and hold forums or seminars with licensees to discuss regulatory matters	One industry forum was held on July 1, 2010 in respect of proposals for prudential reform for securities dealers.

Table 28: Performance against 2010-2011 Objectives for the Securities Division (cont.)

Strategies	Targets	Status
	by hosting a minimum of two forums or seminars per year.	
3. Regional Collaboration	Collaborate with regional regulators on common issues by effectively organizing the hosting of the Caribbean Group of Securities Regulators Conference ("CGSR") by November 2010. Review cross border takeover and mergers code.	CGSR Conference was held in November 2010. Reviews done within timelines.

The Pensions Division

The Business Plan of the Pensions Division for the fiscal year 2010/11 included four principal and related objectives for the purpose of protecting pension plan members and their beneficiaries as outlined in Table 29.

Table 29: Performance against 2010-2011 Objectives for the Pensions Division

Objective 1: Registration and Licensing of Persons and Entities Doing Business in the Pensions Industry		
Strategies	**Targets**	**Status**
Provide support for the registration and licensing process.	• Conduct technical reviews of constitutive documents for pension	• Target achieved; see section on Pension Authorization

Table 29: Performance against 2010-2011 Objectives for the Pensions Division

Objective 1: Registration and Licensing of Persons and Entities Doing Business in the Pensions Industry		
Strategies	**Targets**	**Status**
	plans on initial registration and subsequent amendments. • Conduct business reviews for corporate entities.	• Target achieved; see section on Pension Authorization
Objectives 2: Progress Phase II of Pension Reform		
Strategies	**Targets**	**Status**
Work with the Ministry of Finance & the Public Service and industry stakeholders to finalize drafting of amendments to reflect Phase II reform issues	• Review proposed amendments for Phase II of Pension Reform to account of emerging issues. • Review draft amendments from the CPC. • Review feedback on draft regulations and amendments from industry stakeholders. Prepare and submit recommendations for further drafting instructions to the CPC.	• The entire set of drafting instructions sent to the CPC has been reviewed. Revised drafting instructions are being prepared for submission to the Chief Parliamentary Counsel by September 30, 2011

Table 29: Performance against 2010-2011 Objectives for the Pensions Division (cont.)

Objectives 3: Monitoring and Supervision of Regulated Entities		
Strategies	**Targets**	**Status**
	• Draft risk appraisal model for pension plans finalized. • Draft risk appraisal model for corporate entities finalized. • Commence desk based reviews and onsite examinations of licensees and registrants.	• Target achieved; see section on Supervision • Target achieved; see section on Supervision • Target achieved; see section on Supervision
Objectives 4: Monitor and Review Winding-up of Pension Plans		
Strategies	**Targets**	**Status**
Review new applications and completed submissions for winding-up and schemes of distributions of surplus.	• Review winding-up applications. • Review applications received for schemes of distribution of surplus. • Review winding-up progress reports.	• Target achieved; see section on Pension Authorization • Target achieved; see section on Pension Authorization • Target achieved; see section on Supervision

Regulatory Activities

Insurance Industry

Since its inception in 2001, the Financial Services Commission's ("FSC") experience has revealed that there is a need to amend certain provisions of the Insurance Act and Insurance Regulations to strengthen the FSC's regulatory framework for the insurance industry. Accordingly, the FSC has embarked on a continuous legislative reform programme aimed at amending relevant provisions of the Insurance Act and Regulations to address conflicts, inconsistencies, errors and omissions embedded in certain provisions of the insurance legislation.

Therefore, in order to realize the objectives of the insurance legislative reform programme, the FSC has submitted draft proposals to the Ministry of Finance and the Public Service ("MOFPS") and the Chief Parliamentary Counsel ("CPC") for amendments to be made to relevant provisions to the Insurance Act and Regulations respectively.

The proposed amendments to the Insurance Act seek to achieve the following:

1. Harmonize certain procedures in the Insurance Act with those under the Securities Act;
2. Allow for the exemption of certain persons or categories of persons from the provisions of the Insurance Act; and
3. Overall, to strengthen the provisions of the Insurance Act to address regulatory issues presented by the industry's development.

Specifically, the following amendments have been proposed:

(I) Section 2 (2) (b) – Carrying on Insurance Business

Section 2 (2) (b) of the Act lists the activities of unregistered insurers (or persons acting under their authorization) that are deemed to constitute "the carrying on of insurance business in or from Jamaica". This provision is too narrowly worded as it currently applies only to unregistered insurers and their operatives. It is therefore proposed that appropriate amendments be made to the Insurance Act to make the said definition applicable to registered persons.

(ii) Sections 11 (3) (a), 14 (2) (a), 15 (2) (a), 63 (3), 66 (1) (c), 75 (2) (b), 76 (1) (b) and 78 – Refusal or Suspension of Registration

These provisions of the Insurance Act relating to the refusal or suspension of registration were harmonised to correspond to the Securities Act.

(iii) Section 73 – Conditions of Registration

Currently, there is no express right to an opportunity to be heard before the FSC under the Insurance Act. However, aggrieved applicants are offered an opportunity to be heard on a discretionary basis in the absence of an express right. It is therefore proposed that appropriate amendments be made to the Insurance Act to harmonize that Act with the other relevant Acts by granting any aggrieved applicant the right to an opportunity to be heard before the FSC, once the FSC notifies an applicant of its proposal or intention to take an adverse action against an applicant.

(iv) Section 23 (1 (c) – Granting of Unsecured Credit Facilities

Section 23 (1) (c) of the Insurance Act prohibits a registered insurer from granting unsecured credit facilities to any person except for:

(a) Temporary cover not exceeding thirty days; or
(b) Advances to agents, sales representatives or to full time employees against earnings.

However, in practice, insurance companies enter into credit agreements with brokers whereby they agree mutually acceptable time frames for brokers to remit to insurers, premiums paid to them by clients. The FSC currently does not object to such arrangements where insurance companies extend credit facilities to brokers; therefore, it is proposed that section 23 (1) (c) be amended in order to have the prohibition not applying to the credit relationships between the insurers and their brokers in such circumstances.

(v) Section 61 Registration of an Association of Underwriter

Currently, the Act does not allow an association of underwriters to be registered to carry on both long term and general insurance business, unless such general insurance business consists exclusively of accident insurance business. Associations of underwriters typically comprise both persons who underwrite long term and general insurance business. In many cases, general insurance business is not exclusively accident insurance business. It is believed that this restriction inhibits the development of the sector. It is proposed that section 61(2) of the Act be amended to allow for an association of underwriters to carry on both long term and general insurance business and that the necessary consequential amendments be made to related provisions of the Act, for instance in section 63(2) that sets out the requirements for registration.

(vi) Section 110 – Notice in respect of Long Term Insurance Policies

Section 110 requires the insurer to serve a notice on the policyholder giving details of the nature and type of the policy. Annexed to the notice should be a form of notice of cancellation for use by the prospective policyholder in case he does not wish to proceed with the policy. The notice is to be provided to the prospective policyholder within seven (7) days after the contract is concluded. Failure to do so constitutes an offence although it does not invalidate the contract.

Ideally, the policy contract and the notice should be served on the policyholder simultaneously. Accordingly, the insurance industry, in collaboration with the FSC, argued that the period of seven (7) days for service of the notice is too short as the average delivery time to a policyholder is fifteen (15) days.

In light of this impracticability, it is proposed that section 110 (1) (b) be amended to delete the words “seven days” and to substitute the words “fifteen days”.

(vii) Section 115 – Unclaimed Monies

The proposed amendment allows the Accountant General to pay any person who establishes a claim to the satisfaction of the Accountant General.

(viii) Section 145 - Exemptions

Section 145 of the Insurance Act provides that Regulations made under the Insurance Act may authorize the FSC to exempt such classes of insurance business from the provisions of the Insurance Act as the FSC deems necessary. Under Section 105 of the Insurance Act of 1971 certain entities, e.g. the Student Loan Bureau, were granted exemption by the Minister of Finance and the Public Service. These entities continue to do insurance business and have requested exemption under the new regime. There are, however, no provisions for exemption of persons or classes of persons from registration under the current Insurance Act.

Accordingly, the FSC desires an expansion of the exemption-granting provision under the current Insurance Act to include the categories and classes of persons listed under section 105 of the repealed Insurance Act. The new provision will also make it clear that conditions may be placed upon the exemptions and will also make the Minister the authority for granting the exemptions.

(ix) Section 149 - Amendment of Monetary Penalties by Order

A new section was inserted. The Minister of Finance and the Public Service may, by order published in the Gazette, amend any monetary penalty imposed by the Insurance Act subject to affirmative resolution.

Insurance Regulations Amendments

The FSC has submitted drafting instructions to the CPC for amendments to be made to the Regulations to address the following:

(i) 2 (1) for the inclusion of a definition of the word “Officer”;
(ii) 2 (1) for the inclusion of a definition of the word “actuary”;
(iii) 29 (80) to remove clerical errors and include omissions;
(iv) 61 (1) to remove clerical errors and include omissions;
(v) 73 and 75 to clearly set out the composition of the audit committee and the investment and loan committee ;
(vi) 82 (1) to remove clerical errors and include omissions;
(vii) 82 (2) to remove clerical errors and include omissions;
(viii) 83 to remove clerical errors and include omissions;
(ix) 84 (2) to remove clerical errors and include omissions;
(x) 84 (3) to remove clerical errors and include omissions;
(xi) 85 to remove clerical errors and include omissions;
(xii) 86 to remove clerical errors and include omissions;
(xiii) 94 to re-align the regulations

with the requirements of the international reporting accounting standards;

(xiv) 100 to remove clerical errors and include omissions;

(xv) 135 to remove clerical errors and include omissions;

(xvi) 139 to remove clerical errors and include omissions;

(xvii) 143 by deleting sub-paragraph (d);

(xviii) 156 to remove clerical errors and include omissions; and

(xix) 157 to insert the prescribed notice which an insurance company is required to give policyholders when a policy lapses as a result of non-payment of premiums due and payable.

Proposed Legislative Amendments to the Insurance Act

i. Section 26 - Annual publishing of financial statements by the insurance companies in an abridged format;
ii. Section 120 – Average Clause – Disclosure of pro rata condition of requirements; and
iii. Sections 52 & 59 - Review the winding up requirements for insurance companies, the application of deposits and the ranking of policyholders above creditors in a winding-up.

To Be Inserted as New Sections to the Insurance Act

i. The level of ownership and the changes in acquisition and disposal of significant shareholding;
ii. Title insurance as a class of business;
iii. Micro-insurance – the definition of micro-insurance and the monitoring requirements by the FSC;
iv. Stress testing for all insurance companies; and
v. Criteria for auditors and actuaries to operate in the insurance industry.

Amendments to the Regulations to Incorporate the Following Provisions:

i. Stress testing methods and requirements for all insurance companies;
ii. The level of ownership and the changes in acquisition and disposal of significant shareholding;
iii. Requirement for all insurance companies to file business plans;
iv. Criteria for auditors and actuaries to operate in the insurance industry;
v. Prescribed notice and vesting order regarding the transfer of insurance business from one company to another;
vi. Regulations 32 and 34 - Filing deadlines for the submission of quarterly filings by insurance companies;
vii. Regulation 35 – Relating to capital and insurance cover requirements for intermediaries to premiums or some other component;
viii. Regulation 36(4) – Filing deadlines for the submission of quarterly filings by insurance intermediaries;
ix. Regulations 45 and 46 - Clarification of the law regarding investment requirements; and
x. Average Clause - Disclosure of pro rata condition of average.

Securities Industry

The FSC, in collaboration with technical experts from the IMF, has developed proposals for amendments to be made to the Securities Act to modernize its provisions and to address the problem of the Unlawful Financial Organizations ("UFO's"). Of note, is that the proposals seek to enhance the information-gathering and enforcement capabilities of the FSC. They will also recognize investment clubs and make provision for the supervision of a wide range of derivative products.

The amendments to the Securities Act are one of Jamaica's deliverables under the GOJ standby arrangement with the IMF. In fulfilment of one of its targets under the IMF Schedule, the FSC has prepared and circulated a Concept Paper outlining the proposals, to the Attorney General, the Director of Public Prosecutions, the Securities industry and other key stakeholders, for their comments. It is envisaged that the proposed amendments, once approved, will be completed during the 2012 calendar year.

Pensions Industry

Pension Reform- Phase II: Pending Changes to the Pensions (Superannuation Funds and Retirement Schemes) Act and its attendant Regulations

The FSC submitted drafting instructions regarding proposed amendments to the Pensions (Superannuation Funds and Retirement Schemes) Act ("The Pensions Act"), representing Phase II of the Pension Reform, to the CPC and the MOFPS in 2007 February. Phase II of the Pension Reform will address among other things, provisions relating to portability, vesting and locking-in.

The FSC has decided to review and update these instructions. It is anticipated that the review process will be completed by the end of 2011 March. During 2010, the FSC submitted drafting instructions to the MOFPS and the CPC to amend the Pensions Act and the Pensions Registration, Licensing and Reporting Regulations regarding the imposition of investment managers' fees. The instructions also included conditional approval for the registration of Superannuation Funds ("funds") and Retirement Schemes ("schemes"). This has been done in an effort to expedite the registration process. These amendments will allow the FSC to approve a fund or scheme once specific requirements for approval have been met. The funds and schemes will then be given a time period within which to satisfy conditions stipulated at the time approval was granted. The granting of conditional approval by the FSC will bring the funds and schemes within the full regulatory remit of the FSC. The most recent draft of this legislation was received by the FSC on 2011 January 24.

The drafting instructions proposed the following changes to the Pensions Act and Regulations:

- Permitting conditional registration of superannuation funds and retirement schemes.

- Giving trustees of funds and schemes a limited power of amendment to comply with the Pensions Act and Regulations, where the constitutive documents of the fund/scheme do not contain a power of amendment.

- Simplifying the registration requirements of a fund or scheme as stipulated in the Second Schedule to the Registration, Licensing and Reporting Regulations. The Second Schedule outlines the matters that must be addressed in the constitutive documents of a fund or a scheme in order for the fund or scheme to be registered.

- Including provisions that make it clear that Trustees who wish to act as Administrators or Investment Managers of the fund must designate either:
    - A Trustee who is licensed as a Corporate Trustee under the Act or
    - A company owned and controlled by the Sponsor or the Trustees

Bulletins and Guidelines

Bulletins and guidelines are used by the FSC to provide information and guidance to licensees, registrants and the general public. These bulletins and guidelines are circulated to relevant industry entities and are usually posted on the FSC's website. A summary of the bulletins and guidelines released during the review year is provided below:

Insurance Industry

The following bulletins and guidelines related to the Insurance industry were released during the review year:

- **Clarification of Requirements for Approval of Group Insurance Policies under Section 90 of the Insurance Act, 2001, AR-ADVI-10/04-0001:** This bulletin clarifies the requirements of Guideline AR-GUID-07/06-0005 in relation to the approval of group insurance policies.

- **Approval of Changes in Ownership and Control of an Insurance Company, IR-CONSUL-10/07-0007:** This discussion paper explains the regulator's authority to approve or reject proposals to acquire significant ownership or any interest in an insurance company that results in that person, directly or indirectly, alone or with an associate, exercising control over the insurance company.

- **Addendum to Procedure for the Approval of New Insurance Policies and Insurance Policy Amendments under Section 90 of the Insurance Act, 2001: Clarification of Requirements for Approval of Group Insurance Policies, AR-GUID-10/05-0012:** The purpose of this addendum is to clarify the requirements of Guideline AR-GUID-07/06-0005 in relation to the approval of group insurance policies.

- **Accredited Actuarial Associations Recognized by the Financial Services Commission under Section 76 of the Insurance Regulations, 2001, AR-GEN-10/10-0006:** This bulletin lists the actuarial associations which are recognized by the FSC.

- **Minimum Capital Test for General Insurance Companies and Branches of Foreign Companies Carrying on General Insurance Business in Jamaica, AR-CONSUL-10/09-0004:** This consultative paper provides the general framework for the calculation of the Minimum Capital Test ('MCT'). All general insurance companies and branches of foreign companies carrying on general insurance business in Jamaica will be required to meet a minimum ratio of capital available to capital required. The MCT will apply to general insurance companies and branches of foreign companies carrying on general insurance business in Jamaica on a trial basis beginning December 2007, in parallel with existing requirements as set out in the Insurance Regulations, 2001.

Securities Industry

The following bulletins and guidelines related to the Securities industry were released during the review year:

- **Guidelines for the Operation of Clients Holding Accounts at JamCLEAR, SR-GUID-10/10-0020:** The Bank of Jamaica ("BOJ") implemented a settlement and clearing system, JamCLEAR CSD, for securities and financial instruments issued by the GOJ and the BOJ. This guideline details the general requirements for dealers to maintain a client holding account on the JamCLEAR CSD.

