



***FINANCIAL
SERVICES
COMMISSION***

ANNUAL
REPORT

2014-15

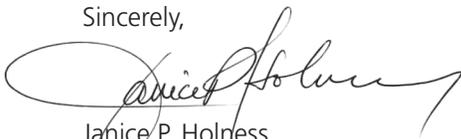
July 31, 2015

Dr. The Honourable Peter D. Phillips M.P.
Minister of Finance and Planning
Ministry of Finance and Planning
30 National Heroes Circle
Kingston 4

Dear Minister Phillips:

In accordance with section 13(1) of the Financial Services Commission Act, 2001, I hereby submit to you, the Annual Report of the Financial Services Commission (FSC) for the Financial Year 2014/2015 and a copy of the FSC's Financial Statements for the year ended March 31, 2015, duly certified by its Auditors.

Sincerely,



Janice P. Holness
Executive Director



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GLOSSARY

AML	Anti-Money Laundering	MEV	Mutual Evaluation
BOJ	Bank of Jamaica	MMOU	Multilateral Memorandum of Understanding
CAA	Caribbean Actuarial Association	MOU	Memorandum of Understanding
CAIR	Caribbean Association of Insurance Regulators	MOFP	Ministry of Finance and Planning
CAPS	Caribbean Association of Pension Supervisors	NII	Net Investment Income
CAR	Capital to Risk Weighted Assets Ratio	NIR	National Investment Reserve
CFATF	Caribbean Financial Action Task Force	NPI	Net Premium Income
CGSR	Caribbean Group of Securities Regulators	OECS	Organization of Eastern Caribbean States
CIC	Compliance & Internal Control	POCA	Proceeds of Crime Act
CIS	Collective Investment Scheme	SIPP	Secured Interest in Personal Property
CFT	Counter Financing of Terrorism	UFO	Unlawful Financial Operations
DB	Defined Benefit	US	United States
DC	Defined Contribution	USD	United States Dollars
EFF	Extended Fund Facility		
ERP	Economic Reform Programme		
FATCA	Foreign Account Tax Compliance Act		
FATF	Financial Action Task Force		
FRC	Financial Regulatory Council		
FSAP	Financial Sector Assessment Programme		
FSC	Financial Services Commission		
FY2014	2014-2015 Fiscal Year		
FY2015	2015-2016 Fiscal Year		
FUM	Funds Under Management		
GDP	Gross Domestic Product		
GOJ	Government of Jamaica		
GPW	Gross Premium Written		
IMF	International Monetary Fund		
IAIS	International Association of Insurance Supervisors		
IFRS	International Financial Reporting Standards		
IOPS	International Organisation of Pension Supervisors		
IOSCO	International Organization of Securities Commissions		
JIS	Jamaica Information Service		
JSE	Jamaica Stock Exchange		
MCCSR	Minimum Continuing Capital and Surplus Requirement		
MCT	Minimum Capital Test		
MEFP	Memorandum of Economic Financial Policies		





CHAIRMAN'S MESSAGE

Adherence to the challenging primary surplus target of 7.5% of Gross Domestic Product underpinned reductions in the ratio of debt to gross domestic product, a sharp reduction in the deficit of the balance of payments on current account, reduction of twelve month point to point inflation to under 5% by March 2015 and an increase in Net International Reserves from under US\$1 billion at March 2013 to approximate US\$2.5 billion at end March 2015.

Beyond the effectiveness of macroeconomic stabilization discussed above, the EFF also embraced a raft of legislative reforms that will enhance the "doing of business" in the economy. These include for example a new Insolvency Act which creates a modernized insolvency framework and allows for the rehabilitation of an insolvent debtor. Of similar importance is the Secured Interest in Personal Property (SIPP) Act which establishes a registry for collateral to facilitate reduced risk in lending and an enhanced flow of credit.

The Financial Services Commission (FSC) continues to contribute to the overall success of the reform process through the implementation of a number of financial reforms in the areas that it regulates. For example, significant strides were made in reforming the securities industry. The Securities (Collective Investment Schemes) Regulations, 2013 was under review during the period with the aim of strengthening its provisions. The Securities (Retail Repurchase) Regulations and the Securities (Prudential) Regulations were promulgated in 2014. These regulations will make the securities markets, and in particular the retail repurchase industry in Jamaica, systematically safer, and will provide enhanced protection for investors.

In addition, the FSC commenced or consummated other short to medium-term initiatives aimed at modernising the financial markets and strengthening financial stability. These initiatives include but are not limited to the following:

- The finalization of the Insurance Bill for tabling in Parliament. The Bill will modernise the regulatory framework for the insurance industry;

Jamaica's Economic Reform Programme (ERP) has been advanced within the context of the Government's 2013-2017 Extended Fund Facility (EFF) borrowing arrangement with the International Monetary Fund. The EFF focuses primarily on reducing the burden of public indebtedness in the medium term but sees its success as being dependent on effective reform of public institutions for the delivery of economic and social services and the support of economic growth. Jamaica to the end of March 2015 had successfully completed eight of sixteen scheduled consecutive quarterly performance assessments under the EFF.

- The development of a framework for microinsurance;
 - The development of a framework to prudently relax the limitations on the investments that can be made by insurance companies;
 - The development of a consolidated supervision framework for non-deposit taking institutions;
 - The development of a risk-based approach to supervision for all three sectors;
 - The development of a crisis management plan for the FSC; and
 - The revamping of its financial education programme.
- The FSC is a member of the Jamaica Venture Capital Steering Committee, which seeks to establish a legal and regulatory environment that is conducive to a vibrant venture capital industry;
 - The FSC continues its work as part of the Financial Regulatory Council and will serve on the Financial System Oversight Committee, that aims to strengthen the collaboration and coordination among its members¹ in addressing systemic risks and monitoring systemically important financial institutions; and
 - The FSC has also contributed to (i) the national financial inclusion strategy which aims to make financial services available to all Jamaicans and (ii) a comprehensive national framework to improve financial literacy and consumer protection in financial services.

In collaboration with other public authorities, the FSC contributed to the development of a national crisis management plan. It is expected that this exercise will be completed in the 2015-2016 financial year. The FSC has also collaborated with both public and private stakeholders in relation to a number of other very important initiatives. These include:

- The FSC became a signatory of the International Organization of Securities Commissions (IOSCO), thereby enhancing its ability to cooperate with overseas securities regulators. IOSCO is the global standard setting body for the securities industry, and a signatory status gives the FSC greater opportunities to participate in the IOSCO's decision-making processes;
- The FSC has representation on the Jamaica International Financial Services Committee, which has done significant work to create a legal and regulatory environment that will establish Jamaica as an International Financial Services Centre. It is envisaged that the FSC will regulate non-deposit taking financial institutions in the international financial service centre;

The Members of the Board of Commissioners share a deep understanding of the imperative need for a functionally efficient Financial Services Commission in support of wealth-holder protection, systemic stability and integrity, and economic growth. We recognize and applaud the tremendous effort of the executive management and staff of the FSC in driving the institution's significant contribution to the strengthening of Jamaica's financial system. We express appreciation for the continuing engagement and support of our licensees and registrants, the customers of financial entities and members of the public.

It is our commitment to work with all the stakeholders cited above, to further enhance the managerial and technical capabilities, the responsiveness, the communication and the transparency of the FSC in support of Jamaica's social and economic commonwealth.



Colin Bullock
Chairman

¹ The FSC, the Bank of Jamaica, the Jamaica Deposit Insurance Corporation and the Ministry of Finance and Planning (MOF)



EXECUTIVE DIRECTOR'S MESSAGE

Act and Regulations to enhance the FSC's regulatory powers and make the securities markets safer for investors. The period also witnessed the updating of the Fourth Schedule penalties under the Financial Services Commission Act. This is a critical step as the FSC embarks on its thrust towards zero tolerance in all its regulated sectors.

On a broader scale, the FSC continued its work on Pension reform. The requisite Cabinet approvals for the proposals were secured and drafting is currently underway. The changes will strengthen the overall administration of pensions, for example, by addressing areas such as vesting and portability.

In addition to legislative reforms, the FSC issued guidance to its constituents aimed at improving market conduct and governance in all the regulated sectors. This is against the background that proper market conduct and corporate governance are critical factors that contribute to the soundness of financial markets.

Anti-Money Laundering

In order to protect the stability and the reputation of the financial markets from the adverse effects of money laundering and the financing of terrorism, the FSC revised its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Guidelines for the insurance, private pensions and securities industries. To improve the understanding of the public, there were public outreach initiatives aimed at educating licensees, registrants and the public on their responsibilities and on new and emerging issues in this area.

In preparation for Jamaica's fourth round mutual evaluation (MEV) by the Caribbean Financial Action Task Force (CFATF) in June 2015, the FSC conducted a preliminary self-assessment exercise. A positive MEV assessment of Jamaica will demonstrate Jamaica's commitment and ability to fight money laundering and terrorism financing, and will enhance Jamaica's image and reputation throughout the world.

Deepening Collaboration and Cooperation

Increased cross-border financial activities have made it necessary for financial regulators to deepen their collaboration and cooperation with each other. The FSC's commitment to partner with fellow regulators and law enforcement globally to fight financial crimes was further demonstrated when we became a signatory to the International Organization of Securities Commissions

The 2014 Financial Year (FY2014) was another busy and demanding year for the FSC. In addition to our routine regulatory and supervisory functions, the FSC worked on many key initiatives required under the ERP and the IMF Programme. In spite of this, the FSC made notable strides, some of which are highlighted below.

A critical ingredient in protecting users of financial services is having the appropriate legal and regulatory framework in place to facilitate adequate monitoring and supervision of service providers. With this in mind, a number of legislative reforms took place during the FY2014. These included amendments to the Securities

(IOSCO) Multilateral Memorandum of Understanding (MMoU) in February 2015.

During the next financial year, the FSC will advance its application to become a signatory to the MMoU of the International Association of Insurance Supervisors (IAIS).

While these steps are significant, it is also noteworthy that the FSC has a track record of cooperation with local and international agencies. In 2014, the FSC signed a MMoU with members of the Caribbean Group of Securities Regulators. It also has bilateral arrangements with other agencies for that purpose.

On the regional level, the FSC continued its support for associations of regional regulators such as the Caribbean Association of Insurance Regulators (CAIR), Caribbean Group of Securities Regulators (CGSR) and Caribbean Association of Pensions Supervisors (CAPS) by providing Secretariat services and hosting annual meetings and seminars.

On the international plain, the FSC was active and diligent in its participation in the activities and working groups of the international standards setting bodies for the insurance, securities and pensions industries. With technical assistance from CARTAC, the FSC completed the process of benchmarking itself against the international standards for all three regulated sectors. The results were measured creditable. However, the FSC aims for excellence and where gaps were identified; steps were initiated to rectify them.

Increased Monitoring

Due to the risks associated with the retail repurchase (retail repo) product, the FSC intensified its surveillance and monitoring of securities dealers that offer this product to the public. These dealers were required to submit additional data and filings to the FSC; from which, in-depth analyses were conducted. In addition to routine examinations, quarterly stress testing was conducted by the FSC in collaboration with the BOJ and eight special audits conducted. The FSC intends to increase the frequency of on-site inspections for securities dealers.

Improving Operational Efficiencies

A regulator that is not efficient or properly managed can be an inhibiting factor to the development, profitability and growth of the financial market. With this in mind, the FSC improved its operational efficiencies.

For example, the Compliance and Internal Division (CIC) Division performed detailed risk assessments of all functional units. The result of this exercise quantified the FSC's exposure to strategic, financial, reputational, operational and compliance risks. For the 2015/2016 fiscal year, the FSC will implement internal risk mitigation strategies and monitor key risk indicators to ensure that risks are kept at an acceptable level. This is one of the FSC's strategic deliverables under its Strategic Plan. Additionally, the FSC will continue to conscientiously identify and implement measures to minimize waste and control operational expenses within budgeted limits.

Going Forward

In the next financial year, the FSC will consummate the regulatory reforms that are not yet completed. The FSC also identified strategic initiatives for the 2015 -2018 period; some of which are listed below:

- Commence the implementation of the recommendations in the 2014 Enterprise Risk Management Report;
- Develop a revised customer service charter;
- Enhance surveillance and business intelligence;
- Effectively addressing conduct issues through the development and implementation of a Co-ordinated and Robust Enforcement Policy;
- Enhance FSC's ability to identify, develop and retain employees with the ability to fill key positions at all levels in the organization; and
- Develop systems to collect, analyse and share information in a timely manner.

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

Finally, I would like to thank the management and staff who worked so hard within the FSC, as well as those from both the public and private sectors who supported our work and partnered with us on various initiatives throughout the period. I also take this opportunity to thank my fellow Commissioners for their continued commitment and dedication in carrying out their responsibilities. To our local and international counterparts (the BOJ, MOF, JDIC and overseas regulators) with whom the FSC collaborated on a number of initiatives, I convey my appreciation for your support and we look forward to continued collaboration in the coming years.



Janice P. Holness
Executive Director

ORGANIZATIONAL OVERVIEW

OUR MISSION

To be an impartial, credible & relevant regulator, effectively engaging stakeholders to support a robust financial services sector.

OUR VISION

To regulate and supervise the securities, insurance and pensions industries for the protection of their users thereby enhancing public confidence through the efforts of a competent workforce.



OUR VALUES

Fairness
Accountability
Confidentiality
Communication
Excellence
Integrity
Teamwork

Since its establishment in 2001, the FSC has worked steadfastly to:

- i. create a sound, fair and efficient financial market that is aligned to international best practices;
- ii. strengthen protection for users of financial services in the areas of insurance, securities and pensions;
- iii. intensify and expand our financial education efforts that will yield a greater level of public understanding and confidence; and
- iv. foster the application of an effective risk management programme by the financial industry.

Armed with professional and practical experience, the FSC promotes the adoption of sound business management practices by our licensees and registrants in order for them to be financially stable and to operate in line with international standards.

ENABLING LEGISLATION:

The FSC's enabling legislation is the Financial Services Commission Act (FSC Act). Section 6 of the FSC Act mandates the FSC to discharge the following duties:

- Supervise and regulate financial institutions that provide services to the public in the fields of insurance, securities and pensions ("prescribed financial institutions");
- Promote the adoption of procedures designed to control and manage risk, for use by the management, Board 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; and
- Promote the modernization of financial services with a view to the adoption and maintenance of international standards of competence, efficiency and competitiveness.

STRATEGIC GOALS



BOARD OF COMMISSIONERS



Mr Colin Bullock currently chairs the Board of Commissioners at the Financial Services Commission. He is the Director General and Chairman of the Board of the Planning Institute of Jamaica (PIOJ) and an advisor to the Minister of Finance and Planning. He also chairs the Board of the Jamaica Social Investment Fund and serves on the Board of the Petro Caribe Development Fund. He is also a lecturer and senior lecturer in the Department of Economics at the University of the West Indies in Macroeconomics, Monetary Economy and Public Finance.

Prior to joining the FSC's Board, he served as Director and Deputy Governor of the Bank of Jamaica and Financial Secretary in the Ministry of Finance. He has over 22 years of experience in economic negotiation among multilateral financial institutions.

Janice P. Holness was appointed Executive Director of the Financial Services Commission in March 2013. Ms Holness oversees the operations of the FSC, a 127 employee financial services regulator with responsibility for regulating, monitoring and supervising the insurance, private pensions and securities industries.

With almost 20 years' experience in financial services regulation, her experience spans multiple jurisdictions. She was previously employed to the FSC between 2003-2011 as the Director, Investigation and Enforcement, where she was instrumental in the FSC's enforcement thrust in combatting unlawful financial operations and led the FSC's successful efforts on meaningful cross-border cooperation and collaboration on investigation and enforcement actions involving financial crimes. These efforts resulted in successful civil and criminal prosecutions in several jurisdictions.

Prior to joining the FSC in 2003, she lived and practiced as an attorney in New York with McCarter and English, LLP. Her primary concentration was representing major insurance companies in matters involving policy interpretation, benefits entitlement and sales and marketing practices. She also served as a law intern with the United States Securities and Exchange Commission (Enforcement Division) working on a variety of securities matters resulting in prosecution and forfeiture actions.

Ms. Holness holds a BS degree, summa cum laude, and a Juris Doctor degree from St. John's University in New York as well as a certificate in Small Countries Financial Management from the University of Oxford, Saïd Business School in the UK. She is a member of the boards of the Bank of Jamaica and the FSC.



Mr Erwin Jones is a graduate of the University of the West Indies and has over 36 years of experience as a Civil Engineer. He has supervised numerous projects and served as a Director of several companies including Fastrak Construction Engineers Company Limited, Jamaica Ethanol Processing Ltd. and E. D. & F Man Jamaica Ltd. He also served as the Chairman of Technological Solutions Ltd.

Mr Jones now serves as the Chairman of the Board of Petrojam Limited. He also currently sits on the Boards of the National Investment Bank of Jamaica and the National Energy Council.

Mrs. Donna Scott-Mottley earned an LLB degree from the University of the West Indies, Cave Hill, a Certificate of Legal Education from the Norman Manley Law School in Jamaica and a Diploma in Crisis Management from the U.S. State Department. She practices in the areas of litigation and conveyancing and has specialized knowledge and experience in relation to the Caribbean Heritage and Culture Legislation. She was awarded the prestigious Musgrave Medal (Silver) in 2007 for her outstanding service to the development of culture through legal skills.

Mrs. Scott-Mottley has served as the Chairman of the National Land Agency Advisory Board, President of the Southern Bar Association of Jamaica and consultant and advisor to the United Nations Educational, Scientific and Cultural Organization (UNESCO) for Jamaica, Dominica, Grenada and Guyana. She currently chairs the Board of the Sugar Company of Jamaica Holdings Limited. She is also the Deputy Chair for the Private Security Regulations Authority; the Michael Manley Foundation and the General Legal Council. She also sits on the Board of Governors of Clarendon College.

Mr Michael Vacciana is a senior partner in the law firm Vacciana & Whittingham. He has a wide range of experiences in corporate and commercial matters spanning the areas of banking, investment, mining and energy, international trade and mergers and acquisitions. He is currently the Chairman of the Boards of the Hotel Four Seasons and Kingston College. He is also a member of the Jamaican Bar Association.

Mr. Vacciana holds an LLB degree from the University of the West Indies and a Certificate in Legal Education from the Norman Manley Law School in Jamaica.





Mr Winston Hayden holds a Bachelor's Degree in Professional Management and a Master of Business Administration (MBA) with distinction from Nova University. He also holds a Diploma in Computer Programming from the Career Training Institute (Boston, Massachusetts). He has more than 30 years' experience in public and private sector management and is currently the Managing Director of Clarendon Alumina Production (CAP).

Mr. Hayden has served as Chairman of the Micro Investment Development Agency and sat on the boards of several publicly and privately owned entities, including the Civil Aviation Authority of Jamaica; Fiscal Services Limited; the Revenue Board; the National Health Fund and the Agricultural Credit Bank (now a part of the Development Bank of Jamaica).



Mrs Diahann Gordon Harrison is an Attorney-at-Law by profession with over fourteen (14) years of experience since she was called to the bar in 2000. Mrs Gordon Harrison served as a Deputy Director of Public Prosecutions within the Office of the Director of Public Prosecutions (DPP). Currently, she is the Children's Advocate of Jamaica, a role she assumed in January 2012 following her appointment to this position by His Excellency Sir Patrick Allen, Governor General of Jamaica. She is a Board member of the University Council of Jamaica and a Commissioner of the National Parenting Support Commission. She holds a B.A in History, an LLB from the University of the West Indies and a Certificate of Legal Education from the Norman Manley Law School in Jamaica.



Justice Karl Harrison earned his LLB from the University of the West Indies. He was appointed as Resident Magistrate in 1983 and later served as Acting Registrar of the Supreme Court; Master in Chambers; Judge of the Court of Appeal and Acting Judge of the Grand Court of Cayman Islands. He received several national honours including the National Commander of the Order of Distinction (CD).

Justice Harrison is well published. His publications include: *Harrisons' Law Notes*; *Harrison on Personal Injury Claims (1997)*; *Harrisons' Assessment of Damages- Personal and Fatal Accident Claims*; and the *Practitioner's Handbook of Fees and Costs*. He is currently the Chairman of the Criminal Records Board and Deputy Chairman of the Accreditation Committee of the General Legal Council. He sits on the Boards of the Corruption Prevention Commission, the Electoral Commission of Jamaica and the Firearm Licensing Authority Review Board.

CORPORATE GOVERNANCE

The Board of Commissioners of the FSC is committed to adhering to high standards of corporate governance consistent with international best practices. The Board provides overall guidance to the staff of the FSC in order to maintain a culture of good corporate governance.

THE BOARD OF COMMISSIONERS

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 Planning for a term of up to five years and may be reappointed to serve additional terms. The Board of Commissioners appoints the Executive Director who has the basic function of providing operational oversight of the FSC.

BOARD EXPERTISE

The Commissioners bring to the FSC wide and diverse areas of expertise, experience and knowledge in the areas of law, international business, corporate finance, strategic management, human resources administration and corporate governance. This breadth of knowledge and expertise facilitates diversity of opinions, provides invaluable support to the decision-making process and fosters critical thinking.

BOARD COMMITTEES

Some Board functions are delegated to Committees of the Board. The six Committees of the Board - Audit, Finance, Human Resources & Administration, Pensions, Insurances and Securities - play an integral role in the governance process. They assist the Board with the proper discharge of its functions by providing an opportunity for more in-depth discussions on areas not reserved specifically for the Board. Chart 1 shows the role of each Board Committee.

INTERNAL CONTROL AND RISK MANAGEMENT

An essential component of corporate governance is effective internal control and risk management. The Compliance and Internal Control (CIC) Division is charged with the responsibility of developing and maintaining (i) an effective risk management framework for the FSC and (ii) an institutional framework that gives assurance that all applicable laws, regulations, rules, best practices, policies and procedures are adhered to. The CIC reports directly to the Audit Committee and administratively to the Executive Director.