- **Measures to Enhance the Prudential Regulation of the Securities Industry in Jamaica: SR-CONSUL-10/09-0021:** This paper sets out the additional elements which the FSC considers should form the basis of an enhanced regime for the licensing and capitalisation of securities dealers.

Pensions Industry

The following bulletins related to the Pensions industry were released during the review year:

- **Accredited Actuarial Associations Recognised by the Financial Services Commission under Section 2 of The Pensions (Superannuation Funds and Retirement Schemes) Act, 2004 and Regulation 11 of The Pensions (Superannuation Funds and Retirement Schemes)(Governance) Regulations, 2006, AR-GEN-10/10-0005:** This bulletin lists the actuarial associations which are recognized by the FSC.

- **Treatment of Pension Plan Members Eligible for Early Retirement on Winding-Up of a Plan, PR-ADVI-2011/02-0004:** The aim of this bulletin is to inform members who have reached early retirement at the point when the plan is being wound up that they have the option of either retiring early or being treated as an active member.

Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT)

AML/CFT has national implications and significance for Jamaica's financial system. The FSC is mandated, pursuant to the FSC Act to "...implement measures designed to reduce the possibility of a prescribed financial institution being used for any purpose connected with an offence involving fraud, theft or money laundering". In keeping with this mandate, initiatives were implemented to (i) increase FSC's profile, visibility and role as a member of Jamaica's AML/CFT regime, (ii) increase internal capacity building to address AML/CFT issues as a regulator and (iii) to conduct a learning opportunity training session with our licensees at least once per year. The FSC has representatives on the National Anti-Money Laundering Committee, which is recognized by the Ministry of National Security as a part of the stakeholders' group to develop Jamaica's Action Plan (Strategic Implementation Plan) using the Risk-Based Approach as required by the Financial Action Task Force (FATF).

Authorisations

Under the relevant Acts and the attendant regulations, the FSC is mandated to regulate and supervise the insurance, securities, and pensions industries. This includes the registration and licensing of different products, entities and individuals for each sector. This section will review the authorizations issued by the FSC for each industry.

Insurance Authorisations

Of the 382 authorisations for the insurance sector, 376 were for insurance sales representatives; meanwhile, 125 sales representatives voluntarily cancelled their registration resulting partially from movements out of the insurance industry. Consequently, there were 251 more insurance representatives in the industry. Table 30 shows the number of registrants in the insurance industry.

Table 30: Number of Registrants in the Insurance Industry as at March 31, 2011

Type of Registrants	Registered At 31/3/10	Additions	Less Terminations/ Cancellations	Less Merged Entities	Registered At 31/3/11
Life Insurance Companies.	5	0	0	0	5
General Insurance Companies.	12	0	1	0	11
Association of Underwriters	1	0	0	0	1
Insurance Brokers	28	0	1	0	27
Facultative Placement Brokers	21	0	1	0	20
Overseas Reinsurance Brokers	2	0	0	0	2
Local Reinsurance Brokers	1	0	0	0	1
Insurance Agents	10	1	0	0	11
Insurance Sales Reps.	1,972	376	125	0	2,223
Loss Adjusters	18	3	0	0	21
Loss Adjusters - Employed Practitioners	0	1	0	0	1
Investigators	9	0	0	0	9
Claims Negotiators	2	1	0	0	3
Insurance Consultants	2	0	0	0	2
Total	**2,083**	**382**	**128**	**0**	**2,337**

Securities Authorisations

Table 31 shows the number of additions and voluntary cancellations within the securities industry that occurred during the 2010-2011 fiscal year.

Pensions Authorisations

Registration and Licensing

Under the Pensions (Superannuation Funds and Retirement Schemes) Act ("the Pensions Act"), and its attendant regulations[15], the FSC is mandated to regulate and supervise the pensions industry, the duties for which include: (i) the registration of superannuation funds, retirement schemes, trustees and responsible officers, and (ii) the licensing of administrators and investment managers.

Four (4) applications for licensing and 158 applications for registration were received during the 2010/2011 fiscal year, bringing the total number of applications for licensing and registration of pension entities that have been received since September 29, 2006[16] to 74 and 3,223, respectively. Table 32 below shows the number of submissions received by categories of registrants and licensees.

Table 31: Number of Licensees and Registrants in the Securities Industry as at March 31, 2011

	Licensed/ Registered At 31/3/10	Additions	Less Terminations/ Cancellations	Less Merged Entities	Licensed/ Registered At 31/3/11
Securities Dealers	57	1	4	0	54
Unit Trust Managers	4	0	0	0	4
Securities Dealers' Representatives	665	114	83	0	696
Investment Adviser	0	3	0	0	3
Investment Advisers' Representatives	0	0	0	0	0
Mutual Funds	19	0	1	0	18
Unit Trust Schemes	8	0	0	0	8
Total	**753**	**118**	**88**	**0**	**783**

[15]The Pensions (Superannuation Funds and Retirement Schemes) Act was passed on the 21st of September 2004, with the appointed day being March 1, 2005. The associated regulations became effective on March 30, 2006.
[16]Persons and entities wishing to be registered or licensed had to submit their applications to the FSC within 6 months of the passing of the regulations on March 29, 2006. Therefore the deadline for submission of applications for registration and licensing was September 29, 2006.

Table 32: Number & Types of Applications by Categories of Registrants & Licensees 2006 - 2011

	Number & Types of Applications by Categories of Registrants & Licensees 2006 - 2011					
	2006/2007	**2007/2008**	**2008/2009**	**2009/2010**	**2010/2011**	**Total**
Superannuation Funds	514	11	10	5	5	545
Retirement Schemes	5	3	3	3	1	15
Trustees	1,580	333	311	210	136	2,570
Corporate Trustees	4	-	-	-	1	5
Responsible Officers	65	5	3	2	13	88
Administrators	31	2	1	2	1	37
Investment Managers	30	1	1	4	1	37
Total	**2,229**	**355**	**329**	**226**	**158**	**3,297**

The progress made by the FSC as at March 31, 2011 in the registration and licensing process of the above-mentioned category of applicants is as follows:

- **Pensions Plans: Superannuation Funds and Retirement Schemes**
  For the review period, 6 additional applications were submitted for registration. Of this amount, 5 were for superannuation funds and 1 for a retirement scheme. A total of 560 pension plan applications were received up to the end of the 2010/11 financial year, of which 15 were for retirement schemes while the other 545 were for superannuation funds. Of the 560 pension plans for which applications were received, processing was discontinued for 68 plans due to mergers (5), withdrawal of application (1) and winding-up (62). Eleven (11) pension plans were also wound-up subsequent to being approved and registered by the FSC. Of the remaining 481 applications, only 415 (82%) of the submissions received contained all the requisite documents necessary for processing.

  There are 4 main components to the application review process for pension plans:

  1. **Fit and Proper Evaluation:** The individual trustees of each plan must be considered fit and proper as required by the law. By the end of March 2011, the FSC received a total of 5 applications for corporate trustees and 2,570 for the registration of individual trustees, of which 464 have resigned or withdrawn their application bringing the total net applications received to date to 2,111. Of the 2,111 applications 2,078 (98%) have been assessed for fitness and propriety.

2. **Business and Financial Appraisal:** The financial health of the plans and the corporate service providers is examined by reviewing the financial statements, actuarial valuation reports and business plans. Fifteen (15) financial statements and actuarial valuation reports of pension plans were received and reviewed for the 2010/2011 fiscal year while all reviews for corporate entities were completed.

3. **Legal/Technical Review:** An evaluation of the constitutive documents (i.e., Trust Deed and Plan Rules) is carried out to ensure compliance with the Act and Regulations. A review of the technical provisions contained in the constitutive documents of 30 pension plans was completed during the fiscal year 2010/2011.

4. **Tax Status Assessment:** The Taxpayer Audit & Assessment Department ("TAAD") inspects the constitutive documents to establish compliance with the relevant laws and to determine whether the plans qualify for tax exemptions. All pension plans with complete applications have been dispatched to the TAAD for simultaneous processing based on an administrative agreement between the TAAD and the FSC.

- Of the 415 pension plans containing all the requisite documents necessary for processing 296 (283 superannuation funds and 13 retirement schemes) have been approved and registered; 13 additional superannuation funds were awaiting approval while 31 were given 90 days within which to satisfy the stipulated conditions outlined in the Pensions Act and Regulations. The remaining 75 are considered work in progress.

- During the fiscal year 2010/2011, 470 authorizations were given of which 119 were for pension plans. See Table 33.

Table 33: Number of Licensees and Registrants in the Pensions Industry as at March 31, 2011

	Number of Registrants Approved by Category					
	Superannuation Funds	**Retirement Schemes**	**Individual Trustees**	**Corporate Trustees**	**Responsible Officers**	**Total**
Registered as at 31/03/10	**205**	**11**	**1,323**	**2**	**52**	**1,593**
Additions	83	2	378	1	6	470
Net Terminations/Refusal	5	0	34	-	4	**43**
Less merged entities	0	0	-	-	-	0
Registered as at 31/03/11	**283**	**13**	**1,667**	**3**	**54**	**2,020**

- **Administrators and Investment Managers**
  For the fiscal year 2010/2011, the FSC approved two applications for licensing of administrators and one for investment manager, moving the total applications approved to 57 out of a total of 61 net applications that have been received as shown in table 34 below:

- **Responsible Officers**
  Each administrator, investment manager and corporate trustee is required to appoint a responsible officer. As a result, 88 applications for registration relating to 54 persons some of whom perform the function of a responsible officer in a dual capacity, have been received to date for processing. Twenty five of these applications have since been withdrawn or terminated. Of the 63 remaining applications 54 have been approved, 1 refused registration, 6 were being reviewed while the submissions received for the other 2 are incomplete.

Winding-Up

The FSC has been receiving applications for the winding-up of pension plans, as mandated by Section 27 (4) of the Pensions Act. During the review year, 25 applications were received. A total of 176 applications have been received to date; 4 of which were outside the ambit of section 27(4) of the Pensions Act and 2 were not approved by the FSC leaving a total of 172 applications for processing. Twenty-five (25) approvals were granted during the period under review bringing the total approvals granted to date to 137. Of the remaining 33 applications, 31 had outstanding documents to be submitted, while 2 were not yet reviewed.

The reasons given for the winding-up of the pension plans are shown in Table 35, including the number of members and asset values involved.

Table 34: Status of Applications for Administrators and Investment Managers as at March 31, 2011

	Received	Withdrawn or discontinued	Net Applications	Incomplete	Complete	Net Approved	Refused	Work In Progress
Administrators	37	7	30	1	29	29	-	-
Investment Managers	37	6	31	2	29	28	1	-
	74	13	61	3	58	57	1	-

Table 35: Number of Pension Plan Wind-Ups and Associated Reasons

Reasons Given	Number of plans	Members affected	Asset values ($Billion)
Company actions/reduction of membership[17]	84	7,615	19.57
New defined contribution plans will be established	7	1,693	10.75
Economic hardship/members' requests	10	3,087	0.63
Perceived Cost/Legislative burden	45	825	0.62
Unknown (Information not yet provided)	26	543	0.48
	172	13,763	32.05

Impact of Winding-Up

Approximately 29 percent of plans which were estimated to be active as at March 2004 have been wound up, with asset values representing approximately 32.5 percent of the total estimated pension portfolio as at the same date. Of these, 10 plans with $11.4 billion of assets were associated with the consolidations or replacement of defined benefit plans with new defined contribution plans. Consequently, the net asset value of the terminated plans is approximately 20.9 percent of the estimated portfolio as at March 31, 2004.

Pension coverage, in terms of the estimated number of persons covered by superannuation funds, would have been eroded by 21.4 percent. However, it is expected that approximately 3.4 percent represent members who are in consolidated plans or will be re-enrolled in new defined contribution pension plans which will be established. The net erosion in pension coverage as a result of plans being wound up is therefore estimated at 18 percent. This position however is offset by the number of members enrolled in new pension plans.

Surplus Distribution

Trustees are required by Section 32(2) to obtain the Commission's approval of the Scheme of Distribution of Surplus. During the year, 15 of the 137 pension plans whose winding-up had been approved filed applications for approval of schemes of distribution of surplus bringing the total applications received to date to 81. Eleven (11) of these applications were approved in the year. With total applications approved to date being 65, only 16 applications were unapproved as at March 31, 2011.

17

Company Actions / Reduction of Membership	Number of plans	Members affected	Asset values ($Billion)
Global financial crisis	9	4,107	0.40
Discontinuance of business operations	18	365	13.64
Consolidation of multiple plans	4	516	0.69
Divestment/mergers/insolvency	24	2,335	4.27
Reduction in membership	29	292	0.58
	84	7,615	19.57

New Products

The FSC is also required by law to approve new products before they can be offered to the public.

During the 2010-2011 fiscal year, approval was granted for four new insurance products (see Table 36) and two (2) retirement schemes.

Table 36: New Insurance Products approved by the FSC 2010-2011

Company	Plan Name	Product Type
Guardian Life	**Ultimate Provider**	Critical Illness
Sagicor Life of Jamaica	**Group Annuity Contract**	Annuity
Sagicor Life of Jamaica	**Life Annuity Contract**	Annuity
Sagicor Life of Jamaica	**Single Premium Health Insurance Policy**	Health

Investigations & Enforcement

To protect the users of financial services, the FSC from time to time must conduct investigations, as well as recommend and carry out enforcement actions. This responsibility is the purview of the Investigation and Enforcement ("I&E") Division

The FSC conducts investigations into suspected breaches of statutes and regulations, resolves complaints received from the public against licensees and registrants and assess the fit & proper status of applicants seeking licensing or registration with the FSC. Table 37 below provides an analysis of the main types of investigations (a) fit and proper reviews, and (b) suspected breaches of the relevant Acts.

Table 37: Number and Type of Investigations, April 1, 2010 to March 31, 2011[18]

	Fit & Proper Investigations	Breach of Statutes/ Regulations	Total
Unresolved investigations brought forward from March 31, 2010	16	20	36
Total investigations opened in Fiscal Year Ending March 31, 2011	29	133	162
Total investigations conducted Fiscal Year Ending March 31, 2011	45	153	198
Investigations resolved / closed Fiscal Year Ending March 31, 2011	27	18	45
Unresolved investigations carried forward as at March 31, 2011	18	135	153

[18]Most of the 133 investigations of suspected breaches started in the third quarter of the fiscal year ended March 31, 2011

FSC began its fiscal year with 36 unresolved investigations and received an additional 162 during the year; a total of 198 investigations were conducted for the period and 153 were ongoing at the end of the review period.

Complaints Resolution

The FSC reviewed 214 complaints for the fiscal year; 37 were unresolved complaints carried forward from the previous period and 177 new cases received during the period. All complaints were acknowledged within 5 working days, that is, within the time period as required under the FSC's service standards.

As at March 31, 2011, 186 or 89 percent of the complaints were resolved. These cases were opened for an average of 95 days, that is, 5 days outside of the FSC's service standards. Table 38 outlines the complaints received against our licensees and registrants.

Figure 24 depicts the percentage of complaints received per industry. It should be noted that the insurance industry is represented by intermediaries – agents and brokers- the general and life insurance providers. For the general insurance industry, 85 percent of these complaints related to delays in claim settlement, 10 percent was related to claims not honoured by the company and five percent related to disputes regarding quantum settlement. The majority of complaints for the life insurance industry related to lapsed policies. Within the securities industry, most of the complaints were related to the delay in processing instructions for encashment or payout of funds. Complaints regarding the pensions industry were dominated by those relating to the refund of pension contributions.

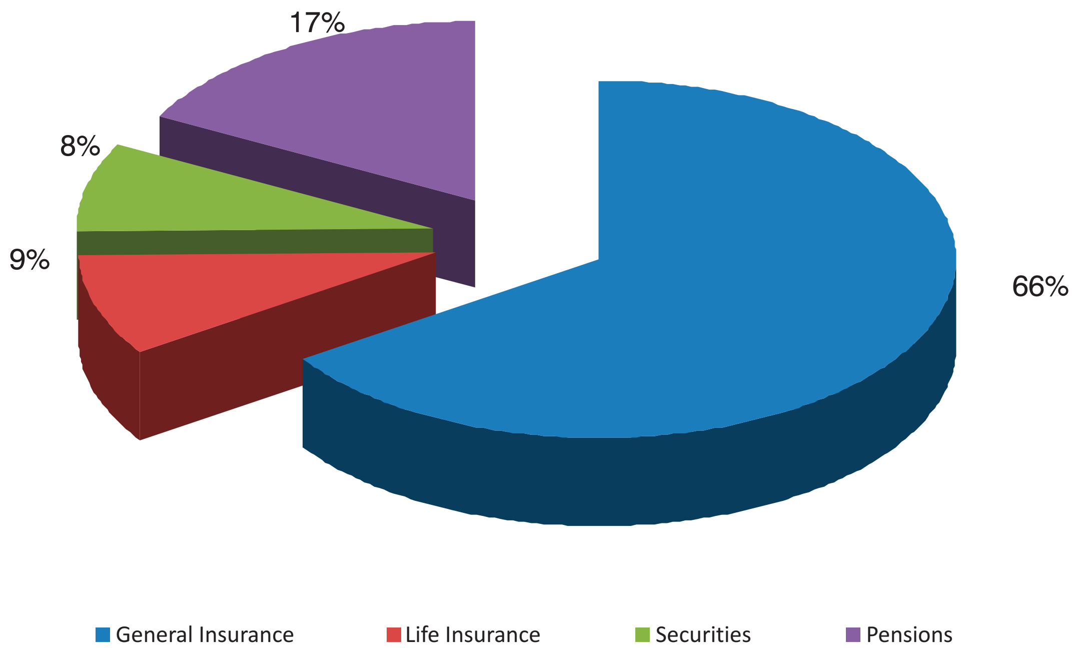
Fit and Proper Investigation

The FSC conducts fit and proper assessments on the premise that the protection of investors can be significantly improved and risks minimized if an examination into the qualifications and reputations of those seeking positions that involve managing and protecting/safeguarding other people's property or money is conducted. Not all applicants for a fit and proper assessment become the subject of an investigation. Forty-five

Table 38: Analysis of Complaints, April 1, 2010 to March 31, 2011

	General Insurance	Life Insurance	Securities	Pensions	Total
Total complaints reviewed	140	20	17	37	214
Number of cases closed	128	15	10	33	186
Percentage closed	91	75	59	89	87

FIgure 24: Percentage of Complaints per Industry, 2010 - 2011



investigations were conducted during the 2010/2011 review period, of which 16 were brought forward from the 2009/2010 review period. These investigations were related to (i) candidates applying for a licence or registration under the Insurance, Pensions and Securities Acts, (ii) individuals recruited or promoted to senior positions or responsibilities within the regulated industries, (iii) individuals holding 10 percent or more of the shares of a licensed entity, (iv) licensees or registrants whose fit and proper status was suspected of being compromised. As at March 31, 2011, that is, the end of the review period, 27 of these investigations were completed and 18 remained in progress and will be carried forward to the April 1, 2011 – March 31, 2012 period.

Breach of any Relevant Act

The FSC conducted 153 investigations into suspected breaches of the Insurance and Securities Acts and the respective Regulations during the period April 1, 2010 – March 31, 2011. Most of these breaches occurred within the insurance industry for contravention of Sections 20, 70 and 85 and only one (1) stemmed from Section 146 of the Insurance Act.

With the demonstrated fraudulent activities associated with Unlawful Financial Operations (UFOs), it was expected that the prevalence of these entities would have been reduced. Yet, the FSC continues to receive complaints and inquiries into suspected UFO activities. The number of UFOs currently on the FSC's published watch list stands at 64, as against 62 reported at March 31, 2010. The list may expand as the FSC completes ongoing investigations. All UFOs operate in breach of Sections 7 and 26 of the Securities Act while some are also in breach of Sections 8 and 10.

Enforcement Actions

UFO Related:

During the 2010-2011 fiscal year the FSC continued to collaborate on a number of enforcement measures against UFOs. For the reporting period, 2010-2011, two of these UFO continued to be the focus of enforcement actions, albeit from overseas regulators.

- **Capital Blu:**

  On February 3, 2011, a federal jury in the USA found that Donovan Davis Jr et al and Capital Blu violated federal commodities law and Commodity Futures Trading Commission ("CFTC") regulations when they solicited more than 100 customers in 2007 and 2008 to invest. As at the date of this report a damages hearing was scheduled but not yet heard to determine the amount of disgorgement and restitution that Davis Jr et al must pay to defrauded victims.

- **OLINT Corp./Overseas Locket/David Smith:**

  Mr. David Smith pleaded guilty to conspiracy and money laundering charges and began serving a six and half years prison term in Turks and Caicos Islands. In November 2010, he was extradited to Orlando USA to face criminal prosecution in that jurisdiction. While his case was set for trial in April 2011, in March 2011, he pleaded guilty to wire fraud, conspiracy to conduct money laundering and 18 counts of money laundering. His sentencing in USA was not yet determined as at the date of this report.

Cross Border Cooperation and Collaboration

Financial regulators worldwide collaborate in providing and receiving assistance from cross border agencies to stem activities that threaten and undermine the regulators effectiveness as well as the integrity of the financial markets. In addition, international standard setting bodies, assess the financial landscape by the country's ability to provide and receive assistance within and beyond their borders. It is within this spirit of co-operation that the FSC made fifteen (15) formal requests for assistance from different jurisdictions during the period under review. The assistance of the FSC was also sought in five (5) instances from four (4) overseas jurisdictions. Four (4) of the requests related to UFOs and one (1) related to insider trading allegations.

Fixed Penalty Payments

Pursuant to Section 21 of the FSC Act, the FSC may exercise the discretion to offer anyone or an entity who has breached specified provisions of the related Acts the opportunity to discharge any liability to conviction of that offence by payment of a fixed penalty as outlined in the Fourth Schedule of the FSC Act. For the period under review, the

FSC offered eleven (11) insurance intermediaries and companies this opportunity for breaches relating to Sections 20, 70 and 85 of the Insurance Act. The fixed penalty payable amounted to $5.9 million from these breaches. Proceeds from these penalties are to be paid over to the Consolidated Fund. At the close of this reporting period, $3.7 million was paid.

Litigation

Previous enforcement actions have resulted in litigation in a number of cases, namely:

a) **Claim No. HCV 0817/2006 - Olint Corporation and David Smith v. The Financial Services Commission**

In this matter, Olint Corporation and David Smith (the Claimants) are claiming the sum of Five Million United States Dollars (USD 5,000,000) against the FSC for damages arising from a search and seizure exercise conducted by the FSC at premises occupied by the Claimants. The suit commenced in 2006, but has since been in abeyance. The Claimants are yet to set out the claim in detail. The suit is still pending.

b) **Claim No. SCCA No. 6/2008 - Olint Corporation/ David Smith v. The Financial Services Commission**

Olint Corporation and David Smith (the Applicants) filed an appeal before the Court of Appeal on January 23, 2008. The Notice of Appeal indicated that the Applicants were seeking to challenge the decision of the Supreme Court that was handed down on December 24, 2007 affirming a Cease and Desist Order ("CDO") issued to the Applicants by the FSC in March 2006. The appeal challenged the CDOs on both substantive and procedural grounds.

During the period February 9, 2009 to February 12, 2009 the Court of Appeal heard the appeal. On December 13, 2010 the Court of Appeal handed down judgment in favour of the FSC. The Court of Appeal also awarded costs to the FSC. The FSC has received a portion of the costs and is currently taking steps to recover the remainder

c) **Neil/ Janice Lewis (t/a LewFam Investments) v. The Financial Services Commission**

On January 31, 2008, Lewfam Investments filed an appeal against the decision of the Supreme Court that was handed down on December 24, 2007 affirming the CDOs issued to them by the FSC. The appeal was later withdrawn. The FSC subsequently took steps to recover from Lewfam the costs that were awarded to the FSC by the Supreme Court. Lewfam is currently paying the costs incrementally.

d) **Claim No. HCV 01975 OF 2009 - World Wise Partners Limited ("WWPL") and Noel Strachan v. The Financial Services Commission**

On April 14, 2009, WWPL and Noel Strachan filed a Notice of Appeal in the Supreme Court of Jamaica contesting the CDOs issued by the FSC to them on

August 5, 2008 and subsequently varied on March 20, 2009. The challenges were made on both procedural and substantive grounds including allegations of breach of natural justice and procedural fairness by the FSC and assertions that WWPL was not acting in breach of the Securities Act.

The hearing of the Worldwise Partners Limited appeal of the cease-and-desist orders was part heard March 14 – 16, 2011 and adjourned to May 30-31 and June 2-3, 2011.

e) **Claim No. 2010HCV3394 - Bradley Clacken v The Financial Services Commission**

Mr. Bradley Clacken was named on the FSC's Watch List of entities and/or persons affiliated with unregistered financial organizations (UFO's) which was published in the newspapers during 2009. On July 14, 2010, Mr. Clacken filed a claim for damages for libel including compensatory, aggravated and exemplary damages, against the FSC in the Supreme Court. The hearing of the application was scheduled for June 1, 2011, but was adjourned to June 15, 2011.

f) **Claim No. 2010HCV05419 – Caribbean Real Estate Investment Fund (CAREIF)/Anthony Tharpe v The Financial Services Commission**

Caribbean Real Estate Investment Fund (CAREIF)/Anthony Tharpe were named on the FSC's Watch List of entities and/or persons affiliated with unregistered financial organizations (UFO's) published in the newspapers during 2009. On November 11, 2010, CAREIF/Anthony Tharpe filed a claim for damages in the Supreme Court against the FSC and named Brian Wynter, George Roper and Jane and John Does as individual defendants.

Mr. Tharpe and CAREIF claim damages of US$10 million for constitutional violations and US$14.6 Billion for loss of future business prospects as well as special damages. The alleged damages resulted from statements made by the Defendants at forums held during 2009, radio broadcasts and publication in the print media which the claimants they allege were defamatory. The hearing is scheduled for July 15, 2011.

Besides these matters relating to UFOs, the FSC was also involved in other matters that resulted from enforcement actions. The details are provided below.

g) **Dyoll Insurance Company**

On September 8, 2006, charges were filed against Dyoll Insurance Company Limited (a Company in Liquidation). The company was charged with violating section 147(1) of the Insurance Act for its failure to comply with directions of the FSC to provide proof of an injection of $150 million in capital into the company. Similar charges were brought against four Directors and Officers of Dyoll.

Thereafter the Counsel for the Joint

Liquidators of Dyoll made an application to the Supreme Court for an Order to stay the criminal proceedings against Dyoll (In Liquidation). The Hearing of the Application to stay the criminal proceedings against Dyoll was held on November 12, 2007. The court ruled in favour of the FSC.

During the 2007-2008 fiscal year, the four Directors/Officers of Dyoll against whom criminal charges were brought, made applications to the Constitutional Court to stay the criminal charges brought against them contending that the FSC had no power in relation to the insurance industry at the time the offences were committed. The hearing of the applications was held November 26 – 28, 2007.

The judgment was handed down on December 18, 2008 in favour of the four applicants stating that the charges against the applicants under the Insurance Act were null and void, as the FSC had no authority under the Insurance Act to perform any function in relation to the insurance industry, at the time the offences were alleged to have been committed.

The court further directed that on March 6, 2009, the scheduled return date to the criminal court, the DPP should apply the proper procedure and bring the criminal matter to an end. The criminal charges against the four defendants and the company (Dyoll) were mentioned in the Half Way Tree Resident Magistrate's Court on March 6, 2009. The matter was adjourned sine die.

During the period May 26-28, 2010, the appeal of the constitutional challenge in the criminal matter was heard during the period May 26-28, 2010, in the court of appeal. The judgment is awaited.

h) Lowell Lawrence v. The Financial Services Commission

On December 14, 2009, the Privy Council delivered its judgment in the appeal brought by Lowell Lawrence against the ruling of the lower courts that the fixed penalty notice issued to him by the FSC was valid. The Privy Council handed down judgment in favour of the FSC and awarded the FSC costs in the matter. The FSC is currently taking steps to recover the costs from Mr. Lawrence.

I) Claim No. HCV 04474/2010 and Claim No. HCV 03630/201 – Financial Services Commission v. Lorreston Bailey and Deborah Bailey

The FSC had issued directions to Lorreston Bailey, licensed securities dealer in March 2010 requiring the submission of relevant information. Subsequently, in June 2010, the enforcement action taken by the FSC escalated and a cease and desist order was issued, as well as a letter giving Lorreston Bailey notice of the FSC's intention to suspend his dealer licence.

The litigation commenced by the Commission in July 2010, when the FSC assumed temporary management of Lorreston Bailey, licensed securities dealer pursuant to its powers under the Financial

Services Commission Act. The matters were eventually consolidated by the order of the Supreme Court on 2010 September 15. Pursuant to these claims, the FSC obtained the following orders:

i. An injunction requiring the production of documents and information relating to the securities dealership operated by Lorreston Bailey, licensed securities dealer and Deborah Bailey, dealer's representative.
ii. An order vesting in the FSC full and exclusive powers of management of Lorreston Bailey, with effect from 2010 July 23.
iii. A declaration confirming the FSC's powers under the Financial Services Commission Act to present a bankruptcy petition for the winding up of a prescribed financial institution on the completion of its temporary management of a prescribed financial institution where that institution is not a company.

j) Claim No. B 23/2010 - Financial Services Commission v Lorreston Bailey, licensed securities dealer – bankruptcy petition

In December, 2010, the FSC served a bankruptcy notice demanding payment of the sum of $1,767,131.30 (One million, seven hundred and sixty seven thousand, one hundred and thirty one dollars and thirty cents) being expenses incurred by the FSC during its temporary management of Lorreston Bailey. Subsequently, on the 6th day of January 2011, the FSC filed its bankruptcy petition seeking an order that Lorreston Bailey be declared bankrupt for non-payment of the sum demanded. On the 7th day of February 2011, the Supreme Court granted a provisional order declaring Lorreston Bailey provisionally bankrupt.

k) The Financial Services Commission v Lorreston Bailey

On 25th day of November 2010, the FSC referred the matter of Lorreston Bailey to the Director of Public Prosecutions, outlining the relevant offences which may have been committed by Lorreston Bailey and Deborah Bailey. The FSC is waiting for the DPP's response.

l) Intertrade Finance Corporation Limited v. The Financial Services Commission – Appeal filed with the FSC Appeal Tribunal

On the 18th day of November 2010, the FSC suspended the securities dealer's licence of Intertrade Finance Corporation Limited ("IFC"). IFC filed an appeal in December 2010 with the FSC Appeal Tribunal. On the 11th day of January 2011, an Amended Notice and Grounds of Appeal were filed by IFC. The FSC filed its Response and Grounds in February 2011.

Supervision of Financial Institutions

Insurance Supervision

For the review period, there were 19 off-site examinations and 7 on-site examinations[19]. A number of deficiencies were observed during the course of these examinations, some of which included breaches of relevant Acts and regulations, while others were not statutory violations, but were nevertheless of concern to the FSC as they represented departures from what would be considered “best practices.” The deficiencies that were not statutory contraventions related mainly to operational management and internal controls. The observed violations and deficiencies were communicated to the management of each company and efforts are being made to ensure that the matters are addressed within the time frames agreed with the companies.

Most of the observed statutory violations can be grouped into three areas, namely, corporate governance, investments and anti-money laundering. Table 39 provides further information on the breaches that were observed under the three headings. Other violations of the Insurance Act and Regulations include

- not notifying the FSC of any change in the particulars specified in the application of the company within thirty days of such change;
- registration certificates not prominently displayed;
- not maintaining complete records of complaints it received since the last examination;
- not displaying registration certificate; and
- unfair trade practises.

TABLE 39: VIOLATIONS OF THE INSURANCE ACT & REGULATIONS, 2009 - 2011

Type of Deficiencies	Description of Provisions	Number of Violations 2009/2010	Number of Violations 2010/2011
Corporate Governance:			
Regulations 73, 74, & 75	These regulations stipulate the formation of an Audit, Conduct Review, and Loan Committees and their functions.	1	3
Regulations 83, 84 & 85	These regulations (i) restrict certain related party transactions and (ii) outline the power of the Conduct Review Committee to approve or disapprove transactions.	0	4

[19] These numbers do not include the off-site quarterly examinations of all insurance companies and the off-site half-yearly examinations of brokers and agencies. The abovementioned 19 off-site examinations reflect assessment of annual filings. An off-site or desk-top examination involves a review of the financial statements and other selected documents submitted by the licensees and registrants to enable the FSC to monitor their financial health using early warning ratios and other risk indicators. An on-site examination typically involves a team from the FSC going to the company to perform a thorough inspection of the company's records that are deemed relevant to the examination. The decision on the areas targeted in an on-site examination is usually based on issues revealed from off-site examinations as well as other concerns.

TABLE 39: VIOLATIONS OF THE INSURANCE ACT & REGULATIONS, 2009 - 2011 (cont.)