For the FY2014, CIC assessed the FSC's risk profile and developed a customized integrated Enterprise Risk Management Framework (ERM), which was approved by the Board. The ERM is pivotal to the achievement of the FSC's objectives and mission and was heavily influenced by ISO 31000:2009 as well

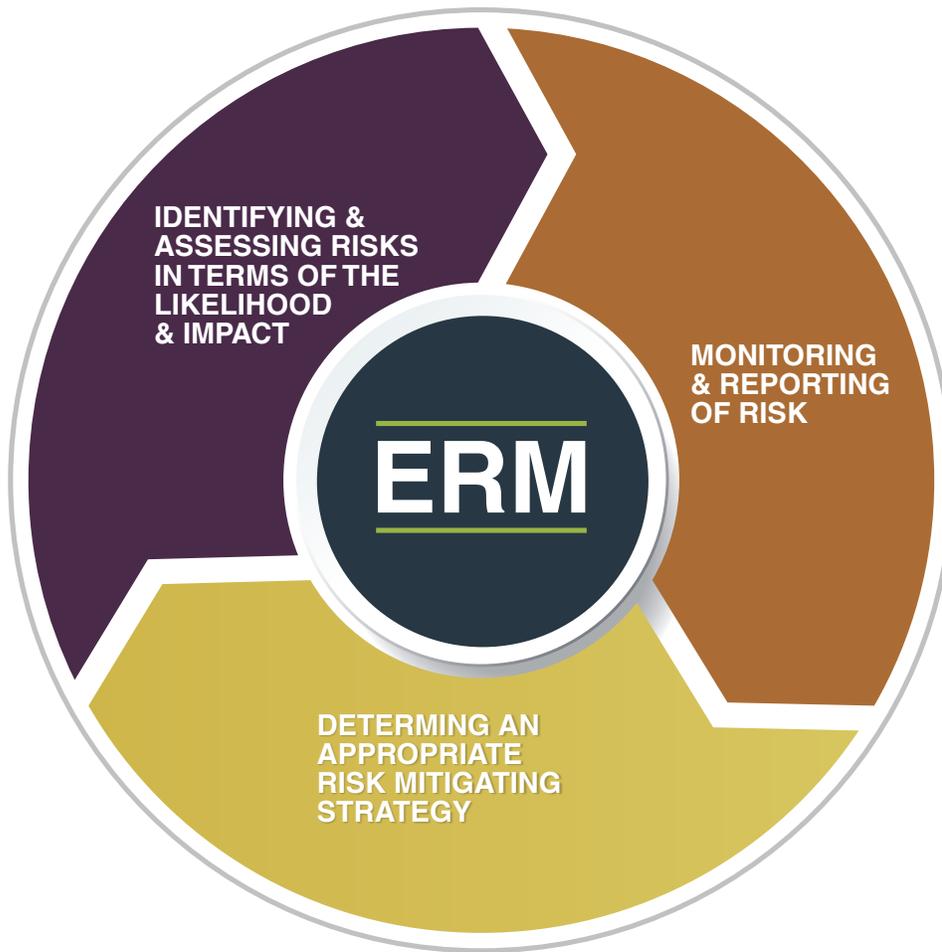


FSC

Chart 1- Roles of Board Committees



Chart 2- Elements of FSC's ERM framework



as other established ERM frameworks. The FSC's ERM has led to a structured and disciplined approach to managing risks across all the functional areas of the organisation. Chart 2 illustrates the ERM elements.

By identifying and proactively addressing risks, the FSC will reduce its vulnerability to risks elements and the impact of those risks on the organization. In order to reinforce the risk management culture and practices at all levels of the organisation, the CIC conducted training sessions designed to sensitise all employees of risk management concepts as well as their responsibilities in that area.

BOARD OPERATIONS

During FY2014, the full Board of Commissioners had nine (9) formal meetings to review and approve governance and operational policies as well as regulatory and supervisory matters. The Board Committees met periodically to examine issues of a specialist nature and make recommendations to the full Board. Chart 3 shows the composition of the Board and the number of meetings held during the reporting period for each Committee.



Chart 3: Board Committees – Composition & Number of Meetings held in FY2014

Board Committees	Members	Meetings Held
Audit	Mr Winston Hayden, Chair Mr Colin Bullock Ms Janice P. Holness Mr Michael Vacciana	
Finance	Mr Winston Hayden, Chair Mr Colin Bullock Ms Janice P. Holness Mr Michael Vacciana	
Human Resources & Administration	Mr Colin Bullock, Chair Ms Janice P. Holness Mr Erwin Jones Mrs Diahann Gordon-Harrison	
Pensions	Hon. Mr Justice Karl Harrison (Retired), Chair Ms Janice P. Holness Mr Erwin Jones Mrs Donna Scott-Mottley	
Insurance	Mr Michael Vacciana, Chair Ms Janice P. Holness Mrs Donna Scott-Mottley Mr Winston Hayden	
Securities	Mrs Diahann Gordon-Harrison, Chair Ms Janice P. Holness Mr Michael Vacciana Hon. Mr Justice Karl Harrison (Retired)	

The Board grants audience to an aggrieved applicant, registrant or licensee who wishes to make representations to it in respect of an adverse decision made in relation to an application. The Board also has the responsibility under the Securities Act to review

any disciplinary action taken by the Stock Exchange against its members after giving the member concerned and the Stock Exchange the opportunity to be heard.



REMUNERATION

The Board of Commissioners is remunerated as determined by the Minister of Finance. Chart 4 provides information on the remuneration paid to the Commissioners.

Chart 4: Compensation of Commissioners FY2014 (\$'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
Colin Bullock- Chairman	825.00	-	-	-	825.00
Michael Vacciana	169.17	-	-	-	169.17
Karl Harrison	159.75	-	-	-	159.75
Donna Scott Mottley	137.25	-	-	-	137.25
Winston Hayden	159.75	-	-	-	159.75
Erwin Jones	148.50	-	-	-	148.50
Diahann Gordon-Harrison	144.00	-	-	-	144.00
Total	1,743.42	-	-	-	1,743.42



EXECUTIVE MANAGEMENT TEAM

The Executive Director leads the executive management team in creating and implementing strategic and operational direction in order to fulfil the FSC's mandate of protecting users of financial services in the areas of insurance, securities and pensions.



Janet
**JOHNSON -
HAUGHTON**
Acting Deputy
Executive Director



Janice
HOLNESS
Executive Director



Ingrid
PUSEY
(General Counsel
& Board Secretary)
Head of Legal Services,
Research & Policy Division



Amina
MAKNOON
Senior Director,
Investigation
& Enforcement



Laurence
CROSSLEY
Senior Director,
Securities



Nicolette
JENEZ
Senior Director,
Pensions



Rosemarie
A. HENRY
Senior Director,
Insurance



Sekayi
CAMPBELL
Chief Actuary



Joan
**WALKER-
STEWART**
Senior Director,
Corporate Services

Chart 5: Compensation of Executive Management 2014/2015

Position of Senior Executive	Year	Salary(\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Executive Director	2014/2015	14,959,994.80	-	-	-	69,000.00	4,746,105.00	19,775,099.80
Deputy Executive Director	2014/2015	4,839,458.94	2,076,725.46	406,550.00	-	-	-	7,322,734.40
Acting Deputy Executive Director	2014/2015	1,949,938.50	-	243,930.00	-	69,000.00	-	2,262,868.50*
General Counsel	2014/2015	6,379,308.52	-	975,720.00	-	69,000.00	-	7,424,028.52
Chief Actuary	2014/2015	6,406,209.40	2,755,190.50	676,994.13	-	69,000.00	-	9,907,394.03
Senior Director Corporate Services	2014/2015	6,373,024.93	-	975,720.00	-	69,000.00	-	7,417,744.93
Senior Director Insurance	2014/2015	6,274,582.04	1,558,170.51	975,720.00	-	69,000.00	-	8,877,472.55
Senior Director Securities	2014/2015	5,463,302.63	1,356,241.15	813,100.00	-	69,000.00	-	7,701,643.78
Senior Director Pensions	2014/2015	6,882,792.3	-	975,720.00	-	69,000.00	-	7,927,512.30
Senior Director Compliance & Internal Control	2014/2015	4,845,992.35	1,590,565.71	731,790.00	-	-	-	7,168,348.06
Director Investigation & Enforcement	2014/2015	4,977,875.29	1,103,259.24	894,410.00	-	-	-	6,975,544.53
Senior Director Investigation & Enforcement	2014/2015	1,013,315.25	-	162,620.00	-	69,000.00	-	1,244,935.25**
Total		70,365,794.95	10,440,152.57	7,832,274.13	0.00	621,000.00	4,746,105.00	94,005,326.65

Notes

1. Executive Management includes the Executive Director, Deputy Executive Director, Senior Directors (5), Chief Actuary and General Counsel. Each member of the Executive Management Team is on contract and is therefore not in the Commission's pension plan. The members are however, eligible for health insurance coverage on the Commission's group health plan.

2. All contracts are in Jamaican currency.

*Figure represents the period January-March 2015 ** Figure represents the period February -March 2015

FSC'S PERFORMANCE HIGHLIGHTS

Chart 6:
Highlights of Achievements
for FY2014



The FSC's core values include accountability and transparency. As a demonstration of the FSC's commitment to those core values, the FSC supplies information on its operational and financial performance for FY2014 in this section. It also outlines the FSC's strategic goals and financial projections for the 2015-2016 (FY2015). Chart 6 provides a summary of the FSC's achievements in FY2014.

REVIEW OF FINANCIAL PERFORMANCE FOR FY2014

The financial statements in this 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, 2015. The following comments provide an analysis of the performance during the FY2014 period and should be read in conjunction with the financial statements.

Income and Expenditure

The FSC achieved a net surplus of \$245.81 million compared to \$166.24 million for the previous year. Highlights of the income and expenditure are presented as follows:

Income

The FSC is funded mainly through fees charged to its licensees and registrants determined on a cost recovery basis. See chart 7. The amount charged to individual institutions is determined according to the formulae set out in the respective Regulations. The

FSC developed a costing system designed to allocate the FSC's cost based on the time spent supervising and regulating each industry. As a result, each industry is expected to pay fees to cover its supervisory and regulatory costs. Fees, as shown on the Income & Expenditure Statement, include the following:

Licensing and Registration fees for FY2014 increased by approximately 5 per cent compared to the previous year. The increase in fees was due to:

- A twenty-one per cent increase in fees from the securities industry, as a result of the acquisition of over 2 billion shares by a dealer in March 2015. This resulted in increased income of \$37.82 million for the FSC in that month; and
- An increase of three per cent in fees collected from the insurance industry. The total assets from the Life & General Insurance industry experienced a growth of 5.6 per cent and 4.6 per cent respectively.

Note that there was a two per cent (2%) decrease in fees from the pensions industry. In the previous year, an outstanding amount of \$6.06 million was received from licensees with respect to pension plans that were omitted in the company's filings for previous years.

Charts 8-10 provide details of the sources of fee income from the Securities, Insurance and Pensions Industries for FY2014 and the comparative figures for the FY2013 period.

Chart 7: Composition of FSC's Revenue, 2014 - 2015

Fees	\$ Million
Licensing/Registration Fees	826.10
Interest Income	48.52
Fees from seminars /workshops	0.58
Miscellaneous Income	0.04
Total	875.24



Chart 8: Revenue from the Securities Industry 2013/2014 and 2014/2015

Fees	2013/2014		2014/2015	
	Revenue ('\$000)	% of Total	Revenue ('\$000)	% of Total
Annual Licensing/Registration Fees– Securities Dealers Mutual Funds	139,263	83	140,689	69
Stock Exchange & JCSD Fees	14,166	8	49,492	24
Application Fees	15,292	9	14,236	7
Total	168,721	100	204,417	100

Chart 9: Revenue from the Insurance Industry 2013/2014 and 2014/2015

Fees	2013/2014		2014/2015	
	Revenue ('\$000)	% of Total	Revenue ('\$000)	% of Total
Annual Registration Fees- Life and General Companies	278,685	92	289,438	92
Annual Fees- Intermediaries	18,237	6	17,711	6
Application Fees	6,656	2	7,026	2
Total	303,578	100	314,175	100

Chart 10: Revenue from the Pensions Industry 2013/2014 and 2014/2015

Source	2013/2014		2014/2015	
	Revenue ('\$000)	% of Total	Revenue ('\$000)	% of Total
Annual Licensing Fees - Investment Managers	312,385	99.7	306,587	99.7
Application Fees	863	0.03	917	0.03
Total	313,248	100	307,504	100

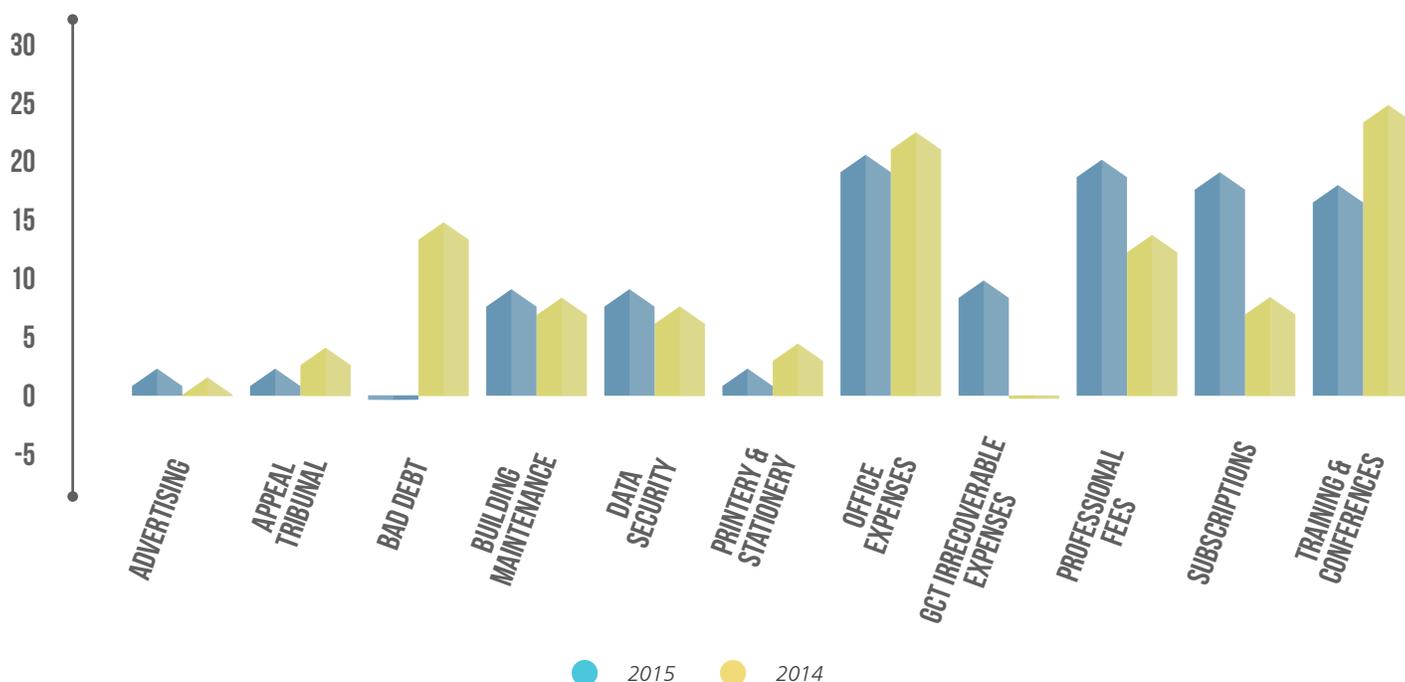
Interest Income

Interest income for FY2014 was \$48.52 million, representing an increase of \$14.93 million compared to the previous year. During FY2014, an additional \$180 million was placed on investments. Interest rates on short term deposits for FY2014 were between 6.45 per cent and 7.40 per cent per annum compared with 7.15 per cent and 7.4 per cent per annum for FY2013.

EXPENSES

Total expenses for FY2014 were \$665.42 million, which was \$24.56 million less than the expenditure for the previous year. This was due to the implementation of cost saving measures by the FSC. Salaries and related expenditure amounted to \$442.4 million and was 7 per cent less than the \$474.3 million for FY2013. Chart 11 displays the changes in selected expenses for the years ended March 31, 2014 and 2015.

Chart 11: Selected Expenses for the Years Ended March 31, 2014 & 2015 (\$ Millions)



Balance Sheet

1) Liquidity

The FSC ended the year with cash and cash equivalents of \$55.62 million, compared with the \$25.43 million at the end of FY2013. Resale agreements (short term investments) were \$820.14 million, which was \$187 million higher than the previous year. Excess funds in the current account are normally placed on short term deposits.

2) Accounts Receivable and Prepayments

Accounts Receivable and Prepayments at \$184.55 million was \$31.35 million higher than the previous year. This amount includes the following:

The prepayments of \$41.11 million include progress payments on the following assets:

Electronic document records Management System.	\$30.40
New Elevator.	\$ 3.70

3) Taxation Recoverable

Taxation recoverable is \$8.30 million less than the previous year. In January 2015, the FSC received a refund of \$6.82 million from the Tax Administration Department. In addition, an amount of \$1.48 million related to the years 2001-2007, which was deemed unrecoverable and was written off.

Chart 12: Accounts Receivable & Payments

Accounts Receivable & Prepayments	FY2013 \$ million	FY2014 \$ million
Trade Receivables	103.80	133.84
Prepayments and Deposits	40.50	41.11
Interest receivable	6.20	6.83
Other Receivables	2.70	2.77
Total	153.20	184.55

Trade receivables are shown net of an allowance for impairment losses of \$3.04 million. The outstanding \$133.84 million includes but is not limited to:

- An amount of \$75.20 million which relates to fees owing from the insurance industry and which are paid quarterly in arrears. Fees for the quarter ended March 31, 2015 were due in April 2015. (2014: \$77.57 millions), and
- An amount of \$42.55 million was outstanding from the Jamaica Stock Exchange (this represents fees for the period Nov.2014-March 2015). Of that amount, \$4.12 million was collected in May 2015, which represents fees for November 2014 – February 2015. (2014: \$20 million)

4) Non-Current Assets

Non-current assets at the end of the year were \$30.8 million (net of depreciation). This was \$7.26 million less than the previous year. During the period, some assets became fully depreciated. Property, plant, equipment and intangible assets are depreciated /amortized 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%

Table 13: Accounts Payable

Details	2013 / 2014 \$ Million	2014 /2015 \$ Million
Trade and other Payables	25.43	24.21
Employee Benefits (accrued leave, gratuity)	44.60	36.52
Total	70.03	60.73

Trade payables of \$24.21 million include the following:

- An accrual of statutory payments for March 2014 of \$10.87 million which was payable on April 14, 2015, and
- Accrued operating expenses of \$13.34 million.

Included in the employees’ benefits, is accrued vacation leave of \$23.44 million i.e 2,130 days (2014: \$24.62million or 2,342 days).

Dividend

The FSC does not pay dividend and therefore, for the purposes of Part 1 to the Second Schedule to

the PBMA, it is not necessary for the FSC to provide notification of payment of dividend.

LOOKING AHEAD

Financing and talent management are critical factors for the success of the FSC’s strategic objectives.

During 2015-2018, the FSC will adopt a strategy of service differentiation based on timely responsiveness and delivery. The strategic objectives are dispersed across the four perspectives of the balanced scorecard. The strategy map below, presents a visual representation of the activities the FSC will perform over the period 2015-2018 to achieve its mission and goals. Financing and talent management are critical factors for success of the FSC’s strategic objectives.

Chart 14: FSC’S STRATEGY MAP 2015-2018



FINANCIAL PROJECTION FOR 2015 -2016

Chart 15: FSC's Financial Projections for 2015-2016 (\$' 000)

	Actual 2014-2015 (\$' 000)	Projected 2015-2016 (\$' 000)
INCOME:		
Fees	826,095.1	819,094.0
Interest Income	48,523.3	47,132.0
Other	621.0	1,380.0
TOTAL INCOME	875,239.4	867,606.0
EXPENSES:		
Advertising	742.8	619.0
Appeals Tribunal	2,503.2	3,050.0
Audit	1,652.2	1,650.0
Bad Debts	(855.3)	-
Bank Charges	250.6	651.0
Building Maintenance	8,984.6	11,118.0
Commissioners Fees	1,743.4	2,338.0
Data Security	8,508.1	12,057.0
Depreciation and Amortisation	15,003.1	20,520.0
Market Research Cost	5,497.4	0.0
Motor Vehicle and Parking Expense	9,740.1	10,209.0
Office Expenses	19,734.5	27,788.0
Irrecoverable General Consumption Tax	9,562.5	4,036.0
Printing and Stationery	1,858.5	3,511.0
Professional Fees	19,963.0	25,800.0
Public Education	18,865.3	21,990.0
Rent	36,000.0	36,000.0
Staff Cost	442,449.3	534,886.0
Subscriptions	19,167.7	25,698.0
Training and conferences	17,829.7	36,796.0
Utilities	26,223.6	33,056.0
TOTAL EXPENSES	665,424.3	811,773.0
Surplus before grant	209,814.9	55,833.0
Grant	36,000.0	36,000.0
SURPLUS FOR THE YEAR	245,814.9	91,833.0

ORGANIZATIONAL CAPACITY

MAINTAINING A TEAM OF EXCELLENCE

The nature of financial markets and products are fluid and are becoming increasingly complex and multifaceted in nature, as technology and appetites change, and cross border linkages expand. In order to effectively regulate financial markets, the FSC must recruit and retain knowledgeable and competent staff, who are able to respond quickly to changes in the financial markets and keep abreast of developments in the regulated areas. The staff of the FSC must therefore undergo on-going training and sensitization in relation to new and emerging issues.

Multifaceted Approach to Talent Development

Partnering for Progress

One of the highlights of FY2014 was the continued partnership between the FSC and the Toronto Centre to bring training programmes in insurance and securities supervision to Jamaica. This resulted in a total of fifty (50) members of the FSC's staff being trained in Risk Based Supervision. That initiative was a vivid example of the FSC's on-going efforts to extend the reach and scope of learning opportunities to its

staff. By partnering with the Toronto Centre to have training programmes conducted in Jamaica, the FSC ensured that a wide cross-section of the FSC's staff was given relevant and highly technical training in a cost effective manner.

During FY2014, the staff of the FSC also received training on a number of AML/ CFT issues. The FSC partnered with KPMG to sensitise staff about the risk-based approach to AML/CFT regulation. This proved timely as the FSC was at the time, preparing for its CFATF assessment.

The FSC also collaborated with regional and international counterparts to build the capability of its staff, through the cross-sharing of knowledge and experiences with overseas regulators. Membership in regional and international standard-setting bodies enriched and diversified the range of training opportunities available to the FSC's staff, through secondments as well as online and other forms of supervisory training programmes. For example, Ms Sherika Ellis was seconded to the International Organisation of Pension Supervisors (IOPS) during FY2014. Below is a testimonial of her experience and what it means for the FSC.

"The Secretariat of the IOPS hosted me as a secondee in the FY2014. During the period, I had the privilege of contributing to several areas of the IOPS' Programme of Work. Among other things, the most significant aspects of the experience included:

1. Collaborating with the International Actuarial Association (IAA) and the Head of IOPS to deliver the research paper, **The Role of Actuarial Review and Calculation in Pension Supervision**, with the opportunity to present the paper to delegates of the IOPS/ Organisation of Economic Cooperation and Development's Working Party on Private Pension (WPPP) at the joint meeting held in Paris in June 2015;
2. Developing a case study on the process of implementing Risk-Based Supervision in Brazil (forthcoming);



Sherika
ELLIS
Senior Investigator

3. Writing a briefing note on positioning IOPS as the world standard-setting body for private pension supervision; documenting the experiences, reporting the challenges (forthcoming)
4. Completing private pension profiles for several countries included in the International Social Security Association/ Organisation for Economic Co-operation/ International Organisation of Pension Supervisors and Development (ISSA/OECD /IOPS) Complementary and Private Pension database; and
5. Drafting the working paper, **Expanding Pension Coverage to the Informal Sector: Micro Pension Plans** – I now have an increased understanding of the mechanics of International Organisations (IO) and their interaction with their members and other key stakeholders in driving policy. The FSC will derive the benefit of leveraging this knowledge to improve its relations not just with IOPS but with other IOs to stamp its mark and further solidify its position among its counterparts internationally. In addition, my greater knowledge of the functioning of private pension systems will allow me to add value, by contributing at an increased level to policy challenges in the supervision of the pension industry.”