Type of Deficiencies	Description of Provisions	Number of Violations 2009/2010	Number of Violations 2010/2011
Anti-Money Laundering:			
Regulation 5 & 6 of The Proceeds of Crime (Money Laundering Prevention) Regulations, 2007	These regulations specify the control mechanisms that should be implemented by an institution to prevent and detect money laundering. These mechanisms include, but are not limited to, procedure manuals, training of employees and proper record keeping.	6	5
Regulation 7 of The Proceeds of Crime (Money Laundering Prevention) Regulations, 2007	This regulation mandates the procedures to be maintained at each regulated institution for proper identification of customers and prohibits the institution from continuing the business relationship if a customer fails to provide proper identification.	6	5
Investment:			
Regulation 42	This regulation requires that a Company shall not invest more than 5 percent of its total assets in a single counterparty.	1	1
Regulation 44	Directs a local insurer to obtain approval from the board or the appropriate committee before making any investment or loan.	1	0
Regulation 47	Outlines the conditions under which an insurer may invest in instruments issued by corporations.	1	1
Regulation 49	Stipulates that each insurer must have sufficient documentation to show that investments were done after thorough due diligence.	0	2
Regulation 60	Places a limitation on circumstances in which a life insurer can grant a policy loan.	0	1

Securities Supervision

A total of 10 examinations were conducted, all of which were on-site[20]. Table 40 indicates the number and the nature of statutory violations that were observed. The on-site examinations also revealed that several licensees were not operating in accordance with the Margin Requirements for Repurchase Agreements ("Margin R Guideline") and the Minimum Requirements for Client – Dealer Repurchase Agreements ("Repo Guideline") Guidelines. The observed violations and deficiencies were communicated to the management of each licensee and efforts are being made to ensure that the matters are addressed within the time frames agreed with the licensees.

TABLE 40: VIOLATIONS OF THE SECURITIES ACT & REGULATIONS, 2009/10 & 2010/11

Legal Provision Violated[1]	Description of Provisions	Number of Violations 2009/10	Number of Violations 2010/11
S8	Several securities were over-allocated	0	1
S9(3)(a)(ii)	Outlines the conditions which officers or members of a company must satisfy for a company to be granted a licence.	0	1
S10	Failure to return certificate of registration as required under Section 10(7) and, failure to notify the FSC when an individual ceases to hold the position of a responsible officer as required by Section 10 (A) (4).	2	0
S36	Stipulates the conditions under which a securities dealer shall maintain a trust account	0	1
S38	Section 38(3)(c), which mandates dealers, when dealing as principals in a transaction with a non-licensee, to disclose that they are so acting; Section 38(3)(f), which establishes that the contract note issued must contain the number, amount and a description of the securities that are subject to the transaction.	4	3
S39	Requires that dealers disclose the nature of their interest in the acquisition or disposal of any securities which they recommend by way of written communication.	1	0
S40	Stipulates that a dealer, when dealing as principal in a transaction with a non-licensee, should disclose prior to effecting the transaction that it is dealing as a principal and not as an agent. This information should be reflected on the relevant contract note.	4	3

[20]Securities firms are also subjected to routine off-site examination through the assessment of quarterly and annual filings, including financial statements. These routine assessments are used to monitor the financial health of securities firms on an on-going basis and to facilitate the computation of early warning indicators.

TABLE 40: VIOLATIONS OF THE SECURITIES ACT & REGULATIONS, 2009/10 & 2010/11 (cont.)

Legal Provision Violated[1]	Description of Provisions	Number of Violations 2009/10	Number of Violations 2010/11
S59	Stipulates the formation of Audit and Conduct Review Committees	1	1
S63	Mandates that every dealer keeps accounting records in such a manner that will correctly record and explain the transactions and financial positions of the securities business carried on by the dealer.	3	0
COB 8	Several licensees used Request for Proposal forms which contravened regulation 8(2)(b),(c) and (d) of the COB by not stating clearly (i) the kind of authority given to the portfolio manager (i.e., full discretion, partial discretion or no discretion) and (ii) the risk appetite of the client (i.e., aggressive, medium or conservative).	4	2
COB 10	Stipulates that dealers must provide their clients with periodic statements of account every month when there is trading activity on the account or every three months, if there is no such activity on the account.	4	2
COB 12	Mandates every licensee should maintain certain records, which include, inter alia, daily records of security sales and purchases, cash disbursements and receipts, security ledgers, and client ledgers.	5	2
COB 13	Late audited filings	0	1
COB 16	Anniversary Filings	1	0
COB 20	Requested documents not provided	0	1
DOI 6	Stipulates that a company shall not issue commercial paper except in accordance with these regulations.	1	0
DOI 11	Non- filing of information memoranda with the Commission to effect commercial paper transactions	0	1
POCA (MLP) 5, 7- 11	Requires that financial institutions establish and implement policies, procedures and controls to detect and prevent money laundering. These include a mechanism to evaluate personal employment and financial history of their employees. These mechanisms must also involve use of identification procedures that will enable businesses to know their customers.	7	3

Notes:
1: References are to the Securities Act and Regulations and the Proceeds of Crime Act (“POCA”). For example; section 38 of the Securities Act is referenced as “S38”; “COB” refers to the Conduct of Business Regulations; “DOI” indicates the Disclosure of Interest; and “POCA (MLP)” refers to the Proceeds of Crime (Money Laundering Prevention) Regulations.

Pension Supervision

The supervisory activities conducted by the FSC during the year under review are summarised below:

1. **Winding-up Progress Reports**
   A total of 3 reports on the progress of the winding-up of pension plans whose applications were approved by the FSC were processed during the year.

2. **Auditors and Actuaries**
   The FSC is required to determine the suitability of the actuary and auditor appointed to the pension plans which fall within the ambit of the Pensions Act. Information relating to the appointment of 1 actuary and 2 auditors were reviewed.

3. **Statement of Investment Policies and Principles("SIPP")**
   During the review year 75 SIPPs were received bringing the total for review to 110. Reviews of 31 SIPPs were completed while 25 were being processed as at 2011 March 31.

4. **Examinations**
   - On-site examinations of 3 administrators, 2 investment managers, and 1 corporate trustee along with the pension plans under their management were conducted during the period under review. Desk-based risk assessments were also completed for 2 investment managers and 1 administrator while another 6 desk-based reviews were in process as at 2011 March 31.
   - During the review period, 312 off-site examinations of pension plans were completed.

5. **Statutory Breaches**
   The number and description of statutory provisions which were violated by registrants and licensees (including applicants not yet granted registration or a licence by the FSC) are summarized in the Table 41.

TABLE 41: VIOLATIONS OF THE PENSIONS ACT & REGULATIONS, 2008-2010

Legal Provision Violated	Description of Provisions	Number of Violations 2009/10	Number of Violations 2010/11
Pension Plans			
RLR 13 (1) (c)	Failure to submit Information Folder within 120 days after the scheme's year end.	4	11
Pension Plans			
RLR 13 (1) (d)	Failure to submit List of Persons who sells and distribute the scheme's contracts within 120 days after the scheme's year end.	4	11
RLR 13 (1) (a)	Failure to submit Certified Financial Return within 120 days after the fund's or scheme's year end.	389	423

TABLE 41: VIOLATIONS OF THE PENSIONS ACT & REGULATIONS, 2008-2010 (cont.)

Pension Plans			
Legal Provision Violated	**Description of Provisions**	**Number of Violations 2009/10**	**Number of Violations 2010/11**
RLR 13 (1) (b)	Failure to submit Audited Financial Statements within 120 days after the scheme's year end.	362	416
RLR 13 (2)	Failure to submit the Annual Report within 9 months after the fund's or scheme's year end.	227	223
ACT 10 (3)	Failure to notify the FSC within 14 days of the designation of an Administrator and Investment Manager.	1	0
INV 8 (1)	Failure to submit to the FSC within 60 days of the Plan's approval the Statement of Investment Policies and Principles (SIPP).	71	0
	Corporate Trustees		
RLR 14(a)	Failure to submit annual report containing financial statement within 120 days after the Corporate Trustees' year end.	2	2
RLR 14(b)	Failure to submit certification of tax compliance covering the financial year within 120 days after the Corporate Trustees' year end.	1	2
	Investment Managers		
RLR 15(1)a	Failure to submit annual report containing audited financial statements within 120 days of the financial year end.	19	19
RLR 15(1)b	Failure to submit certification of tax compliance within 120 days of the financial year end.	21	13
RLR 15(1)c	Failure to submit evidence of renewal of professional indemnity and fidelity guarantee insurance within 120 days of the financial year end.	16	19
RLR 15(2)	Failure to submit Fund Status Report within 60 days of the end of the calendar quarter.	42	49
ACT 5 (3)	Acting as Investment Manager without licence.	0	0
ACT 11(6)	Failure to notify the FSC of the cessation of duties of the Responsible Officer with 7 days of the cessation date	1	0
GOV 9(f)	Failure to notify the FSC of the cessation of duties as Investment Manager of a particular pension plan.	0	0

Notes:
1: References are to the Pensions Act and Regulations. For example; section 10 of the Pensions Act is referenced as “ACT 10”; “INV” refers to the Investment Regulations, and “GOV” refers to Governance Regulations.

Public Education

Several public education strategies were engaged, in an effort to (i) support and strengthen public perception and stimulate awareness of the role and function of the Financial Services Commission, (ii) reinforce the importance of investing with registered entities and persons, and (iii) ensure that the public also has vital information on emerging issues of public importance to the pensions, insurance and securities industries. During the period the thrust of public information was both proactive and responsive to the educational needs of the investing public.

Various channels of the mass media were utilized. For example, public notices and news releases were disseminated on emerging regulatory issues, while advertisements promoted the role of the FSC; the public was also reminded of safe investment practises through print and electronic media. During the period, the FSC sponsored one bus stop and maintained five billboards at strategic locations around the island, all displaying the safe investing message.

Radio and television interviews were also coordinated where the FSC's Executive Director and Senior Directors were given the opportunity to outline specific actions, activities or programmes of the FSC. These interviews were also extended to the print media as journalists requested information from the FSC on many issues related to our regulatory purview. During the year, the FSC continued to produce and air a weekly television programme called the FSC Minute which is aired on local and cable radio and television networks through JIS radio and television. The aim of this programme is to educate licensees on emerging regulatory issues in Jamaica.

In addition to these initiatives, the FSC organised and participated in a series of presentations, conferences, seminars and workshops. The following provides a brief description of these events.

From Left: Dr Wesley Hughes, Financial Secretary; Hon. Douglas Orane, Executive Chairman, Grace Kennedy Limited; Mr. Brian Wynter, Governor, Bank of Jamaica; and the FSC's Executive Director, Mr. Rohan Barnett, greet each other prior to their presentations at a public forum on the JDX Programme hosted by the FSC on July 14, 2010.

Investor Briefings

1. FSC continued its series of investor briefings with one being held at the Jamaica Pegasus Hotel in Kingston, focused on **'The Jamaica Debt Exchange: The Way Forward'.** Guest presentations were delivered by Dr Wesley Hughes, Financial Secretary; Hon. Douglas Orane, Chairman and CEO, Grace Kennedy Limited; Mr. Brian Wynter, Governor, Bank of Jamaica; and the FSC's Executive Director, Mr. Rohan Barnett.

2. The second investor briefing was held on Wednesday, March 23 at the Terra Nova Hotel. This activity was done as part of the FSC's 10th Anniversary Celebration. Mr. Patrick Hylton, Managing Director, National Commercial Bank; Ms. Antoinette McKain, Chief Executive Officer, Jamaica Deposit Insurance Corporation ("JDIC"); and the Executive Director, FSC, Mr. Rohan Barnett discussed the theme: **"Does Financial Regulation Prevent Institutional Failure?"**

Conferences, Seminars and Workshops

1. **Securities and Pensions**

In an effort to have a meaningful dialogue with the securities and pensions industries on the Jamaica Debt Exchange Initiative and the changes that these sectors will experience, discussion fora were held with (i) pension trustees and (ii) key stakeholders within the securities industry. The events, which were held at the Jamaica Conference Centre and the Terra Nova Hotel, sought to introduce to these stakeholders the impact of the initiative and some of the regulatory changes which will be experienced.

Rohan Barnett, Executive Director, FSC; and Patrick Hylton, Managing Director, NCB Jamaica Ltd., interact with members of the audience at the FSC's first 10th Anniversary Investor Briefing.

Minister of Finance and the Public Service, the Hon. Audley Shaw, addresses participants at the FSC's AML/CFT Conference; while Conference Chairperson Shirley-Anne Eaton and FSC's Chairman Emil George look on.)

2. Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) Conference 2010

The FSC hosted its annual Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) Conference, which was held at the Sunset Jamaica Grande Resort & Spa in Ocho Rios, Jamaica on November 11-12, 2010. The theme was **"Understanding and Executing for Compliance with the AML/CFT Regime: A Global Perspective".**

This conference was held due to the FSC's financial crime objective, formally articulated in Section 6(2)(f) of the Financial Services Commission Act, 2001, which mandates the FSC to "…implement measures designed to reduce the possibility of a prescribed financial institution being used for any purpose connected with an offence involving fraud, theft or money laundering".

Approximately one hundred and fifty (150) participants attended the conference, which was intended to increase participants' awareness and understanding of the requirements for the AML/CFT regime in light of current regulatory requirements and international dictates. It also sought to sensitize participants to the importance of compliance with the AML/CFT standards as well as the global implications for a country's non-compliance. Among the attendees were regulators, law enforcement officers, banking and non-banking financial institutions, Politically Exposed Persons (PEPs) and certain non-financial businesses and professionals, for example, lawyers, accountants, realtors and car dealers, who are commonly referred to as Designated Non-Financial Businesses and Professionals (DNFBPs).

3. FSC hosts Caribbean Group of Securities Regulators' (CGSR) Conference

The FSC hosted the Caribbean Group of Securities Regulators in a conference at the Sunset Jamaica Grande on the 25th and 26th of November. Approximately 30 regulators from 15 countries participated in the activities. The theme for this event was **"Promoting Investor Protection and Market Integrity in the Post Financial Crisis Era".**

Mr. Gary Peart, Vice President, Securities Dealers Association delivered a Keynote Address entitled **'Regulatory Imperatives for the Caribbean Market: A Private Sector Perspective'.**

4. Insurance Workshops

Key stakeholders from insurance companies were engaged in a seminar entitled **"The Regulator and You:** Preparing for the Accounting and Regulatory Challenges Ahead in the Insurance Industry". This forum was designed to sensitize participants to key elements of recent developments in financial reporting for insurance contracts and to explore proposed regulatory changes. The attendees were individuals that are responsible for the insurance companies' strategic direction, financial reporting and compliance.

5. FSC hosts National Financial Literacy Forum for Stakeholders

The FSC in partnership with Caribbean Regional Technical Assistance Centre ("CARTAC") engaged financial education stakeholders in a forum entitled, **Financial Literacy for Jamaica: a Forum for Stakeholders** on Wednesday, August 18, 2010.

Rohan Barnett, Executive Director of the FSC, welcomes members of the audience to the 7th Annual CGSR Conference hosted by the FSC in December 2010

Jamaica is currently developing strategies towards implementation of a National Financial Literacy Programme ("NFLP"). The FSC has been playing a pivotal role in this process and organized this forum in order to sensitise and have dialogue with stakeholders in financial education. In particular, it was expected that the forum would assist in building consensus amongst public sector bodies, non-governmental organizations (NGOs), learning institutions, financial service providers and financial literacy practitioners on the issues of:

a. How a proposed NFLP should be structured including the role of a National Coordinating Committee (NCC);
b. Programme Components; and
c. Content for a baseline survey which is to be conducted prior to the launch of the proposed NFLP to determine prevailing knowledge levels, attitudes and behaviour.

The FSC recognises that empowering Jamaicans with the requisite skills and confidence through a comprehensive programme of financial education will not be easy, but a NFLP can provide individuals with the financial knowledge necessary to create household budgets, initiate savings plans, properly manage debt, and make sound investment decisions for their retirement or their children's education. This activity will be advanced in the upcoming year.

6. Financial Education in Schools Programme

January 2011, saw the FSC implementing a Financial Education in Schools Programme in collaboration with Junior Achievement Jamaica. In keeping with our focus on financial literacy, the FSC sponsored the delivery of the Junior Achievement curriculum on **Personal Finance** to four high schools with students drawn from Grades 9-11. The programme was launched at a ceremony at The Wyndham Hotel in Kingston on February 4, 2011. Approximately 120 students from the following participating schools attended:

From left: President of Junior Achievement Jamaica Alphie Mullings-Aiken, President of the Jamaica Bankers Association, Minna Israel and Executive Director of the FSC Rohan Barnett, greet students who were present at the launch of the FSC's Financial Education in Schools Programme.

- Ardenne High,
- Black River High,
- Tacius Golding and
- St. Jago High.

These students will benefit from a 5-week pilot programme which is designed to impart principles of saving and investing, basic knowledge of financial instruments; and to educate students and by extension parents about their rights and responsibilities as consumers of financial services.

Members of the FSC Team share information with members of the public who attended the Financial Planning Expo in September

7. The FSC's Financial Planning Expo

The FSC hosted a Financial Planning Expo for two days on September 16 and 17, 2010 at The Jamaica Pegasus Hotel. This exposition focused on the theme **"Financial Planning: Pathways to Success"** and presented products and services available in the financial market specifically for retirement planning, insurance and investing. The aim was for ordinary Jamaicans to map their successful paths to financial security. Approximately 1,000 visitors came to the exposition on both days. Mr. Aubyn Hill was the guest presenter on day one, and he reminded Jamaicans of the importance of saving and investing.

Aubyn Hill, CEO, Sugar Company of Jamaica, (SCJ) Holdings Ltd., delivers the Keynote address during the Opening Ceremony of the FSC Financial Planning Expo 2010.

8. World Consumer Rights Day Financial Forum

A seminar was held in collaboration with the National Consumer League on Consumer Rights Day on March 15, 2011 at 10:00 a.m. in the Courtleigh Auditorium. The theme for the day was **'Consumers for Fair Financial Services'.** Participants attended from Mico and Shortwood Teachers Colleges and Dunoon Technical and Holy Childhood High Schools. Presenters from the FSC and the JDIC aided the participants to have a greater understanding of Jamaica's financial system. Also the participants were provided with useful tips to practise safe investing.

Capacity-building

Within the 2010-2011 fiscal year, the FSC intensified its efforts to strengthen its institutional capacity. In addition to training, the FSC implemented a mentorship programme and enhanced its succession planning.

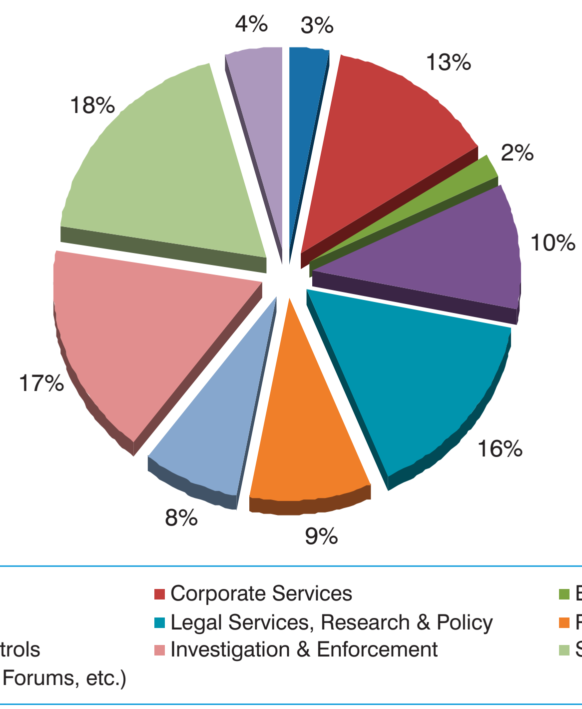
Training

Employees continued to participate in annual training seminars/workshops organized by regional and international umbrella organizations such as the International Association of Insurance Supervisors ("IAIS"), the International Organization for Securities Commissions ("IOSCO"), the International Organization of Pensions Supervisors ("IOPS"), the Caribbean Group of Securities Regulators ("CGSR"), and the Caribbean Association of Insurance Regulators ("CAIR").

For the 2010-2011 fiscal year, the total amount budgeted for training for the period was $12M (excluding amounts available under the IDB and CDB Technical Assistance Programs), a fifty percent increase over the previous year's budget. The Caribbean Regional Technical Assistance Centre ("CARTAC") continued to provide substantial funding to support the FSC's training initiatives, particularly in the area of Insurance.

The total expenditure for the period was approximately $13.4M (excluding CDB/IDB

Figure 25: Training Expenditure by Divisions, 2010/2011



funded programs). This represents an increase of approximately 63% over the previous period. This growth is primarily related to the increased thrust to build the capacity of the staff by pursuing more training in technical areas such as fraud and forensic accounting and anti-money laundering. Additionally, there was an executive decision to focus on building the capacity of the executive team. As such, the FSC partnered with the Mona School of Business to launch an Executive Leadership Programme during the year. This initiative should continue in the next financial year.

An analysis of the training expenditure by Division is shown in Figure 25.
During the period under review, ninety-one members of staff or approximately 78% of the current staff complement participated in fifty-two (52) training courses, totaling approximately 2,120 contact hours. These courses included in-house, local and overseas training.

The training and development effort was bolstered this year with the acquisition of eleven user accounts for the Financial Stability Institute's e-learning portal, which provides an excellent opportunity for members of staff in the core industry divisions to upgrade their knowledge in various emerging topics such as the Basel II and Derivatives and Structured Products. The summary of courses attended by members of staff for the period is presented below:

Table 42: List of Training Opportunities Accessed by Staff, 2010/2011

Course/Seminar/Conference	Provider	No. of Staff Trained
Advanced E-Learning Certificate	American Society for Training and Development	1
AML/CFT Conference	FSC	20
Aon Benfield Reinsurance Workshop	College of Insurance	2
Appointed Actuary Seminar	Canadian Institute of Actuaries	1
Arrow Risk-based Conference & Training	Financial Stability Institute	1
Building a Sustainable ERM & Internal Control Framework	GovStrat	4
Building and Maintaining Effective Teams	Mona School of Business	24
Caribbean Actuarial Association Conference	Caribbean Actuarial Association	1
CariCris Insurance Risk Assessment Workshop	CariCris	2

Table 42: List of Training Opportunities Accessed by Staff, 2010/2011

Course/Seminar/Conference	Provider	No. of Staff Trained
CFATF/IMF Pre-Assessment Workshop	IMF/El Salvador	1
CGSR Conference	Caribbean Group of Securities Regulators	16
CIMA/USSEC 2010 Workshop	Cayman Islands Monetary Authority	2
CIO Pocket MBA	Boston University	1
CSI Fraud Workshop	Canadian Securities Institute	1
Effective Business Writing	RO Communications	3
Effective Presentation Skills	Reborn Trainsulting	33
ERM Techniques & Practices	Incisive Financial Publication/Phoenix, AZ	1
Financial Investigator	Caribbean Regional Drug Law Enf. Training	1
Fraud & Forensic Accounting	Institute of Internal Auditors/In-house	24
FSI Connect	FSC Connect/online	11
Grooming for Workplace and Special Events Workshop	Human Resource Management Association of Jamaica	3
How to Implement a Risk based Framework AML	Central Banking/London	2
IFRS 2011	ICAJ/Jamaica Conference Centre	9
Insurance Law	College of Insurance	1
Insurance Supervision	Toronto Centre/Canada	2
International Institute for Securities Enforcement	USSEC/Washington	2
Introduction to Financial Analysis	Fitz Ritson & Associates	2
Introduction to Insurance	College of Insurance	1
JASAP Annual Educational Seminar	JASAP/Jamaica Conference Centre	3
Legal Principles	College of Insurance/Richmond Ave.	1
Malta Commonwealth Insurance Supervision Workshop	Malta	1
Occupational Health & Safety Certificate Programme	UWI/Mona	5

Table 42: List of Training Opportunities Accessed by Staff, 2010/2011 (cont.)

Course/Seminar/Conference	Provider	No. of Staff Trained
Offshore Group of Collective Investment Schemes Meeting	Financial Services Commission BVI/Tortolla	2
Operational Risk Governance, Risk & Compliance	The Jamaica Institute of Financial Services	1
Pension Management Programme	Fitz Ritson & Associates	3
Pensions & Benefits in a Changing World	IPEBLA/Quebec City, Canada	1
Personal Insurance	College of Insurance/Richmond Ave.	1
Principles & Practice of Reinsurance	College of Insurance/Richmond Ave.	3
Project Management Principles & Techniques	UTECH/JIM	2
PSOJ/Prime 3rd Annual Pension Seminar	PSOJ/Jamaica Pegasus	6
Public Speaking Essentials for Accounting Professionals	ICAJ/Jamaica Pegasus Hotel	1
Security Administration Accelerated	NetCom Information Technology/New York	1
Strategic and Crisis Communications Management	GovStrat/Jamaica Pegasus	1
Taxation Compliance Measures	ICAJ/Jamaica Pegasus Hotel	2
Toronto Centre Securities Program	Toronto Centre/Canada	1
Training Programme Administration	HRMAJ/HEART School of Cosmetology	1
USSEC Inspection & Market Oversight of Intermediaries	USSEC/Washington	2
USSEC International Institute for Securities Market Development	USSEC/Washington	2
Voice & Speech	Creative Production & Training Centre	1
Risk and Insurance	College of Insurance	1
Business Environment	College of Insurance	1
Marketing	College of Insurance	1

Mentorship Programme

In keeping with its strategic direction for 2009/2012, the FSC introduced a mentorship programme to enhance the human resource capability of the organization. The programme was designed to achieve the following objectives:

- To promote employee development (personal and professional) and assist with the development of a professional culture within the FSC.
- To aid in the overall development and level of exposure of employees with a view to preparing employees for senior leadership roles within the organization.
- To aid retention and ensure that there is a cadre of competent and committed professionals in place.
- To facilitate cross training.
- To continuously discover and nurture talent within the organization.

Tutoring, coaching and counselling were the core mechanisms utilized to achieve the stated objectives. Additional mentorship activities included attendance at Management, Board Committee, industry and other relevant meetings, on and off-site. Some mentees participated in relevant training seminars and conferences and accompanied their mentors to events of both a social and official nature. Others were placed in disparate areas of the FSC for short periods of time to facilitate learning the organization structure, culture and operations. Participation in FSC projects and organizing seminars also formed a part of the programme

The programme commenced with a pilot phase which spanned six (6) months, April – September 2010. Mentors were drawn from the supervisory and managerial levels within the organization and an invitation was extended to all employees (prospective mentees) who wished to enhance their knowledge, competences, skills, abilities and ultimately achieve personal and professional development, through partnership with more experienced persons (mentors).

Following the conclusion of the pilot, an evaluation was conducted to determine the level of success achieved and the benefits gained. Participants reported the following:

- Acquisition of new knowledge, skill and abilities (SKA's)
- Personal development
- Increased self confidence and competence in the integration and application of SKA's
- Increased networking possibilities
- Insight into business strategies and priorities
- Personal and job satisfaction gained through the development of another individual
- An enhanced feeling of self-worth as they develop others
- Recognition for knowledge, skills and experience
- Personal Development
- The opportunities to encounter fresh perspectives

In addition to these the following organizational benefits were gained:

- Organisational learning
- Recruitment and retention was aided
- Facilitation of FSC's succession plan and career development programme

FSC's mentorship programme was designed to become an integral part of the FSC's culture. It is now in the second phase of operations and will continue to fulfil its objectives in keeping with the organization's strategic direction.

Corporate Social Responsibility

Children's Home

In 2003, the FSC began a fulfilling relationship with the Jamaica National Children's Home. Each year, since then the FSC makes donation of needy equipment and supplies while members of staff spend quality time with the residents. Additionally, the FSC staff has readily given time, items and even blood in response to other Jamaicans in their time of need.


FSC members along with the residents of the children's home.


Hugs and Smiles


An unforgettable bond


Donation of television sets

Road Races

Another very integral part of giving back to our community is the FSC staff participating in the various road races which aid in raising valuable funds for many worthy causes. These events are also a part of the FSC's Staff Wellness Programme.


FSC's Team for the Sigma Run


She is a Winner!! Sigma Run 2010


GraceKennedy Education Run

Review of Financial Performance

The financial statements that appear on pages 112-131 in this annual report present the financial position, operating results and cash flows of the FSC in accordance with International Financial Reporting Standards for the financial year ended March 31, 2011. The following comments provide an analysis of the performance during the year and should be read in conjunction with the financial statements.

Income and Expenditure

The FSC achieved a net surplus of $73.1 million compared with the $55.6 million for the previous year. Highlights of the income and expenditure are presented below:

Income

The FSC is funded mainly through fees charged to the licensed financial institutions and private pension plans, which the FSC regulates and supervises. The amount charged to individual institutions is determined according to the fees formulae set out in regulations. In general, the system is designated to allocate the FSC's costs based on the time spent supervising and regulating each industry.

Costs are then charged to individual institutions within an industry based on the applicable formula. Fees as shown on the Income and Expenditure statement include the following:

Licensing/Registration fees	$662.37	million
Interest Income	$ 20.8	million
Fees from seminars/ workshops	$ 2.3	million
Miscellaneous Income	$ 3.6	million
Total	**$689.07**	**million**

Licensing and Registration fees for the 2010/2011 financial year increased by 22.3 percent when compared with the previous year. This increase in fees was due to the following:

- A 36.8 percent increase in fees from the securities industry. The fees earned from the Stock Exchange and JCSD have improved marginally due to the introduction of the Junior Stock Exchange market.
- A 4.7 percent increase in fees from the insurance industry
- A 39 percent increase in fees from the pensions industry due to a 13.3 percent growth in the pension funds assets being managed by investment managers and administrators.

Tables 43-45 provide details of the sources of fee income from the securities, insurance and pensions industries for 2010/2011 and the comparative 2009/2010.

Table 43: Revenue from the Securities Industry 2009/2010 and 2010/2011

	2009/2010		2010/2011	
Source	**Revenue ($'000)**	**Percent of Total**	**Revenue ($'000)**	**Percent of Total**
Annual Licensing/Registration Fees – Securities Dealers Mutual Funds	111,738	89	143,046	83
Stock Exchange & JCSD Fees	12,143	10	15,202	9
Application Fees	1,820	1	13,844	8
Commercial Paper	214	0	121	0
Totals	**125,915**	**100**	**172,213**	**100**

Table 44: Revenue from the Insurance Industry 2009/2010 and 2010/2011

	2009/2010		2010/2011	
Source	**Revenue ($'000)**	**Percent of Total**	**Revenue ($'000)**	**Percent of Total**
Annual Registration Fees - Life and General Companies	226,657	92	240,384	95
Annual Fees - Intermediaries	16,869	7	12,236	5
Application Fees	2,632	1	5,201	0
Totals	**246,158**	**100**	**257,821**	**100**

Table 45: Revenue from the Pensions Industry 2009/2010 and 2010/2011

	2009/2010		2010/2011	
Source	**Revenue ($'000)**	**Percent of Total**	**Revenue ($'000)**	**Percent of Total**
Annual Licensing Fees-Investment Managers	165,891	99	231,393	100
Application Fees	1,263	1	944	0
Totals	**167,154**	**100**	**232,337**	**100**

Interest Income for 2010/2011 was $20.7 million or 8 percent less than the previous year. Although there was high available cash balances for this year, the interest rates offered were lower than the previous year. Interest rates offered on short term deposits were between 6 percent and 7.5 percent per annum.

The miscellaneous income of $3.6 million refers to cost awarded to the FSC following a court judgment.

Expenses

Total expenses for the 2010/2011 financial year were $650.9 million, approximately 17 percent higher than the previous year. There were however, increases/reductions in some expenses, these include:

a) **Appeal Tribunal**
Expenses relating to the operation of the FSC Appeal Tribunal of $1.8 million for 2010/2011 were 287 percent higher than the previous year. The higher level of expenses was a result of the increase in the fees, approved by the Minister of Finance for the Chairman and the members of the Tribunal. Since the new rates covered the period from January 2009 to January 2011, the necessary retroactive payments were made.

b) **Building Maintenance**
Building maintenance decreased by 6 percent for 2010/2011 when compared with 2009/2010.

c) **Motor Vehicle and Parking Expenses**
Motor Vehicle and Parking Expenses increased by 43 percent when compared to 2009/2010 due to increase cost in servicing and maintaining the vehicles. In addition, the cost for the year included outstanding charges for parking of $1.2 million.

d) **Office Expenses**
Office expenses for the year were $17.7 million a reduction by 2.4 percent when

compared with the previous year of $18.1 million.

e) Professional Fees

Professional fees of $13.8 million were 48 percent higher than the previous year.