Train the trainer

In keeping with the objective to build internal capacity, careful attention was given to the selection of persons for mandatory industry training. A “Train the Trainer” approach has been adopted, whereby persons who attend such training are expected to transfer the knowledge within the organization, in a meaningful and sustainable way. The ultimate goal is to develop a culture of transferring knowledge among staff.

Going Forward

While the FSC continues to build its brand both locally and internationally, the need to ensure that the existing talent pool is being sharpened and refined has to be carefully juxtaposed with the organisation’s vision. The organisation has to maintain its relevance through incomparable service delivery, by a cadre of team members who imbibe and model the FSC’s mission and vision. Work has already begun to ensure that gains made in this regard will be sustained. The FSC will continue to explore a wide variety of strategies to build organisational capacity and maintain a team of excellence.



REGIONAL & INTERNATIONAL AFFAIRS:

ENSURING A CLEAR & STRONG FSC'S PRESENCE BY ENHANCING EXTERNAL RELATIONSHIPS.



Janice P. Holness (centre) is congratulated by IOSCO executives on the FSC becoming a signatory of the IOSCO MMOU

Given the increasing cross border element in the delivery of products and services, the FSC must create and maintain relationships with its regional and international counterparts in order to effectively regulate and supervise those activities.

Increasing Regional & International Collaboration

The FSC has representation on all leading international standard setting bodies for its regulated sectors, such as the International Organisation of Pension Supervisors (IOPS), the International Organisation of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS).

In 2015, the FSC became a signatory to the IOSCO MMOU, which is an important stride in gaining

the respect and recognition of its international counterparts as an equal partner that operates in a regulatory environment and meets global standards.

The FSC's successful bids made during FY2014 to host IOSCO's annual conference in 2017, as well as the fall 2015 meeting of the Inter-America Regional Committee/Council of Securities Regulators of the Americas (IARC/COSRA), demonstrates the FSC's positive image in the international arena.

The FSC's membership and participation in bodies such as IOSCO, IOPS and IAIS allows it to participate in standard-setting on the international plain, and creates networking opportunities that ease the path to collaboration and cooperation when investigating financial crimes.



Technical Work

Our interactions with these organizations in 2014-2015 include, but are not limited to the activities set out below:

- The FSC served as the Chair of the Caribbean Group of Securities Regulators (CGSR) and the Caribbean Association of Pensions Supervisors (CAPS);
- Ms. Rosemarie Henry, Senior Director of the Insurance Division, co-chaired the Inclusion Sub-Committee of the IAIS;
- The FSC provided feedback on a number of surveys and research papers issued or produced by IAIS, IOPS and IOSCO;
- Participation in the International Forum for Investor Education (IFIE) working group. Investor education is a critical element of investor protection and is necessary to foster growth in the capital markets;
- The staff participated in IARC/COSRA Working Group on SRO Conflict of Interests;
- The FSC participated in the College of Regulators for Caribbean insurance companies;
- Employees worked on three IOPS projects namely: (a) the role of supervision related to consumer protection in pensions systems; (b) the macro and micro dimensions of supervision of large pension plans, and (c) global database of private pensions country profile;
- The FSC made presentations at the Caribbean Actuarial Association's (CAA's) 24th Annual Conference entitled **"Navigating the Changing Landscape of Risk"** on December 3-5, 2014 including a presentation by Ms. Melanie Williams on Regulations in Jamaica;



Ingrid Pusey, General Counsel and Laurence Crossley, Senior Director, Securities forging important relationships with Jose Loyola, General Director for International Affairs of Securities and Exchange Commission of Brazil (CVM) CMV, Mexico at the January 2015 Meeting of IARC/ COSRA

- Ms. Charmaine Lindsay, the Manager of the FSC's Pensions Division, made a presentation on **"Policy Recommendations & Incentives to Increase Pension Coverage"** at the IOPS/AIOS International Seminar on Pensions Systems, which was held over two days between February 24-25, 2015 in Costa Rica: and
- The FSC continued its work in collaboration with Child & Youth Finance International (CYFI) and Global Money Week (GMW) on the School's Financial Education Programme.

INVESTOR EDUCATION



At the SFEP Awards Luncheon held on March 26, 2015, Ardenne High student Sade Holness delivered a testimonial of her growth and development having participated in the SFEP in 2014. Looking on (from right) are: MC- Annalise Harewood, Executive Director -Janice P. Holness, Chief Executive Officer of CreditInfo Jamaica - Megan Deane, President of Junior Achievement Jamaica - Alphie Mullings Aiken and Acting Deputy Executive Director - Janet Johnson Haughton.

In FY2014 the FSC continued its Schools' Financial Education Programme (SFEP) activities with the objective of achieving a financially educated society in Jamaica. The Programme involved eight (8) Jamaican high schools and targeted students twelve years and older, who were motivated and capable of understanding the programme material. It was envisaged that the Programme would impact a wider group of persons, namely the participants' peers, families and their communities. Approximately thirty (30) students from each school participated in the exercise. The high schools represented were: Ardenne; Glenmuir; Black River; Denbigh; Mannings; Ascott; William Knibb, and St Jago.

This programme was in keeping with the recently announced decision by the Ministry of Education to make financial education a part of the school's curriculum. It was specifically designed to deliver knowledge that translates into greater financial inclusion for the next generation of Jamaicans, while also equipping the participants with the necessary tools to make sound financial decisions for their future as adults, parents and leaders in Jamaica's economy.

The FSC has been working in collaboration with Child & Youth Finance International (CYFI) and Global Money Week (GMW) on this initiative.

About The Programme:

1. Financial Education Modules:

Education modules were delivered for approximately thirty (30) minutes each week in the participating schools, and were based on the Junior Achievement curriculum, which is specifically focused on basic personal finance skills that are relevant to the lives of young adults. The easy-to-understand modules covered the following topics: Planning to Earn; Saving for Life; Budgeting; Credit Choices; and Being a Savvy Consumer.

2. Educational Tours

An important part of the SFEP was the one-day educational tour conducted during the sixth week of the programme. All students participating in the programme were transported to Kingston, courtesy of the FSC, and given a comprehensive tour of three important financial institutions: the Bank of Jamaica's



Money Museum; the Jamaica Stock Exchange; and the offices of the FSC. During this tour, students were exposed to how money evolves and how the financial system in Jamaica operates.

3. The Essay Competition

The programme included an essay competition, which was opened to participating students. The aim of the essay competition was to ensure that the participating students were able to demonstrate good writing skills; excellent qualitative analysis and focused critical thinking skills in relation to the management of money and the personal finance principles imparted throughout the six-week programme. The topic was **“Formal credit reporting is new to Jamaica: What are the most important lessons for High School Students to learn about Credit Management?”** The winner of the competition was Lennox McKenzie of Denbigh High School in Clarendon; the first runner-up was Nateesha Edwards, also of Denbigh High, and third place went to Catherine Douse of St Jago High School in St Catherine.

4. The Facilitators

The modules were flexible and easy to use, and were delivered by a cadre of FSC employees, along with carefully selected external facilitators, who are trained annually to deliver the tutorials in an exciting and easily understood format for the students. Students utilized posters, charts, board games and other creative interactive means in order to allow them to easily grasp and remember the concepts.

5. The Awards Luncheon

Instead of the customary “Closing Ceremony,” an “Awards Luncheon” was held this year at the Montego Bay Conventional Centre. The Luncheon allowed participants to get a better grasp of the programme’s importance and allowed for the participation of successful leaders from Jamaica’s business and financial sectors to be present. The leaders sat at the tables with the students and offered their comments, motivational advice and guidance to the students about future career paths and financial goals. Additionally, Jamaican financial organizations displayed their products and services that are designed for children and youths in booths on the periphery of the Montego Bay Conventional Centre’s ballroom. This provided an opportunity for students to acquire additional financial knowledge and advanced their personal financial growth.

The Luncheon helped to combine the entire Schools’ Financial Education Programme with Global Money Week, during which the Luncheon took place. At the Luncheon, the students’ hard work to improve their

skills in financial capability and money management was recognized with awards and commendations. The format of this event has provided an important opportunity for the students to develop and refine their soft-skills, such as business etiquette and networking, which are essential for their progression as future leaders both nationally and globally.

Building Knowledge & Understanding of New Products

The FSC in collaboration with the Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank Group, and the Access to Insurance Initiative (A2ii) hosted a workshop under the theme **“Microinsurance: Exploring a New Frontier - Unveiling the Results”**. The workshop explored the opportunities for accessing insurance through new products, new markets and additional distribution channels at lower cost, by way of approved institutions, including cooperatives, small and medium enterprises and telecommunications service providers.

An introductory presentation on Micro Pensions and the benefits to be derived by Jamaica was also a highlight of the event. The FSC also hosted an outside broadcast under the theme **“Microinsurance: How does it work for me?”** live from the Sam Sharpe Square in Montego Bay, St. James. This was followed by a one-hour public forum in the Montego Bay Cultural Centre and Town Hall.

Improving Understanding and Compliance with the Regulatory Framework

In addition to the regularly aired FSC Minute TV programmes and the FSC Compass quarterly newsletters, the FSC partnered with key stakeholders to stage the following events:

- The FSC in association with the Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Accountants of Jamaica (ICAJ) hosted a one-day workshop entitled: **“The Changing Landscape in Pension Management: Empowering the Pension Industry”**. This training event was designed to cover key concepts in pension reform, pension fund management, governance, pension pay-out products (PPPs), regulations on funding and solvency, the Foreign Account Tax Compliance Act (FATCA) and mitigating money laundering practices;
- The FSC partnered with the ACCA and the Management Institute for National

Development to host a Breakfast Panel Discussion on the issue of **Ethics and Whistle-blowing in the Public and Financial Sectors**. Topics such as the Importance and the Value of an Effective Whistle-blowing Systems and the Protected Disclosures Act were examined, and

- The FSC in collaboration with the Financial Investigations Division (FID) hosted a public briefing to educate members of the public on Jamaica's Mutual Evaluation (MEV) Review 2015 for CFATF. The revised Anti-money Laundering/Counter Financing of Terrorism (AML/CFT) regime; and the role of the FSC as regulator in protecting the financial system from the risks of money laundering and terrorism were imparted.

DEVELOPING OUR YOUTH

The FSC is proud of its yearly summer internship programme through which it gives the youth the opportunity to gain experiences in the regulatory environment. Through this mechanism, the FSC seeks to shape future regulators and markets players, embedding in them the desired characteristics and values of players in the financial markets. The FSC also offers internships from time to time for students who demonstrate an interest in working with the organization.

The testimonial of one of these interns is set out below:

I started at the Financial Services Commission as a summer worker during the period of June - August 2012 in the Legal Services, Research & Policy Division. My experience with the organization during that year was a positive one. I got a deeper understanding and appreciation of the significant role the FSC plays as a financial regulator. This initial experience with the FSC has partly contributed to and shaped the decisions I have taken for the direction of my career.

Having completed my Bachelor of Laws at the University of the West Indies, Barbados, I returned home to Jamaica in the summer of 2013 and re-joined the organization as a summer worker in



Nyssa-Kaye
DARBY
Legal Intern

the same division. To my delight, I was given the opportunity to continue to work part-time as a Legal Intern with the organization from 2013 – 2015, while I completed my legal studies at the Norman Manley Law School.

My employment with the FSC has truly been a rewarding and fulfilling experience. Over the past two years, the FSC has facilitated my growth and development, both personally and professionally. Working in the Legal Services, Research & Policy Division, I am uniquely exposed to distinct areas of law. Coupled with the added feature of financial regulation, the exposure gained and knowledge acquired are invaluable.

Each day at the FSC presents a renewed learning opportunity. The tasks might initially appear daunting but the tutelage offered by senior colleagues is admirable and encouraging. I welcome such a support system, which creates a productive and friendly working environment and aids in my professional advancement.

I am extremely grateful to now be a part of an organization such as the FSC. I look forward to new and great experiences.



OVERVIEW OF THE FINANCIAL MARKETS

Jamaica continues to strive towards generating and maintaining economic growth. For the 2014 calendar year, real growth in GDP in Jamaica was 0.5 per cent (0.5%). This was 1 per cent (1%) less than the corresponding period in 2013. In spite of this, there were positive results in several key macroeconomic indicators such as inflation (which continued to be single – digit) and interest rates (which remained low). Positive signs were also seen in the financial markets, as the liquidity in the money market improved and the pace of depreciation of the Jamaican currency against the United States dollar was much slower than in 2013 (See Chart 16).

Chart 16: Selected Macro Indicators for Jamaica, 2012-2014

Selected Macroeconomic Indicators	2012	2013	2014
Inflation (%)	8.0	9.5	6.4
T-Bill Yield (6 months) (%)	7.18	8.25	7.14
JSE Market Index (points)	92,101	80,634	76,353
Unemployment Rate (%)	14.0	14.94	14.2
Exchange Rate (End of Period)	92.99	106.38	114.66

While Jamaica remains vulnerable to external and internal shocks², there is a positive outlook for the Jamaican economy in 2015. This is due to the following factors:

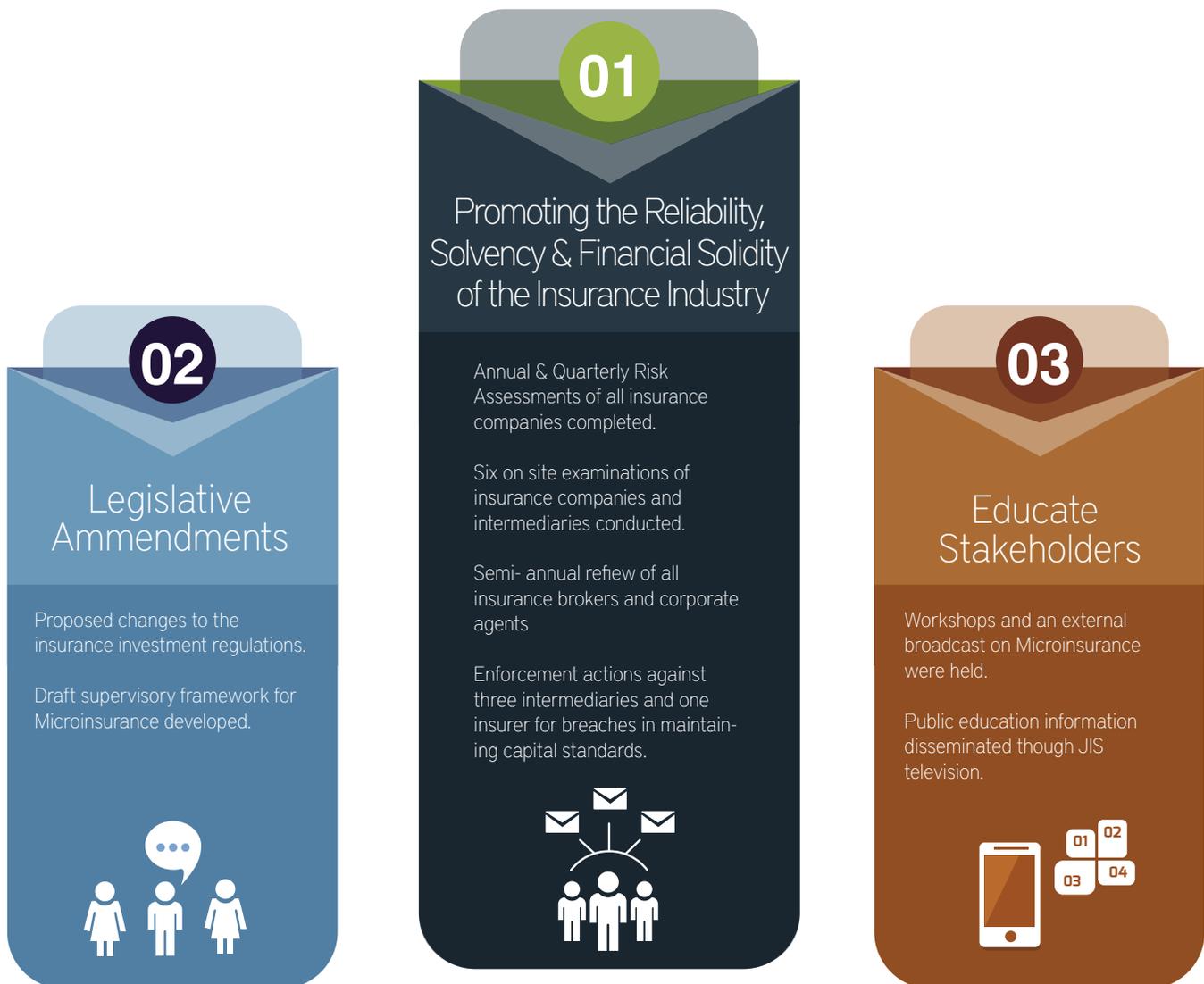
- Improvement in business confidence;
- The expectation that both inflation and the T-bill rates will remain in single digits;
- A forecast of 1 per cent growth in GDP;
- An anticipated upward movement in the stock exchange index;
- Projection that the exchange rate between the US and Jamaican currencies will be relatively stable, and
- The continued strong performance by the GOJ in passing the IMF quarterly test.

This positive outlook is favourable for the three industries regulated by the FSC, which all grew and remained solvent in the FY2014 period.

² External shocks include increases in commodity prices and bad weather; internal shocks include persistent drought and unsettled salary negotiations between the government and the public sector unions.

PROMOTING THE RELIABILITY, SOLVENCY & FINANCIAL SOLIDITY OF THE INSURANCE INDUSTRY

Chart 17: Selected Key Achievements of the Insurance Division, 2014-2015



The Insurance Division of the Financial Services Commission (FSC) is charged with the responsibility of regulating and supervising the insurance industry in order to protect policy holders and promote the solvency and reliability of the industry.

The key achievements of the Insurance Division for FY2014 are captured in Chart 17.



OVERVIEW OF THE INSURANCE INDUSTRY

The Insurance sector comprises the Life and General insurance companies and the insurance intermediaries. Chart 18 shows the types and number of each insurance registrant as at March 31, 2015.

Chart 18: Number of Registrants in the Insurance Industry as at March 31, 2015

Type of Registrants	Registered At March 31, 2014	Additions	Less Terminations/ Cancellations	Less Merged Entities	Registered At March 31, 2015
Life Insurance Companies	6	1	0	0	7
General Insurance Companies	10	0	0	0	10
Association of Underwriters	1	0	0	0	1
Insurance Brokers	25	1	0	0	26
Facultative Placement Brokers	18	0	0	0	18
Overseas Reinsurance Brokers	1	0	0	0	1
Local Reinsurance Brokers	2	0	0	0	2
Insurance Agents	14	8	0	0	22
Insurance Sales Reps	2,917	308	130	0	3,095
Loss Adjusters	34	4	0	0	36
Loss Adjusters - Employed Practitioners	5	2	0	0	7
Investigators	13	1	0	0	14
Claims Negotiators	6	1	0	0	7
Insurance Consultants	3	0	0	0	3
Total	3,055	326	132	0	3,249

THE GENERAL INSURANCE INDUSTRY

There were ten (10) general companies registered, but only nine were operating as at December 31, 2014. As was the case in the preceding two years, Gross Written Premium (GWP)³ as percentage of GDP remained under 2.4 per cent in 2014. Charts 19-23 show performance indicators and other statistics for the general insurance industry.

³ Gross Premium Written ("GPW") is the sum of gross direct premiums written and reinsurance assumed

Chart 19: Number of Employees, General Insurers, 2012-2014

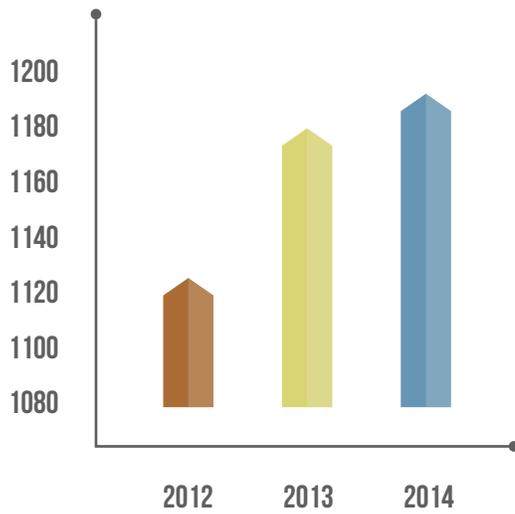


Chart 20: GPW per Capita (\$)

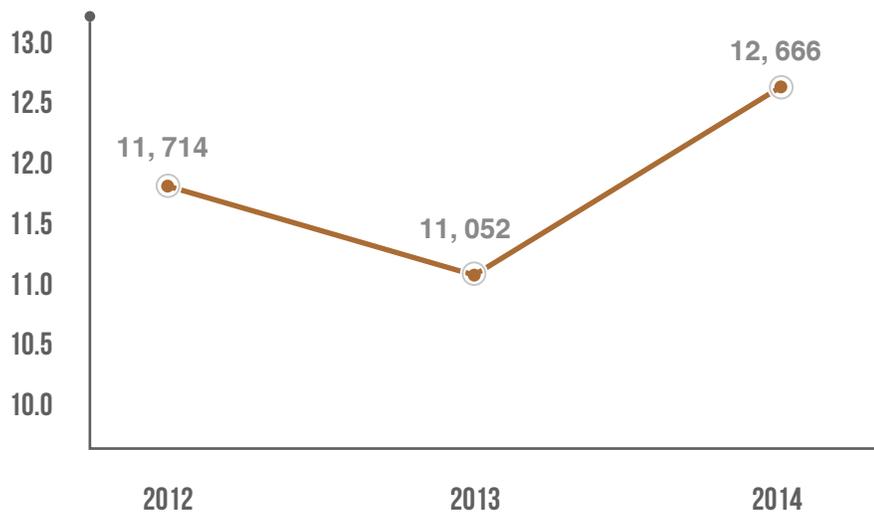


Chart 21: Sum Assured, General Insurers, 2012-2014

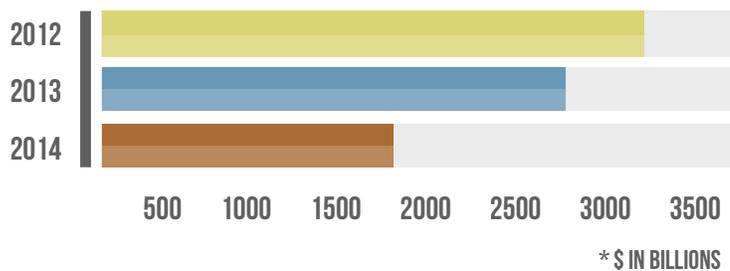


Chart 22: Number of Policies by Class of Business 2012-2014

Class of Business	2012 ^A	2013 ^A	2014 ^P
Liability	6,327	6,351	6,695
Property	46,907	43,300	43,768
Motor	261,289	257,197	277,477
Pecuniary Loss	5,854	5,348	5,118
Marine Aviation &Transport	218	400	2,043
Accident	1,575	681	3,107
Total	322,170	313,277	338,208

Notes: A - Actual ; P - Preliminary

Chart 23: GPW by Class of Business, 2012-2014

Class of Business	2012 ^A	2013 ^A	2014 ^P
Liability	1,232.4	1,155.0	1,573.1
Property	14,043.7	12,919.0	16,111.5
Motor	14,052.1	14,970.0	16,001.6
Pecuniary Loss	185.8	489.0	458.5
Marine Aviation &Transport	313.9	344.0	446.6
Accident	172.2	163.0	183.7
Total	30,000.1	30,040.0	34,775.0

Notes: A - Actual ; P - Preliminary



Chart 24- Statistical Information and Financial Position of the General Insurance Industry

As at	Dec 12 ^A \$'B	Dec 13 ^A \$'B	Dec 14 ^P \$'B
BALANCE SHEET			
Total Investment Assets	37.1	38.4	41.2
Total Assets	54.2	56.8	60.0
Insurance Liabilities	31.3	33.4	34.6
Other Liabilities	4.0	4.7	4.5
Total Liabilities	35.2	38.1	39.1
Capital & Surplus	18.7	18.4	20.8
PROFIT AND LOSS (YTD)			
Net Premium Earned	14.0	14.3	16.0
Underwriting Expenses	13.3	14.3	15.3
Net Investment Income	2.4	2.3	2.8
Other Income	0.5	0.9	0.8
Income before Tax	3.5	3.2	4.3
Taxes	1.0	0.8	1.2
INCOME (LOSS) AFTER TAX	2.5	2.4	3.1

Notes: A - Actual ; P - Preliminary

The weighted average Minimum Capital Test (MCT) ratio for these companies at the end of 2014 was 294.2 per cent compared to 293.2 per cent in 2013. This surpassed the 250 per cent capital requirement. Aggregate assets amounted to \$60 billion and reflected an increase of 5.6 per cent over the \$56.8 billion reported, as at December 31, 2013. Aggregate invested assets amounted to \$41.2 billion, representing an increase of 7.3 per cent over the amount reported in 2013 and accounted for 68.7 per cent of total assets. The increase was generally due to the reinvestment of matured securities.