Expenses included in profes-sional fees are as follows:

($ 'Millions)	
Legal Fees	$ 5.8
Consultants-Focal Point-job evaluation project	$ 3.1
Audit of Pension Fund	$ 1.1
Evaluation of IDB Project	$ 1.0
Procurement Audit	$ 0.7
Other services	$ 2.1
Total	**$13.8**

f) Public Education Expenses

Public education expenses of $18.3 million was 85.5 percent higher than the previous year due to increased activity in keeping the public informed of non registered schemes and information on safe investing.

g) The Cost of Utilities

The costs for utilities for the year were $21.4 million, an increase of 20.8 percent, due to increase charges imposed mainly for electricity usage.

h) Training and Conferences

Training and Conferences for the year was $35.2 million which was $21 million more than 2009/2010. Staff attended various conferences hosted by both local and international bodies. Compared to last year, the FSC did not receive technical assistance from Caribbean Regional Technical Assistance Centre (CARTAC), Inter-American Development Bank (IDB) and Caribbean development Bank (CDB) to offset some of these expenses. Additionally, the FSC hosted four major conferences during the year.

i) Salaries and Related Expenditure

Salaries and Related Expenditure was $454.4 million for 2010/2011 or 18 percent higher than the previous year. Included in this cost for 2010/2011 is a provision for the 7 percent salary adjustments, according to the Memorandum of Understanding (MoU) between the Government of Jamaica and the Jamaica Confederation of Trade Unions (JCTU) for 2009/2010 and 2010/2011, which amounted to approximately $41 million.

Balance Sheet

1) Liquidity

The FSC ended the year with cash and cash equivalents of $17.68 compared with the $17.74 million at the end of the 2009/2010 financial year. Resale agreements (short term investments) were $353 million which was $110.7 million higher than the previous year. The FSC continue in our efforts to ensure that all licensing/registration fees are received within the stipulated due date.

2) Accounts Receivable and Prepayments

Accounts Receivable and Prepayments at $96.68 million was $21.93 million higher than the previous year. Accounts receivable was $78.95 million higher than the previous year of $68.4 million (refer to note 4 in the financial statements). The receivable amount shown relates to insurance fees which are paid quarterly in arrears. Fees for quarter ending March 31, 2011 would be due for payment in April 2011

3) **Property Plant and Equipment**
Property, plant and equipment including intangible assets at the end of the year was $59.96 million (net of depreciation) or $4.3 million lower than the previous year due to the fact that some assets are now fully depreciated and also some obsolete equipment was disposed of during the period.

Executive Director

Ronan Barnett

Table 46: Compensation of Commissioners 2010/2011 ($ '000)

Name of Commissioner	Fees	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle	Honoraria	All Other Compensation including Non-Cash Benefits as applicable	Total
			$ '000		
Emil George - Chairman	0.0	0.0	1,500.0	0.0	1,500.0
Dayle Blair	0.0	142.9	286.5	0.0	429.4
Roald Henriques	0.0	0.0	304.5	0.0	304.5
Peter Wilson	0.0	0.0	265.5	0.0	265.5
Shirley Williams	0.0	0.0	271.5	0.0	271.5
David Tennant	0.0	0.0	307.5	0.0	307.5
Dennis Boothe	0.0	0.0	355.5	0.0	355.5
Total	0.0	142.9	3,291.0	0.0	3,433.9

NB: The figures shown above are before taxes and for the fiscal year 2010-2011.

Table 47: Compensation of Executive Management 2010/2011

1. Basic Salary Range of Executive Management	
a) Director	$3,836,590 - $4,795,737
b) Senior Director and General Counsel	$4,957, 391 - $6,320,674
c) Chief Actuary	$5,599,226 - $7,698,936
d) Deputy Executive Director	$6,203,821 - $7,559,681
e) Executive Director	$14,750,000 per annum
2. Allowances	
Motor Vehicle	
a) Executive Director	Fully maintained company car
b) Other Executive Management	$796,500 per annum
Housing	
Executive Director	$4,334,400 per annum
3. Gratuity in Lieu of Pension	25% per annum basic salary

Note - Executive Management includes the Executive Director, Deputy Executive Director, Senior Directors (4), Chief Actuary (1), Directors (2), and General Counsel (1). Each member of Executive Management is on contract and is therefore not on the Commission's pension plan. The members are, however, eligible for health insurance coverage on the Commission's group health plan.
The Commission also reimburses the Executive Director for the cost of all utilities associated with such housing.

FSC STATUTES & REGULATIONS

The statutory duties and responsibilities of the FSC and the regulatory provisions governing financial services in the areas of insurance, pensions and securities are stipulated in a number of laws. The following is a brief summary of the laws currently in effect.

The Financial Services (FSC Act) – enacted in 2001 and amended in 2004; it provides for the basic functions and responsibilities of the FSC.

The Financial Services (Overseas Regulatory Authority) (Disclosure) Regulations – promulgated in 2005. The regulations give the FSC the authority to provide information and documents, as the FSC deems appropriate, in response to a request made by an overseas regulatory authority.

The Insurance Act – enacted in 2001; it provides for the regulation of insurance business in Jamaica.

The Insurance Regulations – promulgated in 2001 and last amended in 2004; they provide detailed rules and regulations governing individuals and companies operating in the insurance industry.

The Insurance (Actuaries) (Life Insurance Companies) Regulations – promulgated in 2001; these regulations set out the rules governing the preparation of actuarial reports and the business conduct of actuaries for life insurance companies.

The Insurance (Actuaries) (General Insurance Companies) Regulations – promulgated in 2002; these regulations set out the rules governing the preparation of actuarial reports and the business conduct of actuaries for general insurance companies.

The Insurance (Prescribed Sum) Regulations – promulgated in 2004; these regulations prescribe the amount payable by an insurer to an individual who satisfies the insurer that he is entitled to obtain probate of the will of the deceased person or to take out letters of administration.

The Securities Act – enacted in 1993 and last amended in 2001; the Act provides for the licensing, operation and supervision of entities dealing in securities as well as regulation of the capital markets.

The Securities (Licensing and Registration) Regulations – promulgated in 1996 and amended in 2003 and 2008; these regulations provide for the licensing and registration of dealers, investment advisers, their representatives and responsible officers.

The Securities (Conduct of Business) Regulations – promulgated in 1999 and last amended in 2003; these regulations deal with the dealer/client relationship and guidelines for filing of financial information by licensed dealers.

The Securities (Disclosure of Interest) Regulations – promulgated in 1999; these provide for the disclosure of information relating to public companies as well as issuers of commercial paper.

The Securities (Mutual Funds) Regulations – promulgated in 1999; these regulations stipulate the rules for the business operation and supervision of mutual funds. The regulations also contain specific provisions concerning the protection of investors.

The Securities (Take-Overs and Mergers) Regulations – promulgated in 1999 and amended in 2000; these regulations deal with mergers and acquisitions of public companies.

The Securities (Central Securities Depository) Regulations – promulgated in 2000 and amended in 2002; these regulations deal with the operational procedures of a central securities depository.

The Unit Trusts Act – enacted in 1971 and last amended in 2001; the Act governs the operation of unit trusts.

The Unit Trusts (Nominees) Regulations - promulgated in 2009; these regulations set out the criteria for a prospective nominee to be approved by the FSC.

The Unit Trusts (Registration of Schemes) Regulations – promulgated in 1971 and amended in 2009; these regulations govern the process of registration for unit trusts.

The Unit Trusts (Books and Document) Regulations – promulgated in 1973 and amended in 2009; these regulations deal with the books and records which should be maintained by unit trusts.

The Unit Trusts (Amendment of Schedule to Principal Act) Regulations - promulgated in 2009; these regulations outline obligations that any unit trust must satisfy.

The Pensions (Superannuation Funds and Retirement Schemes) Act – enacted in September 2004 and amended in March 2005 and March 2006; the Act provided for the licensing, operation and supervision of entities in the pensions industry.

The Pensions (Superannuation Funds and Retirement Schemes) (Specified Pension Funds and Specified Pensions Scheme) Regulations, 2006 – promulgated on March 11, 2006; these regulations define the meaning of “specified pension fund” or “specified pension scheme”.

The Pensions (Superannuation Funds and Retirement Schemes) (Registration, Licensing and Reporting) Regulations, 2006 – promulgated on March 29, 2006; these regulations describe the conditions for the licensing and registration of schemes, funds, investment managers, administrators and other key persons.

The Pensions (Superannuation Funds and Retirement Schemes) (Governance) Regulations, 2006 – promulgated on March 29, 2006; these regulations outline the operational procedures for those who preside over pensions funds and retirement schemes.

The Pensions (Superannuation Funds and Retirement Schemes) (Investment) Regulations, 2006 – promulgated on March 29, 2006; these regulations provide detailed rules and guidelines for trustees and investment managers to prudently invest and manage the assets that fall under their responsibility.

LIST OF REGISTERED & LICENSED ENTITIES/ INDIVIDUALS AS AT MARCH 31, 2011[1]

Dealers (Companies)

There were forty-eight (48) licensed securities dealers (Companies) as at March 31, 2011:

1. Alliance Investment Management Limited
2. Barita Investments Limited
3. BPM Financial Limited
4. Barita Unit Trusts Management Company Limited
5. Capital & Credit Fund Managers Limited
6. Capital & Credit Merchant Bank Limited
7. Capital & Credit Securities Limited
8. Capital Solutions Limited
9. Churches Co-operative Credit Union Limited
10. Citifinance Limited
11. City of Kingston Co-operative Credit Union Limited
12. Credit Union Fund Management Company Limited
13. CWJ Employees Co-operative Credit Union Limited
14. E. W. Lewis Investments & Finance Limited
15. FirstCaribbean International Bank (Jamaica) Limited
16. FirstCaribbean International Securities Limited
17. First Global Financial Services Limited
18. Guardian Life Limited
19. Heritage Education Funds International (Jamaica) Limited
20. Ideal Finance Corporation Limited
21. Ideal Portfolio Services Limited
22. Intertrade Finance Corporation Limited [β]
23. Jamaica Co-operative Credit Union Limited
24. Jamaica Money Market Brokers Limited
25. Jamaica National Building Society
26. JMMB Securities Limited
27. JN Fund Managers Limited
28. MF&G Asset Management Limited
29. M/VL Stockbrokers Limited
30. Mayberry Investments Limited
31. MoneyMasters Limited
32. NCB Capital Markets Limited
33. NCB Insurance Company Limited
34. Pan Caribbean Financial Services Limited
35. Prime Asset Management Limited
36. Proven Management Limited
37. Proven Wealth Limited (formerly Guardian asset Management Limited)
38. RBTT Securities Limited
39. Sagicor Life Jamaica Limited
40. Scotia Asset Management (Jamaica) Limited (formerly Scotia DBG Fund Managers Limited)
41. Scotia Investments Jamaica Limited (formerly Scotia DBG Investments Limited)
42. Scotia Jamaica Life Insurance Company Limited
43. Sterling Asset Management Limited
44. Stocks and Securities Limited
45. UGI Finance & Investments Limited [β]
46. Victoria Mutual Wealth Management Limited

[1] The Greek letter beta “β” indicates a registrant or licensee that has been suspended.

47. West Indies Trust Company Limited
48. West Indies Union Investment Management Limited

Dealers (Individuals)[2]
There were six (6) individuals licensed as securities dealers as at March 31, 2011:

1. Bailey, Lorreston $^{\beta}$
2. Berry, Christopher *
3. Berry, Konrod *
4. Campbell, Ryland *
5. Issa, Christopher
6. Lewis, Everton *

Investment Advisers
There were three (3) licensed investment advisers as at March 31, 2011

1. Allistair Macbeath
2. Wayne Wray
3. Williams & Associates Investments Limited

Mutual Funds
There were eighteen (18) registered mutual funds as at March 31, 2011:

1. AIC Advantage Group Fund
2. AIC Money Market Corporate Class
3. AIC Balanced Group Fund
4. AIC Diversified Group Fund
5. AIC Focused Group Fund
6. AIC Specialty Group Fund
7. CI Sector Balanced Funds
8. CI Sector Diversified Equity Funds
9. CI Sector Fixed Income Funds
10. CI Sector Focused Equity Funds
11. Jamaica Select Index fund
12. Scotia US Growth Mutual fund
13. Scotiabank Canadian Growth Fund
14. Scotia Caribbean Income Fund Inc. (formerly Scotia DBG Caribbean Income Fund Inc. ("SDCIF")
15. Scotiabank Global Growth Fund
16. Scotiabank Money Market Fund
17. Scotiabank US Dollar Bond Fund
18. Trinidad Select Index Fund Limited

Unit Trusts
There were four (4) registered unit trust fund managers as at March 31, 2011:

1. Barita Unit Trusts Management Limited
2. DB&G Unit Trusts Management Limited
3. Capital & Credit Fund Managers Limited
4. Pan Caribbean Asset Management Limited

Unit Trust Schemes
There were eight (8) registered unit trust schemes as at March 31, 2011:

1. Barita Unit Trusts Money Market Fund
2. Barita Unit Trusts Capital Growth Fund
3. Capital & Credit Income & Growth Fund
4. Capital & Credit Giltedge Fund
5. Capital & Credit Capital Growth Fund
6. DB&G Money Market Fund
7. DB&G Premium Growth Fund
8. Pan Caribbean Assets Management Unit Trust

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[2]The asterisks indicate individual dealers who are associated with a company that is also licensed as dealer, while the Greek letter beta "β" indicates a registrant or licensee that has been suspended.

Life Insurance Companies
There were five (5) life insurance companies registered as at March 31, 2011:

1. CUNA Mutual Insurance Society
2. Guardian Life Limited
3. Sagicor Life Jamaica Limited formerly Life of Jamaica Limited
4. NCB Insurance Company Limited
5. Scotia Jamaica Life Insurance Company Limited

General Insurance Companies

There were eleven (11) general insurance companies registered as at March 31, 2011:

1. Advantage General Insurance Company Limited formerly United General Insurance Company Limited
2. American Home Assurance Company
3. British Caribbean Insurance Company Limited
4. General Accident Insurance Jamaica Company Limited
5. Globe Insurance Company of Jamaica Limited
6. Island Heritage Insurance Company Limited
7. Jamaica International Insurance Company Limited
8. Key Insurance Company Limited
9. NEM Insurance Company (Jamaica) Limited
10. The Insurance Company of West Indies Limited
11. West Indies Alliance Insurance Company Limited

Associations of Underwriters
There was one Association of Underwriters registered as at March 31, 2011:

- Lloyds

Insurance Brokers
There were twenty seven (27) insurance brokers registered as at March 31, 2011:

1. Allied Insurance Brokers Limited
2. Assurance Brokers of Jamaica Limited
3. Billy Craig Insurance Brokers Limited
4. Caribbean Assurance Brokers Limited
5. CGM Gallagher Insurance Brokers Jamaica Limited
6. City Insurance Brokers Limited $^{\beta}$
7. Covenant Insurance Brokers Limited
8. Desmond Mair Insurance Brokers Limited
9. Excel Insurance Brokers Limited
10. Firm Insurance Brokers Limited
11. Fraser Fontaine & Kong Limited Insurance Brokers
12. GEM Insurance Brokers Limited
13. Genesis Insurance Brokers Limited
14. Guardian Insurance Brokers Limited $^{\beta}$
15. Jamaica Citadel Insurance Brokers Limited
16. JMMB Insurance Brokers Limited
17. Lawe Insurance Brokers Limited
18. Marathon Insurance Brokers Limited
19. Maritime General Insurance Brokers Limited
20. Mutual Security Insurance Brokers Limited
21. National Property & General

Insurance Brokers Limited
22. Orion Insurance Brokers Limited
23. Progressive Insurance Brokers Ltd.
24. Sagicor Insurance Brokers Limited
25. Solid Life and General Insurance Brokers Limited
26. Spectrum Insurance Brokers Limited
27. Thwaites Finson Sharp Insurance Brokers Limited

Facultative Placement Brokers
There were twenty (20) facultative placement brokers registered as at March 31, 2011:

1. Allied Insurance Brokers Limited
2. Assurance Brokers Jamaica Limited
3. Billy Craig Insurance Brokers Limited
4. Caribbean Assurance Brokers Limited
5. CGM Gallagher Insurance Brokers Jamaica Limited
6. City Insurance Brokers Limited
7. Desmond Mair Insurance Brokers Limited
8. Excel Insurance Brokers Limited
9. Firm Insurance Brokers Limited
10. Fraser Fontaine & Kong Limited Insurance Brokers
11. Guardian Insurance Brokers Limited
12. JMMB Insurance Brokers Limited
13. Lawe Insurance Brokers Limited
14. Marathon Insurance Brokers Limited
15. Maritime General Insurance Brokers Limited
16. Mutual Security Insurance Brokers Limited
17. National Property & General Insurance Brokers Limited
18. Spectrum Insurance Brokers Limited
19. Thwaites Finson Sharp Insurance Brokers Limited
20. Sagicor Insurance Brokers Limited

Overseas Reinsurance Brokers
There were two (2) overseas reinsurance brokers registered as at March 31, 2011:

1. Aeon Limited (formerly Benfield Limited)
2. J.B. Boda

Local Reinsurance Brokers
There was one (1) local reinsurance broker registered as at March 31, 2011:

- CGM Gallagher Insurance Brokers Jamaica Limited

Insurance Agents
There were eleven (11) insurance agents registered as at March 31, 2011:

1. Associated Owners Insurance (Agents) Limited
2. Chancellor Insurance Agency Limited
3. Crichton Insurance Agency Limited
4. Doran Ferguson T/A Apex Insurance Agents
5. Gersham McLaughlin T/A Global Risk Management Insurance Agents
6. Jamaica Co-operatives Insurance Agency Ltd. (formerly NUCS Co-operative Insurance Services Limited)
7. Mutual Enterprises (Insurance) Agents Limited
8. Nationwide Insurance Agents and Consultants Limited
9. Paul Anthony Simpson, General Insurance Agent
10. Riviera Insurance Agency Limited
11. Sagicor International Administrators Limited

Insurance Managing General Agents
There were no insurance managing general agents registered
as at March 31, 2011

Insurance Loss Adjusters
There were twenty-one (21) insurance loss adjusters registered as at March 31, 2011:

1. Advanced Insurance Adjusters Limited
2. Alert Motor Loss Adjusters & Valuators Limited
3. Auto Assessors and Associates Limited
4. Axis (Jamaica) Limited
5. Caribbean Loss Adjusters Limited
6. Evan Evans T/A Evans Insurance Consultants Limited
7. Innovative Consulting Services Limited T/A International Claims Services
8. Jamaica Motor Assessment Limited
9. John Grewcock T/A Talisman Adjusters
10. Karen Alethea Scarlett T/A KAS Loss Adjusters and Valuators
11. Lloyd Williams T/A Lloyd's Motor Insurance Adjusters
12. Mathew John O'Donoghue T/A JMO Adjusters
13. Maxine Margaret Segree T/A Claims Recovery & Insurance Bureau (CRIB)
14. Mendez Livingstone Incorporated Limited
15. Michael Earl Xavier McKenzie T/A Red Line Collision Appraisal Specialist
16. MSC McKay (Jamaica) Limited
17. Pan Caribbean Consultants Limited
18. Percival George Stewart T/A Kaution Jamaica
19. Vision Adjusters Limited
20. Toplis & Harding (Jamaica) Limited
21. Trans Jam Loss Adjusters Limited

Insurance Consultants
There were two (2) insurance consultants registered as at March 31, 2011:

1. Nicholas James Wood
2. Action & Advice Claims Consultants Limited

Claims Negotiators
There were three (3) claims negotiators registered as at March 31, 2011:

1. Collin Michael Harley T/A Insight Insurance Services
2. Claims Administrators Limited
3. Natalie Kerr T/A Direct Claims Services

Insurance Investigators
There were nine (9) insurance investigators registered as at March 31, 2011:

1. Delroy Anthony Lawson T/A DL Express Investigation & Process Service
2. Charles Oliver Rodriquez T/A Charles Rodriquez Investigations
3. Conrad Vaughn Myrie T/A C.I.S. Claims Investigation
4. Errol Orlando Rattray T/A Quality Adjusters
5. Focus Investigations Limited
6. Jones Solomon Jaisingh T/A Network Coordinate
7. Joseph Clement Messam T/A PROCUR (Professional Procurers)
8. Latoure DeAvergne Duhaney T/A Genesis Protective Services
9. Vinel Central Investigation & Security Consultancy Limited

Pension Administrators

There were twenty-nine (29) pension administrators registered as at March 31, 2011:

1. ATL Group Pension Fund Trustees Nominee Limited
2. Bank of Jamaica
3. Bank of Nova Scotia
4. BPM Financials Limited
5. Capital & Credit Securities Limited
6. Churches
7. Credit Union Fund Management Company
8. Development Bank of Jamaica Limited
9. Employee Benefits Administrator Limited
10. First Global Financial Services Limited
11. FirstCaribbean International Bank (Jamaica) Limited
12. FirstCaribbean International Securities Limited
13. Guardian Life Limited
14. Guardian Pension Funds Limited
15. IBM
16. Investment Nominees Limited
17. Jamaica Co-operative Credit Union League Limited
18. Jamaica Money Market Brokers Limited
19. JN Fund Managers Limited
20. Mayberry Investments Limited
21. MF&G Asset Management Limited
22. NCB Insurance Company Limited
23. Nestle Jamaica Limited
24. Prime Asset Management Limited
25. Scotia DBG Investments Limited
26. Scotia Jamaica Life Insurance Company
27. Veritat Nominees Limited
28. Barita Investments Limited
29. West Indies Union Investment Management Limited

Pension Investment Managers

There were twenty-eight (28) pensions investment managers registered as at March 31, 2011:

1. ATL Group Pension Fund Trustees Nominee Limited
2. Bank of Jamaica
3. BPM Financials Limited
4. Capital & Credit Securities
5. Churches
6. City of Kingston Co-operative Credit Union
7. Credit Union Fund Management Company
8. Development Bank of Jamaica Limited
9. FirstCaribbean International Securities Limited
10. First Global Financial Services Limited
11. Guardian Asset Management Limited
12. Guardian Life Limited
13. Investment Nominees Limited
14. Jamaica Co-operative Credit Union League Limited
15. Jamaica Money Market Brokers Limited
16. Jamaica National Building Society
17. JN Fund Managers Limited
18. Mayberry Investments Limited
19. MF&G Asset Management Limited
20. NCB Insurance Company Limited
21. Prime Asset Management Limited
22. RBTT Securities Jamaica Limited
23. Sagicor Life Jamaica Limited
24. Scotia DBG Investments Limited
25. Scotia Jamaica Life Insurance Company
26. Veritat Nominees Limited
27. Barita Investments Limited
28. West Indies Union Investment Management Limited

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

NANCIAL ERVICES MISSION

2010/2011

KPMG

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
FINANCIAL SERVICES COMMISSION

Report on the Financial Statements

We have audited the financial statements of Financial Services Commission ("the company"), set out on pages 112 - 131 which comprise the statement of financial position as at March 31, 2011, the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 and the Jamaican Companies Act, 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.

KPMG

To the Members of
FINANCIAL SERVICES COMMISSION

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2010, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

July 28, 2011

FINANCIAL SERVICES COMMISSION

Statement of Financial Position
March 31, 2011

	Notes	2011	2010
CURRENT ASSETS			
Cash and cash equivalents		17,681,957	17,743,434
Resale agreements	3	353,000,984	242,303,271
Accounts receivable and prepayments	4	96,681,167	74,744,439
Taxation recoverable	5	11,062,688	15,003,416
		478,426,796	349,794,560
CURRENT LIABILITIES			
Accounts payable	6	93,225,415	47,424,521
Deferred fees		198,210,910	192,866,415
		291,436,325	240,290,936
NET CURRENT ASSETS		186,990,471	109,503,624
NON-CURRENT ASSETS			
Intangible assets	7	9,496,756	11,247,462
Property, plant & equipment	8	50,464,841	53,099,971
		$246,952,068	173,851,057
Financed by:			
RESERVES	9	$246,952,068	173,851,057

The financial statements on pages 112 to 131 were approved by the Board of Commissioners on July 28, 2011, and signed on its behalf by:

Chairman
Hon. Emil George O.J Q.C

Commissioner
Dennis Boothe

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

FINANCIAL SERVICES COMMISSION

Statement of Comprehensive Income
Year ended March 31, 2011

	Notes	2011	2010
INCOME			
Fees		662,371,994	539,227,311*
Interest income		20,769,386	22,437,874
Other		5,916,964	1,845,124*
		689,058,344	563,510,309
EXPENSES			
Advertising		1,517,415	3,241,714
Appeal Tribunal		1,835,256	473,703
Audit		2,282,283	1,530,000
Bad debt expense		4,151,710	-
Bank charges		806,954	452,399
Building maintenance		5,726,502	6,090,562
Commissioners' fees		3,433,878	2,367,738
Depreciation and amortisation		15,984,197	23,796,735
Motor vehicle and parking expenses		10,282,236	7,183,197
Office expenses		17,677,427	18,117,328
Printing and stationery		3,116,569	2,934,390
Professional fees		13,773,489	9,293,633
Project expenses		377,000	12,752,876
Public education		18,333,938	9,879,984
Rent	10(ii)	35,000,000	33,800,000
Staff costs		454,421,458	385,040,402
Subscriptions		5,568,981	8,914,970
Training and conferences		35,294,094	14,242,174
Utilities		21,373,946	17,679,571
		650,957,333	557,791,376
Surplus/(deficit) for the year		38,101,011	5,718,933
OTHER COMPREHENSIVE INCOME			
Grants	10	35,000,000	49,922,129
Total comprehensive income for the year		$ 73,101,011	55,641,062

*Reclassified to conform to 2011 presentation
The accompanying notes form an integral part of the financial statements.

FINANCIAL SERVICES COMMISSION

Statement of Changes in Reserves
Year ended March 31, 2011

	General	Capital Reserve (Note 9)	Total
Balances at March 31, 2009	117,131,431	1,078,564	118,209,995
Total comprehensive income for the year			
Surplus for the year	5,718,933	-	5,718,933
Other comprehensive income	49,922,129	-	49,922,129
Total comprehensive income for the year	55,641,062	-	55,641,062
Balances at March 31, 2010	172,772,493	1,078,564	173,851,057
Total comprehensive income for the year			
Income for the year	38,101,011	38,101,011	
Other comprehensive income	35,000,000	-	35,000,000
Total comprehensive income for the year	73,101,011	-	73,101,011
Balances at March 31, 2011	$245,873,504	1,078,564	246,952,068

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

FINANCIAL SERVICES COMMISSION

Statement of Cash Flows
Year ended March 31, 2011

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit) for the year	38,101,011	5,718,933
Adjustments for:		
Depreciation and amortisation	15,984,197	23,796,735
Gain on disposal of property, plant & equipment	(9,000)	(60,000)
Interest income	(20,769,386)	(22,437,874)
	33,306,822	7,017,794
(Increase)/decrease in current assets:		
Resale agreements	(110,697,713)	(103,487,461)
Accounts receivable and prepayments	(17,813,476)	26,501,694
Taxation recoverable	3,940,728	(3,045,237)
Increase/(decrease) in current liabilities:		
Accounts payable	45,800,894	6,823,197
Deferred fees	5,344,495	8,905,979
Net cash used by operating activities	(40,118,250)	(57,284,034)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant & equipment	(10,298,255)	(35,817,211)
Additions to intangible assets	(1,300,106)	(603,346)
Proceeds from disposal of property, plant & equipment	9,000	60,000
Interest received	16,646,134	23,868,175
Net cash used by investing activities	5,056,773	(12,492,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants, being net cash provided by financing activities	35,000,000	49,922,129
Net (decrease)/increase in cash and cash equivalents	(61,477)	(19,854,287)
Cash and cash equivalents at beginning of the year	17,743,434	37,597,721
Cash and cash equivalents at end of the year	$ 17,681,957	17,743,434

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
March 31, 2011

1. The Commission

The Financial Services Commission (Commission) is a statutory, not-for-profit organization established under the Financial Services Commission Act, 2001 (Act). It is domiciled in Jamaica and its principal place of business is located at 39 - 43 Barbados Avenue, Kingston 5.

The principal functions of the Commission are as stated in Section 6 (1) of the Act.

For the purpose of protecting customers of financial services, the Commission shall:

a) supervise and regulate prescribed financial institutions;
b) promote the adoption of procedures designed to control and manage risk, for use by the management, boards of directors and trustees of such institutions;
c) promote stability and public confidence in the operations of such institutions;
d) promote public understanding of the operation of prescribed financial institutions;
e) promote the modernisation of financial services with a view to the adoption and maintenance of international standards of competence, efficiency and competitiveness.

On August 2, 2001, all assets, rights and liabilities of the Securities Commission in existence on that date were transferred to and vested in the Commission which commenced operations on that day. On the same date, the Commission assumed responsibility for Unit Trusts under the Unit Trusts (Amendment) Act, 2001. With the passing of the Insurance Act 2001, the Commission also assumed regulatory responsibility for the insurance industry, on the appointed day (December 21, 2001).

During the previous years, the Government of Jamaica (GOJ) through its agencies, the Superintendent of Insurance and the Financial Sector Adjustment Company, donated certain property, plant and equipment to the Commission. These assets were brought in at valuation which was subsequently deemed to be cost on first-time adoption of IFRS in year ended March 31, 2004.

At March 31, 2011, the Commission had in its employment 115 (2010:116) employees, out of a Board approved establishment of 120 (2010:120) employees.

2. Statement of compliance, basis of preparation and accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations as issued by the International Accounting Standards Board.

New standards and interpretations effective during the year
The following relevant new standards, amendments to standards and interpretations become effective during the year as follows:

- *IAS 1 (Revised) Presentation of Financial Statements* requires the presentation of all non-owners' changes in equity, either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. The standard has resulted in enhanced financial statement presentation, using the single statement approach and inclusion of a statement of changes in reserves.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New standards and interpretations effective during the year (cont'd)

- Amendments to *IAS 32 Financial instruments: Presentation and IAS 1, Presentation of Financial Statements* allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The standard did not have any impact on the financial statements.

- Amendments to *IFRS 7 Financial Instruments: Disclosures* requires enhanced disclosures in respect of two aspects: disclosures over fair value measurement relating to financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk to address current diversity in practice. The revision did not have any significant impact on the financial statements.

New standards and interpretations not yet effective:

At the date of authorisation of the financial statements, there were certain new standards, amendments to standards, and interpretations which were in issue but were not yet effective, and have, therefore, not been applied in preparing these financial statements. Management has assessed that the following standard may be relevant to the Commission:

- *IFRS 9 Financial Instruments*, (effective for annual reporting periods beginning on or after January 1, 2013), deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value.

  The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value. This standard is not expected to have any significant impact on the financial statements.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars (J$), which is the functional currency of the Commission.

(c) Use of estimates and judgments:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(c) Use of estimates and judgments (cont'd):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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. Management has exercised judgement in the application of IFRS that has significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgement regarding indicators of impairment, that is, whether there are indicators that suggest that there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) Contingencies:

In the ordinary course of operations, the Commission may encounter suits and/or counter-suits in the performance of its functions. Such actions may, or may not, result in liability to the Commission and management assesses the potential for liability in conjunction with legal counsel and provision is made accordingly.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

(d) Grants:

Monetary grants are accounted for on the cash basis. Grants in kind are accounted for when the services or assets are received by the Commission.

(e) Property, plant & equipment and intangible assets:

(i) Owned assets:

Items of property, plant & equipment and intangible assets are stated at cost, less accumulated depreciation and impairment losses [note 2(n)].

Intangible assets include computer software and security system software.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(e) Property, plant & equipment and intangible assets (cont'd):

(ii) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in the comprehensive income statement.

(f) Depreciation and amortisation:

Property, plant & equipment and intangible assets are depreciated/amortised on the straight-line basis at annual rates to write down the assets to their estimated residual values over their expected useful lives. The depreciation rates are as follows:

Motor vehicles	20%
Leasehold improvement, office furniture and equipment	10% & 25%
Computer equipment and software	25%

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

(g) Capital expenditure:

Amounts utilized from government grants for the purchase of property, plant & equipment, including donated assets and advances to secure future purchases, are transferred to capital reserve. An amount equivalent to the annual depreciation charge on the relevant property, plant & equipment is transferred from capital reserve to the general fund.

(h) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances.

(i) Resale agreements:

Resale agreements (reverse repo) are short-term transactions whereby the Commission buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred, unless the counterparty fails to comply with the terms of the contract

Reverse repos are accounted for as short-term collateralised lending. Reverse repos are classified as originated loans and receivables and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on the accrual basis over the period of the transaction and is included in interest income.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(j) Accounts receivable:

Accounts receivable are stated at their cost, less impairment losses.

(k) Accounts payable:

Accounts payable are stated at amortised cost.

(l) Provisions:

A provision is recognised in the statement of financial position when the Commission has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Fees:

i. Securities

Application fees for registration as dealers, dealers' representatives, responsible officers, investment advisers and mutual funds, which are payable on application along with fees from commercial paper, are taken to income on receipt. Annual license fees from dealers, dealers' representatives, responsible officers, investment advisers and mutual funds are deferred and recognized as income in the period to which they relate. Fees from traders on the stock exchange are recognized as income in the year to which they relate.

In accordance with the Securities (Licensing and Registration) (Amendment) Regulations 2008 which came into effect on October 1, 2008, fees are calculated using "the greater of:

(i) $500,000; or

(ii) The aggregate of
- 5 basis points on the 1st $5 billion of total assets; and
- 1.5 basis points on the next $25 billion of total assets; and
- 75/100 basis points on total assets over $30 billion."