Total revenue, comprising Net Premium Income (NPI), other income and Net Investment Income (NII), was \$19.7 billion, while total expenses inclusive of tax amounted to \$16.5 billion. Total underwriting expenses increased by 7 per cent in 2014 over the corresponding amount in 2013. The increase in expenses was the result of increases in claims expenses, as the frequency and severity of reported claims and operational costs grew. Chart 25 displays the aggregate amount of claims by classes of business, while Chart 26 exhibits the claims ratios for the insurance industry by classes of business.

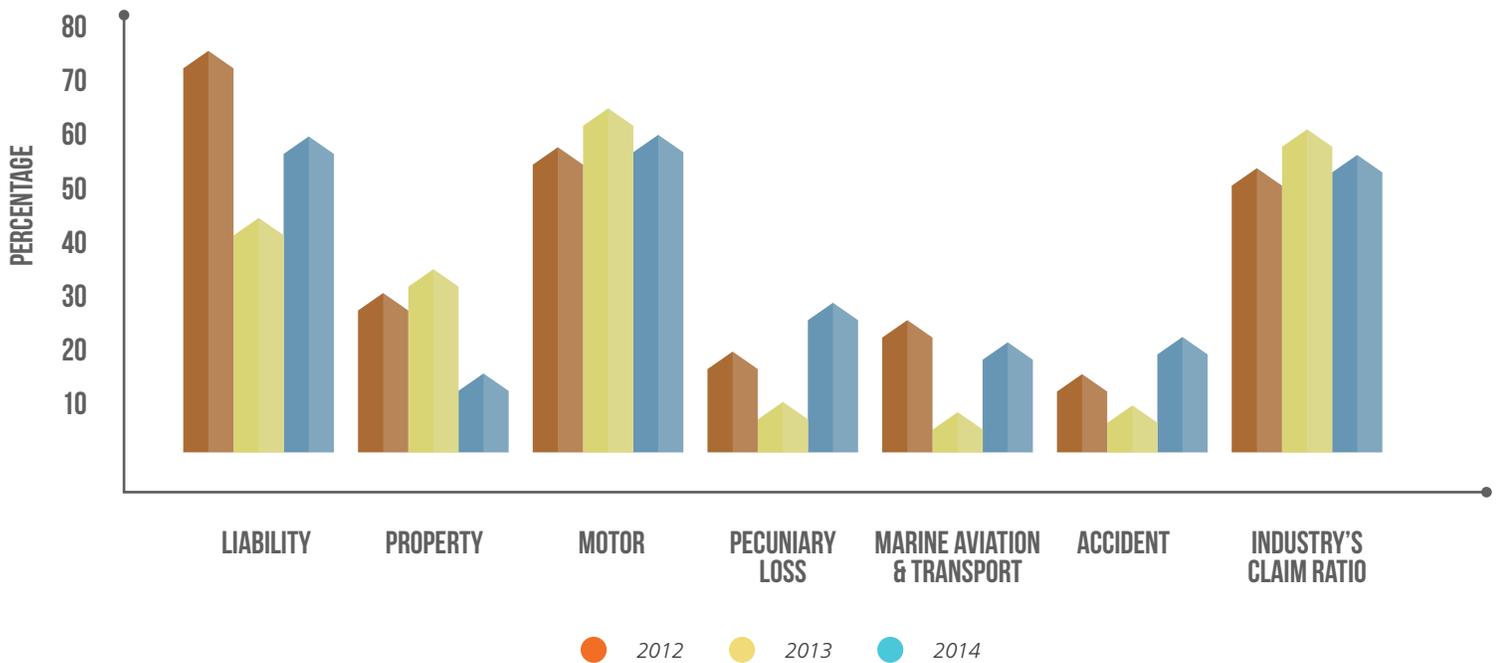


Chart 25: Aggregate Claims by Classes of Business 2012-2014

Class of Business	2012 ^A	2013 ^A	2014 ^P
Liability	582.9	352.0	568.8
Property	223.1	211.0	111.0
Motor	7,075.4	8,485.0	8,483.7
Pecuniary Loss	16.3	12.9	23.7
Marine Aviation & Transport	28.0	6.6	20.0
Accident	16.2	9.4	26.4
Total	7,941.9	9,076.9	9,233.6

Notes: A - Actual ; P - Preliminary

Chart 26: Claims Ratios by Class of Business and for the General Insurance Industry, 2012-2014



LIFE INSURANCE INDUSTRY

During 2014, there were seven registered life insurance companies; however, only six were in operation. Charts 27–31 show the composition and performance of the life insurance sector. GPW in 2014 was \$42.6 billion (2013: \$42.3 billion). At the end of 2014, GPW for the life industry, as a percentage of GDP was 2.9 per cent, the same as in 2013.

Chart 27: Number of Employees, Life Insurers 2012-14

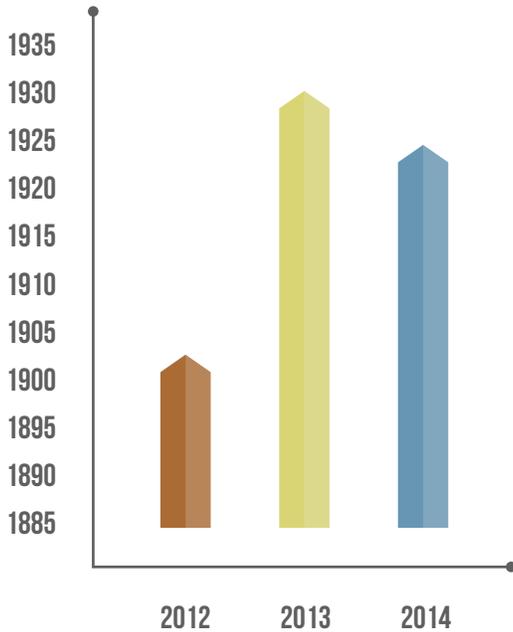


Chart 28: GPW Per Capita (\$) Life Insurance (per '000)

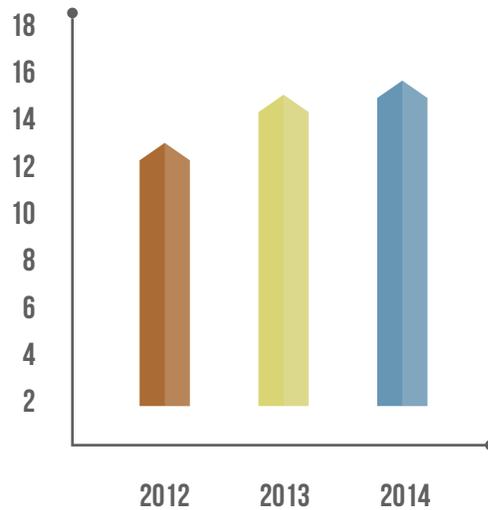


Chart 29: Gross Premium Written by Class of Business, 2014

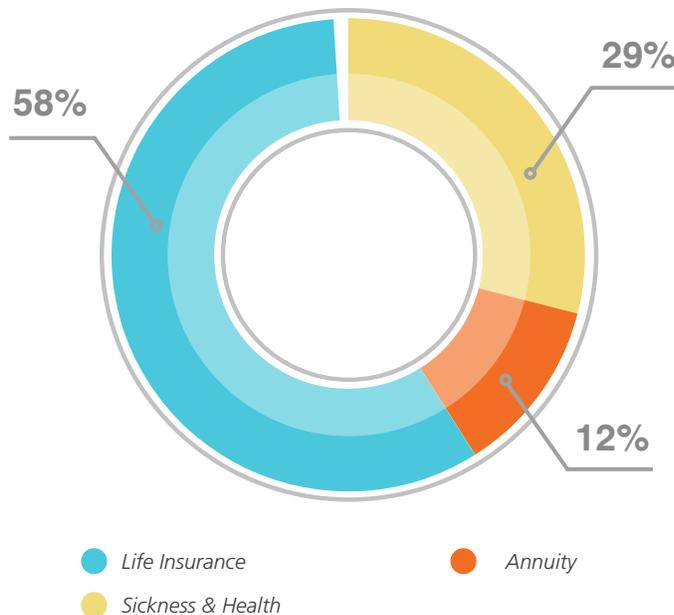


Chart 30: Financial Performance of the Life Insurance Industry

As at	Dec 12 ^A \$'B	Dec 13 ^A \$'B	Dec 14 ^P \$'B
BALANCE SHEET			
Total Investment Assets	190.9	224.0	245.3
Total Assets	225.2	250.0	261.5
Insurance Liabilities	59.6	70.5	160.3
Other Liabilities	107.2	116.1	39.9
Total Liabilities	167.0	186.6	200.2
Capital & Surplus	58.4	63.4	61.3
PROFIT AND LOSS (YTD)			
Net Premium Earned	35.0	41.6	41.8
Net Investment Income	16.5	16.0	19.4
Other Income	3.2	12.0	5.2
Policy Benefits	15.9	21.5	23.3
Operating Expenses	23.3	27.5	26.8
Taxes	1.0	0.9	0.8
Total Expenses	44.0	49.8	50.9
NET INCOME AFTER TAX	10.8	19.8	15.5

Notes: A - Actual ; P - Preliminary

Capital

In 2014, the aggregate capital base of the life insurance companies declined by 3.3 per cent to \$61.3 billion (2013: \$63.4 billion). At the end of 2014, the weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) for the life insurance sector stood at 357.2 per cent (2013: 338.2 per cent) which was more than twice the regulatory benchmark of 150 per cent.

The companies with high MCCSR ratios skewed the industry weighted average to a ratio that was significantly higher than the 150 per cent benchmark. Those companies typically offer investment products with very low mortality and morbidity risk exposures. The other companies have typical life insurance products that carry much more life insurance liabilities. Each life insurance company's MCCSR score was above the 150 per cent benchmark.

Chart 31: Aggregate Policy Benefits, 2012-2014

As at	2012 ^A	2013 ^A	2014 ^P
POLICY BENEFITS			
Claims:	10,795.6	12,810.6	13,481.90
of Which:			
Sickness & Health	7,678.4	8,770.2	9,089.1
Death Claims	3,010.5	3,748.8	4,124.9
Disability Claims	16.1	19.2	18.6
Matured Endowments	90.6	272.4	249.3
Annuity Payments	3,271.3	3,858.6	4,357.9
Surrender Values	1,305.6	4,218.2	4,886.3
Other	496.7	576.4	610.8
Total Policy Benefits	15,869.2	21,463.8	23,336.9

Notes: A - Actual ; P - Preliminary

RISK ASSESSMENT:

Promoting sound financial health within the Insurance Industry.

The FSC has a supervisory framework for off-site and on-site examinations. Every insurance company is subject to an annual off-site examination. Based on the analysis of the annual and audited financial statement of a company for the year ended December 31, the company is assigned a risk rating.

Additionally, all companies are subject to quarterly risk assessments by which a company is ranked positive, negative or neutral. The off-site analysis includes the calculation of a set of early warning indicators. Deviations from the specified benchmarks may trigger additional review by the FSC. For both the annual and quarterly assessments, the CAMELS framework assesses insurers' risk profile according to the following areas of exposure:

- C -Capital,
- A -Asset Quality,
- R -Reinsurance,
- A -Actuarial,
- M -Management,
- E -Earnings,
- L -Liquidity, and
- S -Subsidiaries.

As the 2014 risk assessments are on-going at the time of writing this report, Charts 32 & 33 display the last completed risk ratings for both general and life insurance companies. Based on the outlook from the quarterly assessment, the FSC expects that there will be no adverse deviations from the 2013 risk rating in 2014.



Chart 32: Risk Assessment for General Insurance Companies as at December 31, 2013.

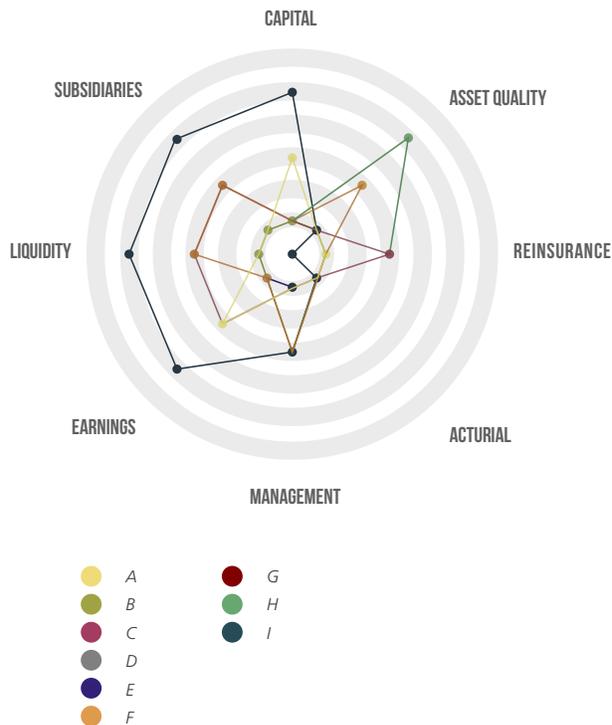
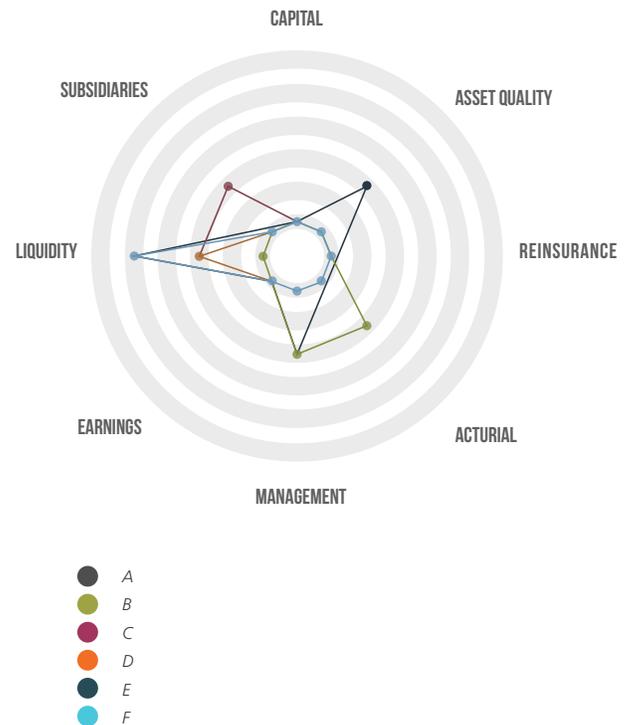


Chart 33: Risk Assessment for Life Insurance Companies as at December 31, 2013.



In both Charts 32 and 33, the letters represent the insurance companies that are operational in the life and general insurance sectors. Movements away from the centre of the diagram represent an increase in risks for each area of exposure under the CARMELs framework.

Based on the risk rating assigned to each area of exposure, the companies are ranked on the FSC's supervisory ladder. The FSC utilizes a five-stage supervisory ladder as follows:

- **Stage zero or normal**, where there is no major risk identified;
- **Stage one**, where the company is exposed to risks that if left unattended, could escalate into major challenges;
- **Stage two**, where the company is exposed to significant risks to its financial viability or solvency;
- **Stage three**, where the company's financial viability is in serious doubt; and
- **Stage four**, where the company is viewed as not viable and may be placed into liquidation.

The results of the risk assessments were that all life insurance companies were rated Normal. Of the nine (9) active general insurance companies, eight (8) were rated Normal; while one company was rated Stage one. At the request of the FSC, the company submitted a Business Plan detailing how the prescribed capital requirement would be met. The Business Plan outlined strategic measures for specific areas of its operations, encompassing marketing, operating cost management, claims cost management, as well as improvements to be undertaken in its underwriting, capital, liquidity, profitability and MCT management. The measures undertaken by the company have been successful and the company has exceeded the statutory minimum of 250%.

Forward Looking

The FSC will be introducing a risk-based supervision framework for insurance entities in FY2015. The framework is to be completed in phases over the next three years and will allow for companies to identify key risk factors to which they are exposed, based on the risk profile of each company.

PROMOTING INTEGRITY & STABILITY IN THE SECURITIES INDUSTRY

The Securities Division is responsible for the supervision and monitoring of the securities industry in Jamaica through the administration of the Securities Act and Regulations. During FY2014, the division utilized much of its manpower in satisfying the MEFP benchmarks, yet it continued to carry out its supervision of the industry.

Some of the notable achievements included the following:

i. Effective monitoring:

Chart 34 illustrates the various aspects of monitoring programmes conducted by the Securities Division of the FSC during FY2014.

ii. Satisfying the MEFP Requirements:

The division spearheaded the FSC’s efforts to satisfy the structural benchmarks and other requirements of the MEFP by: (i) conducting

Chart 34: Various Aspects of Monitoring Programmes in 2014



research to formulate policy decisions to amend relevant legislation and modify the legal and regulatory landscape, (ii) managing the collaborative and cooperative efforts among members of inter-governmental agencies, and (iii) arranging and executing consultations with local and overseas stakeholder. These targets include, but are not limited to, the following:

- Establishment of a distinct treatment for retail repo investors in the legal and regulatory framework;
- Determination and implementation of a minimum transaction amount for retail repo contracts;
- Design of the key operational structures for a proposed trust framework for the retail repo product;
- Development of a strategy for prudential tightening, and
- Execution of focused stress testing on securities dealers.

iii. **Legislative amendments:**

During the year under review, several changes were made to the legislative framework through the efforts of the Legal Division. These included the promulgation of the following pieces of legislation (See for more details under the heading: Legislation Reforms on page 67).

- 1) The Securities Act (Amended), 2014
- 2) The Securities (Licensing and Registration) (Amendment) Regulations, 2014
- 3) The Securities (Retail Repurchase Agreements) Regulations, 2014
- 4) The Securities (Prudential) Regulations, 2014
- 5) The Securities (Takeover and Mergers) (Amendment) Regulations, 2014
- 6) The Securities (Collective Investment Scheme)(Amendment) Regulations, 2014

Chart 35: Licensees & Registrants by Category

	Licensed/ Registered At 31/3/14	Additions	Less Terminations/ Cancellations	Less Merged Entities	Licensed/ Registered At 31/3/15
Securities Dealers (both companies and individual)	49	1	0	0	50
Unit Trust Managers	5	0	0	0	5
Securities Dealers' Representatives	817	73	98	0	792
Investment Advisers	3	1	0	0	4
Investment Advisers' Representatives	0	0	0	0	0
Mutual Funds	10	0	0	0	10
Unit Trust Schemes	11	1	0	0	12
Total	895	76	98	0	873

Chart 36: Number of Licensed Securities Dealers by Type of Company as at December 2014

Institution Type	2014
Securities Firms	33
of which:	
Securities Dealers ⁴	30
Unit Trust Management Companies	3
Non-Securities Firms	11
of which:	
Building Society	1
Insurance Companies	4
Others	6
Total	44

OVERVIEW OF THE SECURITIES INDUSTRY

Chart 35 shows the number of entities and individuals licensed and registered by the FSC, based on category of licenses or registration as at March 31, 2015.

At the end of December 2014, there were 44 companies licensed as securities dealers in the market. Chart 36 shows the 44 licensed securities dealers categorised as securities firms and non-securities firms. The term "securities firm" is used to describe securities dealers which are companies engaged in securities dealing as a principal activity. It therefore includes unit trust fund management companies. The non-securities firms are those companies that do not deal in securities as a principal activity, but are required to obtain a securities dealer's licence in order to conduct some aspects of their businesses.

Chart 37: Total Assets of Securities Industry by Type of Securities License, 2012-2014

Category of Securities Licensee	Total Assets					
	2012		2013		2014	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Securities Firms	512.5	54.9	523.7	57.2	547.0	57.2
Non-Securities Firms	421.2	45.1	391.8	42.8	408.8	42.8
Of which:						
Commercial Banks	41.6	4.5	0.0	0.0	0.0	0.0
Merchant Banks	20.1	2.2	0.0	0.0	0.0	0.0
Building Society	108.6	11.6	118.3	12.9	124.3	13.1
Insurance Companies	223.6	23.9	248.1	27.1	259.6	27.1
Others	27.3	2.9	25.4	2.8	24.9	2.6
Total	933.7	100	915.5	100	955.8	100

⁴ One of the core securities dealers is also a unit trust fund management company.

Chart 38: Total Capital of the Securities Industry by Type of Securities Licensee, 2012-2014

Category of Securities Licensee	Total Capital					
	2012		2013		2014	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Securities Firms	69.7	44.0	69.5	47.0	71.3	48.0
Non-Securities Firms	88.6	56.0	78.5	53.0	77.1	52.0
Of which:						
Commercial Banks	6.1	3.9	0.0	0.0	0.0	0.0
Merchant Banks	4.5	2.8	0.0	0.0	0.0	0.0
Building Society	16.5	10.4	17.8	12.0	19	12.8
Insurance Companies	57.2	36.1	57.9	39.1	55.3	37.3
Others	4.3	2.7	2.8	1.9	2.8	1.9
Total	158.3	100	148.0	100	148.4	100

PERFORMANCE

As at December 31, 2014, the total assets of the securities industry (comprising both securities and non-securities firms) stood at \$955.8 billion reflecting a 4.4 per cent increase over the corresponding period in 2013. Chart 37 illustrates that the total assets for the securities firms was \$547 billion. Chart 38 displays the capital base for securities firms, non-securities firms and for the industry. Chart 39 illustrates the total Funds under Management (FUM) for the industry, as well as for the securities firms.

Collectively, the securities firms have continued to be profitable and were able to curtail their non-interest expenses. Chart 40 provides information on the profitability of the securities firms.

Chart 39: Total Funds under Management of the Securities Industry by Type of Securities Licensee, 2012-2014

Category of Securities Licensee	Funds Under Management (FUM)					
	2012		2013		2014	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Securities Firms	691.0	78.4	730.6	79.7	813.8	79.4
Non-Securities Firms	190.4	21.6	186.3	20.3	211.5	20.6
Of which:						
Commercial Banks	0.0	0.0	0.0	0.0	0.0	0.0
Merchant Banks	7.9	0.9	0.0	0.0	0.0	0.0
Building Society	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Companies	156.5	17.8	156.8	17.1	172.3	16.8
Others	26.0	2.9	29.5	3.2	39.2	3.8
Total	881.4	100	916.9	100	1,025.3	100

Chart 40 - Financial Performance of the Securities Firms

	Dec 12 \$'B	Dec 13 \$'B	Dec 14 \$'B
Total Revenue	43.4	38.6	41.7
Total Expense	31.8	30.2	26.7
Total Interest Income	34.8	32.5	31.9
Total Interest Expense	19.6	18.5	20.9
Net Interest Income	15.2	14.0	11.0
Net Profit after Tax	8.0	5.8	6.3

Chart 41 summarizes selected prudential indicators for the securities firms for the review period. The sector remained adequately capitalized and robust. The quality of the assets backing repo investments was of concern given the low-risk assets to repo liabilities ratio, which fell below the FSC's minimum benchmark requirement of ≥ 100 per cent.

Chart 41 Selected Prudential Indicators for Securities Firms December 2012 – 2014

	2012	2013	2014	FSC Benchmark
Capital Adequacy				
Capital / Total Assets	13.5	13.1	12.8	≥ 6
Capital / Risk Weighted Assets	23.9	21.6	21.3	≥ 10
Asset Quality				
Low Credit Risk Assets / Repo Liabilities	103.3	101.2	92.2	≥ 100
Profitability				
Return on Average Assets	1.8	1.8	0.5	
Return on Average Equity	13.8	13.8	1.8	
Net Interest Margin	45.1	41.8	35.0	
Pre-Tax Profit Margin	26.5	26.5	12.8	

PERFORMANCE OF COLLECTIVE INVESTMENT SCHEMES

UNIT TRUSTS

As at December 31, 2014, the Unit Trusts sector comprised eleven (11) unit trust funds, managed by five (5) fund managers. The unit trust portfolios consisted mainly of fixed income securities (72.1%), real estate (18.7 %) and equity investments (7.1 %), while cash and other assets represented approximately 2.1%.

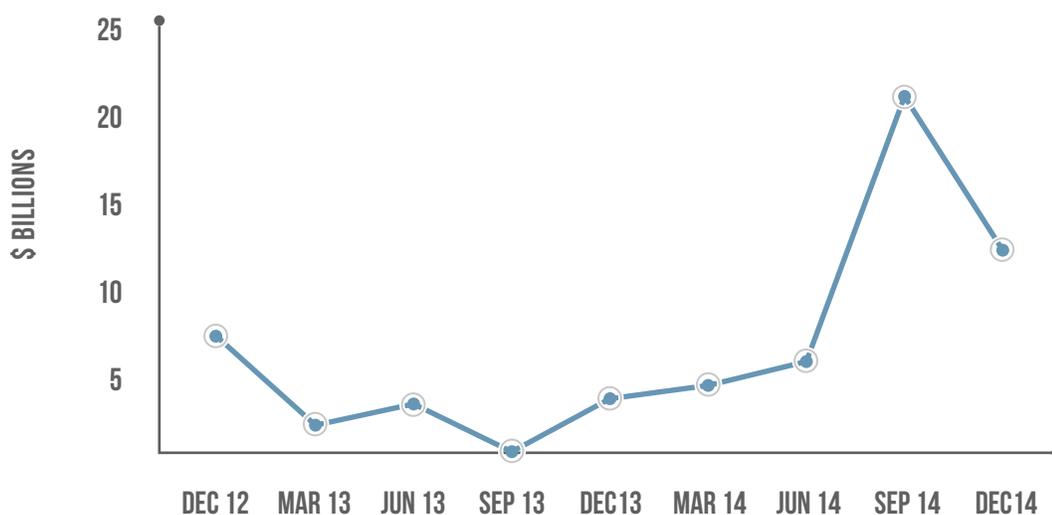
As at December 31, 2014, the total funds managed by unit trusts fund management companies stood at \$111.4 billion. This represented a 92.3 per cent (92.3%) increase over the previous year's amount of \$58 billion. Chart 42 outlines a summary of activities for the three-year period ended December 2014. The growth in the funds managed by unit trust was due to (i) new funds; (ii) large purchases by investment managers for pension plans, and (iii) the movement of clients' funds from the retail repo product to the unit trust products.

Chart 42: FUM activities for the three year period ended December 2012-14

	2012	2013	2014
Total FUM (\$ Billions)			
	49.7	58.0	111.4
Activity During the Year (\$ Billions)			
Value of Units Sold	22.6	24.2	58.1
Value of Units Redeemed	7.0	17.4	13.0
Net Inflow	15.5	6.8	45.1
Activity During the Year (\$ Millions)			
Total Units Sold	10, 350.1	12,121,.8	15, 948.1
Total Units Redeemed	312.2	6,278.7	2,745.3
Net Inflow	10, 037.8	5,843.1	13, 202.8

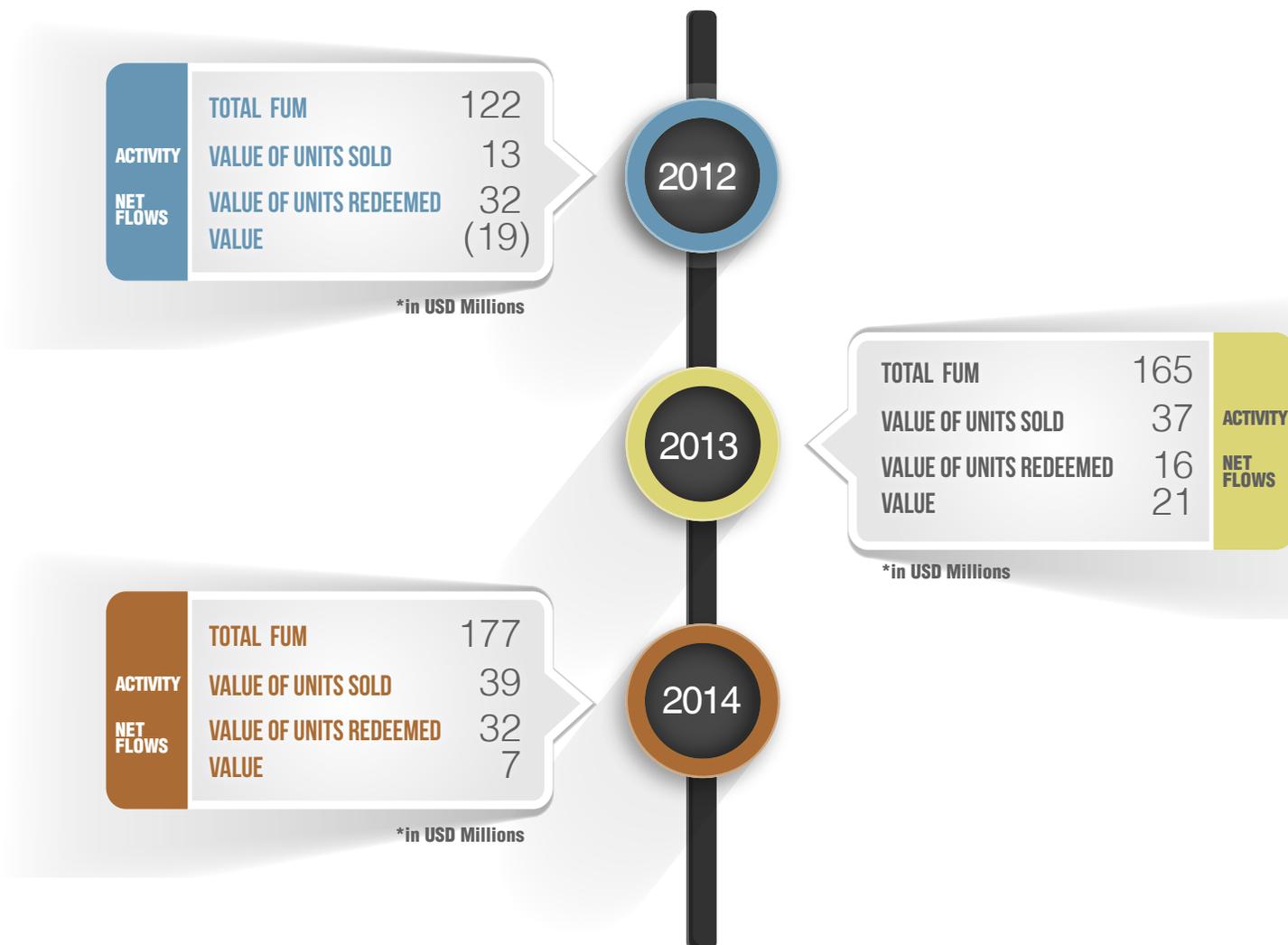
Chart 43 shows the combined net purchases over the period of December 2012 to December 2014. It illustrates the variability of the buying and selling of units, which are influenced by many factors. All the quarters under review experienced net purchases, albeit at significantly different levels. The quarters that experienced the higher net purchases were due to the acquisition of units.

Chart 43: Net Unit Trust Purchases, Dec 2012 - Dec 2014



Mutual Funds Overview

Chart 44: Summary of Mutual Funds under Management by Jamaicans



For the year ended December 31, 2014, ten (10) overseas mutual funds were registered by the FSC for sale in Jamaica. The mutual fund investment portfolios were comprised mainly of equities and fixed income securities. The total amount invested in overseas mutual funds by Jamaicans amounted to USD 177 million. Chart 44 depicts the amount of purchases and redemptions done by Jamaicans during the calendar year 2014.

EQUITIES AND PRIVATE DEBT MARKETS – CHANNELLING SAVINGS & INVESTMENTS

One of the purposes of the capital market is to channel savings and investments between the suppliers of capital (such as retail investors, pension funds and collective investment schemes), and the

users of capital (i.e. the government, businesses and individuals). The private debt markets continued to enable firms to raise capital owing to exempt distributions and the equities market.

Private Offering

For the year ended December 31, 2014, securities valued at J\$ 24.1 billion and US\$ 366 million were issued via exempt distribution. This represented an 81.8 per cent increase in distributions denominated in Jamaican dollars and a 167 per cent increase in those denominated in United States dollars over the previous year. The number of exempt issues also increased by 63 per cent over the period; however, the average size of the distributions decreased. See Chart 45.

Chart 45: Value and number of each exemption type, 2012-2014

Type of Exemption	2012			2013			2014		
	Number of Issues	\$ J	\$US	Number of Issues	\$ J	\$US	Number of Issues	\$ J	\$US
		\$'M	\$'M		\$'M	\$'M		\$'M	\$'M
Accredited Investor	10	4,804	68	39	10,976	98	73	16,675	121
Minimum Purchase Amount	8	2,831	5	6	1,000	2	5	1,400	2
Accredited Investor & Minimum Purchase Amount	14	1,391	29	18	1,810	29	27	6,061	240
Highly Rated Debt	-	-	-	2	-	7	1	-	3
TOTAL	32	9,026	102	65	13,786	136	106	24,136	366

Public Offering

For the year ended December 31, 2014, six (6) public offerings valued at \$2.3 billion were registered. There was one new ordinary share listing and two new preference share listings on the Junior Market of the stock exchange, while the Main Market added two new ordinary share listings and one new preference share listing during the period. There was a decrease of 63 per cent in the total number of public offerings and a 53 per cent reduction in the total value of public offerings, when compared to the year ending December 31, 2013. The offerings were distributed as follows in Chart 46.

Chart 46: Public Offering, 2012-2014

Type of Offering	2012		2013		2014	
	Number	Value ('\$M)	Number	Value ('\$M)	Number	Value ('\$M)
Ordinary Shares	4	399.1	9	2,158.7	3	1,671.0
Preference Shares	0	-	3	1,769.4	3	772.6
Bonds	1	173.0	4	1,291.0	0	-
TOTAL	5	572.1	16	5,219.1	6	2,443.6

Risk Outlook

The major risk faced by securities dealers during the period relates to the concentration of funds in the retail repo product. This product has long term assets backing short term liabilities. This poses a major liquidity risk, as the liabilities could be repriced more frequently than the underlying assets.

The liquidity risk was minimized by the fact that a large volume of these liabilities were continuously rolled-over, thereby reducing the need for alternative funding sources to pay liabilities when they became due. Given the illiquid nature of the GOJ Securities, there was a challenge to determine the actual market value of the securities. In addition, the industry was dissatisfied with the pace of relaxation of the current 5 per cent cap on foreign currency assets applicable to the securities dealers.

In attempting to mitigate the risks associated with the retail repo product, a retail repo reform project is currently being undertaken. The new retail repo transaction structure will involve a third party functioning as trustee and registrar to hold the securities underlying retail repos in trust for the benefit of retail repo investors. This will ensure that the underlying securities are held separately from the dealer's estate in the event of its default. It will also facilitate the trustee taking appropriate actions in the event of a transaction failure or default to ensure that the beneficial interests of retail repo investors are adequately protected. The transition to the trust commenced in July 2015 and will end in August 2015.



FOSTERING THE GROWTH OF THE PENSIONS INDUSTRY & SAFEGUARDING RETIREMENT INCOME

For the purpose of protecting pension plan members and their beneficiaries, during the FY2014, the Pensions Division in addition to its day-to-day supervisory activities, focused on the following objectives-

- (i) Legislative reforms,
- (ii) Promoting best practices, and
- (iii) Responding to risk.

The achievements of the pension division in FY2014 are summarised below:

- **Proposing legislative amendments**

The Pensions Division continued its work towards the implementation of the Phase II Pension Reform. Comments on the concept paper made by stakeholders were received and reviewed by the FSC during the FY2014 period.

The Financial Services Commission (Amendment of Fourth Schedule) Order, 2014 which introduced fixed penalties for specified breaches of Pensions Act, came into force during the fiscal period.

- **Promotion of best practices in keeping with international and local standards**

In preparation for the IMF's assessment of Jamaica's financial system under the Financial Sector Assessment Programme (FSAP), the FSC has embarked on a number of initiatives aimed at strengthening its regulatory and supervisory framework, having regard for the ten (10) principles articulated by the IOPS. Additionally, in promoting improved governance arrangements for regulated entities, guidelines and bulletins were issued to the industry to give effect to

the provisions of the Pensions legislation. See Appendix for more information.

- **Responding to Risk**

Two on-site examinations were conducted during the fiscal year under review; one for a retirement scheme and the other for a company that provides both administrative and investment management services. Off-site (desk-based) examinations were executed for more than 280 pension plans and 30 licensees. Of the number of risk assessments completed for Superannuation Funds (Funds) and Retirement Schemes (Schemes), there was a reduction in the ratio of plans regarded as exposed to high levels of risk; moving down from 8.7 per cent to 4.5 per cent. Issues related to funding and solvency continues to be the main contributing factor in the risk profile of plans assessed with high levels of risk. Based on available data, while 93 per cent of Defined Contribution (DC) Funds and Schemes remain solvent, there has been a 3 per cent slippage in the solvency position of Defined Benefit (DB) Funds moving from 91 per cent to 88 per cent as at March 31, 2015.

Also of note is the 33 per cent reduction in the number of licensed entities assessed with high levels of risk. One company operating in the dual capacity as administrator and investment manager is considered as having high levels of risk, as a result of poor risk management and weak internal controls. The number of licensees evaluated with moderate risk levels has on the other hand moved from 19, as at March 31, 2014 to 29 as at the end of this fiscal period, reflecting an increase of 53 per cent.



The outcomes of the risk assessments are as shown in Chart 47 and 48.

Chart 47: Results of Risk Assessment of Pension Plans

Early Warning Risk Assessment		Risk Level			
		PLAN IMPACT	L	M	H
SUPERANNUATION FUNDS					
Superannuation Funds	DC	L	147	4	4
		M	30	1	1
		H	72	1	1
TRADITIONAL DB ⁵					
		L	11	0	1
		M	11	0	2
		H	43	1	5
HYBRID DB ⁶					
		L	1	0	0
		M	0	0	0
		H	6	1	0
MIXED DB ⁷					
		L	1	0	0
		M	0	0	0
		H	3	0	0
Retirement Schemes	RS	L	1	0	0
		M	1	0	0
		H	4	1	2
		TOTAL	331	8	16

⁵ This is a DB plan where benefits are linked through a formula to the members' wages or salaries, length of employment, or other factors.

⁶ A DB plan where benefits depend on a rate of return credited to contributions; where this rate of return is either specified in the plan rules, independently of the actual return on any supporting assets (e.g.) fixed, indexed to a market benchmark, tied to salary or profit growth, etc.), or is calculated with reference to the actual return of any supporting asset and minimum return guarantee specified in the plan rules.

⁷ This is a DB plan that has two separate DB and DC components but which are treated as part of the same plan.

Chart 48: Results of Risk Assessment of Corporate Service Providers

	PLAN IMPACT	Risk Level		
		L	M	H
Administrators	L	147	4	4
	M	30	1	1
	H	72	1	1
Investment Managers	L	11	0	1
	M	11	0	2
	H	43	1	5
Corporate Trustees	L	1	0	0
	M	0	0	0
	H	6	1	0

In addition to the risk assessment, eight Funds and one Scheme were issued warning letters for failing to file required statutory reports.

Authorization, Auditors & Winding Up of Funds

During FY2014, 163 applications were received, representing a 24 per cent increase over the 131 submissions recorded in the previous year. Chart 49 shows the number of submissions received and approved by categories of registrants and licensees.



Chart 49: Number & Types of Applications by Categories of Registrants and Licensees

Registrant & Licensees	Net Applications as at 3/31/2014 R			Approved In Current Year			Cancellation 2014-15 Winding-up / Withdrawals			Net Applications as at 3/31/2015			
	Approved	Not Approved	New Applications	Approved	Not Approved	Approved or Licensed	Not Approved	Approved	Not Approved	Approved	Not Yet Approved	Incomplete	
Funds	(1)	(2)	(3)	(4)	(5)	(6)	(1)+(4)-(5)	(8)	(9)				
General Counsel	354	72	-	1	9	5	346	58	8				
Trustees (Individuals)	13	1	-	1	13	1	13						
Trustees (Corporate)	2051	88	153	126	129	18	2048	59	38				
Responsible Officers	3	1	-	10	17	3	68	5	1				
Administrators	75	5	10	10	17	1	29*	-	-				
Investment Managers	30	1	-	-	1	1	26	-	-				

*includes one entity whose discontinuance has not been considered by the Board of Commissioners. R-Revised

Auditors

During FY2014, submissions were received for the processing of three auditors; however, 2 auditors were deemed suitable by the FSC.

Winding-Up of Funds

In this review period, the FSC received 19 new submissions for the winding-up of Funds inclusive of 5 partial winding-ups. Proposed schemes of distribution of surplus assets were also filed in relation to 18 Funds. Approval for the winding-up of 11 Funds were granted by the FSC and, in respect of partial-winding-ups, 7 non-objections were issued.

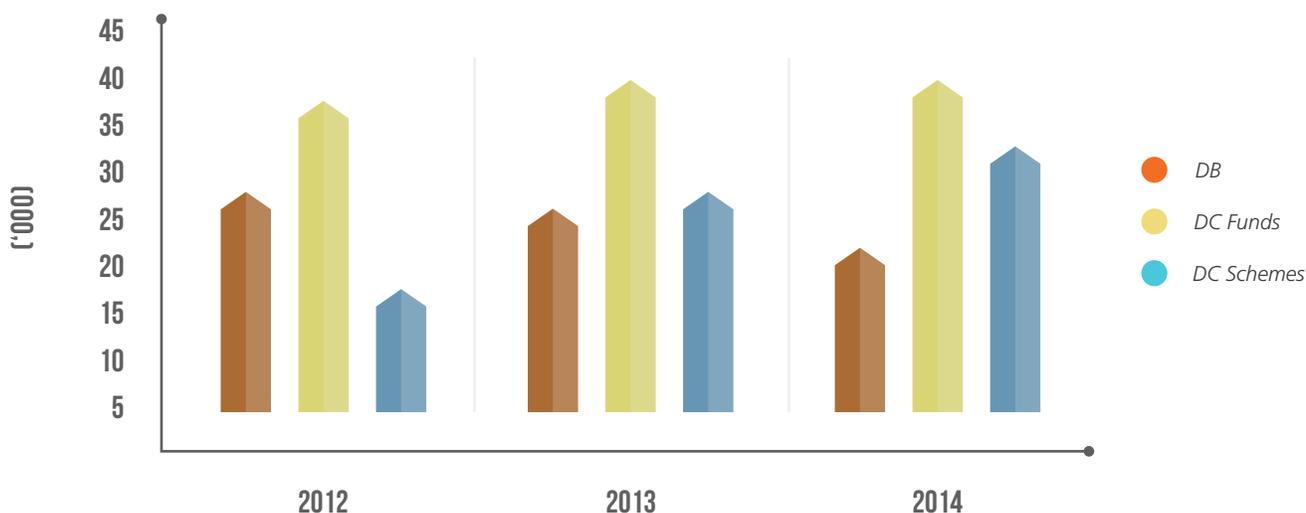
One application for the winding-up of a Fund was also denied. In this matter, one of the trustees and the sponsoring employer appealed the decision of the FSC that a declaration from the Court should be obtained.

annual growth in the membership of DC Funds and Schemes, which reflected an increase of 6.3 per cent in 2014, continues to outpace that of DB Funds, which decreased in membership by 2.7 per cent. Of the membership in DC Funds, there were 32,253 members in approved Schemes, reflecting an increase of 14 per cent up from 28,296 at the same date twelve months earlier. See Chart 50.