For the purpose of the fee calculation, items (i) or (ii) "assets" is taken to mean:

(a) the "aggregate total of a dealer's balance sheet assets as at the 31st December of the year immediately prior to the anniversary of the grant of the licence taken without the netting of its liabilities plus the aggregate value, at that date, of securities or other investment instruments held or managed on behalf of clients whether on a discretionary or non discretionary basis; or

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(m) Fees (cont'd):

i. Securities (cont'd)

(b) in the case of a unit trust and overseas mutual funds, the net value of securities sold by or through the dealer during the year ending on the 31st December immediately prior to the anniversary of the grant of its licence".

ii. Insurance

Fees for new registrations for insurance companies, agents, brokers, sales representatives and other insurance intermediaries are taken to income on receipt. Renewal fees from insurance companies are recognized as income in the year to which they relate.

Previously, in accordance with the amended 20th schedule, which came into effect on October 1, 2003, renewal fees for Intermediaries were the greater of the fee indicated on the amended 20th schedule or 0.5% of earned commissions. Fees for General & Life Insurance companies were based on assets as outlined in the amended 20th schedule.

Renewal Fees – Insurance Companies

(1) Jamaican and CARICOM Life/Sickness & Health Insurance Companies

A fee of $1 million, or the sum of:
First $5 billion of total assets at 0.14%;
Second $5 billion of total assets at 0.07%; and
Total assets in excess of $10 billion at 0.04%, whichever is greater.

(2) Jamaican and CARICOM General Insurance Companies

In accordance with the amended 20th schedule which came into effect on November 1, 2008, the new fee structure for Jamaican and CARICOM General Insurance Companies are the aggregate of a fixed amount of $4.7 million and an amount equivalent to 0.20% of total assets.

(3) Foreign Companies – Life/Sickness & Health and General Insurers

The fee will be charged on the above bases at (1) and (2), as amended, but on assets relating to liabilities in Jamaica only.

For the purpose of the fee computation, "Total Assets" are as shown in the annual statements as at December 31, of the previous year.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(m) Fees (cont'd):

iii. Pension

The licensing fee payable by Investment Managers and Administrators is one tenth of one percent of the total assets under management as at December 31 of the previous year.

For the purpose of the fee computation, "total assets" are as shown in the annual statements as at December 31, immediately prior to the renewal date.

(n) Impairment:

The carrying amounts of the Commission's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the comprehensive income statement.

(i) Calculation of recoverable amounts:

The recoverable amount of the Commission's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(o) Foreign currencies:

Foreign currency balances outstanding at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the comprehensive income statement.

(p) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, accounts receivable and prepayments. Similarly, financial liabilities include accounts payable and deferred fees.

(q) Related parties:

A party is related to an entity if:

(i) directly or indirectly, the party:
- controls, is controlled by, or is under common control with the entity;
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity.

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity. Such personnel are persons having authority and responsibilities for planning, directing and controlling the activities of the entity whether directly or indirectly and whether through an executive or non-executive role:

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The Commission has a related party relationship with the Government of Jamaica and its agencies, Commissioners and other key management personnel.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

2. Statement of compliance, basis of preparation and accounting policies (cont'd)

(r) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of financial instruments have been determined, where practicable, using a generally accepted alternative method.

However, considerable judgment is required in interpreting market data to develop estimates of fair value and even greater judgment where there is no public or over-the-counter market. Accordingly, the estimates presented below are not necessarily indicative of the amounts that the Commission would receive on realisation of its financial assets or would pay to settle its financial liabilities in a current market exchange.

3. Resale agreements

Resale agreements represent purchases of Government of Jamaica Local Registered Stocks by the Commission from a broker under agreement to resell them on specified dates (within a year), at specified amounts.

The interest rates on resale agreements were 6 %and 7.5% (2010: 9% and 9.5%) as at the year-end. The market value of the underlying securities as at March 31, 2011 was approximately $353,000,984 (2010: J$251,429,173).

The Commission's exposure to credit and currency risks relating to resale agreements are disclosed in note 14.

4. Accounts receivable

	2011	2010
Trade receivables, net [note 14(b)(i)]	78,950,496	68,484,341
Prepayments and deposits	8,996,506	5,574,415
Other receivables	4,034,210	108,978
Interest receivable	4,699,955	576,705
	$96,681,167	74,744,439

Trade receivables are shown net of an allowance for impairment losses of $Nil (2010: $Nil).

The Commission's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 14.

5. Taxation recoverable

Taxation recoverable represents tax withheld by financial institutions on interest income earned on balances held with those institutions. Taxation recoverable is shown net of a write-off of $4,151,710 (2010: $Nil).

6. Accounts payable

	2011	2010
Trade and other payables	24,029,262	19,020,444
Employee benefits –accrued vacation, gratuities and salary	69,196,153	28,404,077
	$93,225,415	47,424,521

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

6. Accounts payable (cont'd)

The Commission's exposure to liquidity and currency risks relating to trade and other payables are disclosed in note 14. Included in the payables is a provision of $41,512,326 which represents the 7% MOU adjustment for 2009/10 and 2010/11.

7. Intangible assets

These represent software cost capitalized as follows:

	2011	2010
Cost:		
At beginning of year33,827,356	33,224,010	
Additions	1,300,106	603,346
At end of year	35,127,462	33,827,356
Amortisation:		
At beginning of year	22,579,894	22,475,426
Charge for the year	3,050,812	104,468
At end of year	25,630,706	22,579,894
Net book value	$ 9,496,756	11,247,462

8. Property, plant & equipment

	Motor vehicles	Office furniture, equipment and leasehold improvements	Computer equipment	Total
At cost:				
March 31, 2009	5,583,627	74,125,120	42,439,697	122,148,444
Additions	-	25,767,422	10,049,789	35,817,211
Disposals	(173,043)	-	-	(173,043)
March 31, 2010	5,410,584	99,892,542	52,489,486	157,792,612
Additions	-	8,821,377	1,476,878	10,298,255
Disposals	-	(1,589,186)	(6,750,960)	(8,340,146)
March 31, 2011	5,410,584	107,124,733	47,215,404	159,750,721
Depreciation:				
March 31, 2009	3,102,625	37,098,596	40,972,196	81,173,417
Charge for year	753,317	15,802,408	7,136,542	23,692,267
Eliminated on disposals	(173,043)	-	-	(173,043)
March 31, 2010	3,682,899	52,901,004	48,108,738	104,692,641
Charge for year	345,537	11,406,891	1,180,957	12,933,385
Eliminated on disposals	-	(1,589,186)	(6,750,960)	(8,340,146)
March 31, 2011	4,028,436	62,718,709	42,538,735	109,285,880
Net book values:				
March 31, 2011	$1,382,148	44,406,024	4,676,669	50,464,841
March 31, 2010	$1,727,685	46,991,538	4,380,748	53,099,971
March 31, 2009	$2,481,002	37,026,524	1,467,501	40,975,027

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

8. Property, plant & equipment (cont'd)

Office furniture and equipment and computer equipment donated by the Government of Jamaica (see note 1) were valued as at February 25, 2002 at a fair market valuation of $3,205,766 and $593,000, respectively, by Delano Reid & Associates Limited, Management Consultants, Engineers and Appraisers.

9. Reserves

	2011	2010
General reserve	245,873,504	172,772,493
Capital reserve	1,078,564	1,078,564
	$246,952,068	173,851,057

Capital reserve represents property, plant and equipment, valued at $1,078,564, taken over from the Securities Commission at the commencement of operations (note 1). These assets were donated by the United States Agency for International Development through the Ministry of Finance for use by the Commission.

10. Grants

	2011	2010
GOJ revenue grants (i)		
GOJ grant (ii)	35,000,000	33,800,000
	35,000,000	33,800,000
Other grants - IADB (iii)	-	16,122,129
- CARTAC (iv)	-	-
	$35,000,000	49,922,129

(i) The Commission is a beneficiary of the Caribbean Development Bank (CDB)/GOJ loan agreement through the Ministry of Finance and Planning. The grants represent project expenses such as professional fees and training expenses paid by the CDB amounting to $Nil (2010: $ Nil) and $Nil (2010: $Nil), respectively.

(ii) The Commission occupies a building owned by the Government of Jamaica (through the Ministry of Lands and Environment) at a nominal "pepper corn" rent, without a lease agreement.

This Government grant represents the commercial value of the annual rental which management estimates at $35,000,000 (2010: $33,800,000) [see note 15(c)].

(iii) The Commission is a beneficiary of the Inter-American Development Bank (IADB)/GOJ funding agreement through the Ministry of Finance and Planning. Funds received during the year were used to finance professional fees and training expenses aggregating $Nil (2010: $12,752,876) to cover institutional strengthening of the Commission.

(iv) CARTAC is a regional resource centre, based in Barbados, which provides technical assistance and training in core areas of economic and financial management at the request of its participating countries. The Caricom Council of Ministers of Finance and Planning took the decision to establish the centre in September 1999 and the centre became operational in November 2001.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

11. Taxation

Under Section 14 of the Financial Services Commission Act, 2001, the Commission is exempt from income tax.

12. Pension scheme

Effective June 1, 1996, the Securities Commission commenced operations of a contributory pension scheme for employees who are eligible in accordance with the rules of the Plan. On August 2, 2001, the Commission assumed responsibility for the Plan (see note 1). The Pension Plan portfolio was transferred from Sagicor Life to Prime Asset Management Limited as at November 30, 2009.

The scheme is a defined-contribution plan which is set up under trust and is administered by a life insurance company.

Contributions by the Commission for the year amounted to $9,811,509 (2010: $9,348,878).

The scheme is subject to periodic actuarial reviews at intervals of not more than three years. The last actuarial review at May 31, 2008, disclosed Total Assets of $90.8 million and past service liabilities of $79.9 million resulting in a surplus of $10.9 million.

13. Insurance Licence Deposit

In accordance with Section 21 of the Insurance Act 2001, insurance companies, which operate in Jamaica, are required to deposit a prescribed amount with the Commission.

As stated in Regulation 8 (1) of the Insurance Regulations, 2001, the minimum asset required to be deposited with the Commission by a registered insurer from commencement of operations in or from within Jamaica shall be:

(a) in respect of an entity which proposes to carry on life or sickness and health insurance business, or both, ninety million dollars ($90,000,000);

(b) in respect of an entity which proposes to carry on general insurance business, forty-five million dollars ($45,000,000).

Regulation 9 (1) states that the value of securities deposited shall be estimated at their market value, not exceeding par, at the time they are deposited.

On October 8, 2010, the Financial Services Commission's JamClear –CSD account was established at the Bank of Jamaica. Licensees of the Insurance Industry were so informed and asked to make arrangements with their brokers to have securities pledged to the Commission's account. The securities pledged as at March 31, 2011 were valued at approximately $765 million (2010: $1,376 million). Other securities in the possession of the Commission as at March 31, 2011 were valued at $127.26 million (2010: $210.9 million).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

14. Financial instruments

(a) Fair values:

The fair values of cash and cash equivalents, resale agreements, accounts receivable and prepayment, and accounts payable are assumed to approximate their carrying values due to their short-term nature.

(b) Financial risk management:

Exposure to various types of financial instrument risks (credit risk, liquidity risk and market risk) arises in the ordinary course of the Commission's business. The Board of Commissioners has overall responsibility for the establishment and oversight of the Commission's risk management framework. Key management has responsibility for monitoring the Commission's risk management policies. No derivative instruments are presently used to manage, mitigate or eliminate exposure to financial instrument risks.

(i) Credit risk:

Credit risk is the risk that one or both parties to the financial instruments will fail to discharge an obligation resulting in financial loss to one or both parties.

The Commission maintains cash and short-term investments with one reputable financial institution and investments are made in repurchase agreements involving Government of Jamaica securities.

At the reporting date, credit risk is concentrated in cash and cash equivalents, resale agreements and accounts receivable and the maximum exposure to credit risk is represented by the carrying amount of the financial assets as follows:

	Carrying amount	
	2011	2010
	$	$
Cash and cash equivalents	17,681,957	17,743,434
Resale agreements	353,000,984	242,303,271
Accounts receivable (see note 4)	96,681,167	74,744,439
	$467,364,108	334,791,144

The Commission generally does not require collateral in respect of trade receivables. Trade receivables relate mainly to the amounts due from customers. Management does not have a formal credit policy in place as the customer has been determined by entities that are registered under the relevant legislation administered by the Commission

The aging of trade receivables at reporting date was:

	2011	2010
	$	$
Past due 0-30 days	57,858,461	65,416,369
Past due 30-60 days	228,800	350,000
Past due 60-90 days	519,676	2,717,971
Past due over 90 days	20,343,559	-
	78,950,496	68,484,341
Allowance for impairment losses	-	-
Trade receivables, net (note 4)	$78,950,496	68,484,341

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

14. Financial instruments (cont'd)

(b) Financial risk management (cont'd):

(i) Liquidity risk:

Liquidity risk also referred to as funding risk, is the risk that the Commission will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Commission manages this risk by maintaining a substantial portion of its financial assets in liquid form and is not authorised to borrow.

(ii) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Commission's assets, the amounts of its liabilities and/or the Commission's income. At the reporting date, the Commission did not have any significant exposure to foreign currency risk or equity prise risk.

- Interest rate risk:

  Interest rate is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

  The Commission invests mainly in fixed interest rate bearing instruments and does not have any borrowings (see note 3).

  Fair value sensitivity analysis for fixed rate instruments

  The Commission does not account for any fixed rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

- Foreign currency risk:

  Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

  The Commission incurs foreign currency risk primarily on amounts held in United States dollars (US$). At March 31, 2011, foreign currency assets amounted to US$ 2,664.48 (2010: US$47,656.49).

  The exchange rate for US$1, in terms of Jamaica dollars, at the reporting date, was $85.40 (2010: $89.51).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

14. Financial instruments (cont'd)

(c) Capital management:

The Commission is not subject to any externally imposed capital requirements.

The Commissioners and management monitor the return on capital, which is defined as reserves. The Commission's policy is to maintain adequate capital to sustain future development of the entity.

15. Contingent liabilities

As at March 31, 2011, the Commission is contingently liable in respect of the following lawsuits filed against the Commission:

(a) In one such suit, the Claimants are claiming the sum of US$ 5 million against the Commission for damages arising from a search and seizure exercise conducted by the Commission at premises occupied by the Claimants. The suit was commenced in 2006, however, the Claimants are yet to set out the claim in detail. In a related claim by the Claimants, the Court handed down a judgement in the Commission's favour which would affect the viability of the foregoing claim for damages.

The Commission has, therefore, decided to apply to the Court to strike out the suit for damages. The Commission's legal counsel's opinion is that the application to strike out the suit will be successful. The Commission is of the view that the liability will be legal fees incurred in the matter since costs may be awarded, but not recoverable. The potential liability has not been quantified.

(b) In another suit, the Claimants are claiming damages in the amount of US$10 million for alleged defamation by the Commission. The Claim Form was procedurally defective and, further, the allegations in the Claim Form were considered frivolous. Subsequent to the reporting date, the Commission applied to the Court to strike out the claim on July 15, 2011 and was successful. Thus, the only liability expected to be incurred is for legal fees in respect of which a retainer of $100,000 has been paid.

(c) A claim for damages for libel, including compensatory, aggravated and exemplary damages, was filed against the Commission in the Supreme Court. The Claimant was named on the Commission's Watch List of entities and/or persons affiliated with unregulated financial organizations (UFO) which was published in the newspapers during 2009.

The hearing of the application was scheduled for June 15, 2011, but neither the Claimant nor his Counsel attended the hearing. The Commission is exploring its options with a view to having the matter struck out. The Commission is of the view that any liability will be restricted to the legal fees incurred in the matter.

(d) There is an outstanding claim against the Commissions, regarding its collection of Investment Managers licence fees in respect of funds and schemes which commenced their winding-up prior to September 29, 2006. The Commission is taking steps to resolve the matter, with the amounts involved yet to be quantified.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2011

15. Contingent liabilities (cont'd)

(e) The terms of occupancy of the building currently occupied by the Commission {note 10(ii)] are under negotiations which may affect past years. The amounts involved are yet to be quantified.

The eventual outcome of these matters cannot be reliably determined at this time and no provision has been made in the financial statements in these regards, as the Commission anticipates that any eventual liabilities will not have a significant impact on the financial statements.

16. Capital commitment

At the reporting date, the Commission is committed to capital expenditure of approximately $76.9 million (2010: $57,400,000).

17. Key Management Personnel

The Commission has a related party relationship with its Commissioners. Key Management personnel comprise the Commissioners and Senior Managers of the Commission.

(a) Transaction with related parties during the year in the ordinary course of business are as follows:

	2011 $	2010 $
Key Management Personnel compensation:		
Commissioners	3,433,878	2,367,738
Salaries	64,858,325	66,838,885
Gratuity	18,287,252	15,835,411
Pension Contribution	105,928	101,279

Notes

FINANCIAL SERVICES COMMISSION

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