In addition, 56 per cent of total active membership was concentrated in 19 Funds and Schemes, each having more than 1,000 members. Further, approximately 21 per cent of the active membership was in two (2) Schemes, each having more than 5,000 members. Funds with 50 or less members accounted for 5 per cent of total active membership.

DC and DB Funds, which were inactive or were being terminated, accounted for additional 2,383 and 5,084 members respectively. Further, 5,214

Chart 50: Active Memberships by Types of Pension Plan, 2012 - 2014



All of the previously mentioned regulatory and supervisory activities executed by the FSC gave support to maintaining an environment which will not only facilitate savings for retirement but also assist in safeguarding retirement income. The FSC continues to strive for the Phase II Pension reforms, which will aid Jamaicans in having an adequate retirement income.

The Pensions Landscape

As at December 31, 2014, active membership in ongoing DC Funds and Schemes stood at 72,451 while active membership of DB Funds was 22,194. The

pensioners were being paid directly from all Funds and Schemes. Charts 51 and 52 provide additional details.

Chart 53 shows the private pension coverage as a percentage of the employed labour force. Analysis of the data reflects that coverage is highest in the finance/commerce sectors and lowest in the bauxite/mining sectors. It also displays pension asset as a percentage of GDP. Relative to the total financial system assets, the aggregate private pension industry assets accounted for 15 per cent.

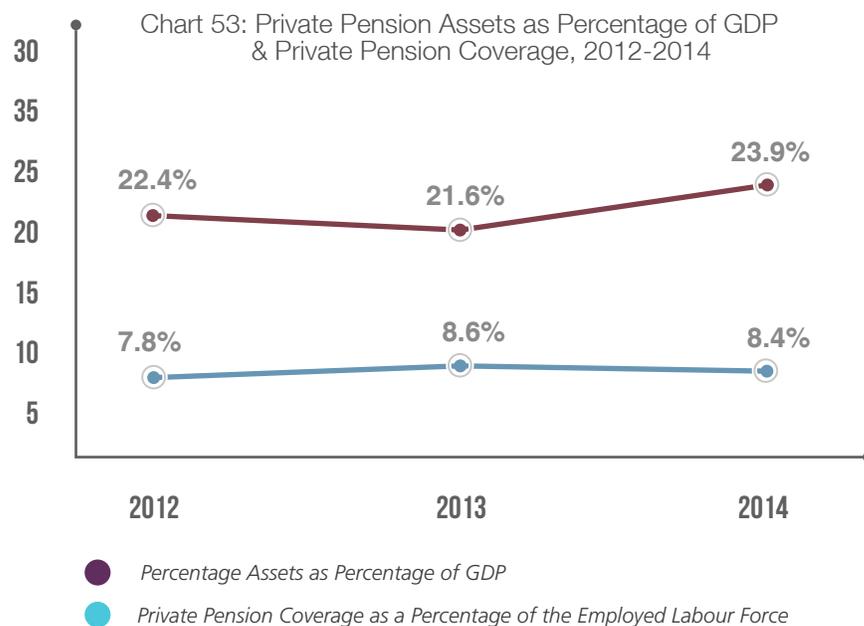


Chart 51: Number of pension plans monitored by the FSC as at December 31, 2014

Status	Defined Benefit	Defined Contribution		Total
		Funds	Schemes	
Active	110	306	13	429
Inactive	5	15	-	20
Terminated	80	273	-	353
TOTAL	195	594	13	802

Chart 52: Membership as at December 31, 2014

Status	Defined Benefit	Defined Contribution		Total
		Funds	Schemes	
Active	22,194	40,198	32,253	94,645
Inactive	2,244	139	-	2,383
Terminated	4,187	897	-	5,084
TOTAL	28,625	41,234	32,253	102,112



Outsourcing of the administration and investment management of Funds and Schemes remained constant with less than 10 per cent of these arrangements being self-managed. Chart 54 shows the number of investment managers by category and the total pension assets under their management.

Chart 54: Investment Managers' Portfolio

Investment Managers	31-Dec-12		31-Dec-13		31-Dec-14	
	Number of Entities	Asset Values (\$'B)	Number of Entities	Asset Values (\$'B)	Number of Entities	Asset Values (\$'B)
Insurance Companies	3	144.59	3	154.79	3	173.85
Securities Dealers	15	108.27	16	120.14	16	133.65
Credit Unions/ Building Societies	5	3.76	2	0.27	2	0.22
Other	6	37.66	6	31.74	5	33.69
Total	29	294.28	27	306.94	26	341.41

Aggregate total pension assets as at December 31, 2014 grew by 11.2 per cent, when compared with the previous year (see Chart 55), despite the fact that a few Funds initiated the process of winding-up during the year.

Risk Outlook

The private pension industry continues to be stable in the face of continuing local and global economic challenges. Forty-one per cent of its aggregate assets are directly invested in Government of Jamaica securities. This continues to represent the single most significant concentration and investment risk exposure for pension plans, as interest rates remained relatively low.

Investments in foreign securities and foreign assets within the aggregate portfolio, increased by approximately 30 per cent to \$24 billion; representing 7 per cent of total invested assets. As investment arrangements, which account for 55 per cent of the foreign currency stock, continue to increase their holdings in foreign securities and assets at a significant pace, the private pensions industry will be increasingly exposed to foreign currency risk and to adverse foreign developments in the short to medium term.

The local stock market, after an initial slump has exhibited signs of recovery, evidenced by two consecutive quarters of growth on the main index.

Nine per cent of the private pension assets are invested in equities and the improved performance of the local stock market provides opportunities for pension plans, which need to diversify their portfolios and reduce counter party and foreign exchange risk exposures.

The number of Jamaicans participating in private pension arrangements declined during the year, resulting in reduced pension coverage at the end of 2014, when compared with 2013. Some sponsoring employers have sighted economic factors as the main reasons for terminating their Funds. As Fund sponsors continue to feel the strain, this poses a continuing risk to adequate pension coverage, notwithstanding the continuing trend in the growth of membership in Schemes. The sustainability of increased membership in Schemes is dependent, in part on the levels of disposable incomes within the Jamaican economy, as well as the employment levels of the Jamaican workforce.

As the FSC continues to monitor and supervise the market conduct and other governance practices of investment managers, administrators and trustees, members of Funds and Schemes are encouraged to be vigilant where disclosure materials are concerned, as well as in ensuring that the assets are being prudently invested in accordance with the Statements of Investment Policies and Principles.



Chart 55: Aggregate Investment Mix

Types of Investment	12-Dec		13-Dec		14-Dec	
	Amount Invested \$'Billion	% of Total Investments	Amount Invested \$'Billion	% of Total Investments	Amount Invested \$'Billion	% of Total Investments
Deposits	2.3	0.8	3.7	1.2	2.8	0.8
Commercial Paper	0	0.0	0.3	0.1	0	0
Securities of Governments	129.1	44.4	130.2	42.9	138.3	40.9
Repurchase Agreements	20.5	7.1	22.8	7.5	31.8	9.4
Bonds and Debentures	3.4	1.2	3.1	1	5.2	1.5
Mortgage Loans	0.2	0.1	0.2	0.1	0.3	0.1
Other Loans	1.4	0.5	1.9	0.6	2.3	0.7
Promissory Notes	2.9	1.0	1.4	0.5	2.4	0.7
Leases	1.3	0.4	1.8	0.6	1.8	0.5
Stocks and Shares	30.1	10.4	30.2	9.9	31.8	9.4
Real Estate	17.7	6.1	18.2	6	19.9	5.9
Investment Arrangements	79.2	27.3	89.3	29.4	100.6	29.7
Other Investments	2.5	0.9	0.6	0.2	1.2	0.4
Total Investments	290.6	100	303.7	100	338.4	100
Other Net Assets	3.6		3.2		3	
Total Assets	294.2		306.9		341.4	

PROMOTING PROPER MARKET CONDUCT AND INTEGRITY THROUGH INVESTIGATION & ENFORCEMENT

In keeping with the Investigation and Enforcement (I&E) division's objectives for the year under review, the division's activities may be grouped under four (4) main headings: Anti-Money Laundering/ Counter Financing of Terrorism; Complaints; Investigations; and Local and International Collaboration.

The Anti-Money Laundering/ Counter Financing of Terrorism Framework

Revised Guidelines

Following the Financial Action Task Force's (FATF's) release of its revised recommendations on Anti-Money Laundering and Counter Financing of Terrorism, the Proceeds of Crime Act (POCA) and Terrorism (Prevention) Act (TPA) underwent amendments in 2013. Subsequently, during the FY2014, the FSC revised its Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) Guidelines for the insurance, private pensions and securities industries in keeping with the amendments to the legislation and the revised FATF requirements. The I&E Division also co-ordinated the review of the FSC Guidelines. The revision process included meetings with industry representatives and providing them with an opportunity to review and provide feedback. The revised Guidelines were issued in early March 2015.

Monitoring

The FSC collaborated with the Financial Investigations Division (FID), to ensure that its licensees and registrants submitted the required reports on suspicious transactions, threshold transactions and terrorist financing. The FSC also continued its ongoing monitoring of its licensees and registrants for compliance with the AML/CFT framework. The onsite examinations component includes a review of the institution's AML/CFT training materials, procedures manual, Know Your Customer (KYC)

procedures, Know Your Employees (KYE) procedures and reporting activities among other things. The full findings of these examinations are shared with the FID. In addition, the FSC participated in the provision and timely completion of the bi-annual reports (Matrix) on the robustness of the country's regime for submission to the Caribbean Financial Action Task Force (CFATF).

Preparation for Mutual Evaluation

Jamaica is scheduled to undergo its Mutual Evaluation (MEV) on June 1-15, 2015 by the CFATF. Therefore, in addition to the divisions' routine tasks, a majority of activities in FY2014 were focused on preparing for Jamaica's MEV. The division spearheaded the FSC's role on the National Anti-Money Laundering Committee and in the completion of the National Risk Assessment, as well as participated in the training sessions organized by the CFATF to prepare competent authorities for the MEV. As a prelude to the on-site MEV, the I&E Division co-ordinated the provision of information for the desk-based reviews by the CFATF assessment team. These desk-based reviews comprised an assessment of the regulated sectors' compliance with the technical requirements of FATF and the effectiveness of the AML/CFT measures in place.

In keeping with its continuing obligations as a Competent Authority for the regulated sector under its regulatory purview, the FSC organised a series of activities to improve the level of preparedness of the securities, insurance and pensions industries stakeholders and the general public for the MEV. These activities were an integral component of the national effort to ensure that Jamaica is successful in this round of MEV. Other activities included a public advisory issued by the FSC, presentations made by the I&E staff to various industry bodies and the staging of a public forum.



Building Awareness and Fostering Compliance

Programmes were broadcasted on JIS television and radio, which simplified concepts and explained measures used to combat money laundering and the proliferation of terrorism. The aim of these programmes was to sensitize the users of financial services of the legal requirements and the international standards by which our licensees are required to comply and the corresponding impact on each person in conducting financial transactions. The I&E staff made a number of AML/CFT presentations at seminars that were hosted by the FSC, as well as by other bodies, such as the Jamaica Institute of Bankers.

The FSC updated its website with relevant AML/CFT information and circulated to each licensed entity, the Public Statement from CFATF regarding jurisdictions identified with strategic deficiencies that pose a risk to the international financial system. The FSC continued to distribute notices to licensees and registrants regarding their role in AML/CFT. One such notice is the Consolidated List of Individuals and Entities that are subject to sanction measures imposed by the United Nations Security Council

Committee. Licensees and registrants are expected to refer to this document and comply with the sanction measures.

Complaints

During the period under review, I&E resolved numerous consumer related complaints that varied in the circumstances, size, complexity and national impact.

Chart 56 depicts the complaints processed over the 2014-2015 fiscal year. A total of 159 complaints were reviewed. Of these, 23 were brought forward from the previous period and 136 were received throughout the review period. As at March 31, 2015, 52 complaints were unresolved.

Of the total number of complaints received in FY2014, the insurance industry including (brokers and agents) accounted for 74 per cent. Chart 57 displays the percentage distribution of complaints by regulated sectors.

For the general insurance industry, the majority of the complaints were related to delays in claim settlements

Chart 56: Analysis of Complaints, April 1, 2014 to March 31, 2015

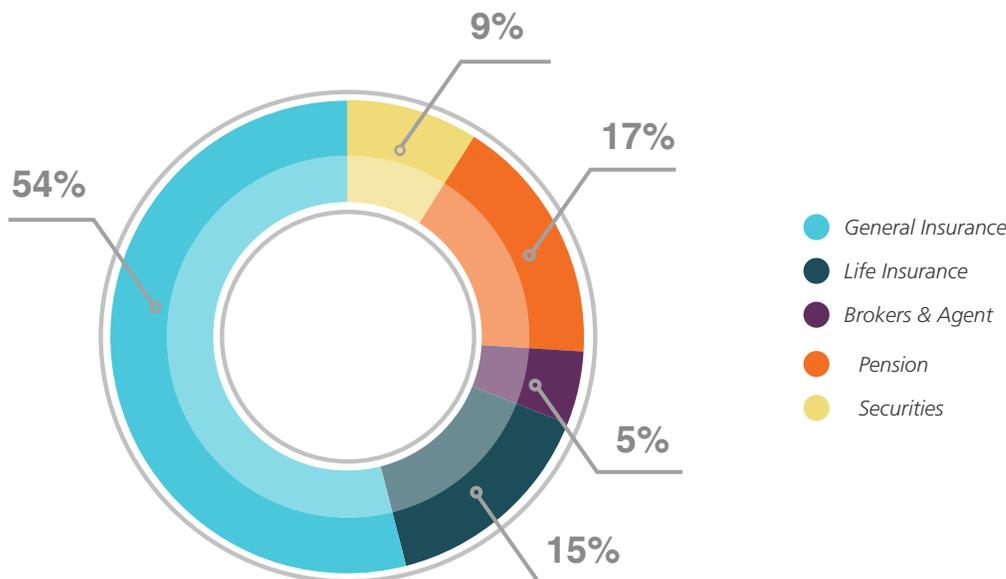
Types of Investment	Agents	Brokers	General Insurance	Life Insurance	Securities	Pensions	Total
Unresolved brought forward from March 31, 2014	0	0	9	4	4	6	23
Total complaints received for period April 1-30, 2014 to March 1-31, 2015	3	6	76	19	11	21	136
Total complaints reviewed for period April 30, 2014 to March 31, 2015	3	6	85	23	15	27	159
Number of cases closed	3	5	58	17	10	14	107
Unresolved as at March 31, 2015	0	1	27	6	5	13	52
Percentage closed	100%	80%	68%	74%	67%	52%	67%

and claims not honoured by the company, while for the life insurance industry, the majority of complaints were related to claims not honoured by the company and lapsed policies. Within the securities industry, most of the complaints were related to unfair treatment of the clients. Complaints regarding the pensions industry were predominantly related to the refund of pension contributions.

- Fit and proper investigations

The FSC conducts investigations into suspected breaches of the relevant Acts. Examples of these matters are: (i) carrying on insurance business without registration with the FSC; (ii) failure to make adequate

Chart 57: Distribution of Complaints, 2014 - 2015



In resolving these matters, the FSC exercised a diversified approach depending on the nature of the complaints and the information attained in order to advance the resolution of complaints and investigations. Complaints and tips from the users of financial services, beneficiaries, other regulatory bodies (local and overseas), and various interest groups are received by the FSC and each is carefully reviewed for potential breaches of the relevant Acts. The FSC also utilises the valuable intelligence sourced from complaints about its licensees to formulate a view on the overall business practices of the licensee and to ground future enforcement action.

Investigations

To protect the users of financial services, the FSC, through I&E, conducts two main types of investigation:

- Investigations into potential violations of the relevant Acts and regulations administered by the FSC; and

disclosures to investors (inadequate information on contract notes); (iii) unsafe and unsound business practices, and (iv) unregistered financial operations.

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 reputation of those seeking positions that involve managing and protecting/safeguarding other people's property or money is conducted. Not all fit and proper assessments become the subject of an investigation.

During the FY2014, the FSC conducted seventy (70) investigations into suspected breaches, misconduct and fitness and propriety. As depicted in Chart 58, 15 cases were closed within the period. The other 55 cases remained on-going as at the end of the period and will be reported on in the next fiscal period.



Chart 58: Number and Type of Investigations, April 1, 2014 to March 31, 2015

	Fit & Proper Investigations	Breach of Statutes/ Regulations	Total
Unresolved investigations brought forward from March 31, 2014	16	6	22
Total investigations opened in Fiscal Year ended March 31, 2015	22	26	48
Total investigations conducted during Fiscal Year ended March 31, 2015	38	32	70
Investigations resolved / closed in Fiscal Year ended March 31, 2015	11	4	15
Unresolved investigations carried forward as at March 31, 2015	27	28	55

Local and International Collaborations

The global agenda to curb abuse of financial systems calls for a cooperative approach among local, regional and international organisations. To this end, the FSC received a request for assistance from an international regulatory counterpart, and received assistance from two regional regulatory bodies, as well as, from the FID and other local law enforcement authorities, to advance investigations into matters that came within its purview during the period under review. The FSC also assisted local law enforcement officers in matters which were of utmost importance to local law enforcement and commenced discussions with law enforcement agencies, with a view to entering into formal MOUs. The admission of the FSC as an IOSCO MMoU Signatory, paved the way for requests for assistance to be made and received through this medium. The Senior Director, Investigation & Enforcement, is the FSC's point of contact.

LEGISLATIVE REFORMS

The FSC has achieved an exceptional number of legislative changes in FY2014. Some of the key legislative changes during the period are outlined below.

Strengthening Enforcement & Deterrence to Breaching the Financial legislation

The Financial Services Commission Act

The Fourth Schedule to the Financial Services Commission Act (FSC Act) lists offences in respect of which fixed penalties may be offered in lieu of prosecution. In FY2014, the Fourth Schedule was updated to make fixed penalties available to persons who breached certain provisions of the Pensions legislation.

Reforming the Securities Markets and Safeguarding Financial Stability

I. Amendments to the Securities Act:

The Securities Act (SA) was amended in December 2014 to create a legal and regulatory framework for retail repurchase agreements. Specifically, the amendments include provisions that address the following:

- The prohibition of unlawful retail repurchase agreements, and
- The treatment of assets underlying repurchase agreements in the event of Dealer or Trustee Insolvency.

II. Amendments to the Securities Regulations:

The Securities (Licensing & Registration) Regulations, 2014

These Regulations were amended to increase the minimum capital requirements for dealers and investment advisors. It also repealed and replaced provisions in the Regulations dealing with capital requirements for securities dealers in order to improve the soundness of the industry.

In addition, all applicants are now required to provide evidence of a business or corporate address when submitting their applications.

Amendments to the Securities (CIS Regulations), 2013

The amendments to the CIS Regulations increased the period for existing funds to become compliant with the new regulations from 12 months to 24 months.

The Securities (Takeover and Mergers) Regulations, 1999

These amendments increased the bases for the grant of exemptions by the FSC, from the requirement to make a mandatory offer in cases of takeovers.

New Securities Regulations:

- a) The Securities (Retail Repurchase Agreement) Regulations, 2014:

These Regulations were enacted to enhance the legal and regulatory framework for the retail repo market by establishing a trust in order to protect the interest of investors in the event of the insolvency of a securities dealer.

These regulations will govern:

1. The transaction requirements for retail repos;
2. The records, controls and reporting requirements for the dealers and the trustee;
3. The minimum requirements for disclosure to clients;
4. Minimum requirements for the protection of retail repo client assets;
5. Prohibition of unregulated retail repo businesses;
6. Requirements for the approval of trustee and custodian;
7. Duties of the trustee;



8. Minimum standards for master retail repurchase agreements and trust deeds, and
9. The supervision and investigation powers of the FSC over the Trustee.

III. [The Securities \(Prudential\) Regulations, 2014](#)

These Regulations increased the capital standards for securities dealers and investment advisors in Jamaica using elements of the Basel II approach.

The Securities (Prudential) Regulations, 2014 stipulates standards for the following:

- Determining and maintaining minimum risk based capital adequacy ratios covering exposures to market, credit, foreign exchange and operational risks;
- Determining and maintaining a leverage ratio;
- Stress Testing;
- Managing risk related to large exposures;
- Restrictions on the withdrawal of Capital;
- Liquidity Management;
- Minimum Transaction Size for Repurchase Agreements;
- Restrictions on Early Encashment of Repurchase Agreements, and
- Margin trades.



APPENDICES

List of Licensed Securities Entities & Individuals Dealers

Dealers (Companies)	Dealers (Individuals)
Alliance Investment Management Limited	Bailey, Lorreston ^B
Barita Investments Limited	Berry, Christopher *
BPM Financial Limited	Berry, Konrod *
Barita Unit Trusts Management Company Limited	Issa, Christopher
BCW Holdings Limited D/B/A BCW Capital	
JMMB Fund Managers Limited	
Capital & Credit Securities limited	
Capital Solutions Limited	
FHC Investments Limited	
Citifinance Limited	
City of Kingston Co-operative Credit Union Limited	
Credit Union Fund Management Company Limited	
CWJ Employees Co-operative Credit Union Limited	
E.W. Lewis Investments & Finance Limited	
FirstCaribbean International Securities Limited	
First Global Financial Services Limited	
GK Capital Management Limited	
Guardian Life Limited	
Heritage Education Funds International (Jamaica) Limited	
Ideal Finance Corporation Limited	
Ideal Portfolio Services Limited	
Intertrade Finance Corporation Limited ^L	
Jamaica Money Market Brokers Limited	
Jamaica National Building Society	
JMMB Securities Limited	
JN Fund Managers Limited	
Mayberry Investments Limited	
MF&G Asset Management Limited	
M/VL Stockbrokers Limited	
Money Masters Limited	
NCB Capital Markets Limited	
NCB Insurance Company Limited	
Sagicor Investments Jamaica Limited	
Prime Asset Management Limited	
Proven Management Limited	
Proven Wealth Limited	
	Investment Advisors
	Allistair MacBeath
	Wayne Wray
	Williams & Associates Thelwell Investments Ltd.



RBTT Securities Limited Sagicor Life Jamaica Limited Scotia Asset Management (Jamaica) Limited Scotia Investments Limited Scotia Jamaica Life Insurance Company Limited Sterling Asset Management Limited Stocks and Securities Limited UGI Finance & Investments Limited ^L Victoria Mutual Wealth Management Limited West Indies Trust Company Limited	
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Notes:

Asterisks indicate individual dealers who are associated with a company that is also licensed as a dealer "B" indicates that the individual dealer is in bankruptcy & "L" indicates that the dealer is in Liquidation. As at March 31, 2015, there were still listed but will be removed shortly.

List of Registered Securities Entities		
Mutual Fund	Unit Trusts Management Companies and their respective Schemes	
	Management Companies	Schemes
	CI Sector Balanced Funds	Barita Unit Trusts Management Company Limited
CI Sector Diversified Equities Funds	Barita Unit Trusts Capital Growth Fund	
CI Sector Fixed Income Funds	JMMB Fund Managers Limited	Jamaica Investment Income & Growth Fund
CI Sector Focused Equity Funds		Jamaica Investment Giltedge Fund
		Jamaica Investment Optimum Capital Fund
	NCB Capital Markets Limited	JMMB Life Goal Fund
Scotiabank Caribbean Income Fund	Sagicor Investments Jamaica Limited	NCB Capital Markets Limited Unit Trust Scheme
Scotiabank Canadian Growth Fund	Scotia Asset Management Limited	Sagicor Sigma Funds
Scotiabank Global Growth Fund		Scotia Premium Fixed Income Fund
Scotiabank Money Market Fund		Scotia Premium Growth Fund
Scotiabank US Dollar Bond Fund		Scotia Investment Fund
Scotiabank US Growth Mutual Fund		



List of Registered Insurance Entities

Seven (7) Life Insurance Companies	Ten (10) General Insurance Companies
CMFG Life Insurance Company Limited (formerly CUNA Mutual Insurance Society) CUNA Caribbean Insurance Jamaica Limited Guardian Life Limited JN Life Insurance Company Limited NCB Insurance Company Limited Sagicor Life Jamaica Limited Scotia Jamaica Life Insurance Company Limited	Advantage General Insurance Company Limited American Home Assurance Company AIG Jamaica Insurance Company Limited (formerly Chartis Jamaica Insurance Company Limited) British Caribbean Insurance Company Limited General Accident Insurance Jamaica Company Limited Guardian General Insurance Jamaica Limited Jamaica International Insurance Company Limited Key Insurance Company Limited JN General Insurance Company Limited The Insurance Company of West Indies Limited
Twenty-two (22) Insurance Agents	One (1) Association of Underwriters
Alice Elizabeth Cohen T/A Alice Cohen Assurance Audrey Hyacinth Legister T/A Audrey Legister Insurance Agent Blossom Vivienne Anderson T/A Bliss Insurance Agent Carol Elizabeth Grant T/A Carol Grant Insurance Agent Chancellor Insurance Agency Limited Crichton Insurance Agency Limited Cynthia Delores Benjamin T/A Sapphire Insurance Agent Dionne Audrey Webb T/A Destiny Insurance Agency Doran Ferguson T/A Apex Insurance Agents George Henderson Williams T/A Quality Insurance Agent Gersham McLaughlin T/A Global Risk Management Insurance Agents Glenda Patricia Miller T/A Glenda Miller Insurance Agent Herman Gary Norton T/A Impact Insurance Agents Jamaica Co-operatives Insurance Agency Ltd. (Formerly NUCS Co-operative Insurance Services Limited) Kenrick Ryland Brissett T/A Brissett Standard Insurance Agent Mutual Enterprises (Insurance) Agents Limited Nationwide Insurance Agents and Consultants Limited Paul Anthony Simpson, General Insurance Agent Riviera Insurance Agency Limited Rosemarie Yvonne Wallace T/A Rose Wallace Insurance Agent Sagicor International Administrators Limited	Lloyds



List of Registered Insurance Entities

Twenty -six (26) Insurance Brokers	Eighteen (18) Facultative Placement Brokers
Allied Insurance Brokers Limited Assurance Brokers of Jamaica Limited Associated Owners Insurance Brokers Limited Billy Craig Insurance Brokers Limited Caribbean Assurance Brokers Limited CGM Gallagher Insurance Brokers Jamaica Limited Covenant Insurance Brokers Limited Desmond Mair Insurance Brokers Limited Excel Insurance Brokers Firm Insurance Brokers Limited Fraser Fontaine & Kong Limited Insurance Brokers Genesis Insurance Brokers Limited Jamaica Citadel Insurance Brokers Limited JMMB Insurance Brokers Limited Lawe Insurance Brokers Limited Marathon Insurance Brokers Limited Maritime General Insurance Brokers Limited Mutual Security Insurance Brokers Limited National Property & General Insurance Brokers Limited Orion Insurance Brokers Limited Progressive Insurance Brokers Limited Sagicor Insurance Brokers Limited Sarifa Insurance Brokers Limited Solid Life and General Insurance Brokers Limited Spectrum Insurance Brokers Limited Thwaites Finson Sharp Insurance Brokers Limited	Allied Insurance Brokers Limited Assurance Brokers of Jamaica Limited Billy Craig Insurance Brokers Limited Caribbean Assurance Brokers Limited CGM Gallagher Insurance Brokers Jamaica Limited Desmond Mair Insurance Brokers Limited Excel Insurance Brokers Firm Insurance Brokers Limited Fraser Fontaine & Kong Limited Insurance Brokers JMMB Insurance Brokers Limited Lawe Insurance Brokers Limited Marathon Insurance Brokers Limited Maritime General Insurance Brokers Limited Mutual Security Insurance Brokers Limited National Property & General Insurance Brokers Limited Sagicor Insurance Brokers Limited Spectrum Insurance Brokers Limited Thwaites Finson Sharp Insurance Brokers Limited
One (1) Overseas Reinsurance Broker	Two (2) Local Reinsurance Broker
Aeon Limited (Formerly Benfield Limited)	CGM Gallagher Insurance Brokers Jamaica Limited Maritime General Insurance Brokers Limited



List of Registered Insurance Entities

Fourteen (14) Insurance Investigators	Thirty-six (36) Insurance Loss Adjusters
<p>AB Investigation Services Limited T/A AB Investigation BIONC Visions Investigations Limited Charles Oliver Rodriguez T/A Charles Rodriguez Investigations Conrad Vaughn Myrie T/A C.I.S Claims Investigation Delroy Anthony Lawson T/A DL Express Investigation & Process Service Detect Investigations Company Limited Errol Orlando Rattray T/A Quality Adjusters Ian Blackwood T/A ACTAR Investigations Focus Investigations Limited Jones Solomon Jaisingh T/A Network Coordinate Joseph Clement Messam T/A PROCUR (Professional Procurers) Latoure DeAvergne Duhaney T/A Genesis Protective Services Priority Investigations Limited Vinel Central Investigation & Security Consultancy Limited</p>	<p>Advanced Insurance Adjusters Limited Alert Motor Loss Adjusters & Valuators Limited Anthony O'Neil Uter T/A Delta Loss Adjusters Auto Assessors and Associates Limited Auto Electrical Specialist Limited Axis (Jamaica) Limited Caribbean Loss Adjusters Limited Casualty & Property Insurance Services Limited Crawford Jamaica Limited General Motor Adjusters Limited Innovative Consulting Services Limited T/A International Claims Services Jamaica Loss Adjusters Limited Jamaica Motor Assessment Limited Joan Elizabeth Williams T/A Virtual Insurance Services John Grewcock /A Talisman Adjusters Karen Alethea Scarlett T/A KAS Loss Adjusters and Valuators Lloyd Williams T/A Lloyd's Motor Insurance Adjusters Mathew John O'Donoghue T/A JMO Adjusters Maxine Margaret Segree T/A Claims Recovery & Insurance Bureau (CRIB)</p>
Three (3) Insurance Consultants	
<p>Action & Advice Claims Consultants Eberle Alric Robert Dawes T/A Flavoured Consultants In Insurance Nicholas James Wood</p>	<p>McLarens Young International (Jamaica) Limited Mendez Livingstone Incorporated Limited Michael Earl Xavier McKenzie T/A Red Line Collision Appraisal Specialist MSC McKay (Jamaica) Limited National Loss Adjusters and Trailway Cruiser Limited Orion Loss Adjusters Limited</p>
Seven (7) Claims Negotiators	
<p>Colleen Veronica Pryce T/A Crowne Consultant Services Claims Administrators Limited Collin Michael Harley T/A Insight Insurance Services Egerton Orlando Stewart T/A Stewart Recovery Action and Solution Fidelity Insurance Claims Consultants Limited Karen Patricia Murphy T/A Image Claims Negotiating Services Natalie Kerr T/A Direct Claim Services</p>	<p>Pan Caribbean Consultants Limited Percival George Stewart T/A Kaution Jamaica Precision Adjusters Limited Priority Loss Adjusters Limited Reliable Loss Adjusters Limited Smiles Loss Adjusters Limited Stellar Caribbean (Jamaica) Limited Toplis & Harding (Jamaica) Limited Trans Jam Loss Adjusters Limited Vincent Lloyd McLaughlin T/A Larmax Loss Adjusters Vision Adjusters Limited</p>



List of Licensed Pensions Entities

Twenty-eight (28) Pensions Administrators

ATL Group Pension Fund Trustees Nominee Limited
Bank of Jamaica
Bank of Nova Scotia
Barita Investments
BPM Financials Limited
Capital & Credit Securities Limited
Credit Union Fund Management Company Limited
Development Bank of Jamaica Limited
Employee Benefits Administrator Limited
FirstCaribbean International Bank (Jamaica) Limited
FirstCaribbean International Securities Limited
FHC Investments Limited
Guardian Life Limited
IBM
Investment Nominees Limited
Jamaica Co-operative Credit Union League Limited
Jamaica Money Market Brokers Limited
JN Fund Managers Limited
Mayberry Investments Limited
MF&G Asset Management Limited
NCB Insurance Company Limited
Nestle Jamaica Limited
Prime Asset Management Limited
PWL Transition Limited (formerly First Global Financial Services Limited)
Saxon Pensions Limited
Scotia Investments Limited
Scotia Jamaica Life Insurance Company Limited
Veritat Nominees Limited

Twenty-six (26) Pensions Investment Managers

ATL Group Pension Fund Trustees Nominee Limited
Bank of Jamaica
Barita Investments Limited
BPM Financials Limited
BCW Capital
Capital & Credit Securities
City of Kingston Co-operative Credit Union Limited
Credit Union Fund Management Company Limited
Development Bank of Jamaica Limited
FirstCaribbean International Securities Limited
First Global Financial Services Limited
FHC Investments Limited (formerly CCH Investments Limited)
Guardian Life Limited
Investment Nominees Limited
Jamaica Money Market Brokers Limited
Jamaica National Building Society
JN Fund Managers Limited
Mayberry Investments Limited
MF&G Asset Management Limited
MoneyMasters
NCB Insurance Company Limited
Prime Asset Management Limited
RBTT Securities Limited
Sagicor Life Jamaica Limited
Scotia Investments Limited
Veritat Nominees Limited



APPENDIX II: BULLETINS, GUIDELINES AND DISCUSSION PAPERS

In keeping with the principle of the risk-based approach for the regulation and supervision of the three regulated industries, the FSC continued to provide information and guidance to our licensees, registrants, other stakeholders and the general public through the issuance of the bulletins, guidelines and discussion papers. The following bulletins, guidelines and discussion papers were released during the review year:

INSURANCE INDUSTRY

- **Market Conduct for Insurance Intermediaries IR-GUID-14/06-0016:** The purpose of this guideline is to establish specific standards for insurance companies and intermediaries registered in Jamaica, in conducting insurance business with customers, and by extension, policyholders.
- **Guidelines on Reinsurance Practices and Procedures IR-GUID-14/10-0017:** The FSC requires that every insurance company should have formal policies and procedures that are adopted by its Board of Directors and which clearly establish a framework for the company's reinsurance practices.

SECURITIES INDUSTRY

Three consultation papers were issued to the securities industry for consultation:

- i. **SR-Consul-14/08-0029** - Proposed Method for (I) Allocating Foreign Currency Securities Subject to Special Limited Exemption to CIS from Securities Dealers, and (Ii) Determining Compliance with the Prevailing Foreign Currency Restriction
- ii. **SR-CONSUL-14/04-0027** - Proposal for the New Retail Repo Transaction Structure and Related Operational Process Flows

- iii. **SR-CONSUL-14/07-0028** - Proposal For (i) The Establishment of a Minimum Transaction Size and (ii) A Reduction in the Allowable Funding Currencies for Retail Repurchase Agreements

- **New Collective Investment Schemes Regulations SR-ADVI-14/04-0006** -This advisory seeks to assist market participants to understand the CIS regulatory framework by summarizing the key aspects of the new regulations.
- **Securities Industry Reform-Minimum Transaction Size SR-ADVI-14/10-0007** This advises the industry of the establishment of a minimum transaction size for retail repos.
- **Minimum Transaction Size Implementation Schedule SR-GUID-14/10-0023-** This guideline informs the industry that the FSC has established minimum transaction sizes for retail repos denominated in J\$ and US\$ currencies, which will be implemented on a phased basis, that will ultimately establish limits at J\$1,000,000 and US\$10,000 respectively, effective December 31, 2015. Also the FSC will introduce additional reporting requirements which will facilitate timely and accurate information gathering in order to determine the level of compliance with the established minimum transaction sizes

PENSIONS INDUSTRY:

- Requirements of the Financial Services Commission ("the Commission") regarding the documents and information to be submitted to the Commission by plans which intend to wind-up voluntarily **PR-GUID-14/05-0036**. This bulletin outlines the documents/information that is to be submitted by the trustees along with the notice of their intention to wind-up



a fund or scheme. The submission of these documents will aid in optimizing the efficiency in processing an application for winding-up of a fund or scheme by the FSC.

- **Lump Sum Payment on Death PR-GUID-14/05-0034.** The bulletin provides clarification on Section 13(2)(p)(i) of the Pensions (Superannuation Funds and Retirement Schemes) Act.
- **Using Multiple Administrators for Investment Managers for a Pension Plan Pr-Guid-14/05-0035-** This bulletin outlines the FSC's expectations regarding the timeliness and accuracy of all such data and the need to appoint a primary administrator and investment manager to ensure an effective governance framework which guarantees, among other things, compliance with the act.
- **Merger or Consolidation of Pension Plans: PR-GUID-14/06-0039.** This guideline specifies the documents and information that are required to be submitted to the FSC where two or more pension plans are being merged or consolidated into a single plan.
- **Expiration of Statutory Transitional Provisions: PR-GUID-15/02-0040.** The bulletin notifies trustees, investment managers, administrators and plan sponsors that the statutory provisions which permitted the continued provision of services necessary for or incidental to the provision of pension benefits for a Fund or Scheme that was in existence prior to March 1, 2005 has expired.
- **Giving Notification of Plans without Trustees: PR-GUID-15/02-0041.** This document specifies the minimum information to be included in the notice required to be filed with the FSC where a Fund or Scheme has no trustees.
- **Persons Substituting For Trustees In Trustees' Meetings: PR-GUID-15/02-0042.** This bulletin addresses whether a person can act as a substitute for a trustee of an approved Fund or Scheme.
- **THE Caribbean Actuarial Association's Standard of Practice for Actuarial Valuations of Pension Plans AR-ADV-14/05-0006 -** The bulletin informs the industry that the FSC expects that actuarial valuations for pension plans must satisfy the requirements of APS1 as issued by the Caribbean Actuarial Association (CAA) in accordance with the intended scope and application as outlined in section 1 of the standard.
- **Treatment Of Members Eligible For Early Retirement On Winding-Up Pr-Guid-14/05-0037** The bulletin informs 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.



APPENDIX III: FSC STATUTES & REGULATIONS

The statutes administered by the FSC are as follows-

- The Financial Services Commission Act (2001) amended 2004; 2013 and 2014
- The Financial Services (Overseas Regulatory Authority) (Disclosure) Regulations (2005)
- The Insurance Act (2001);
- The Insurance Regulations (2001) amended 2004;
- The Insurance (Actuaries) (Life Insurance Companies) Regulations (2001);
- The Insurance (Actuaries) (General Insurance Companies) Regulations (2002) amended 2011;
- The Insurance (Prescribed Sum) Regulations (2004);
- The Securities Act (1993) amended in 2001, 2013; 2014
- The Securities (Licensing and Registration) Regulations (1996) amended 2003, 2008; 2014
- The Securities (Conduct of Business) Regulations (1999) amended 2003;
- The Securities (Disclosure of Interest) Regulations (1999);
- The Securities (Prudential) Regulations (2014)
- The Securities (Retail Repurchase Agreements) Regulations (2014)
- The Securities (Takeovers and Mergers) Regulations (1999) amended 2000; 2014
- The Securities (Central Securities Depository) Regulations (2000) amended 2002;
- The Securities (Collective Investment Schemes) Regulations (2013) amended 2014
- The Pensions (Superannuation Funds and Retirement Schemes) Act (2004) amended 2005, 2006;
- The Pensions (Superannuation Funds and Retirement Schemes) (Specified Pension Funds and Specified Pensions Scheme) Regulations, (2006);
- The Pensions (Superannuation Funds and Retirement Schemes) (Registration, Licensing and Reporting) Regulations, (2006);
- The Pensions (Superannuation Funds and Retirement Schemes) (Governance) Regulations, (2006);
- The Pensions (Superannuation Funds and Retirement Schemes) (Investment) Regulations, (2006);

In addition, the FSC monitors its licensees and registrants for compliance with:

- The Proceeds of Crime Act 2007 & the Proceeds of Crime (Money Laundering Prevention) Regulations 2007
- The Terrorism Prevention Act 2005 & the Terrorism Prevention (Reporting Entities) Regulations 2010



BOARD OF COMMISSIONERS' REPORT

The Board of Commissioners hereby provides its report in pursuant to sections 22 and 23 of the Public Bodies Management and Accountability Act (PBMA). This Report serves as a brief highlight of the matters required in the PBMA as details are to be found elsewhere in this Annual Report.

(i) REVIEW OF OPERATIONS

During FY2014, the FSC continued with its day-to-day supervisory activities while striving to meet the IMF Benchmarks. The Board of Directors are proud to report that the FSC achieved its 2014 deliverables under the MEFP.

In relation to its supervision of market players, the FSC turned its focus towards a risk-based approach to supervision, which allowed it to identify high risk financial institutions to which it allocated greater supervisory effort and resources. Risk assessment of financial institutions in the insurance, securities and pensions industries were carried out and the results of the assessments were encouraging. The monitoring and supervision of financial institutions by the FSC has no doubt contributed to them remaining viable under trying economic circumstances.

During FY2014, the staff of the FSC worked assiduously along with the securities industry to develop a framework that will make the retail repurchase (retail repo) market safer. To that end, legislative provisions were enacted to require the placement of the assets underlying repurchase transactions in a trust for the benefit of investors.

The FSC continued its investigative and enforcement activities during the FY2014, details of which are set out at page 75 of the Annual Report. In light of concerns regarding frequent breaches of the regulations by licensees, the FSC developed a zero tolerance policy to be implemented at a future date.

The FSC also carried out important benchmarking exercises during FY2014, in preparation for the imminent FSAP and CFATF assessments. It

also began the process of identifying legislative changes that are to be made in order to enable the FSC to carry out group-wide supervision. Financial education is an important component of the FSC's operations. The FSC continued its financial education programmes, in collaboration with its many partners.

Overall, the year was a challenging but successful one for the FSC.

The following provides an analysis of the financial performance during the FY2014 and should be read in conjunction with the financial statements.

In the FY2013 Annual Report, it was indicated that the FSC was earmarked to become the Supervisor of Insolvency, based on communications from the GOJ. Work was done by the FSC staff in anticipation of the proposed new role. While it was the ultimate decision of the GOJ that another functionary should be appointed to that role, the FSC remains delighted that Jamaica has modernized its insolvency framework and that the FSC was a significant contributor to that effort.

Income and Expenditure

The FSC achieved a net surplus of \$245.81 million compared to \$166.24 million for the previous year. Highlights of the income and expenditure are presented as follows:

Income

Total revenue amounted to \$875.2 million; of which 94.4 per cent was licensing/registration fees and 5.5 per cent emanated from interest income. The amount of fees collected in FY2014 for licensing and registration was 5 per cent more than the amount collected for the financial year 2013-2014, as more fees were collected from the securities industry.

Expenses

Total expenses for the FY2014 fiscal year were \$665.42 million, which was \$24.56 million less than the expenditure for the previous year. This was due, in part, to the application of cost saving

mechanisms in some areas and to a reduction in bad debt expenses, printing and stationary costs, salaries and related expenses and the cost of training and conferences.

(i) **PROPOSED CHANGE IN THE NATURE & SCOPE OF THE FSC'S ACTIVITIES**

The role of the FSC is likely be expanded to include the regulation of non-deposit taking financial institutions that provide international financial services to clients residing outside of Jamaica.

(i) **CHANGES TO ITS CORPORATE PLAN & SUMMARY OF ITS ACHIEVEMENT AGAINST TARGETS**

The following outlines the FSC's performance in the FY2014 against its FY2014 objectives and targets:

- The strategic objectives and the associated targets to educate stakeholders and optimise human capital were met, and in some cases were exceeded;
- Significant strides were made in the development of measures to boost the enforcement thrust of the organisation. This was demonstrated by the FSC becoming a signatory to the IOSCO's MMOU and work done to develop other MOUs with local regulators and law enforcement agencies, as well as the FSC's regional and international counterparts.
- While significant work was done, the FSC partially achieved its strategic objectives of addressing legitimate concerns of stakeholders and improving its business processes; and

- The FSC met its legislative strategic objectives and targets, with one matter being deferred.

(i) **FORECAST AND PROJECTIONS OF KEY FINANCIAL & OPERATING MEASURES**

Based on its projections for the next financial year, the FSC will maintain its reserve of \$200 million. Additionally, at the end of the period, the FSC will have a surplus of about \$90 million, as its revenue will be the same as in FY2014, while its expenses will increase due to additional staff costs and building maintenance.

The Board of Directors expresses gratitude to the management, staff, clients and partners for their continued support, dedication and commitment to the organization during the FY2014 and look forward to continued collaboration in the coming years.



Colin Bullock
Chairman



Winston Hayden
Commissioner





FINANCIAL STATEMENTS



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e-Mail firmmail@kpmg.com.jm

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 (Commission), set out on pages 81 - 109 which comprise the statement of financial position as at March 31, 2015, statements of profit or loss and other comprehensive income, changes in reserves 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 the 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 of financial statements that give a true and fair view 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.





To the Members of
FINANCIAL SERVICES COMMISSION

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Financial Services Commission as at March 31, 2015, and of its financial performance, and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants
Kingston, Jamaica

June 30, 2015

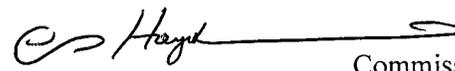
STATEMENT OF FINANCIAL INCOME

FOR THE YEAR ENDED MARCH 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and cash equivalents	3	55,623,558	25,430,513
Resale agreements	4	820,141,724	632,316,692
Accounts receivable	5	184,552,767	153,160,035
Taxation recoverable	6	<u>11,221</u>	<u>8,310,263</u>
		<u>1,060,329,270</u>	<u>819,217,503</u>
CURRENT LIABILITIES			
Accounts payable	7	60,734,731	70,031,184
Deferred fees		<u>255,494,349</u>	<u>245,125,138</u>
		<u>316,229,080</u>	<u>315,156,322</u>
NET CURRENT ASSETS		744,100,190	504,061,181
NON-CURRENT ASSETS			
Intangible assets	8	4,621,353	1,780,302
Property, plant and equipment	9	<u>26,145,315</u>	<u>36,250,455</u>
		<u>30,766,668</u>	<u>38,030,757</u>
		<u>\$ 774,866,858</u>	<u>542,091,938</u>
Financed by:			
RESERVES	10	<u>\$ 774,866,858</u>	<u>542,091,938</u>

The financial statements on pages 81 - 109 were approved by the Board of Commissioners on June 30, 2015 and signed on its behalf by:


 _____ Chairman
 Colin Bullock


 _____ Commissioner
 Winston Hayden



STATEMENT OF PROFIT & LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
INCOME			
Fees		826,095,141	785,546,823
Interest income		48,523,263	33,594,740
Other		<u>621,000</u>	<u>1,085,959</u>
		<u>875,239,404</u>	<u>820,227,522</u>
EXPENSES			
Advertising		742,848	454,278
Appeal tribunal		2,503,209	3,322,133
Audit		¹ 652,210	1,650,000
Bad debts, net of recoveries		(855,275)	12,933,600
Bank charges		250,566	764,030
Building maintenance		8,984,640	8,067,911
Commissioners' fees		1,743,425	1,815,000
Data security		8,508,113	6,757,355
Depreciation and amortisation	8,9	15,003,143	15,886,373
Irrecoverable General Consumption Tax		9,562,509	-
Market research costs		5,497,426	-
Motor vehicle and parking expenses		9,740,100	10,077,805
Office expenses		19,734,525	21,495,411
Printing and stationery		1,858,478	3,468,393
Professional fees		19,962,964	12,728,406
Public education		18,865,268	18,981,481
Rent	11(ii)	36,000,000	36,000,000
Staff costs	12	442,449,297	474,341,326
Subscriptions		19,167,743	8,318,119
Training and conferences		17,829,674	25,146,757
Utilities		<u>26,223,621</u>	<u>27,778,424</u>
		<u>665,424,484</u>	<u>689,986,802</u>
Surplus before grant		209,814,920	130,240,720
Grant	11(ii)	<u>36,000,000</u>	<u>36,000,000</u>
Surplus for the year		<u>\$245,814,920</u>	<u>166,240,720</u>

STATEMENT OF CHANGES IN RESERVES

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FOR THE YEAR ENDED MARCH 31, 2015

	<u>General Fund</u>	<u>Capital Reserve (Note 10)</u>	<u>Total</u>
Balances at March 31, 2013	378,842,654	1,078,564	379,921,218
Total comprehensive income for the year:			
Surplus for the year	<u>166,240,720</u>	<u>-</u>	<u>166,240,720</u>
Financial distribution (note 20)	<u>(4,070,000)</u>	<u>-</u>	<u>(4,070,000)</u>
Balances at March 31, 2014	541,013,374	1,078,564	542,091,938
Total comprehensive income for the year:			
Surplus for the year	<u>245,814,920</u>	<u>-</u>	<u>245,814,920</u>
Financial distribution (note 20)	<u>(13,040,000)</u>	<u>-</u>	<u>(13,040,000)</u>
Balances at March 31, 2015	<u>\$773,788,294</u>	<u>1,078,564</u>	<u>774,866,858</u>



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		245,814,920	166,240,720
Adjustments for:			
Depreciation and amortisation		15,003,143	15,886,373
Write-off of property, plant and equipment		-	2,599,900
Loss on disposal of property, plant and equipment		-	26,267
Interest income		<u>(48,523,263)</u>	<u>(33,594,740)</u>
		212,294,800	151,158,520
(Increase)/decrease in current assets:			
Resale agreements		(187,825,032)	(110,893,188)
Accounts receivable and prepayments		(30,766,047)	(21,843,118)
Taxation recoverable		8,299,042	(2,237)
Increase in current liabilities:			
Accounts payable		(9,296,453)	(8,535,555)
Deferred fees		<u>10,369,211</u>	<u>(8,282,979)</u>
Net cash provided by operating activities		<u>3,075,521</u>	<u>1,601,443</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	9	(3,181,749)	(18,681,105)
Additions to intangible assets	8	(4,557,305)	(1,244,598)
Proceeds from disposal of property, plant and equipment		-	80,000
Interest received		<u>47,896,578</u>	<u>31,896,012</u>
Net cash provided by investing activities		<u>40,157,524</u>	<u>12,050,309</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Financial distribution, being net cash used by financing activities	20	<u>(13,040,000)</u>	<u>(4,070,000)</u>
Net increase in cash and cash equivalents		30,193,045	9,581,752
Cash and cash equivalents at beginning of the year		<u>25,430,513</u>	<u>15,848,761</u>
Cash and cash equivalents at end of the year		<u>\$ 55,623,558</u>	<u>25,430,513</u>

1. The Commission

Financial Services Commission (Commission) is a statutory, not-for-profit organisation 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 and the Commission is exempt from income tax (note 13).

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). The Commission also assumed regulatory responsibilities for the pension industry under the Pensions (Superannuation Funds and Retirement Schemes) Act which had been enacted on September 21, 2004.

During 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, 2015, the Commission had in its employment 113 (2014: 121) employees, out of a Board-approved establishment of 127 (2014: 127) employees.

2. Statement of compliance, basis of preparation and significant 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.

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

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

New, revised and amended standards and interpretations effective during the year

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The adoption of those standards and amendments did not have any significant impact on the financial statements.

New, revised and amended standards and interpretations that are not yet effective:

At the date of authorization of the financial statements, certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current financial year and which the Commission has not early-adopted. The Commission has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant:

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.
- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2017. It replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

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

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

New, revised and amended standards and interpretations that are not yet effective (cont'd):

- IAS 1 *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
 - specific single disclosures that are not material do not have to be presented even if they are the minimum requirements of a standard
 - the order of notes to the financial statements is not prescribed.
 - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
 - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
 - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounting for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.
- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.
 - The amendment to IAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment to IAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.
- Improvements to IFRS 2010 - 2012 and 2011 – 2013 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the Commission are as follows:
 - *IFRS 13 Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

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

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

New, revised and amended standards and interpretations that are not yet effective (cont'd):

- Improvements to IFRS 2010 - 2012 and 2011 – 2013 cycle (cont'd):
 - *IAS 24 Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.
- Improvements to IFRS, 2012 – 2014 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Commission are as follows:
 - IFRS 5, Non-current Assets Held for Sale and Discontinued Operations has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.
 - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

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

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

New, revised and amended standards and interpretations that are not yet effective (cont'd):

The Commission is assessing the impact, if any, that adopting the foregoing standards, amendments, and interpretations may have on its future financial statements when they become effective.

(b) Basis of preparation:

The financial statements, as at and for the year ended March 31, 2015 (reporting date), 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 in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and income and expenses for the year then ended. Actual amounts could differ from those estimates.

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.

Judgements made by management in the application of IFRS that have a 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.

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below (cont'd):

(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 recognised in income and accounted for on the accrual 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 comprise computer software and security system software.

(ii) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognised 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 profit or loss.

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

(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 and are shown at cost.

(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 purchase and resale considerations is recognised on the accrual basis over the period of the agreement using the effective yield method and is included in interest income.

(j) Accounts receivable:

Accounts receivable are stated at amortised cost, less impairment losses [note 2(n)].



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

(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 recognised as income in the period to which they relate. Fees from traders on the stock exchange are recognised as income in the period 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, at 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
- 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".

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

(m) Fees (cont'd):

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 recognised as income in the period 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 are 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 is 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.

iii. Pension

The licensing fee payable by Investment Managers 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.

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

(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. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, an asset's recoverable amount is estimated at that 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 profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the Commission's assets is the greater of their fair value, less cost to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 largely 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 carried at amortised cost 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, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 profit or loss.

(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 and accounts receivable. Similarly, financial liabilities include accounts payable and deferred fees.

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

(q) Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the “reporting entity, in this case, the Commission”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has significant influence over the reporting entity; or
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent 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 Commissioners and Senior Managers of the Commission are referred to as “key management personnel”.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

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.

(s) Employee benefits:

Employee benefits are all forms of consideration given by the Commission in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing; post employment benefits such as pension; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

The Commission participates in a group defined-contribution pension superannuation fund administered by an investment company. Obligations for contributions to the scheme are recognised as an expense in profit or loss, as incurred.

3. Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
Current and saving accounts	55,617,603	25,424,558
Petty cash	<u>5,955</u>	<u>5,955</u>
	<u>\$55,623,558</u>	<u>25,430,513</u>

4. 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 ranged between 6.40% and 6.45% (2014: 7.15% and 7.30%) as at the year-end. The market value of the underlying securities as at March 31, 2015 was approximately J\$861,148,810 (2014: J\$663,932,526).

The Commission's exposure to credit and currency risks relating to resale agreements are disclosed in note 16.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

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5. Accounts receivable

	<u>2015</u>	<u>2014</u>
Trade receivables	136,886,776	116,695,671
Less: Allowance for impairment losses	<u>(3,048,352)</u>	<u>(12,933,600)</u>
Trade receivables, net [see note 16(b)(i)]	133,838,424	103,762,071
Prepayments and deposits (note 19)	41,113,992	40,482,052
Other receivables	2,775,187	2,717,433
Interest receivable	<u>6,825,164</u>	<u>6,198,479</u>
	<u>\$184,552,767</u>	<u>153,160,035</u>

During the year, other receivables of \$62,961 (2014: \$Nil) was written off to profit or loss as impairment losses.

The Pensions (Validation and Amendment) Act 2013 was passed on December 17, 2013, to make clear provisions for the payment of license fees both upon the initial grant and upon the renewal of a license, and to validate and confirm the collection of fees by the Financial Services Commission, its officers and staff and other persons in support of those acts during the period commencing on the 1st day of March 2005 and ending on the commencement of this Act and indemnify the Commission, its officers and staff and other persons acting on its behalf in respect of actions taken bona fide in execution of their duties in relation to such collection. Consequently, amounts outstanding, totaling approximately \$Nil (2014: \$3 million), were provided for and written-off, respectively, during the year.

The Commission's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 16.

6. 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 \$1,484,242 (2014: \$Nil).

7. Accounts payable

	<u>2015</u>	<u>2014</u>
Trade and other payables	24,213,430	23,384,087
Employee benefits –accrued vacation, gratuities and salary	<u>36,521,301</u>	<u>46,647,097</u>
	<u>\$60,734,731</u>	<u>70,031,184</u>

The Commission's exposure to liquidity and currency risks relating to trade and other payables are disclosed in note 16.

Included in the employee benefits is a provision of \$Nil (2014: \$8,284,726) which represents the 7% MOU salaries and allowances increases for the period April 1, 2009 to March 31, 2011 in keeping with the agreement arrived at between the Government and the respective trade unions/staff associations representing public sector employees. The final instalment of \$8,284,726 of the 7% MOU provisions was paid in May 2014.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

8. Intangible assets

These represent software cost capitalized as follows:

	<u>2015</u>	<u>2014</u>
Cost:		
At beginning of year	40,824,673	39,590,075
Additions	<u>4,557,305</u>	<u>1,244,598</u>
At end of year	<u>45,391,978</u>	<u>40,834,673</u>
Amortisation:		
At beginning of year	39,054,371	37,810,619
Charge for the year	<u>1,716,254</u>	<u>1,243,752</u>
At end of year	<u>40,770,626</u>	<u>39,054,371</u>
Net book value	<u>\$ 4,621,353</u>	<u>1,780,302</u>

9. Property, plant and equipment

	<u>Motor vehicles</u>	<u>Office furniture, equipment and leasehold improvements</u>	<u>Computer equipment</u>	<u>Total</u>
At cost:				
March 31, 2013	2,339,280	119,742,390	56,075,602	178,157,272
Additions	5,793,991	3,895,930	8,991,184	18,681,105
Disposals	(291,845)	(498,403)	-	(790,248)
Reclassification	-	(2,599,900)	-	(2,599,900)
March 31, 2014	7,841,426	120,540,017	65,066,786	193,448,229
Additions	-	2,377,268	804,481	3,181,749
Disposals	-	(950)	-	(950)
March 31, 2015	<u>7,841,426</u>	<u>122,916,335</u>	<u>65,871,267</u>	<u>196,629,028</u>
Depreciation:				
March 31, 2013	1,914,101	94,053,444	47,271,589	143,239,134
Charge for year	389,843	8,912,988	5,339,790	14,642,621
Eliminated on disposals	(262,661)	(421,320)	-	(683,981)
March 31, 2014	2,041,283	102,545,112	52,611,379	157,197,774
Charge for year	1,239,485	6,292,108	5,755,296	13,286,889
Eliminated on disposals	-	(950)	-	(950)
March 31, 2015	<u>3,280,768</u>	<u>109,836,270</u>	<u>58,366,675</u>	<u>170,483,713</u>
Net book values:				
March 31, 2015	<u>\$4,560,658</u>	<u>13,985,671</u>	<u>7,598,985</u>	<u>26,145,315</u>
March 31, 2014	<u>\$5,800,143</u>	<u>17,994,905</u>	<u>12,455,407</u>	<u>36,250,455</u>

9. 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.

10. Reserves

	<u>2015</u>	<u>2014</u>
General Fund	773,788,294	541,013,374
Capital reserve	<u>1,078,564</u>	<u>1,078,564</u>
	<u>\$774,866,858</u>	<u>542,091,938</u>

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.

11. Grant

	<u>2015</u>	<u>2014</u>
GOJ grant	<u>\$36,000,000</u>	<u>36,000,000</u>

(i) The Commission occupies a building owned by the Government of Jamaica (through the Ministry of Land, Water, Environment and Climate Change) at no charge without a lease agreement. The terms of the lease are under negotiations [note 17(e)].

(ii) The Commission has estimated the commercial value of the annual rental to be \$36,000,000 (2014: \$36,000,000) which has been recognised as a grant.

12. Staff costs

	<u>2015</u>	<u>2014</u>
Salaries, wages and related costs	393,491,350	407,075,354
Payroll statutory costs	25,600,196	27,542,653
Gratuity	10,466,757	26,122,775
Pension (note 14)	10,925,668	11,431,341
Motor vehicle loan subsidy*	<u>1,965,326</u>	<u>2,169,203</u>
	<u>\$442,449,297</u>	<u>474,341,326</u>

* The Commission partners with a major financial institution in providing loans to eligible staff for the purchase of motor vehicles. Under the terms of the agreement, the interest rate borne by the staff will be 3%% (2014: 3%) per annum and the Commission will provide a subsidy of the difference between the 3% (2014: 3%) per annum and the interest rate charged to a maximum of 15.61% per annum per loan. The subsidy ends when the loan is liquidated or if the staff member is no longer employed to the Commission. As at the reporting date, future subsidy payments are estimated at \$3.6 million (2014: \$2.7 million) which will be recognised in profit or loss as they fall due.

13. Taxation

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

14. Pension fund

Effective June 1, 1996, the Securities Commission commenced operations of a contributory pension fund 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 administration and management of the Plan was transferred from Sagikor Life to Prime Asset Management Limited as at November 30, 2009.

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

The fund is subject to periodic actuarial reviews at intervals of not more than three years. The last actuarial review at May 31, 2012, disclosed total assets of \$176.5 million, past service liabilities of \$165.4 million and a surplus of \$11 million.

Contributions by the Commission for the year amounted to \$10,925,668 (2014: \$11,431,341).

15. Insurance licence deposits

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.

The securities pledged as at March 31, 2015 were valued at approximately \$1,167 million (2014: \$1,132 million).

16. Financial instruments

(a) Fair values:

The fair values of cash and cash equivalents, resale agreements, accounts receivable 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.

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 customers are determined according to entities that are registered under the relevant legislation administered by the Commission.

The aging of trade receivables at reporting date was:

	<u>2015</u>	<u>2014</u>
Past due 0-30 days	108,467,248	89,979,473
Past due 30-60 days	5,214,148	2,184,304
Past due 60-90 days	1,762,609	4,505,787
Past due over 90 days	<u>21,442,771</u>	<u>20,026,107</u>
	136,886,776	116,695,671
Allowance for impairment losses	<u>(3,048,352)</u>	<u>(12,933,600)</u>
Trade receivables (note 5)	<u>\$133,838,424</u>	<u>103,762,071</u>

16. Financial instruments (cont'd)

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

(i) Credit risk (cont'd):

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2015</u>	<u>2014</u>
Balance at April 1	12,933,600	-
Allowance for impairment losses	<u>(9,885,248)</u>	<u>12,933,600</u>
Balance at March 31	<u>\$ 3,048,352</u>	<u>12,933,600</u>

Based on past experience, the Commission believes that no further allowance for impairment is necessary in respect of trade receivables past due, as a significant percent of the balance relates to customers that have a good track record with the Commission.

The allowance account in respect of trade receivables is used to record impairment losses unless the Commission is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written off against the receivable balance directly.

(ii) 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.

16. Financial instruments (cont'd)

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

(iii) 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 and there was no exposure to equity price risk.

- Interest rate risk:

Interest rate risk 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 (see note 4) and does not have any borrowings.

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 the reporting date, the Commission's exposure to foreign currency risk is as follows:

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Foreign currency assets:		
Cash and cash-equivalents	42,407	13,399
Accounts receivable and prepayments	<u>309,592</u>	<u>196,748</u>
	<u>351,999</u>	<u>210,147</u>

The exchange rate for US\$1, in terms of Jamaica dollars, at the reporting date, was \$115.02 (2014: \$109.56).

There has been no change during the year in the Commission's exposure to financial instrument risks nor the manner in which it measures and manages these risks.

16. 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.

17. Contingent liabilities

As at March 31, 2015, the Commission is contingently liable in respect of the following lawsuits filed against the Commission:

- (a) An action commenced on October 1, 2013 in the Supreme Court with a claim filed against the Commission. The Claimant sought liquidated damages of two million, six hundred and twenty-six thousand, two hundred and seventy-six dollars (JMD \$2,626,276) plus interest and also general damages for breach of statutory duty, breach of contract and negligence and costs.

By a Joint Notice of Discontinuance filed with the Supreme Court on July 16, 2014, the Claimant agreed to wholly discontinue the claim against the Commission and to pay costs in the sum of seventy thousand dollars (JMD \$70,000). The Commission has yet to recover the costs from the Claimant.

- (b) An action commenced on July 18, 2013 in the Supreme Court against a number of entities, including the Commission. The Claimants sought general damages and aggravated damages against the Commission for libel, slander, fraudulent and illegal misrepresentation and unlawful interference with business.

An application to strike out the claim was filed by the Defendants and the application will be heard in Chambers on October 27, 2015. The Commission is unable to quantify any future award of damages or costs at this stage.

- (c) The Commission was joined as a defendant in a suit against the Claimant's insurer and insurance broker for liquidated damages and interest and damages for breach of contract, breach of statutory duty and negligence.

The Commission believes that the Claimant will not be successful in this claim. However, in the event that the Claimant is successful, the Commission is of the view that it will be liable to pay costs of one million dollars (JMD \$1,000,000).

17. Contingent liabilities (cont'd)

- (d) The Claimants filed a Notice of Appeal in the Supreme Court of Jamaica contesting Cease and Desist Orders issued by the Commission. The challenges were premised on both procedural and substantive grounds. The appeal was heard and the Commission awaits the judgment of the Court.

The Commission is unable to determine any future award of damages or costs at this stage.

- (e) A matter came before the Privy Council from a judgment of the Court of Appeal made in the Commission's favour.

However, the award of costs by the Privy Council was as follows-

1. The Commission must pay the Claimant's costs in the Supreme Court.
2. The Claimant is to pay half of the Commission's costs in the Court of Appeal.
3. The Claimant is to pay half of the Commission's costs in the Privy Council.

In respect of item 1 above, the matter is currently before the Court for taxation and as at the date of the letter, the amount is not known. In respect of item 2, the amount owed by the claimant is JMD \$3,445,330. In respect of item 3, the amount owed by the claimant is £7426.49 (JMD \$1,303,777.67).

The Claimant therefore owes the Commission costs in the sum of four million, seven hundred, forty-nine thousand, one hundred and seven dollars (JMD \$4,749,107) which is to be set off against the amounts that will be adjudged to be paid by the Commission to the Claimant.

- (f) During the temporary management of a Securities dealer, a number of creditors filed claims against a Securities dealer for damages for breach of contract. The Commission, as Temporary Manager, obtained an Order staying those claims.

A creditor of the Securities dealer successfully applied to the Court to lift the stay on the basis that monies paid to the Securities dealer were held on trust for it. The Supreme Court found in the creditor's favour.

The Commission filed an appeal against this decision. The appeal was subsequently withdrawn with costs to be taxed if not agreed.

The Commission estimates legal fees and costs in respect of the appeal to be Seven Hundred and Fifty Thousand Dollars (JMD \$750,000).

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. However, the Commission anticipates that any eventual liabilities will not have a significant impact on the financial statements.

18. Related party balances and transactions

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

- (a) The statement of financial position includes balances with related parties, arising in the ordinary course of business, as follows:

	<u>2015</u>	<u>2014</u>
	\$	\$
Accounts payable:		
Trade and other payables:		
Commissioners	422,250	272,250
Other key management	-	1,408,567
Employee benefits – other key management	<u>19,595,904</u>	<u>19,031,118</u>

- (b) The statement of comprehensive income includes the following expenses with related parties, incurred in the ordinary course of business:

	<u>2015</u>	<u>2014</u>
	\$	\$
Key Management Personnel compensation:		
Commissioners’ fees	1,743,425	1,815,000
Salaries	68,345,497	96,337,082
Gratuity	11,130,350	21,130,148
Pension contributions	<u>179,387</u>	<u>434,853</u>

19. Capital commitment

In previous years’, the Commission entered into contracts for capital expenditure in the amount of US\$187,748 (\$18.5 million)], in respect of which deposits amounted to US\$30,959 (\$3.04 million)]. With respect to these contracts entered into in 2013, additional payments of US\$123,836 (\$18.17 million)] have been made during the year, as stipulated in the contracts and based on work in progress to date, and are included in accounts receivable and prepayments (note 5).

20. Allocation to the Government of Jamaica Consolidated Fund

Paragraph 9 of The Public Bodies (Financial Distribution) Regulations 2012, which came into operation on April 30, 2012, stipulates that “the Board of Directors of a self-financing public body, shall seek to allocate a minimum of 5% of profit or surplus for transfer to the Consolidated Fund, no later than six months after the close of the financial year”. Paragraph 11 further states that “normal financial distribution shall be recommended by the Board of Directors of each self-financing public body with the agreement of the Financial Secretary”.

20. Allocation to the Government of Jamaica Consolidated Fund (cont'd)

As at the reporting date, the Commission upon request from the Ministry of Finance and Planning remitted \$13,040,000 (2014: \$4,070,000) to the Accountant General's Department. This represented the distribution approved by the Board of Commissioners for the last financial year 2013/14 (2014: 2012/13).

As at the date of approval of the financial statements, such distribution for the current financial year 2014/15 has not yet been ratified by the Board of Commissioners for submission to the Financial Secretary.







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